

Office of Inspector General
Corporation for National and
Community Service

**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS
AWARDED TO
VOLUNTEER NEW HAMPSHIRE!**

OIG REPORT 09-12



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on April 29, 2009. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than October 28 2009, and complete its corrective actions by April 29, 2010. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

April 29, 2009

TO: Lois Nembhard
Acting Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: Report 09-12, *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Volunteer New Hampshire (VNH)*

We contracted with the independent certified public accounting firm of Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures in its review of Corporation grants awarded to VNH. The contract required MHM to conduct its review in accordance with generally accepted government auditing standards.

MHM is responsible for the attached report, dated April 17, 2009, and the conclusions expressed therein. We do not express opinions on the Consolidated Schedule of Claimed and Questioned Costs, supporting schedules, and conclusions on the effectiveness of internal controls; or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by October 28, 2009. Notice of final action is due by April 29, 2010.

If you have questions pertaining to this report, please call me at (202) 606-9360 or Rick Samson at (202) 606-9380.

Attachment

cc: James Doremus, Chairman, VNH Audit & Finance Committee
Tim Dupre, VNH Executive Director & NH AmeriCorps Director
William Anderson, Acting Chief Financial Officer
Rocco Gaudio, Deputy Chief Financial Officer, for GFFM
Claire Moreno, Senior Grants Officer
Sherry Blue, Audit Resolution Coordinator
Randal Vellocido, Shareholder, MHM



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**AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
VOLUNTEER NEW HAMPSHIRE!**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures (AUP) on grant costs claimed and grant compliance for Corporation-funded Federal assistance provided to Volunteer New Hampshire (VNH).

Results

As a result of applying our procedures, we questioned claimed Federal-share costs of \$234,809 and education awards of \$1,374. A questioned cost is an alleged violation or provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of testing, such cost was not supported by adequate documentation. Our cost testing results are summarized in the Consolidated Schedule of Award and Claimed Costs.

VNH claimed total costs of \$2,899,631 from January 1, 2006, through June 30, 2008. As a result of testing a judgmental sample of transactions, we questioned costs claimed as shown below.

| Description | Grant Number | Federal Share | Education Award |
|--|--------------|-------------------|-----------------|
| Improper Recording and Reporting of Costs | 04CAHNNH001 | \$ 15,447 | \$ - |
| Improper Recording and Reporting of Costs | 07CAHNNH001 | 10,144 | - |
| Unsupported Costs | 07CAHNNH001 | 967 | - |
| Improper Recording and Reporting of Costs | 06CDHNNH001 | 10,350 | - |
| Unsupported Costs | 06CDHNNH001 | 270 | - |
| Compelling Personal Circumstances Not Documented | 03AFHNNH002 | - | 1,374 |
| Unsupported Payroll Costs | 04CAHNNH001 | 56,616 | - |
| Unsupported Payroll Costs | 07CAHNNH001 | 92,151 | - |
| Unapproved Budget Costs | 06AFHNNH001 | 36,049 | - |
| Unapproved Budget Costs | 06ACHNNH001 | 8,975 | - |
| Unallowable Costs | 06ACHNNH001 | <u>3,840</u> | <u>-</u> |
| Total | | <u>\$ 234,809</u> | <u>\$ 1,374</u> |

We also found unallowable match costs of \$81,843, but did not question these costs because, after subtracting these unallowable costs, VNH would still meet its match obligation. Our procedures did not result in questioned costs for Competitive Grant No.

03ACHNH001 and Program Development & Technical Assistance (PDAT) Grant No. 06PTHNH001.

AmeriCorps members who successfully complete their terms of service are eligible for education awards and accrued interest awards funded by the National Service Trust. These award amounts are not funded by Corporation grants or claimed by VNH. However, as part of our AUP, we determined the effect of findings on member eligibility for education and accrued interest awards. Using the same criteria described above, we questioned education awards of \$1,374 due to non-compliance with program requirements.

Details related to these questioned costs and awards appear in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* that follows.

The detailed results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) requirements, as shown below under the Compliance and Internal Control section. Issues identified included:

- Lack of controls or controls not implemented over recording and reporting of Federal-share costs;
- Late submission of Financial Status Reports (FSRs), member enrollment and exit forms, progress reports, and Periodic Expense Reports (PERs); and
- Lack of adequate procedures and controls to ensure service hours are recorded after contracts are signed; subgrantees maintain documentation of members' compelling personal circumstances; and member contracts are accurately completed.

Agreed-Upon-Procedures Scope

We performed our AUP during the period August 19 through December 10, 2008, and covered the allowability, allocability, and reasonableness of costs claimed by VNH between January 1, 2006, and June 30, 2008. We also performed tests to determine VNH's compliance with grant terms and provisions for the following programs:

| <u>Program</u> | <u>Award Number</u> | <u>Award Period</u> | <u>Testing Period</u> |
|--------------------------|---------------------|----------------------|-----------------------|
| Administrative | 04CAHNNH001 | 01/01/04 to 12/31/06 | 01/01/06 to 12/31/06 |
| Administrative | 07CAHNNH001 | 01/01/07 to 12/31/09 | 01/01/07 to 06/30/08 |
| PDAT | 06PTHNH001 | 01/01/06 to 12/31/08 | 01/01/06 to 06/30/08 |
| Disability | 06CDHNNH001 | 01/01/06 to 12/31/08 | 01/01/06 to 06/30/08 |
| AmeriCorps – Formula | 03AFHNNH002 | 09/01/03 to 09/30/06 | 04/01/06 to 09/30/06 |
| AmeriCorps – Formula | 06AFHNNH001 | 09/01/06 to 09/30/09 | 09/01/06 to 03/31/08 |
| AmeriCorps – Competitive | 03ACHNH001 | 09/01/03 to 09/30/06 | 04/01/06 to 09/30/06 |
| AmeriCorps – Competitive | 06ACHNH001 | 09/01/06 to 09/30/09 | 09/01/06 to 03/31/08 |

The procedures performed, based on the OIG's AUP program dated July 2008, have been included in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* section of this report.

Background

The Corporation supports a range of national and community service programs that provide an opportunity for individuals (members) to serve full - or part-time. The Corporation funds opportunities for Americans to engage in service that fosters civic responsibility and strengthens communities. It also provides educational opportunities for those who have made a substantial commitment to service.

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Service-Learning (Learn and Serve America). The AmeriCorps Program, the largest of the initiatives, is funded in two ways: grants through the State Commissions, and direct funding to applicants, including funding under the National Direct Program.

VNH, based in Concord, New Hampshire, is a 501c(3) organization established to promote the tradition of volunteerism and ethic of service in New Hampshire. It is a result of the merger of the former Governor's Council on Volunteerism, the New Hampshire Office of Volunteerism, and the New Hampshire Commission for National and Community Service. VNH has six employees and contracts with the New Hampshire Higher Education Assistance Foundation for a finance manager.

VNH awards Corporation funds to subgrantees throughout the State of New Hampshire. Its accounting system allocates all costs under the Corporation grant by cost centers and segregates between Federal and grantee shares. On a semi-annual basis, the finance manager completes the required FSRs by using the cost data in the organization's general ledger and the PERs submitted by the subgrantees.

