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S E R V I C E

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**OFFICE OF THE INSPECTOR GENERAL**

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

**Review of**

**National Center for Family Literacy**

**Louisville, Kentucky**

**Grant Number 94ADNKY024**

**This report is issued to CNS Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than February 17, 1997. Consequently, the auditor's findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.**

**The Inspector General must approve any request for public release of the report.**

Corporation for National and Community Service  
Office of Inspector General  
Review of the National Center for Family Literacy  
Grant Agreement #94ADNKY024

We performed a limited review, as described in the scope and methodology section of this report, of the National Center for Family Literacy's (Family Literacy Corps) accounting and financial reporting systems and management controls to assess their ability to comply with Federal fiscal accounting and Corporation for National and Community Service (CNS) grant requirements.

## RESULTS IN BRIEF

We found that the Family Literacy Corps' accounting system and system of management controls do not report grant expenditures in accordance with grant requirements or safeguard Federal funds. Our conclusion was based on the following conditions: inadequate monitoring of work sites, overstated AmeriCorps member service hours, inappropriate AmeriCorps member service activities at Family Literacy Corps' Atlanta Site, and inadequate accounting policies and procedures.

As a result, we are questioning \$514,006 of costs charged to the grant (\$227,147 in Federal funds and \$286,859 in non-Federal funds). We are also recommending:

- actions to improve grant management at both CNS and Family Literacy Corp; and
- that CNS evaluate Family Literacy Corps' year two operations for all noted problems in this report.

These matters are discussed in detail in the findings and recommendations section of this report.

We provided a copy of a draft of this report to the Family Literacy Corps and CNS officials for their comments. CNS did not respond to the draft; however, CNS has advised us that the AmeriCorps grant for Family Literacy Corps will not be continued past December 31, 1996.

The Family Literacy Corps' response is presented, in its entirety, as Appendix B. Family Literacy Corps also provided copies of documentation related to its response, which we have forwarded to CNS Grants Management for their review during the audit resolution process. Family Literacy Corps agreed with several of our findings, and stated it had or would be taking corrective action. However, the Family Literacy Corps disagreed with Finding II (relating to administrative costs) and Finding VI (related to the costs of providing lunches for AmeriCorps members). We have included a summary of Family Literacy Corps' response with each of our findings. Where Family Literacy Corps disagreed with our finding, we have also included our assessment of their response.

## BACKGROUND

The National Center for Family Literacy is a nonprofit association that is headquartered in Louisville, Kentucky. The Family Literacy Corps fosters local family literacy programs to improve and expand services to undereducated adults and their children throughout the nation. They primarily work with schools, school districts, and various types of community organizations across the nation. The concept of “family literacy” is an intergenerational approach to breaking the cycle of under education and poverty in families.

The purpose of the Family Literacy Corps’ AmeriCorps grant is to strengthen designated communities by improving the school readiness and school success of families with undereducated parents and “at-risk” children, and provide development opportunities for Corps members that enable them to provide effective and meaningful community service. The AmeriCorps grant program supports 46 full-time and 2 part-time AmeriCorps members at six work sites located in Rochester, NY; Philadelphia, PA; Atlanta, GA; Louisville, KY; Tucson, AZ; and Los Angeles, CA.

These work sites are “partner” organizations that receive reimbursement for costs incurred in support of the grant award. Each organization, as noted in their memoranda of agreement with the Family Literacy Corps, must comply with the same Federal financial and CNS grant requirements as stipulated in the Family Literacy Corps’ grant award. Each is responsible for accumulating and tracking AmeriCorps members’ service hours, disbursing payroll and stipends, and maintaining supporting documentation and receipts. Work sites request grant funds by submitting a monthly expense report and reimbursement request to the program manager in Family Literacy Corps’ headquarters, who approves and disburses funds.

The Family Literacy Corps’ AmeriCorps project is administered by the Program Manager, the Program Assistant (both located in Louisville, Kentucky), and by six Site Coordinators. Site Coordinators are employees of the partner organizations, but their salaries and fringe benefits are charged to the CNS grant. Site Coordinators are responsible for the day-to-day management of each AmeriCorps members’ service activities; they may supervise up to 15 AmeriCorps members.

The AmeriCorps grant provided support for the program as follows:

<b>Total Budgeted Federal Costs</b>			
<b>Cost Category</b>	<b>Federal Funds Budgeted</b>		
AmeriCorps Members --Living Allowances	\$234,920		
--FICA/ Worker's Compensation	23,217		
--Health Care	3,255		
--Training, Education, Uniforms, and Other	47,678	\$ 337,070	
Staff Salaries, Benefits, and Training			209,233
Travel, Transportation, Supplies, and Equipment			24,344
Internal Evaluation			1,200
Administrative Expenses			11,546
Total CNS Award			<u>\$583,393</u>

The CNS allocated \$255,151 to the National Service Trust Fund for Family Literacy Corps AmeriCorps members' post service educational awards. Full and part time members who successfully complete their term can receive up to \$4,725 and \$2,363, respectively. In addition, the award provides Federal funds of up to \$7,920 to pay for child care costs of qualified AmeriCorps members. Payment for these benefits is made directly to eligible members by third parties.

