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C O R P O R A T I O N

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F O R N A T I O N A L

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S E R V I C E

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## **OFFICE OF THE INSPECTOR GENERAL**

**Review of the  
Enterprise Foundation  
Award Number 95ADNMD007**

**This report is issued to CNS Management. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than December 23, 1997 and complete its corrective actions by July 1, 1998. Consequently, the reported 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.**

Office of the Inspector General  
Review of the  
Enterprise Foundation  
Award Number 95ADNMD007



Tichenor and Associates, under contract to the Office of the Inspector General, performed a limited review of the Enterprise Foundation's accounting systems and management controls to determine whether they are adequate for managing the award in accordance with Federal and grant requirements and for safeguarding Federal funds. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Tichenor and Associates found that the accounting systems and management controls of the Enterprise Foundation and its subgrantees were inadequate to report grant expenditures and to safeguard Federal funds. The conditions leading to this conclusion included

- The Enterprise Foundation and its subgrantees claimed costs which were either not supported by adequate source documentation or not allocable to the AmeriCorps grant. As a result, we are questioning \$37,611 in claimed costs and \$5,929 in related cost sharing.
- The Enterprise Foundation incorrectly claimed administrative costs as direct program costs under the grant. As a result, we are reclassifying claimed direct costs and questioning \$24,015 in administrative costs which are in excess of the five percent cap.
- The Enterprise Foundation and its subgrantees did not accumulate adequate information to track the accomplishment of program objectives under the grant.

These and other matters are discussed in greater detail in the Findings and Recommendations section of this report. In its comments on a draft of this report, CNS stated that they did not complete a full review of the draft report and that a more comprehensive analysis would take place at a later time. The Enterprise Foundation generally disagreed with the findings and provided additional information and documentation. We considered this information and revised our report where appropriate. CNS' and the Enterprise Foundation's comments are included as Appendix I and II, respectively.

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Telephone 202-606-5000

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# TICHENOR & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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Inspector General  
Corporation for National Service

We performed a limited review, as described in the Scope and Methodology section of this report, of the Enterprise Foundation's accounting systems and management controls. Our objective was to determine whether the controls are adequate and suitable to report grant expenditures in accordance with Federal requirements and to safeguard Federal funds. Our review covered Corporation for National Service (CNS) award number 95ADNMD007 in the amount of \$1,032,355 for the period August 1, 1995 through November 6, 1996. On September 26, 1996, CNS renewed this grant, increasing the award by \$1,147,821 to \$2,180,176 and extending the expiration date of the award to December 31, 1997.

## **RESULTS IN BRIEF**

We found that the accounting systems and management controls of the Enterprise Foundation were inadequate to report grant expenditures and to safeguard Federal funds. Our conclusion is based on the following conditions:

- The Enterprise Foundation and its subgrantees claimed costs which were either not supported by adequate source documentation or not allocable to the AmeriCorps grant. As a result, we are questioning \$37,611 in claimed costs and \$5,929 in related cost sharing.
- The Enterprise Foundation incorrectly claimed administrative costs as direct program costs under the grant. As a result, we are reclassifying claimed direct costs and questioning \$24,015 in administrative costs which are in excess of the five percent cap.
- Columbus Housing Partnership, a subgrantee, credited service hours to members for holidays when no service was performed.

- Columbus Housing Partnership permitted one of its 30 members to engage in clerical activities which were not incidental to the Member's service.
- South George Street Community Partnership (SGSCP), a subgrantee, did not have adequate accounting procedures or an understanding of cost principles and administrative requirements for performance under AmeriCorps grants. As a result, SGSCP claimed direct program costs under the grant which were either unsupported, unallowable or administrative in nature.
- The Enterprise Foundation and its subgrantees did not accumulate adequate information to track the accomplishment of program objectives under the grant.

As a result, we are questioning costs of \$61,626 claimed under the grant as follows:

<b>Summary of Awarded, Recorded and Questioned Costs June 30, 1996</b>					
<b><u>Budget Categories</u></b>	<b><u>Approved Budget</u></b>	<b><u>Total Outlays</u></b>	<b><u>Reclassified Costs</u></b>	<b><u>Questioned Costs</u></b>	<b><u>Finding</u></b>
Member Support	\$ 629,229	\$380,086			
Other Member Costs	50,438	29,467			
Direct Staff	194,310	113,679	\$40,529	\$33,681	I, II
Operating	103,040	51,619	4,867	3,930	I, II
Internal Evaluation	3,750				
Administration	<u>51,588</u>	<u>30,237</u>	<u>(45,396)</u>	<u>24,015</u>	II
Total Costs <sup>1</sup>	<b><u>\$1,032,355</u></b>	<b><u>\$605,088</u></b>	<b><u>\$ 0</u></b>	<b><u>\$61,626</u></b>	
The Foundation's Cost Sharing <sup>2</sup>	<b><u>\$ 285,993</u></b>	<b><u>\$150,873</u></b>	<b><u>\$33,351</u></b>	<b><u>\$ 5,929</u></b>	I, II
Total Project Costs	<b><u>\$1,318,348</u></b>	<b><u>\$755,961</u></b>			

These matters are discussed in greater detail in the Findings and Recommendations section of this report.