VNH received Corporation grant funds of \$6,991,547, and claimed Federal costs of \$2,899,631, for the period January 1, 2006, through June 30, 2008.

Exit Conference

The contents of this report were discussed with representatives from VNH and the Corporation at an exit conference held in Concord, New Hampshire, on February 5, 2009. In addition, a draft of this report was provided to officials of VNH and the Corporation for their comment on March 03, 2009. VNH and two subgrantees generally agreed with the issues within each finding and the Corporation deferred its response until after it reviews the audit working papers and VNH's corrective action plans. We summarized their comments in the appropriate sections of this report, and have included the responses verbatim as Appendices A, B, C, and D..



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**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures described below for costs claimed between January 1, 2006, and June 30, 2008. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to VNH for the awards and periods listed below. The combined award period is September 1, 2003, to December 31, 2009. This AUP engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

| <u>Program</u> | <u>Award Number</u> | <u>Award Period</u> | <u>Testing Period</u> |
|--------------------------|---------------------|----------------------|-----------------------|
| Administrative | 04CAHNNH001 | 01/01/04 to 12/31/06 | 01/01/06 to 12/31/06 |
| Administrative | 07CAHNNH001 | 01/01/07 to 12/31/09 | 01/01/07 to 06/30/08 |
| PDAT | 06PTHNNH001 | 01/01/06 to 12/31/08 | 01/01/06 to 06/30/08 |
| Disability | 06CDHNNH001 | 01/01/06 to 12/31/08 | 01/01/06 to 06/30/08 |
| AmeriCorps – Formula | 03AFHNNH002 | 09/01/03 to 09/30/06 | 04/01/06 to 09/30/06 |
| AmeriCorps – Formula | 06AFHNNH001 | 09/01/06 to 09/30/09 | 09/01/06 to 03/31/08 |
| AmeriCorps – Competitive | 03ACHNNH001 | 09/01/03 to 09/30/06 | 04/01/06 to 09/30/06 |
| AmeriCorps – Competitive | 06ACHNNH001 | 09/01/06 to 09/30/09 | 09/01/06 to 03/31/08 |

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

The procedures that we performed included obtaining an understanding of VNH and its subgrantee site monitoring process; reconciling Federal-share and match costs claimed to the accounting system; reviewing member files to verify that the records supported member eligibility to serve and the allowability of living allowances and education awards; testing compliance with selected grant provisions and award terms and conditions; and testing claimed grant costs and match costs to ensure: (i) proper recording of grant costs; (ii) that the match requirement was met; and (iii) costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions. Grant drawdowns were compared for consistency to the Federal share reported on FSRs submitted by VNH.

Results – Costs Claimed

Cost testing results are summarized in the schedules and exhibits below. The schedules and exhibits also identify instances of questioned education awards. These awards were not funded by the Corporation grant, and accordingly are not included in claimed costs. However, as part of our AUP, we determined the effect of member service hours and eligibility exceptions on these awards.

**Consolidated Schedule of Award and Claimed Costs
Corporation for National and Community Service Awards
Volunteer New Hampshire!**

| <u>Award Number</u> | <u>Program</u> | <u>Approved Budget</u> | <u>Audit Period Claimed Costs *</u> | <u>Questioned Costs</u> | <u>Questioned Education Awards</u> | <u>Reference</u> |
|---------------------|------------------------|------------------------|-------------------------------------|-------------------------|------------------------------------|------------------|
| 03AFHNNH002 | AmeriCorps-Formula | \$ 1,243,995 | \$ 200,987 | \$ - | \$ 1,374 | Exhibit A |
| 06AFHNNH001 | AmeriCorps – Formula | 1,083,606 | 867,634 | 36,049 | | Exhibit A |
| 03ACHNNH001 | AmeriCorps-Competitive | 1,551,258 | 177,102 | - | - | Exhibit A |
| 06ACHNNH001 | AmeriCorps-Competitive | <u>2,004,501</u> | <u>1,083,484</u> | <u>12,815</u> | <u>-</u> | Exhibit A |
| | Total AmeriCorps | \$ 5,883,360 | \$ 2,329,207 | \$ 48,864 | \$ 1,374 | |
| 04CAHNNH001 | Administrative | \$ 427,504 | \$ 72,063 | \$ 72,063 | \$ - | Exhibit A |
| 07CAHNNH001 | Administrative | 300,895 | 219,794 | 103,262 | - | Exhibit A |
| 06PTHNNH001 | PDAT | 275,500 | 221,500 | - | - | Exhibit A |
| 06CDHNNH001 | Disability | <u>104,288</u> | <u>57,067</u> | <u>10,620</u> | <u>-</u> | Exhibit A |
| | Totals | <u>\$ 6,991,547</u> | <u>\$ 2,899,631</u> | <u>\$ 234,809</u> | <u>\$ 1,374</u> | |

* For the Formula and Competitive grants, the claimed costs will not agree to the amounts reported in Exhibit A on the following page because the amounts reported by VNH in its FSRs did not reconcile to the amounts reported by the subgrantees in their PERs. The claimed costs reported above were obtained from the FSRs and the claimed costs reported in Exhibit A were obtained from the subgrantees' PERs.

Notes to Consolidated Schedule of Award and Claimed Costs

Basis of Accounting

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and VNH. The information presented in the schedules has been prepared from reports submitted by VNH to the Corporation and accounting records of VNH and its subgrantees. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

Equipment

Equipment should not be purchased and claimed under Federal or grantee share of cost. However, during our testing period, we noted that VNH purchased equipment and reported a portion of the cost as Federal share (See Finding 1).

Inventory

Minor materials and supplies are charged to expenses during the period of purchase.