In the initial grant period, Family Literacy Corps was required to provide \$422,436 in matching funds for its share of costs related to the AmeriCorps program. The initial grant award covered the period from June 24, 1994, through September 30, 1995. On October 24, 1995, Family Literacy Corps' grant was renewed for the period of October 1, 1995 to December 31, 1996.

#### SCOPE AND METHODOLOGY

We performed our review during the period September 25, 1995 through March 11, 1996. Our procedures included visits to the National Center for Family Literacy headquarters in Louisville, Kentucky and two work sites: the Atlanta Board of Education/Atlanta Area Technical Schools in Atlanta, Georgia and the Mayor's Commission on Literacy in Philadelphia, Pennsylvania. We obtained an understanding of the Family Literacy Corp's accounting system and management controls and performed limited testing to determine whether they were operating as intended. Our procedures included:

- interviewing key accounting and program personnel at Headquarters and the two work sites;
- reviewing key management controls over accounting and reporting systems, including the monitoring of AmeriCorps members and the accumulation and reporting of member service hours;
- reviewing prior audit reports and financial statements for Family Literacy Corps' headquarters and the grant's six work sites; and
- testing a judgmental sample of financial transactions related to the grant.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. However, our procedures

were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional audit procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the internal control structure over financial reporting to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

This report is intended for the information and use of OIG and CNS management. However, this report is a matter of public record and its distribution is not limited.

## FINDINGS AND RECOMMENDATIONS

- I. At the time of our review, we found that Family Literacy Corps was not conducting adequate site monitoring.

Although the Family Literacy Corps Program Manager visited the sites, she did not review the documentation to support claimed costs and AmeriCorps member service hours. She also did not review documentation for AmeriCorps member service activities to determine its accuracy, the appropriateness of service activities performed, or the extent to which hours served qualified toward post-service education benefits.

Under CNS regulations, Family Literacy Corps must monitor grant and subgrant supported activities to ensure compliance with the applicable requirements (45 C.F.R. § 2543.51, Monitoring and Reporting Program Performance).

As a result of these monitoring deficiencies, Family Literacy Corps failed to discover the compliance problems we found when we reviewed AmeriCorps members' service hour documentation at two work sites. As described in Findings IV and VI, we determined that several AmeriCorps members received credit toward their post-service education award for inappropriate or undocumented service hours. Specifically, at the Atlanta work site we found that 5 full-time participants were inappropriately awarded education benefits of \$4,725 and 2 part-time participants were inappropriately awarded education benefits of \$2,262, as well as other inaccurate reporting of participant service hours.

We recommend that CNS require Family Literacy Corps to:

- Assess the accuracy of reported service hours for AmeriCorps members in all six work sites; and
- Initiate monitoring procedures that will provide reasonable assurance for the accuracy of claimed costs and AmeriCorps Members' service hours reported to the Louisville national office and the CNS Trust Fund, and that CNS

withhold additional funds until Family Literacy Corps has implemented this recommendation.

Family Literacy Corps agreed that it needed to more closely monitor its subrecipients. Family Literacy Corps also stated that it is reassessing the number of service hours it has reported to the National Service Trust Fund for each of its AmeriCorps Members.

II. Administrative duties performed by the Family Literacy Corps headquarters staff are inappropriately charged to the CNS AmeriCorps grant as direct program support.

We found that two staff members who provide administrative oversight and limited accounting services are charged as program costs rather than administrative costs. By charging administrative costs as program costs, Family Literacy Corps was not appropriately accumulating the total administrative costs which are subject to a five percent limitation on the amount that can be reimbursed with CNS grant funds.

Based on our review of the headquarters staff's job descriptions, the Family Literacy Corps Program Manager duties are to:

- Provide training to Site Coordinators and develop training curricula for participants as well as visit sites to provide technical assistance and support;
- Perform a cursory review of monthly expense reports, reimbursement requests, and periodic monitoring of work site budgets;
- Prepare reports to CNS which summarize program accomplishments and related participant service hours; and
- Provide updates to the Site Coordinators relating to CNS policies and regulations and clarifications on CNS issues.

The Program Assistant duties are to:

- Provide administrative support and secretarial services for the AmeriCorps project, e.g., answering phones and maintaining correspondence files and other records;
- Coordinate the submission of data and reports with the six work sites; and
- Serve as logistical coordinator for workshops, orientation sessions and other training activities.

The approved grant budget classified these activities as program costs. However, under CNS regulations, charges for director and other program administrative staff are program costs only when they are recruiting, placing, training, and supervising AmeriCorps members.

These regulations also provide that “particular costs, such as those associated with staff who perform both administrative and program functions, may be prorated between administrative and program costs if included in the budget and approved by the Corporation grants officer” (45 C.F.R. § 2510.20, Administrative costs).

The majority of Family Literacy Corps headquarters effort is directed toward general oversight, coordination, and administrative support for each of the grant’s work sites, while the majority of all direct program support effort is performed at Family Literacy Corps’ six work sites. Although the Program Manager and Assistant performed some program activities, i.e., training of AmeriCorps members, they did not document or otherwise record the time they spent performing these tasks. We were unable to specifically identify and reclassify that portion of staff salaries and benefits that relate to administrative support because, as described in Finding III, the grantee’s payroll system provided no basis to develop an appropriate time allocation for each employee.