<sup>1</sup>On September 29, 1995, the Enterprise Foundation was awarded their AmeriCorps grant with an effective date of August 1, 1995. The AmeriCorps grant provided support for the Community Safety Project in the amount of \$1,032,355, including \$118,552 in funds for the Foundation's own participation. Educational awards of \$354,390 for 60 full-time and 30 part-time AmeriCorps Members were approved in the award budget but not included as part of the operating budget because they are paid through the National Service Trust. No child care costs were proposed or awarded.

<sup>2</sup>CNS regulations (45 CFR 2543.23 (a) (1,4 and 6)) require the recipient's cost sharing to be verifiable from the recipient's records, allowable under the applicable cost principles and provided for in the approved budget.

We provided CNS and Enterprise Foundation officials with a draft of this report on May 9, 1997, for review and comment. In their response, CNS indicated that they did not complete a full review of the draft report and that a more comprehensive analysis would take place at a later time. However, CNS did disagree with our definition of administrative costs. CNS' response is included with this report as Appendix I. The Enterprise Foundation generally disagreed with our findings and recommendations and provided additional information and documentation to support their position. We reviewed their comments and generally found that the explanations offered and documentation provided were not sufficient to require that we revise our findings. The Foundation's response is included as Appendix II and summarized after each finding where appropriate.

## **BACKGROUND**

The Enterprise Foundation, Incorporated, (Foundation) is a tax-exempt (501(c)(3)) corporation established in 1982. Headquartered in Columbia, Maryland, the Foundation also has 11 local offices in cities throughout the country. The mission of the Foundation is to see that low-income people in the United States have the opportunity for fit and affordable housing and to move up and out of poverty.

The Foundation receives the majority of its funding from private contributions and receives Federal funding from three major programs supported by the Department of Housing and Urban Development: The National Community Defense Initiative, the Home Investment Partnership Program, and Community Development Block Grants. The Foundation receives additional Federal funding from a Supportive Housing Cooperative Agreement and the AmeriCorps grant agreement. Total Foundation revenues were \$14,283,000 for the year ended December 31, 1995. Expenditures under Federal awards totaled \$3,917,742 for the same period.

The mission of the Foundation's AmeriCorps Community Safety Project is to develop community responsibility for maintaining a physical environment that promotes public safety. There are three subgrantees participating in the AmeriCorps grant program: Charlotte-Mecklenburg Housing Partnership in Charlotte, North Carolina; South George Street Community Partnership in York, Pennsylvania; and Columbus Housing Partnership in Columbus, Ohio.

Charlotte-Mecklenburg Housing Partnership is a broad-based, private, nonprofit housing development and finance corporation organized to expand affordable and well-maintained housing for low and moderate-income families in the city of Charlotte and the county of Mecklenburg with a continuing interest in the ability of occupants to more fully enter the economic mainstream. South George Street Community Partnership (SGSCP) is a private, nonprofit organization that brings together community residents, business owners, churches, educators and city staff. SGSCP is solely dedicated to improving the quality of life in the South George Street neighborhood. Columbus Housing Partnership is a private, nonprofit organization formed in 1987 whose mission is to develop fit housing and safe, sound communities for low-income people.

## SCOPE AND METHODOLOGY

We performed our review at the Enterprise Foundation's (Foundation) offices in Columbia, Maryland, South George Street Community Partnership's (SGSCP) offices in York, Pennsylvania, and Columbus Housing Partnership's (CHP) offices in Columbus, Ohio. We performed the procedures listed below in evaluating management's assertion about the effectiveness of the Foundation's accounting systems and system of management control over compliance with laws and regulations applicable to the grant during the period August 1, 1995 through November 6, 1996. We selected the June 30, 1996 Financial Status Report (FSR) for our review as the most current FSR submitted as of the beginning of our fieldwork. Consequently, we reviewed transactions and identified questioned costs associated with the June 30, 1996 FSR. However, our findings and recommendations address the accounting and management controls of the Foundation as they existed at the end of our fieldwork, November 6, 1996.

Our procedures included:

- interviewing key management, accounting, and program personnel;
- reviewing organizational charts, policies and procedures manuals and charts of accounts as furnished by the Foundation and CHP;
- reviewing audit reports on the financial statements and management controls of the Foundation and CHP;
- testing a judgmental sample of financial transactions related to the grant; and
- reviewing the Foundation's oversight and monitoring of Charlotte-Mecklenburg Housing Partnership, SGSCP and CHP.