EXHIBIT A

**Schedule of Awards and Claimed Costs by Grant
Volunteer New Hampshire!
January 1, 2006, to June 30, 2008**

| <u>Awards</u> | <u>Claimed Costs **</u> | <u>Questioned Costs</u> | <u>Questioned Education Awards</u> | <u>Reference</u> |
|---|-----------------------------|-----------------------------|--|------------------|
| <u>03AFHNNH002 – Formula</u> | | | | |
| NH Coalition Against Domestic and Sexual Violence * | \$ 64,043 | \$ - | \$ - | Schedule A-3 |
| Student Conservation Association, Inc. * | <u>117,803</u> | <u>-</u> | <u>1,374</u> | Schedule A-2 |
| Sub-total | \$ 181,846 | \$ - | \$ 1,374 | |
| <u>06AFHNNH001 – Formula</u> | | | | |
| Community Action Belknap-Merrimack Counties, Inc. | \$ 157,472 | \$ - | \$ - | |
| NH Coalition Against Domestic and Sexual Violence * | <u>366,461</u> | <u>36,049</u> | <u>-</u> | Schedule A-3 |
| Sub-total | \$ 523,933 | \$ 36,049 | | |
| <u>03ACHNNH001 – Competitive</u> | | | | |
| Community Action Belknap-Merrimack Counties, Inc. | \$ 70,706 | \$ - | \$ - | |
| City Year, Inc. | 122,507 | - | - | |
| Plus Time New Hampshire | <u>85,053</u> | <u>-</u> | <u>-</u> | |
| Sub-total | \$ 278,266 | \$ - | \$ - | |
| <u>06ACHNNH001 – Competitive</u> | | | | |
| Student Conservation Association, Inc. * | \$ 407,619 | \$ 12,815 | \$ - | Schedule A-2 |
| City Year, Inc. | 899,521 | - | - | |
| Plus Time New Hampshire | <u>161,306</u> | <u>-</u> | <u>-</u> | |
| Sub-total | <u>\$1,468,446</u> | <u>\$ 12,815</u> | <u>\$ -</u> | |
| Subgrantees' Total | <u>\$2,452,491</u> | <u>\$ 48,864</u> | <u>\$ 1,374</u> | |
| <u>Commission Awards</u> | | | | |
| Administrative (04CAHNNH001) | \$ 72,063 | \$ 72,063 | \$ - | Schedule A-1 |
| Administrative (07CAHNNH001) | 219,794 | 103,262 | - | Schedule A-1 |
| PDAT (06PTHNNH001) | 221,500 | - | - | Schedule A-1 |
| Disability (06CDHNNH001) | <u>57,067</u> | <u>10,620</u> | <u>-</u> | Schedule A-1 |
| Sub-Total | <u>\$ 570,424</u> | <u>\$185,945</u> | <u>\$ -</u> | |
| VNH Total | <u>\$3,022,915</u> | <u>\$234,809</u> | <u>\$ 1,374</u> | |

* Selected for Application of Agreed-Upon Procedures.

** For the Formula and Competitive grants, the claimed costs will not agree to the amounts reported in the Consolidated Schedule of Award and Claimed Costs on the previous page because the amounts reported by VNH in its FSRs did not reconcile to the amounts reported by the subgrantees in their PERs. The claimed costs reported above were obtained from the subgrantees' PERs, and the claimed costs reported in the Consolidated Schedule were obtained from FSRs submitted by VNH.

Schedule of Award and Claimed Costs
Volunteer New Hampshire! (VNH)

Awards 04CAHNNH001, 07CAHNNH001, 06PTHNNH001, and 06CDHNNH001

| | | <u>Reference</u> |
|--|--------------------|------------------|
| Corporation Awards | <u>\$1,108,187</u> | Note 1 |
| Claimed Federal Costs | <u>\$ 570,424</u> | Note 2 |
| Questioned Costs: | | |
| Improper Recording and Reporting of Costs: | | |
| (04CAHNNH001) | \$15,447 | Note 3 |
| (07CAHNNH001) | 10,144 | Note 3 |
| (06CDHNNH001) | 10,350 | Note 3 |
| Unsupported Payroll Costs | | |
| (04CAHNNH001) | 56,616 | Note 4 |
| (07CAHNNH001) | 92,151 | Note 4 |
| Unsupported Costs | | |
| (07CAHNNH001) | 967 | Note 5 |
| (06CDHNNH001) | <u>270</u> | Note 5 |
| Total Questioned Costs | <u>\$ 185,945</u> | <u>Note 6</u> |

Notes

1. The amount shown represents the total funding to VNH according to the grant award documents.
2. Claimed costs represent VNH's reported Federal expenditures for the period January 1, 2006, through June 30, 2008.
3. Thirty Federal-share cost transactions were not properly charged to the grants (see Finding 1).
4. The executive director's salary was not properly supported (see Finding 1).
5. Five Federal-share cost transactions were not properly supported (see Finding 1).
6. The questioned costs identified represent 62.5 percent of a sampled total of \$59,463. Questioned unsupported payroll costs were not part of the sample and are excluded from the 62.5 percent.

**Schedule of Award and Claimed Costs
Student Conservation Association, Inc. (SCA)**

Awards 03AFHNNH0020002 and 06ACHNH0010001

| | | <u>Reference</u> |
|---|------------------|------------------|
| Subgrantee Awards | <u>\$890,400</u> | Note 1 |
| Claimed Federal Costs | <u>\$525,422</u> | Note 2 |
| Questioned Costs: | | |
| Unapproved Budget Costs (06ACHNH0010001) | \$8,975 | Note 3 |
| Unallowable Costs (06ACHNH0010001) | <u>3,840</u> | Note 4 |
| Total Questioned Costs | <u>\$ 12,815</u> | Note 6 |
| Questioned Education Awards: | | |
| Compelling Personal Circumstances Not Documented (03AFHNNH0020002) | <u>\$ 1,374</u> | Note 5 |

Notes

1. The amount shown represents the total funding to SCA according to the subgrantee agreements.
2. Claimed costs represent SCA's reported Federal expenditures for the period April 1, 2006, through June 30, 2008.
3. SCA exceeded the Federal Section I (Program Operating Costs) budget by \$8,975. SCA used available Section II (Member Costs) funds for program operating costs (see Finding 1).
4. Equipment greater than \$5,000 was purchased without being included in the approved budget or subsequently approved in writing by the Corporation prior to the purchase. SCA paid \$8,000 for the purchase of a plow truck and \$3,840 was claimed as a Federal cost (see Finding 1).
5. One member was given a partial education award, but did not have any compelling personal circumstances documented (see Finding 3).
6. The questioned costs identified represent 5.1 percent of a sampled total of \$74,979. Questioned unapproved budget costs were not part of the sample and are excluded from the 5.1 percent.

Schedule of Award and Claimed Costs
New Hampshire Coalition Against Domestic and Sexual Violence (NHCADSV)

Awards 03AFHNNH0020001 and 06AFHNNH0010002

| | | <u>Reference</u> |
|---|------------------|------------------|
| Subgrantee Awards | <u>\$989,405</u> | Note 1 |
| Claimed Federal Costs | <u>\$430,504</u> | Note 2 |
| Questioned Costs: | | |
| Unapproved Budget Costs (06AFHNNH0010002) | <u>\$ 36,049</u> | Note 3 |

Notes

1. The amount shown represents the total funding to NHCADSV according to the subgrantee agreements.
2. Claimed Federal costs represent NHCADSV's reported expenditures for the period April 1, 2006, through June 30, 2008.
3. NHCADSV exceeded the Federal Section I (Program Operating Costs) budget by \$36,049. NHCADSV used unused Section II (Member Costs) funds for program operating costs (see Finding 1).

Results - Compliance and Internal Control

Finding No. 1 – Lack of Controls or Controls Not Implemented Over Recording and Reporting of Federal-share Costs

Improper Recording and Reporting of Costs

VNH did not have proper procedures and controls implemented to ensure that all costs, direct and indirect, were charged to the proper grants. Instead, Federal-share costs were arbitrarily charged to a group of grants that VNH officials believed the costs would benefit. We questioned a total of 30 transactions of the 79 tested.