Because the Family Literacy Corps charged these costs as direct program support costs to the grant, the costs were not counted against the grant’s five percent administrative cost ceiling specified in the CNS regulations. Consequently, we recommend that Family Literacy Corps identify and reclassify that portion of its headquarters employee payroll charges that relate to administrative support activities. We also recommend that CNS management assess the impact of the reclassification on the grant’s five percent administrative cost ceiling.

Family Literacy Corps disagreed with our finding. Family Literacy Corps asserts that the Project Manager and the Program Assistant were performing administrative functions for two reasons. First, Family Literacy Center states that the Project Manager and the Program Assistant were carrying out “a form of indirect supervision” in that their general oversight activity “affects the daily activities” of the AmeriCorps Members. Second, Family Literacy Center stated that the Project Manager’s and the Program Assistant’s activities were “specific to the program.”

We agree that the costs for these staff positions were specific to the AmeriCorps program. However, that description does not adequately distinguish between administrative and programmatic functions. Further, indirectly affecting the daily activities of AmeriCorps Members is not a criterion established by CNS in its regulations. CNS’ regulations contemplate more direct actions regarding AmeriCorps Members (recruiting, training, placing, and supervising) for staff activity to be considered programmatic.

III. Family Literacy Corps payroll costs are not supported by personnel activity reports.

Although Federal regulations require personnel activity reports to be prepared for all staff whose compensation is charged to Federal grant funds, Family Literacy Corps’ policies do not require its staff, at either its headquarters or work sites, to prepare them.

As part of our review, we tested staff payroll costs at the Louisville national office and the Atlanta and Philadelphia work sites. We found that staff payroll charges are not supported

with personnel activity reports, and that no labor distribution is documented for staff time that is charged between two or more functions/programs. In addition, no effort is made by Family Literacy Corps to distinguish between administrative and program functions, or allowable and unallowable activities such as fund raising.

Under the terms and conditions of the grant, “salaries and wages charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee regardless of position” (AmeriCorps Provisions, Sept. 14, 1994 version, Section 18.c.). In addition, *OMB Circular A-122*, Attachment B, section 6, subsection 1, requires employees who split their time between two or more functions to maintain an after-the-fact distribution of their activities.

As a result of these deficiencies, we are questioning the total payroll costs for all staff program-wide. Through September 30, 1995, these costs totaled \$510,395 (\$223,536 Federal and \$286,859 non-Federal), and are summarized as follows:

Location	Payroll Costs		
	Federal	Non-Federal	Total
National	\$ 65,032	\$ 13,814	\$ 78,846
Atlanta	51,721	202,217	253,938
Philadelphia	27,118	2,926	30,044
Louisville	18,031	6,095	24,126
Rochester	25,052	51,662	76,714
Tucson	3,996	4,610	8,606
Los Angeles	32,586	5,535	38,121
Total	\$223,536	\$286,859	\$510,395

To facilitate accurate allocation for payroll charges made to the grant, we recommend that Family Literacy Corps require all staff to maintain personnel activity reports that sufficiently document the total level of effort charged to the grant, allowable and unallowable activities, and time spent on administrative and program activities.

Family Literacy Corps agreed with our finding, and stated that its staff is now required to maintain personnel activity reports. In addition, Family Literacy Center is attempting to compile contemporaneous records to support the previous staff charges to the grant.

IV. Family Literacy Corps’ certifications to the CNS National Service Trust Fund resulted in 5 full-time participants being inappropriately awarded education benefits of \$4,725 and 2 part-time participants being inappropriately awarded education benefits of \$2,262.

We found that the service hours reported to the Trust Fund for these and other AmeriCorps members were not supported by accurate and complete time records. First, the Site



Coordinator certified that AmeriCorps members completed more total service hours than were reflected on AmeriCorps members' time sheets. Second, the time sheets contained errors which overstated the amount of service hours actually performed. The following table illustrates the problems.

Participant Name	Full or Part Time	Service Hours			Eligible for Full Ed. Benefits*
		Calculated by AmeriCorps Member	Calculated by OIG	Certified to CNS Trust Fund	
Vanderlisa Pack	F	1,906	1,808	2,066	Y
Angela Huggins	F	2,275	1,799	1,838	Y
Brian Allen	F	1,700	1,697	1,773	Y
Juanita Garrett	F	1,763	1,636	1,700	Y
Lori Mosley	F	1,812	1,591	1,725	N
Brenda Johnson	F	1,681	1,587	1,711	N
Yolanda Williams	F	1,673	1,575	1,712	N
Patricia Smith	F	1,755	1,566	1,703	N
Wanda Newell	F	1,633	1,558	1,710	N
Kim Bennett	P	1,173	915	910	Y
Alicia Cameron	P	653	631	945	N
Barbara Washington	P	804	768	900	N

\* In general, full-time AmeriCorps members earn an education award of \$4,725 upon completing 1,700 hours of service, and part-time AmeriCorps members earn an education award of \$2,362 for completing 900 hours. However, for 1994 programs, CNS allowed AmeriCorps Members who had completed 95% of their required service to be awarded full education benefits, with the understanding that the remaining service hours would be completed through volunteer work in the future.

We reviewed all the time sheets for AmeriCorps members at the Atlanta work site from the beginning of the program through September 30, 1995. We reviewed all daily entries on each time sheet, checked the accuracy of reported daily hours to each member's time in/out record, and totaled each time sheet to verify the accuracy of reported service hours. We also totaled the hours recorded on each member's time sheets and compared the total to the amounts certified by Family Literacy Corps to the CNS Trust Fund.