Eighteen of the 79 Federal-share cost transactions reviewed at VNH were indirect costs that were not allocated to the appropriate grants. VNH could not provide documentation to support how these Federal-share cost transactions should have been allocated to the appropriate grants. VNH officials indicated that they allocated the costs randomly to any of the grants as they believed that all grants were benefiting. Therefore, we questioned the total value of the 18 transactions, resulting in questioned costs of \$14,705 for Administrative grant (04CAHNNH001), \$8,114 for Administrative grant (07CAHNNH001), and \$1,633 for Disability grant (06CDHNNH001).

Twelve of the 79 Federal-share cost transactions were direct costs that were not claimed to the proper program. Therefore, we questioned \$742 for Administrative grant (04CAHNNH001), \$2,030 for Administrative grant (07CAHNNH001), and \$8,717 for Disability grant (06CDHNNH001).

VNH believed that all costs incurred benefited all of its grants, including one non-Corporation Federal grant that they interpreted as assisting in the creation of national and community service programs. Therefore, VNH determined it was not necessary to develop an allocation methodology to allocate the indirect costs to the appropriate grants and direct costs did not need to be further scrutinized to determine the proper grant to be reported against.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A., General Principles, Section A.4, *Allocable Costs*, states:

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
 - (1) Is incurred specifically for the award.
 - (2) Benefits both the award and other work and can be distributed in reasonable proportion to the benefits received, or
 - (3) Is necessary to the overall operation of the organization, although a direct relationship to any particular cost objective cannot be shown.

- b. Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding

deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

OMB Circular A-122, Attachment A., General Principles, Section B, *Direct Costs*, states:

B. Direct Costs

1. Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. However, a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstance, has been allocated to an award as an indirect cost. Costs identified specifically with awards are direct costs of the awards and are to be assigned directly thereto. Costs identified specifically with other final cost objectives of the organization are direct costs of those cost objectives and are not to be assigned to other awards directly or indirectly.

2. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives.

* * *

C. Indirect Costs

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in subparagraph B.2. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.

Unsupported Costs

Five of the 79 Federal-share cost transactions we tested were not properly supported. As a result, we questioned \$967 for Administrative grant (07CAHNNH001) and \$270 for Disability grant (06CDHNNH001). VNH did not know why the supporting documents could not be located.

Criteria

45 C.F.R. § 2543.21 *Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations, Subpart C, Post-Award Requirements, Standards for financial management systems*, states:

(b) Recipients' financial management systems shall provide for the following.

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in § 2543.51.

* * *

- (7) Accounting records including cost accounting records that are supported by source documentation.

2006 AmeriCorps General Provisions, Section V B., *Financial Management Standards* states in part:

1. General. The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

Cost Reconciliation

The financial records in support of VNH's claimed costs for all of the subgrantees on two formula and two competitive grants did not agree with costs claimed on the FSRs. VNH stated that it could not determine the cause.

VNH lacked controls to ensure that it correctly entered the data from subgrantee PERs into its financial system. Subgrantees submit electronic PERs to VNH which, in turn, enters the data into its systems. These amounts are then accumulated for all subgrantees and entered on the aggregate FSR submitted to the Corporation. The FSRs for the two formula grants were overstated, while the FSRs for the two competitive grants were understated. The under and over amounts did not cancel each other out. The net difference did not increase the cost to the government; therefore, we did not question any costs.

Criteria

2006 AmeriCorps General Provisions, Section V.B. *Financial Management Standards*, states in part:

1. General. The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

Payroll

While performing the payroll testing, we found that the executive director's salary was being allocated 100 percent to Corporation grants, even though we were aware that part of his time was utilized to support the Citizen Corps program, a program supported by a Department of Homeland Security (DHS) grant that flows through the New Hampshire Department of Safety. VNH could not provide documentation to support the allocation of the executive director's salary to the different programs; therefore, we questioned his total

salary of \$56,616 for 2006, (Administrative grant 04CAHNNH001) and \$92,151 for 2007 and 2008 (Administrative grant 07CAHNNH001). The amount for 2008 includes salary paid until June 30, 2008, the end of our testing period

VNH does not require its employees to complete a timesheet or an effort report. VNH believes that the executive director's time equally benefits all of the Corporation grants, and that the Citizen Corps program benefits the Corporation grants because it assists in the creation of national and community service programs. Therefore, VNH did not believe a documented allocation of the executive director's time to all allowable grants was required.

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B., *Selected Items of Cost*, Section 8, *Compensations for Personal Services*, states in part:

m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in **subparagraph (2)**, except when a substitute system has been approved in writing by the cognizant agency. (See **subparagraph E.2 of Attachment A.**)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

Unused Member Support Costs

Both of the VNH subgrantees we tested exceeded the Federal Section I (Program Operating Costs) budget by utilizing unused Section II (Member Support Cost) funds for program operating costs.

NHCADSV received approval from VNH to use the Section II funds; however, required approval was not obtained from the Corporation. Therefore, we questioned the program operating costs of \$36,049 for Formula grant 06AFHNNH001.

SCA believed that funds could be reallocated without written approval from the Corporation as long as there was a budget variance of 10 percent or less. However, SCA did not realize that funds could not be reallocated between Section I and Section II costs. Therefore, we questioned the program operating costs of \$8,975 for Competitive grant 06ACHNNH001.

Criteria

The 2006 AmeriCorps Grant Special Provisions, Section IV. M., *Budget and Programmatic Changes*, states in part:

3. Budgetary Changes. The grantee must obtain the prior written approval of the Corporation's Office of Grants Management before deviating from the approved budget in any of the following ways:

a. Reallocation of Funds from the "Member Support Cost" category to other categories of the approved budget.

Unallowable Costs

One of the 60 Federal-share cost transactions at SCA was not allowable under the AmeriCorps grant. This cost was for equipment costing greater than \$5,000 and was not specifically included in the approved budget or subsequently approved in writing by the Corporation prior to the purchase. SCA paid \$8,000 for a plow truck and \$3,840 of this amount was claimed as Federal-share cost; therefore, we questioned \$3,840 claimed to Competitive grant No. 06ACHNNH001.

Criteria

The 2006 AmeriCorps Special Provisions, *Section IV. M., Budget and Programmatic Changes*, states in part:

3. Budgetary Changes. The grantee must obtain the prior written approval of the Corporation's Office of Grants Management before deviating from the approved budget in any of the following ways:

* * *

- c. **Purchases of Equipment over \$5,000** using grant funds, unless specified in the approved application and budget.

Recommendations

We recommend that the Corporation:

- 1.a. Resolve the questioned costs of \$234,809, and recover disallowed costs;
- 1.b. Ensure VNH develops and documents controls necessary to ensure that PERs submitted by its subgrantees are correctly entered into VNH's financial systems and reported on its FSRs; and that it performs a reconciliation of the financial system to the FSRs;
- 1.c. Ensure that VNH maintains adequate support for costs claimed and provides training to its subgrantees to ensure the development of control procedures so that only allowable and documented costs are claimed;
- 1.d. Ensure that VNH establishes and uses proper allocation methodology to charge indirect costs to the appropriate grants;
- 1.e. Ensure that VNH establishes controls and trains its subgrantees to obtain written Corporation approval before transferring funds between Sections I and II; and
- 1.f. Ensure that VNH develops and documents controls necessary to allocate personnel costs to its grants.

Commission's Response

Regarding the "Improper Recording and Reporting of Costs", VNH stated that it has created a system to allocate indirect costs to appropriate grants, including the non-corporation grant that is based on staff hours attributed to specific grants.

Regarding the "Unsupported Costs", VNH stated that it requested a spreadsheet of the exact questioned costs so it could continue to research those costs and stated that the spreadsheet has not yet been received. VNH stated that, although receipts may not have been attached to the purchase order, descriptions of the cost with a cashed check are available, or a credit card statement identifying the purchase cost and description are available. For each cash transaction, there is a purchase order that has appropriate supporting documentation. VNH also stated that although there could be many reasons for missing documentation, not having a financial officer on staff creates an environment where energy is not dedicated to fiscal follow up, resulting in the occasional missing backup document. Finally, VNH stated that the VNH Board of Directors has established a finance and audit committee that will provide the additional oversight of the systems so information and documentation are provided immediately.

Regarding the "Cost Reconciliation" issue, VNH stated that this also will be a responsibility of the finance and audit committee, as it appears the system is in place and it is generally sound. However, improvement is needed in reviewing information to ensure it is accurately recorded.

Regarding the “Payroll” issue, VNH stated that it was the practice, based on the previous audit, for the administrative grant to provide the support to the other two, including charging 100 percent of the executive director’s salary. VNH stated that it has created timesheets that identify grant allocations for salaries. Additionally, VNH stated that the percentage of time dedicated to Citizen Corps is minimal. It averages approximately 4 hours per week and these 4 hours are provided above and beyond the 45 to 60 hours per week that are dedicated to the Corporation’s grants. As a result of the audit, VNH and the Department of Safety have agreed to allocate a portion of the Executive Director’s salary, based on 4 hours per week, to the Citizen Corps grant.

Regarding the SCA “Unused Member Support Costs”, VNH stated that this occurred due to a misunderstanding of allowable budget variances. The person responsible for preparing the PER did not realize that funds could not be reallocated between Section I (Program Operating) and Section II (Member) costs. SCA will ensure that staff preparing the quarterly PERs understands that reallocation of monies between sections is not allowed without prior written approval from the Corporation.

Regarding the “Unallowable Costs” identified in the finding, VNH stated that, at the time, the cost was believed to have been covered in the budget under rent and utilities, but the required written approval does not appear to have been requested. In the future, SCA will ensure that proper written approval is obtained from the Corporation prior to any non-budgeted equipment or supply purchase exceeding \$5,000.

Auditor’s Comment

The Corporation should consider the actions proposed by VNH and follow up to ensure that they are implemented and effective. Regarding the unsupported costs issue, we maintain our position that we provided VNH with the details of all the sampled transactions during our fieldwork and again provided the information in an e-mail on October 29, 2009. Cancelled (cash) checks and purchase orders are internally generated and are not sufficient evidence to demonstrate the transaction is valid. However, an externally generated invoice is generally sufficient source documentation to support the item purchased and the cost.

We also maintain our position regarding the payroll costs. As OMB Circular A-122 clearly states “Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards.” Additionally, a work week in excess of 40 hours is not relevant for an exempt employee because the work week is not defined as 40 hours. Time charged to any Federal grant should be based upon actual effort, supported by an activity based timesheet.

Finding No. 2: Late Submission of Financial Status Reports (FSRs), Member Enrollment and Exit Forms, Progress Reports (GPRs), and Periodic Expense Reports (PERs)

VNH and the two subgrantees we tested did not always submit required reports by the due dates, as shown in the table below.

| Grantee/Subgrantee | Number & Type of Reports Submitted Late |
|--------------------|---|
| VNH | <ul style="list-style-type: none"> • 9 of 23 FSRs • 4 of 4 GPRs – Never Submitted |
| NHCADSV | <ul style="list-style-type: none"> • 2 of 2 PERs • 5 of 15 tested enrollment forms • 2 of 15 tested exit forms |
| SCA | <ul style="list-style-type: none"> • 4 of 17 tested enrollment forms • 7 of 17 tested exit forms |

When subgrantees do not report their PERs to VNH in a timely manner, VNH will not be able to review, track, and monitor the subgrantees' activities. In addition, when FSRs and GPRs are not submitted to the Corporation in a timely manner, the Corporation will not be able to accurately assess the financial status of the grants and its progress to date.

VNH's executive director attributed the delay in submitting reports to the Corporation to the lack of staff.

NHCADSV indicated that the PERs were not submitted to VNH on time because financial reports containing all reportable expenses were not available until after the PERs submission deadline. In addition, the NHCADSV program director stated the Member Enrollment forms were late because the Member Service Agreement forms were not signed by the host site supervisors in a timely manner, and the Member End-of-Term/Exit forms were late because NHCADSV was searching for missing timesheets and waiting for other paperwork to be completed.

SCA staff stated that when they entered the enrollment forms into WBRS, they did not know the forms needed to be "Approved" before submitting them; therefore, the enrollment forms were submitted late.

Criteria

The VNH-subgrantee Cooperative Agreement, *Section V., Agency Responsibilities*, Section B.4, states:

At the close of the grant period, a final report detailing actual expenses for the program year will be submitted no later than 30 days after the close of the grant period (Close Out Report). The final invoice will indicate total actual expenditures.

The 2005 (revised in 2006) AmeriCorps Special Provisions, *Section IV.N. Reporting Requirements*, states in part:

1. Financial Status and Progress Reports.

- a. **Financial Status Reports.** The grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during

the reporting period using eGrants. Financial Status Report deadlines are as follows:

| Due Date | Reporting Period Covered |
|-----------------|---------------------------------|
| April 30 | Start of grant through March 31 |
| October 31 | April 1 – September 30 |

- b. **Progress Reports.** A grantee Progress Report is due in WBRS on the first Monday in December of each year for the period from the start of the program year through September 30.

2. AmeriCorps Member Related Forms.

The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Subgrantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms.

- a. **Enrollment Forms.** Enrollment forms must be submitted no later than 30 days after a member is enrolled.
- b. **Change of Status Forms.** Member Change-of-Status Forms must be submitted no later than 30 days after a member's status has changed.
- c. **Exit/End-of-Term-of-Service Forms.** Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

Recommendations

We recommend that the Corporation:

- 2.a. Ensure that VNH develops effective control procedures so that it meets submission deadlines for FSRs and PERs; and
- 2.b. Ensure that VNH provides training that directs subgrantees to develop control procedures to ensure PERs and required member enrollment and exit forms are completed and submitted in a timely manner.

Commission's Response

VNH stated that some, if not most, of the late grantee FSRs are attributed to lack of egrants experience and knowledge. The Board's finance and audit committee will address the improvement of systems as one of its oversight responsibilities. Additionally, VNH stated that it did not find any late progress reports and has not received a response to its request to the auditors for clarification.

Auditor's Comment

The Corporation should consider the actions proposed by VNH and follow up to ensure that they are implemented and effective. Regarding the progress reports, we maintain our position that we were not provided evidence that they were submitted. This finding has

been discussed with VNH at various times during the audit, including a discussion with VNH after issuance of the draft report. We also stated that the final report will properly reflect the issue of 4 GPRs not being submitted, instead of the draft version, which reported 12 PERs were submitted late.