We found numerous math errors in the Atlanta work site's records. These errors resulted from participants' inconsistent use of Family Literacy Corps' time sheets. Hours were frequently entered in the wrong columns, and totals often double-counted hours. Participants' attempts to distinguish hours devoted to training and lunch most often accounted for the errors. For example, one participant signed in at 8:00 a.m. and signed out at 2:30 p.m., a 6 ½ hour period. However, the entry for that day recorded 9 ½ hours--7 hours of service and 2 ½ hours of training.

We also found that the Family Literacy Corps Atlanta Site Coordinator generally certified to the CNS National Service Trust Fund that the AmeriCorps members in Atlanta had preformed more service than is supported by their time sheets. In one case, the AmeriCorps member's time sheets, when corrected for math errors, showed only 258 hours of service. However, the Site Coordinator certified that the AmeriCorps Member had completed 1,004 hours. In all, we found 13 certifications were inflated in amounts ranging from 39 to 746 hours.

Under the original terms and conditions of the grant agreement, Family Literacy Corps must maintain verifiable records which document each participant's eligibility based upon actual hours of service performed (AmeriCorps Provisions, Sept. 14, 1994 version, Section 12.a). These records must be sufficient to establish that each participant completed at least 1,700 hours for full-time service or 900 hours for part-time service. CNS later modified the terms of the grant to allow prorated education award benefits for AmeriCorps members who, under compelling circumstances beyond their control, could not complete their service hours. However, CNS did not modify the requirement to maintain records sufficient to establish that each participant completed the hours of service on which their award was based.

As a result of these deficiencies, five full-time AmeriCorps members in Atlanta were inappropriately awarded full-time service education awards, and two part-time AmeriCorps members were inappropriately awarded full, part-time education awards. As shown in Appendix A, we have determined that the vouchers issued to the Family Literacy Corps AmeriCorps Members in Atlanta were overstated by a total of \$7,299.

We recommend that:

- CNS institute additional management controls over service hours reported to the CNS Trust Fund, as stipulated in GAO's Policy and Procedures Manual for Guidance of Federal Agencies, Title 7--Fiscal Guidance;
- The Family Literacy Corps immediately modify its work site procedures to include requiring the Site Coordinators to periodically certify the accuracy of participant service hours, and reassess the accuracy of all AmeriCorps member service hours previously reported to the CNS Trust Fund; and
- CNS require Family Literacy Corps to remit \$7,299 to the CNS National Service Trust Fund.

Family Literacy Corps stated that it is reassessing the number of service hours it has reported to the National Service Trust Fund for each of its AmeriCorps Members, and that it is instituting new practices to ensure that it accurately reports service hours. Family Literacy Corps also alluded that the discrepancy in hours may have resulted from our failure to include AmeriCorps Member lunch periods as part of service hours. Family Literacy Corps is incorrect. We did not deduct any amount from reported service hours for lunch periods.

Our corrections were limited to eliminating double-counting of hours, as described in our finding.

- V. Of the 14 AmeriCorps members at Family Literacy Corps' Atlanta work site who received stipends throughout their one year enrollment in the program, Family Literacy Corps was unable to produce time sheets to evidence the active participation of six AmeriCorps members throughout the entire program.

As noted in table below, three AmeriCorps members had no time sheets for six months, and one AmeriCorps member had no time sheets for the final three months of the program.

Participant	1994			1995								
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Kim Bennett	✓	✓	12	11	9	✓	13	11	5			
Alicia Cameron	✓	✓	✓	✓	✓	✓						
Phyllis Carter	9	✓	✓	7	3	10						
Juanita Lewis	✓	✓	5	✓	✓	✓						
Patricia Smith	✓	✓	✓	✓	✓	✓	15	✓	6	✓	✓	✓
Barbara Washington	✓	✓	✓	✓	✓	10	15	✓	✓	✓	✓	2

Table Legend: ✓ - Time sheets present for the entire month.  
 # - Number of days in month with time sheets reflecting service hours.  
 □ - no time sheets for the month.

As the fiscal agent for the Atlanta work site, the Atlanta Board of Education paid these six AmeriCorps members' monthly stipends of \$157<sup>1</sup> based on a listing from the site coordinator.

AmeriCorps regulations provide that program participants will receive stipends based on their enrollment as full-time AmeriCorps members. While the AmeriCorps members' time sheets are primarily used to support the earning of their educational benefits, the time sheets also document each participant's continuing eligibility to receive the stipend. The terms of its grant requires the Family Literacy Corps to support charges for living allowances with time and attendance records that are signed by each participant and approved by an

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<sup>1</sup>The stipends that Family Literacy Corps paid to these AmeriCorps members were substantially lower than the minimums that AmeriCorps programs are generally required to provide to their participants. However, most of the Family Literacy Corps AmeriCorps members in Atlanta waived their right to receive the minimum stipends to avoid exceeding income thresholds applicable to other benefits they received.

appropriate supervisory official (AmeriCorps Provisions, Sept. 14, 1994 version, Section 18.c.).

In the absence of time sheets to show active participation during the 21 months of AmeriCorps members enrollment illustrated above, we are questioning \$3,297 of the \$157 monthly living allowances payments.