Finding No. 3 Lack of adequate procedures and controls to ensure service hours are recorded after contracts are signed; subgrantees maintain documentation of members' compelling personal circumstances; and incorrect member contracts.

Pre-Contract Service Hours

The two AmeriCorps subgrantees we tested permitted members to record hours before member service agreements were signed. Nine of the 15 members tested at NHCADSV did not sign their member service agreement prior to the start of their service. NHCADSV stated that member agreements were delayed because it wanted the site supervisors to sign the agreements at the same time the members sign them. In addition, one of the 15 members tested at NHCADSV did not complete a member service agreement. NHCADSV stated that this member was not provided a member service agreement due to issues that arose during her background check. Therefore, this member was not allowed to work at certain host sites, and eventually left the program before completion.

One of the 17 members reviewed at SCA did not sign the member service agreement prior to starting service. SCA stated this was due to an oversight.

Criteria

The 2006 AmeriCorps Special Provisions, Section IV.C., *Member Enrollment*, states in part:

1. Member Enrollment Procedures.

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
 - i. He or she has signed a member contract;
 - ii. The program has verified the individual's eligibility to serve;
 - iii. The individual has begun a term of service; and
 - iv. The program has approved the member enrollment form in WBRS.
- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.

Compelling Personal Circumstances

One of the 17 members tested at SCA was enrolled as a full-time member and was given a partial education award but did not have any compelling personal circumstances for early exit documented in the member file. Therefore, we questioned this member's pro-rated education award of \$1,374. SCA believes the member was enrolled as a full-time member by mistake and should have been enrolled as a quarter-time member; therefore, the former program director awarded this member a partial education award in order to exit the member from the program. These circumstances are not allowable compelling personal circumstances and the National Service Trust should be reimbursed for the partial education award by the grantee or subgrantee.

Criteria

45 CFR § 2522.230, Under what circumstances may AmeriCorps participants be released from completing a term of service and what are the consequences?, states:

An AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant, or for cause.

- a. Release for compelling personal circumstances.
 1. An AmeriCorps program may release a participant upon a determination by the program that the participant is unable to complete the term of service because of compelling personal circumstances.
 2. A participant who is released for compelling personal circumstances and who completes at least 15 percent of the required term of service is eligible for a pro-rated education award.
 3. The participant has the primary responsibility for demonstrating that compelling personal circumstances prevent the participant from completing the term of service.
 4. The program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.
 5. Compelling personal circumstances include:
 - i. Those that are beyond the participant's control, such as, but not limited to:
 - A. A participant's disability or serious illness;
 - B. Disability, serious illness, or death of a participant's family member if this makes completing a term unreasonably difficult or impossible; or
 - C. Conditions attributable to the program or other wise unforeseeable and beyond the participant's control, such as a natural disaster, a strike, relocation of a spouse, or the nonrenewal or premature closing of a project or program, that make completing a term unreasonably difficult or impossible;
 - ii. Those that the Corporation, has for public policy reasons, determined as such, including:
 - A. Military service obligations;

- B. Acceptance by a participant of an opportunity to make a transition from welfare to work; or
- C. Acceptance of an employment opportunity by a participant serving in a program that includes in its approved objectives the promotion of employment among its participants.

Incorrect Contracts

The member contracts for two of the 17 members tested at SCA did not have all required elements as they did not specify the proper level of enrollment. The first member's service agreement stated that the member was enrolled in a half-time capacity; however WBRS indicated that the member was enrolled full-time. The second member's service agreement stated that the individual was enrolled in a quarter-time capacity, but WBRS indicated full-time. SCA stated that both instances were due to clerical errors. These member contracts did not comply with the AmeriCorps Special Provisions.

Criteria

The 2006 AmeriCorps Special Provisions, Section IV.C. Member Enrollment, states in part:

1. Member Enrollment Procedures.

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
 - i. He or she has signed a member contract;
 - ii. The program has verified the individual's eligibility to serve;
 - iii. The individual has begun a term of service; and
 - iv. The program has approved the member enrollment form in WBRS.
- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.

Recommendations

We recommend that the Corporation:

- 3.a. Resolve the questioned partial education award of \$1,374, and recover disallowed costs;
- 3.b. Verify that VNH develops controls to ensure that member contracts are signed before service hours are recorded; and

- 3.c. Ensure that VNH provides training that directs subgrantees to develop control procedures to use compelling personal circumstances only when consistent with the regulations, and to ensure that member contracts are correctly completed.

Commission's Response

Regarding the "Pre-Contract Service Hours", VNH stated that this was an oversight on SCA's part. Going forward, SCA will assure that members have signed their agreements prior to starting service.

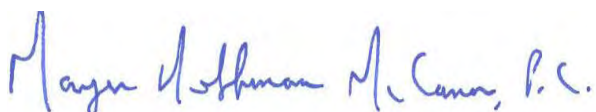
Regarding the "Compelling Personal Circumstances", VNH believes that this was an error by the Program Director, who did not file the document. VNH stated it is fully aware of AmeriCorps requirements to document compelling personal circumstances.

Regarding the "Incorrect Contracts" issue, VNH stated that both of these were clerical errors and that SCA will endeavor to review entries more thoroughly to reduce the incidence of such errors.

Auditor's Comment

The Corporation should consider the actions proposed by VNH and follow up to ensure that they are implemented and effective.

This report is intended for the information and use of the Office of Inspector General, Corporation management, the Commission, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink that reads "Mayer Hoffman McCann, P.C.".

Mayer Hoffman McCann P.C.
Bethesda, Maryland
April 17, 2009

Consolidated Schedule of Recommendations and Questioned Costs

| Recommendation | Questioned Costs | | Funds Put to Better Use |
|----------------|------------------|-------------|-------------------------|
| | Unallowable | Unsupported | |
| 1.a. | \$ 84,805 | \$150,004 | |
| 3.a. | | | \$1,374 |

Questioned Cost means a cost that is unallowable because of:

1. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
2. a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
3. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost means a cost that is questioned because at the time of the audit, such cost is not supported by adequate documentation. Unsupported costs are included in the total of unallowable costs.

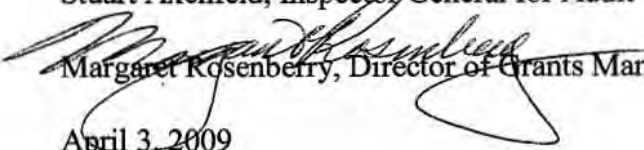
Recommendation that funds put to better use means a recommendation that funds could be used more efficiently if management takes actions to implement and complete the recommendation, including:

1. reductions in outlays;
2. deobligation of funds from programs or operations;
3. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
4. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
5. avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
6. any other savings which are specifically identified.

APPENDIX A

Corporation for National and Community Service's Response to Draft Report

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Inspector General for Audit
From:  Margaret Rosenberry, Director of Grants Management
Date: April 3, 2009
Subject: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to Volunteer New Hampshire!

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures report of the Corporation's grants awarded to Volunteer New Hampshire! (VNH). We will work with VNH to ensure its corrective action plan adequately addresses and implements the findings. We will respond with the management decision after we have reviewed the audit working papers and the VNH corrective action plan.

Cc: William Anderson, Acting Chief Financial Officer for Finance
Frank Trinity, General Counsel
Kristin McSwain, Director of AmeriCorps
Sherry Blue, Audit Resolution Coordinator



APPENDIX B

Volunteer New Hampshire's Response to Draft Report

**Finding 1- Volunteer NH
Improper Recording and Reporting of Costs**

Volunteer NH uses a purchase order system that identifies the grant and the line item for that grant that a cost will be taken from. If a cost is directly associated with a specific grant, the purchase order will reflect that. However, for costs such as office supplies, rental of our water cooler, rental of our copier, and the like... Volunteer NH has specifically used the Administrative Grant to support these items and has not supported these costs among all of our grants. This approach was established by the previous Executive Director as a result of the 2001 audit. Costs were distributed among the different grants based on total amount of all grants (Admin., PDAT, Disability) and the percentage each individual grant contributed toward the total. This was deemed to be an incorrect process and KPMG felt the administrative grant should provide the basic support for all grants. This process was instituted by the previous Executive Director as a result of the 2001 audit and remained in place until this most recent audit.

Costs were not allocated “randomly” to any of the three grants. If a cost had a direct association with a grant, that cost was allocated to that grant. A computer used by the Training Director would come out of PDAT.

Based on the guidance provided by the auditors, Volunteer NH has created a system to allocate indirect costs to appropriate grants, including the non-corporation grant, based on staff hours attributed to specific grants.

Unsupported Costs

Volunteer NH requested a spreadsheet of the exact questioned costs so we could continue to research those costs. We have not received a spreadsheet to date.

Although receipts may not have been attached to the purchase order for payment, a description of the cost with a cashed check are available, or a credit card statement identifying the purchase cost and description as well. For each cash transaction, there is a purchase order that has appropriate back up documentation. These purchase orders and backup are delivered to Granite State Management & Resources (NH Higher Education Assistance Foundation) for payment and keeping records. Copies are kept at Volunteer NH in paper form in three ring binders. Although there could be many reasons for missing backup documentation, not having a financial officer as part of the Volunteer NH staff creates an environment where energy is not dedicated to fiscal follow up which results in the occasional missing backup documentation.

The Volunteer NH financial management system is a sound system and process. The Volunteer NH Board of Directors has established a finance and audit committee that will be dedicated to provide the additional oversight of the systems so information and documentation are provided immediately. This will result in timely accuracy and not create an environment where time goes by without ensuring information and documentation are provided.

Cost Reconciliation

This also will be a responsibility of the Finance and Audit committee as it appears the system is in place and is generally a sound system. Where the system needs improvement is on the “follow-up” and ensuring accuracy after information is recorded. Mistakes are not found because once things are recorded they are not reviewed.

Payroll

As described earlier with indirect cost allocations, it was the practice based on the previous audit for the administrative grant to provide the support to the other two. This includes the Executive Directors salary as that position provides oversight to the other two grants.

Timesheets are required by Volunteer NH for all staff. However, an activity log has not been required that would provide how salaries are allocated to different grants. From the guidance provided by the auditors, Volunteer NH has created timesheets that identify grant allocations for salaries.

The Executive Director does provide oversight of the Citizen Corps program. With the Citizen Corps funds, Volunteer NH contracts a Citizen Corps Director who is responsible to administer the Citizen Corps program. The Executive Directors time is typically spent communicating with the Citizen Corps Director, attending an occasional meeting or event, and being present at the Emergency Operations Center when New Hampshire is affected by disaster as we represent State Emergency Support Function “volunteers & donations.” The percentage of time dedicated to Citizen Corps is minimal and averages out to approximately 4 hours per week. These 4 hours are provided above and beyond the 45 to 60 hours per week that are dedicated to the Corporations grants. Time spent on Citizen Corps was deemed to be above and beyond the 40 hours per week provided to the Corporations grants and was also viewed as meeting the “Bigger Role of the Commission.” Dedication 4 hours per week in meeting the “Bigger Role of the Commission,” which is not part of the 40 hour work week, was viewed to be part of the responsibility the Corporation expected out of state commissions.

As a result of the audit, Volunteer NH and the Department of Safety have agreed to having a portion of the Executive Directors salary, based on 4 hours per week, to be attributed to the small Citizen Corps grant.

Unused Member Support Costs

Provided by program(s).

Unallowable Costs

Provided by program(s)

Finding 2**Late Submissions of FSR's, PER's, Member Enrollment and Exit forms, Progress Reports.**

Periodic Expense Reports are not subject to a Corporation timeline. PER's are provided as the method for programs to be reimbursed for program costs. Volunteer NH does require PER's to be provided the 15th of each month so we can provide a timely reimbursement. However, some programs have requested different PER reporting requirements, which have been approved.

Volunteer NH was found to have 12 of 12 PER's submitted late. Volunteer NH is not required to submit PER's. We receive them from the subgrantees. Volunteer NH requested verification of this finding. We have not received a response.

Grantee Financial Status Reports are provided by Granite State Management & Resources, Volunteer NH's Fiscal Agent. Some, if not most of the late Grantee FSR's are attributed to lack of egrants experience and knowledge. With the Finance and Audit committee this will also be one of the oversight responsibilities which will improve our systems.

Volunteer NH did not find any late progress reports. An inquiry was sent to the auditors asking for verification on this finding. We have not received a response.

Other information provided by the program(s).

Finding 3

Provided by the program(s)

APPENDIX C

Student Conservation Association's Response to Draft Report

December 12, 2008

Mr. Darian Mims
Mayer Hoffman McCann P.C.
12761 Darby Brooke Court
Suite 201
Woodbridge, VA 22192

Dear Darian,

Attached are SCA's responses to the potential findings as noted in your memo of December 3, 2008.

Please feel free to contact me should you have any questions or concerns regarding the attached. The original of this document will be forwarded to you by US Mail.

Thank you once again for a very efficient and straightforward examination engagement. It was a pleasure working with you.

Regards,

Sharon M Mezzack
Controller

**Corporation for National and Community Service, Office of Inspector General
Audit of Volunteer New Hampshire!**

Subgrantee: Student Conservation Association

Audit Period: April 1, 2006 – March 31, 2008

Summary of Potential Findings

Member Testing

PY 2005-2006

1. One of the five members reviewed was given a partial education award, but did not have any compelling personal circumstances noted. We questioned this member's education award of \$1,374.

Member: [REDACTED]

SCA Response:

We believe that this was an error on the Program Director's part. [REDACTED] clearly intended to serve as a quarter time member, and the SCA staff clearly intended to record him as a quarter time member. [REDACTED] start and end dates are the same as the others serving quarter time that year. We believe that the Program Director mistakenly entered [REDACTED] in WBRIS as a full-time member, and also mistakenly recorded him as a partial education award. SCA is fully aware of AmeriCorps requirements to file compelling personal circumstances, and this document was not filed.