Family Literacy Center agreed with our finding, and stated that it would remit the questioned costs to CNS.

VI. As a result of our review, we noted numerous entries on time sheets which indicate that the AmeriCorps members were performing inappropriate service activities. These activities included:

- Recruiting family members or friends to participate in the program as well as counting other general daily activities as services or recruitment, e.g., “took my son to the doctor,” “talked to the people about AmeriCorps,” or “went to the mall, talked to people about AmeriCorps;”
- providing general office support at the school where they are serving or at the Site Coordinator’s office, or providing a variety of personal services to family members; and
- one AmeriCorps member who reported working at McDonald’s as 30 hours of service activity.

Family Literacy Corps’ AmeriCorps grant provided that activities funded through the grant should provide a direct and demonstrable benefit that is valued by the community (AmeriCorps Provisions, Sept. 14, 1994 version, Section 2). Service activities must result in a specific identifiable service. Furthermore, the grant award states that the activities must relate to the field of education, namely school readiness and school success, for undereducated parent and their pre-school at one of the six different locations. Reported activities often appeared to conflict with stated grant objectives.

We recommend that CNS:

- Evaluate the Family Literacy Corps’ current program operations to determine whether its activities are in keeping with the requirements applicable to its AmeriCorps grant;
- Require the Family Literacy Corps to initiate management controls that will provide reasonable assurance that service activities performed are consistent with the purpose of the grant award; and

- Reconsider its funding of the Atlanta work site and any other Family Literacy Corps site that may be experiencing similar program deficiencies.

Family Literacy Corps stated that some service activities that we questioned were appropriate efforts to recruit new participants for the Family Literacy program, but that the AmeriCorps Members had inarticulately described their activities. However, Family Literacy Corps stated that it would more stringently review the service activities reported by its AmeriCorps Members.

- VII. Although AmeriCorps members received stipends to cover their living expenses, they also received a daily free lunch.

The costs of these lunches totaled \$3,202 (\$2,302 in Federal funds and \$900 in non-Federal funds). The grant budget did not include a provision for free lunches. Moreover, Federal regulations only allow the costs of meals as a grantee expense if they are included in the costs of attendance at meetings and conferences sponsored by others, and when the primary purpose is the dissemination of technical information (OMB Circular A-122, Attachment B, Section 25.c.).

We recommend that the CNS consider the propriety of these charges and take appropriate action.

Family Literacy Corps stated that it charged the lunch costs to the grant because the AmeriCorps Members continued to perform service while eating with program participants.

- VIII. Family Literacy Corps did not enforce its requirement to approve each AmeriCorps member's activity reports.

In Philadelphia, controls were inadequate to ensure that only currently enrolled AmeriCorps Members would be paid the living allowance (stipend). The Philadelphia program failed to follow Family Literacy Corps' internal procedures requiring a supervisor to initial each day's entry on the AmeriCorps member time sheet. Instead, the Chief of Staff of the Mayor's office made "pro forma" certifications to generate stipend payments to AmeriCorps members, because the City of Philadelphia's payroll system would not make stipend payments without a formal certification that accounted for a 40 hour work week for each AmeriCorps member.

Family Literacy Corps' AmeriCorps grant states that: "The grantee must maintain verifiable records which document each participants eligibility," i.e., served 1,700 (full-time) or 900 (part-time) hours of service (AmeriCorps Provisions, Sept. 14, 1994 version, Section 12.a.). The requirement to initial AmeriCorps member time sheets is a standard management control analogous to supervisory approval of time and attendance records.

Without supervisory approval of the AmeriCorps member time sheets, there is little or no assurance that AmeriCorps member service hours were accurately recorded and that service activities performed were appropriate. Consequently, AmeriCorps members may be provided an educational award without having completed the required number of service hours.

We recommend that Family Literacy Corps enforce its own internal procedures requiring the Site Coordinator, or other designee, to sign-off on all AmeriCorps member time sheets.

Family Literacy Corps agreed that the controls in the Philadelphia program were inadequate, and not in conformance with grant requirements.

## Appendix A

The following table reflects OIG’s calculation of the excess amount of post service education awards made to Family Literacy Corps AmeriCorps at the Atlanta work site. We based our calculations on several factors. First, we credited the Atlanta site AmeriCorps members with only those service hours supported by time sheets that were corrected for the math errors noted in Finding IV. Second, we assumed that Family Literacy Corps would have awarded these AmeriCorps members the maximum amount allowable under CNS policies. For these AmeriCorps members, the maximum benefit would have been a pro rated benefit based on the documented number of service hours. We then calculated the difference between the maximum allowable benefit and the vouchers issues to the AmeriCorps members.

Participant	OIG Calculated Time Sheet Hours	Required Service Hours (1700 for Full Time, 900 for Part Time)	Percent of Service Completed	Actual Voucher Amount	Corrected Voucher Amount	Excess Voucher Amount
Lori Mosley	1,591	1,700	93.6%	\$ 4,725	\$ 4,422	\$ 303
Brenda Johnson	1,587	1,700	93.4%	4,725	4,411	314
Yolanda Williams	1,575	1,700	92.6%	4,725	4,378	347
Patricia Smith	1,566	1,700	92.1%	4,725	4,353	372
Wanda Newell	1,558	1,700	91.6%	4,725	4,330	395
Juanita Lewis	557	1,700	32.8%	3,196	1,047	2,149
Phyllis Carter	258	1,700	15.2%	2,790	423	2,367
Barbara Washington	768	900	85.3%	2,362	2,016	346
Alicia Cameron	631	900	70.1%	2,362	1,656	706
Total Excess Post Service Education Benefit Voucher Amounts:						\$ 7,299

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For  
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Appendix B  
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August 12, 1996

Luise S. Jordan, Inspector General  
Corporation for National Service  
1201 New York Avenue, NW  
Washington, DC 20525

Dear Ms. Jordan:

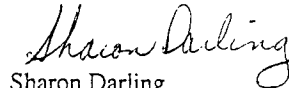
The National Center for Family Literacy appreciates the opportunity to respond to the draft report of the limited review of the Family Literacy Corps conducted by the office of the Inspector General. As you will note in our enclosed response, NCFL acted with immediacy and integrity at each stage of the review process.

From the beginning of the application process for the AmeriCorps grant, it was apparent that the AmeriCorps priorities of school readiness and school success were a natural link to the priorities of the National Center for Family Literacy. We strive to prepare families for economic self-sufficiency through education and instill the importance of parental involvement in each child's school success.

Through the Family Literacy Corps, the National Center for Family Literacy has directed its energy to individuals and neighborhoods that are traditionally unfamiliar with community service and service learning. By targeting recent graduates of our family literacy programs to become members of the Family Literacy Corps, NCFL took on an ambitious task, but in the same instance offered a unique opportunity to the communities and individuals participating. Communities in dire need of services find that those resources are close at hand. In turn, members have the chance to return to family literacy programs, not as students but as leaders and mentors of families who are striving to reach their own academic and economic goals. At the most personal level the Family Literacy Corps embodies the spirit of AmeriCorps.

We invite your questions pertaining to the enclosed response and would be glad to meet with you or your representatives to discuss these issues.

Sincerely,



Sharon Darling  
President

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**Response to Office of Inspector General's Draft Report  
National Center for Family Literacy  
August 12, 1996**

The National Center for Family Literacy, a non-profit organization located in Louisville, Kentucky has a seven year history of providing leadership to the field of family literacy in the areas of programming, training, research, and policy development. We have a tradition of successfully supervising programs funded through private dollars from Toyota Motor Corporation, United Parcel Service, and the John S. and James L. Knight Foundation at locations around the country. Through these funding sources we currently maintain national demonstration programs in 17 cities including over 50 local program sites with 3 new cities (9 local sites) being added this year. The research data we have accumulated on 2500 + family members attests to our program success in terms of the gains made by families as they strive to become economically self-sufficient and achieve the educational goals high school equivalency, preparation for higher education and ongoing support for the education of the children. The longevity of these programs and the expansion we witness in communities when they complete the privately supported grant cycles attest to program success in terms of the initial management strategies implemented by NCFL. As the parent organization, NCFL has utilized its knowledge and the experience gained in previous national programs to manage its 6 local sites participating in the Family Literacy Corps.

**I. Finding: At the time of our review, we found that Family Literacy Corps was not conducting adequate site monitoring.**

The National Center for Family Literacy has a history of successfully managing programs located in cities across the country as stated in the introduction above. We employed the same management strategies to address the issues of site management at a distance during the first year as the parent organization of the Family Literacy Corps. These strategies were initiated at the first meeting of site coordinators held at our headquarters in Louisville, Kentucky on August 3-5, 1994. Strategies included a communication plan that involved monthly conference calls connecting all site coordinators simultaneously, individual calls to coordinators on a weekly basis, and distributing a monthly update by mail called the "Info Line" that highlighted current information and requests from NCFL and CNS. As appropriate, each of these communication vehicles was used to stress compliance in documenting member service hours and activities. Because each site had unique circumstances in its approach to achieving the goals of the Family Literacy Corps, numerous discussions were held by phone with site coordinators to determine the acceptable activities. The program manager made site visits to provide technical assistance to each site coordinator. These site visits emphasized progress toward the objectives of the program through a review of daily schedules and members duties. Through discussions with site coordinators, members, and

supervising teachers, she determined that the nature of the service activities conformed to CNS guidelines and that these guidelines were understood by members. During this time she did confirm that the system for documenting activities was in place and that in general descriptions of activities were adequate. Total hours reported on quarterly reports were checked to determine if members were completing their service in a timely fashion.

As detailed in sections IV, V and VI of this response, NCFL did not wait for the audit report before taking aggressive action to correct problems. Immediately after the audit exit conference we initiated added monitoring procedures in the areas of member service hours and post-service education benefits to assure compliance. Our corrective actions concerning these issues will provide assurance for the accuracy of service hours and claimed costs. (See sections IV, VI, and VI).

**II. Finding: Administrative duties performed by the Family Literacy Corps headquarters staff are inappropriately charged to CNS AmeriCorps grant as direct program support.**

It is the contention of Family Literacy Corps (FLC) that the duties performed by headquarters staff are correctly charged as direct program support. The manager, working three days a week during the grant period in question, and the program assistant (full-time) spent their work time in pursuit of the goals and requirements of the grant. The manager's job duties and performance goals included maintaining communication between FLC, the site coordinators, and the Corporation for National and Community Service (CNS); providing orientation training and ongoing technical assistance to site coordinators; managing the FLC project to assure achievement of stated objectives within budgeted resources; and creating a national identity for FLC by regular communications with the six sites, developing common activities for members, and developing public relations material to publicize the accomplishments of FLC. The program assistant provided ongoing support in the accomplishment of these duties and goals. Both of these staff were assigned no other duties and worked solely on the AmeriCorps project.