Going forward, SCA will continue to make clear to field staff and members what comprises compelling personal circumstances to ensure that an error of this kind does not occur again.

2. Two of the five member reviewed did not have the proper enrollment type documented in the service agreement. One member's service agreement stated that the member was enrolled in a half-time capacity, but WBRIS indicated that the member was enrolled in a full-time capacity. The other member's service agreement stated that the member was enrolled in a quarter-time capacity, but WBRIS indicated that the member was enrolled in a full-time capacity.

Member: [REDACTED]

SCA Response:

Both of these were clerical errors. SCA will endeavor to review entries more thoroughly to reduce the incidence of such errors.

3. An end-of-term/exit form was not submitted in a timely manner for one of the five members reviewed. This member's end-of-term/exit form was submitted more than 30 days after the member completed service.

Member: [REDACTED] (4 days late)

SCA Response:

The NHCC Program Director who served at this time is not a current employee of SCA, and we were not able to determine why the exit form was completed after the deadline. SCA, however, is aware of the 30 day window after completion of service, and will continue to provide the appropriate training to our Program Directors in fulfilling this requirement and using AmeriCorps' technical systems provided to do this.

PY 2006-2007

1. End-of-term/exit forms were not submitted in a timely manner for six of the seven members reviewed. These members' end-of-term/exit forms were submitted more than 30 days after the members completed service.

Member: [REDACTED] (10 days late)

[REDACTED] (24 days late)

[REDACTED] (11 days late)

[REDACTED] (10 days late)

[REDACTED] (10 days late)

[REDACTED] (10 days late)

SCA Response:

SCA understands the AmeriCorps requirement for exiting members from WBRS within the 30 day period following their last day of service. This was an oversight on SCA's part. Moving forward, SCA will continue to provide the Program Directors with training to assure compliance to this AmeriCorps requirement.

PY 2007-2008

1. One of the five members reviewed signed the member service agreement after their start of service date.

Member: [REDACTED]

SCA Response:

SCA understands the AmeriCorps requirement for having members sign their service agreement prior to starting service. This was an oversight on SCA's part. Going forward, SCA will assure that members have signed their agreements prior to starting service. SCA has further streamlined the member paperwork processes over the course of the last year, including improved electronic tracking systems, so that staff in the field programs can have more up-to-date access to information on member paperwork received.

2. Enrollment forms were not submitted in a timely manner for four of the five members reviewed. These members' enrollment forms were submitted more than 30 days after the members' start dates.

Member: [REDACTED] (20 days late)
[REDACTED] (20 days late)
[REDACTED] (20 days late)
[REDACTED] (20 days late)

SCA Response:

This was due to a misunderstanding of the technical process in WBRS on the SCA NHCC Program Director's part. He was aware of the time line for WBRS enrollment entries and entered in their enrollment forms as per that schedule. He, however, must not have understood the need to "approve" their submission, as well as enter them. Moving forward, SCA will be sure the Program Director is informed of the need to both enter and approve the WBRS entries.

Cost Testing

PY 2005-2006

None

PY 2006-2007

One of the 20 transactions reviewed was for equipment/supplies greater than \$5,000, and not specifically included in the approved budget or subsequently approved in writing by the Corporation prior to the purchase. This purchase was for a plow truck for \$8,000 (\$3,840 Federal share and \$4,160 grantee share). We questioned this amount.

SCA Response:

In 2006, SCA's primary partner for this program, NH State Parks, informed SCA that, due to financial difficulties they were facing, they would no longer be able to cover the cost of plowing the 3 mile road to the residential site where members and staff were housed. In order to implement the program and ensure the safety of members and staff, it was essential to either purchase a plow truck or pay a private entity to plow the road. Due to the length of the road, the prior option was more financially viable. SCA purchased the plow truck, and allocated part of the cost to the Corporation. At the time, the cost was believed to have been covered in the budget under rent and utilities, but the required written approval does not appear to have been requested. Despite this issue, the cost was an allowable program cost. In the future, SCA will ensure that proper written approval is obtained from the Corporation prior to any non-budgeted equipment or supply purchase exceeding \$5,000.

PY 2007-2008

None

Other Compliance

PY 2005-2006

1. SCA exceeded the Federal Section I (Program Operating Costs) budget by \$8,975. SCA used unused Section II (Member Costs) funds for program operating costs. We questioned this amount.

SCA Response:

This occurred due to a misunderstanding of allowable budget variances. The person responsible for preparing the PER for that period understood that a budget variance of 10% or less was allowed without written approval by the Corporation, but apparently did not realize that funds could not be reallocated between Section I (Program Operating) and Section II (Member) costs.

SCA will ensure that any staff responsible for preparing the quarterly PERs understands that reallocation of monies between Sections is not allowed without prior written approval of the Corporation.

PY 2006-2007

None

PY 2007-2008

None

APPENDIX D

Coalition Against Domestic & Sexual Violence's Response to Draft Report

2005 -2006

1. ██████████ (1 day late) and ██████████ (2 days late) Member Service Agreements were late due to waiting for a Host Site Supervisor to sign. Despite all members and AVAP staff signing the agreement on the first day of their service, we waited for all signatures. We incorrectly believed that we had to wait for the Host Site Supervisor to sign the agreements before “entering” the members. ██████████ Member Service Agreement was late for the same reason but was complicated by the fact that she worked at a remote site ██████████). In addition, she had two Host Site supervisors at two other sites (one in Laconia, NH and one in Concord NH).
2. ██████████ Enrollment form was late due to late Host Site signature on her Member Service Agreement. (see 1 above)
3. ██████████ had an end of the term /exit evaluation but it was dated July 17, 2006. During this time period (Mid June – September 2006) AVAP was without a Program Coordinator. I was the only staff and was doing two full-time jobs. In order to try to keep on top of all the 2005-2006 end of the year needs as well as recruitment and training for 2006-2007, I sent out the End of the Year Evaluations a bit early. I did not realize (since there is no timeline in the Provisions) that I was sending them out “too early” according to the auditors. I was trying to make sure I stayed on top of all the requirements

2006-2007

1. Again, Member Service Agreements were late due to waiting to have Host Site Supervisors sign off on them.
2. Member Enrollment forms were late due to waiting for Member Service Agreement forms to be signed by Host Site Supervisors.
3. ██████████ Page’s End of the Term/Exit form was late due to attempting repeatedly to get missing timesheets and other paperwork from her.
4. ██████████ was placed at a police department. The police department took 4 months to do a background check on her. Since the background check was not completed by the time she started her service with them, they refused to sign the agreement. The member got upset with the issues they brought up from her past while doing the background check and left the program before any paperwork could be completed.

2007-2008

1. Again, both Member Service Agreements were late due to waiting for Host Site signatures.
2. The Enrollment form was late due to a late Member Service Agreement being signed by the Host Site Supervisor.
3. ██████████ End of Term/Exit form was submitted late because we were waiting for missing timesheets and other paperwork. Despite repeated requests and promises that it was going to be delivered it did not arrive. I finally exited her for cause and did not allow her to receive an Education Award.