FLC understands that while the headquarters staff does not directly engage in the supervision of AmeriCorps members, they do directly oversee the site coordinators and their activities which in turn affects the daily activities of the members. This is, in effect, a form of indirect supervision. The project manager regularly communicates with the site coordinators concerning the impact participation in the FLC program is having on the members, how the family literacy program is affected, as well as interaction with the community-at-large. Contact between the project manager and program assistant with coordinators and members is maintained through weekly phone calls, the Site Bites newsletter, monthly conference calls, ongoing correspondence, InfoLines (communiqués responding to CNS requests and information), site visits, computer on-line

services, trainings for members and coordinators, and mailings supporting the efforts of coordinators as they interact with members. The project manager uses information gathered from these communications to develop coordinator training related to service learning, member leadership development, and workplace professionalism. The relationships maintained with site coordinators and members enables the project manager and program assistant to make suggestions for improvements in training techniques.

FLC's position on this issue is supported by the following rules and regulations:

**A.** OMB Circular A-122, "Cost Principles for Nonprofit Organizations". Attachment A, General Principles, B. Direct Costs states "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."

**B.** Code of Federal Regulations 45, "Public Service". Under Subtitle B, Chapter XXV, Corporation for National and Community Service, 2510.20, the definition of administrative costs excludes costs related to program operations. "(2) Administrative costs do not include allowable costs directly related to program or project operations. These program costs include the following: ... (ii) Cost for staff who recruit, train, place, or supervise participants, including costs for staff salaries, benefits, training, and travel, if the purpose is for a specific program or project objective."

**C.** AmeriCorps' updated grant provisions of September 28, 1995, in defining administrative costs (Section 24) states under a. "Administrative costs do not include the following allowable costs directly related to Program or project operations such as: ... ii. costs for staff who recruit, train, place or supervise Members, including staff salaries, benefits, training, and travel, if the purpose is for a specific Program or project objective;" and "iii. costs for independent evaluations and any internal evaluations of the Program or project that are related specifically to creative methods of quality improvement;" and "iv. costs for staff that work in an operational capacity (defined as those duties necessary to carry out the daily activities of the Program)". In addition, section d. under the definition of administrative costs, indicates that this clause can apply to prior year programs: "d. Effective Date. This clause applies to FY 95 Programs, and may, at the discretion of the Grantee, apply to prior year Programs."

In light of the above, it is FLC's position that since the work of the program manager and program assistant are specific to the program, their salaries should not be interpreted as administrative costs. FLC is of the opinion that there is clear support for this position in the federal regulations, OMB circulars, and AmeriCorps grant provisions cited above. In addition, since these costs were spelled

out as program costs, not administrative costs in the budget approved by the Corporation for National Service, it would be clearly unfair to apply this interpretation of administrative vs. program costs retroactively.

**III. Finding: Family Literacy Corps payroll costs are not supported by personnel activity reports.**

Two employees at the FLC headquarters were paid from the AmeriCorps grant. The FLC project manager was on part-time status but all of her working hours were spent on FLC program functions as stated in section II of this response and in her job description and work objectives (See Attachment 1). While she did not fill out personnel activity reports as such, the project manager did fill out and sign time sheets verifying her time worked which was all spent on the project. Since it was not a policy of the National Center for Family Literacy (NCFL) to require full-time employees to fill out time sheets, the program assistant (who spent 100% of her time on program functions) did not keep time sheets during year one of the grant. In Attachment 2 the job description and objectives clearly state her tasks as fully targeting FLC. As soon as this oversight was noted in the exit conference of the audit review, FLC immediately initiated corrective action. Signed personnel reports for both the project manager and the project assistant are on file at FLC headquarters for year two of the grant and will be forwarded upon request.

A new project manager was appointed for year two of the grant. She is a full-time employee whose time is distributed between directing the FLC and serving as an NCFL training specialist. She had been keeping her time on calendars as a training specialist. When FLC became aware of the more detailed record keeping required during the exit conference of the audit, a new form was immediately developed that allows for a more comprehensive description of activities and requires the signature of both the employee and the employee's supervisor. A copy of the NCFL chargeable time report form is attached. (See Attachment 3)

Besides assuring improved time documentation at FLC headquarters, the project manager informed the site coordinators to use identical forms in recording their time allotment and required that copies of the completed forms be forwarded to FLC headquarters. The site coordinators were given ongoing reminders of this requirement in the INFO LINE #3A, December 12, 1995, bulleted point 3 (See Attachment 4); conference call, January 8, 1996 (See Attachment 5); memorandum to site coordinators, January 17, 1996 (See Attachment 6); INFO LINE #4A, February 23, 1996, page 2, number 7 (See Attachment 7); and in the conference call of May 23, 1996 (See Attachment 8).

FLC is currently in the process of collecting payroll records, internal time documents, diaries, job descriptions, job reviews, and any existing similar records from the sites in order to verify that the time charged to the grant was correctly charged.

The errors in record keeping were a result of misunderstanding the exact requirements of AmeriCorps grants as opposed to a deliberate attempt at fraud and FLC moved to correct the errors as soon as it was made aware of the requirements. Therefore, FLC is requesting that repayment of the payroll costs in question be waived based on the fact that there are contemporaneous records that support the fact that the work was actually done.

**IV. Finding: Family Literacy Corps certifications to the CNS National Service Trust Fund resulted in 5 full-time participants being inappropriately awarded education benefits of \$4,725 and 2 part-time participants being inappropriately awarded education benefits of \$2,262.**

FLC is currently in the process of reassessing the accuracy of all AmeriCorps member service hours previously reported to the CNS trust fund as recommended in the Inspector General's report.

In the instances cited in Atlanta, it is the opinion of FLC that part of the discrepancy in hours may reside in the Inspector General's failure to include lunch periods as part of the members time. FLC contends that the members interaction with Family Literacy parents and children during the lunch hours justifies inclusion of lunch periods as service hours. Refer to FLC's reply to finding VII below.

FLC has instituted practices to ensure accuracy of service hours reported. The site coordinators are charged with reviewing all member time sheets at the weekly or biweekly team meetings. In addition, coordinators are required to send randomly selected time sheets when they submit requests for reimbursement to FLC.

**V. Finding: Of the 14 AmeriCorps members at Family Literacy Corps' Atlanta works site who received stipends throughout their one year enrollment in the program, Family Literacy Corps was unable to produce time sheets to evidence the active participation of six AmeriCorps members throughout the entire program.**

We have contacted Atlanta to provide documentation to support the stipends in question. The documentation sent to us from the site coordinator does not substantiate the stipends received. NCFL, therefore, will remit the costs in question of \$3,454 as soon as we have direction from CNS as to the proper procedure.

NCFL took corrective action on the issue of member time sheet accuracy when it became apparent that not all site coordinators were checking time sheets in a timely manner with proper attention to activities. This corrective action was described in a letter to our program officer Marlene Zakai dated February 23, 1996 after a site visit to Atlanta and distributed to all site coordinators. The letter states:

“All Corps Member time sheets will be reviewed by the coordinator weekly or biweekly at the team meetings. If any changes are required based on documentation provided by the Member or coordinator, changes will be made in the presence of the Member by the coordinator. The Member will initial any changes. Coordinators will send randomly selected Corps Member time sheets with their time distribution forms when they send in the request for reimbursement. If these forms are not sent, we will delay their reimbursement until they are received.”

**VI. Finding: As a result of our review, we noted numerous entries on time sheets which indicate that the AmeriCorps members were performing inappropriate service activities.**

Some of the service activities regarding recruitment which were identified as inappropriate in the report need further clarification. Recruitment of new family literacy members is one of the objectives stated in the Atlanta proposal. Under Community Building objectives it states that the Atlanta Family Literacy Corps will provide 70 hours of recruitment and home visits weekly (See Attachment 9). “Word-of-mouth” recruitment among friends and neighbors is one of the strongest recruitment strategies employed by family literacy programs nationally. It is logical that AmeriCorps members would put in place this strategy as one of the many they would use to fulfill their goals of engaging families in the program. Since 12 of the 15 Atlanta Family Literacy Corps members had graduated from the family literacy program they were serving and were rightfully encouraged to use this strategy to recruit members of their own families as well as friends and neighbors. In addition to neighborhood recruitment, programs are encouraged to distribute flyers and talk with potential students in any public area where the target population can be found. Malls, grocery stores, and beauty shops are normal gathering places for potential students. Students who described the recruitment activities in question entered their descriptions as “talked with people about the program” or “went to the mall and talked to people about the program” could be stating legitimate strategies. The “program” they are referring to is the family literacy program for which they are recruiting and not the AmeriCorps program for which they are serving. These AmeriCorps members who are so recently literate themselves should not be penalized for their inability to describe their activities in a more acceptable manner (i.e. distributed recruitment literature or discussed program details with potential target enrollees).

**VII. Finding: Although AmeriCorps members received stipends to cover their living expenses, they also received a daily free lunch.**

In family literacy programs, such as the one in which the members were assisting in Atlanta, family style meals are an integral part of the program. These lunches give parents the opportunity to discuss the day's events with their children and vice versa, provide observable family interaction, and strengthen family bonds in an educational setting. The lunches also provide a setting for parents to practice tried and true discussion skills such as "table time conversation" as illustrated by Delores Curren in her book, *The Traits of Healthy Families*.

AmeriCorps members share the responsibility with instructional staff of modeling behaviors such as meal time dialogue and parent/child interaction. The amount designated for meals was placed in the budget to ensure that the members could support parents as they practice their discussion and parent/child interaction skills.

**VIII. Family Literacy Corps did not enforce its requirement to approve each AmeriCorps member's activity reports.**

We agree that the procedure followed in Philadelphia is not adequate to insure the integrity of the service awards. We regret that the Mayor's office in Philadelphia had overruled the procedures we had set up to ensure that the service hours of the members were accurately recorded and reported our concerns earlier in a letter to CNS (See Attachment 10). NCFL included with its memorandum of agreement to all sites a copy of the AmeriCorps USA Direct Grant Provisions to assure their understanding of the terms of grant operation (See Attachment 11).