We performed our review in accordance with *Government Auditing Standards* (1994 Revision) 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 procedures had been performed, other matters might have come to our attention that would have been reported. Also, projections of any evaluation of the management controls over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

## FINDINGS AND RECOMMENDATIONS

- I. The Enterprise Foundation (Foundation) and its subgrantees claimed costs which were either not supported by adequate source documentation or not allocable to the AmeriCorps grant. As a result, we are questioning \$37,611 in claimed costs and \$5,929 in related cost sharing as follows:

<b>Schedule of Questioned Direct Costs June 30, 1996</b>				
<u>Category</u>	<u>Questioned Costs</u>		<u>Criteria</u> <u>OMB Circular A-122</u>	<u>Notes</u>
	<u>Federal Share</u>	<u>Cost Sharing</u>		
Staff Salaries and Benefits	\$(6,397)	\$1,702	Attachment B, 6.1 (1)	1
Staff Salaries and Benefits	40,078	4,227	Attachment B, 6.1 (2) (a)	2
Travel	3,825	0	Attachment A, A4a (1) and (2)	3
Supplies	<u>105</u>	<u>0</u>	Attachment A, A4a (1) and (2)	4
Total Questioned Costs	<u><b>\$37,611</b></u>	<u><b>\$5,929</b></u>		

**Notes:**

1. The Foundation claimed costs for staff salaries and benefits based on budgeted amounts rather than actual expenditures recorded in time keeping reports. When we recalculated actual payroll costs from available time records, we found that costs of \$8,802 were unclaimed for the Project Director and an excess of \$2,405 was claimed for the Administrative Assistant. This resulted in a net unclaimed amount of \$6,397 and an overstatement of \$1,702 in related cost sharing.
2. Two subgrantees claimed a total of \$40,078 of staff salaries and benefits which were not supported by time sheets. At South George Street Community Partnership (SGSCP), we identified \$37,648 and at Columbus Housing Partnership (CHP), we identified \$2,430 of unsupported costs. We also identified \$4,227 in related cost sharing that was unsupported.
3. The Foundation and its subgrantees claimed unallocable or unsupported travel costs of \$3,825 which we are questioning as follows:
  - The Foundation claimed airfare of \$479 for a ticket that was not used. No refund was credited to the grant.
  - CHP claimed \$1,150 for costs that were reimbursed by the Ohio State Commission on Community Service but not credited to the AmeriCorps grant.
  - SGSCP claimed staff and member travel costs of \$2,196 that were not supported by source documentation such as receipts or mileage claims.
4. SGSCP claimed supply costs of \$105 for which they could provide no supporting invoices or other source documentation.

We recommend that CNS require the Foundation to:

- Reimburse \$37,611, which is the questioned Federal Share of costs.
- Revise applicable FSRs to report salary and benefits costs for the grant on the basis of actual cost incurred and to reduce the reported cost sharing amounts for the amount of questioned cost sharing.

Based on our review of the Foundation's comments and supplemental documentation, we eliminated \$479 of travel costs we had questioned. We agreed that the costs incurred for travel to a CNS-sponsored training session for AmeriCorps program staff by a VISTA Member was allocable because the VISTA Member's duties consisted of supervising AmeriCorps Members.

II. The Enterprise Foundation incorrectly claimed administrative costs as direct program costs under the grant. As a result, we are reclassifying claimed direct costs and questioning \$24,015 in administrative costs which are in excess of the five percent cap.

We are questioning excess administrative costs claimed as follows:

<b>Administrative Costs June 30, 1996</b>		
Federal Share Awarded	\$1,032,355	
Administrative Cap – Five Percent	<u>          x 0.05</u>	
Maximum Allowable Administrative Costs		\$51,618
Administrative Costs Reported	\$ 30,237	
Direct Program Costs		
Reclassified as Administrative Costs	<u>          45,396</u>	
Total Administrative Costs Incurred		<u>75,633</u>
Questioned Administrative Costs – Net of Allowable and Incurred Costs		<u>\$24,015</u>

We determined that of the \$605,088 of total expenditures reported at June 30, 1996, the Enterprise Foundation (Foundation) claimed \$30,237, or five percent, as administrative costs. CNS regulations (45 CFR 2540.110) limit reimbursement of administrative costs to no more than five percent of funds made available under the grant in any one year. However, the Foundation and its subgrantees claimed \$45,396 in direct costs which were actually administrative in nature. CNS regulations (45 CFR 2510.20 (1) (iv)) define administrative costs as the portion of the salaries and benefits of the director and any other program administrative staff equal to the portion of time that is not spent



in support of specific program objectives. Specific program objectives are defined by CNS as recruiting, training, placing or supervising participants. Additionally, CNS regulations (45 CFR 2510.20 (1) (i)) define indirect costs as administrative costs. As a result, costs incurred for the benefit of two or more distinct activities of a CNS grant recipient, or for the benefit of the entity as a whole, are administrative costs by their character as indirect costs (OMB Circular A-122, Attachment A, paragraph C).

We are reclassifying as administrative costs \$45,396 of direct program costs claimed and \$33,351 in related cost sharing as follows:

<b>Direct Costs Reclassified as Administrative Costs</b>			
<b>June 30, 1996</b>			
	<u>Federal Share</u>	<u>Cost Sharing</u>	<u>Notes</u>
<b>Staff Salaries and Benefits:</b>			
The Enterprise Foundation	\$31,750	\$31,527	
Columbus Housing Partnership	<u>8,779</u>	<u>1,824</u>	
<b>Total Staff Salaries and Benefits</b>	<b>\$40,529</b>	<b>\$33,351</b>	<b>1</b>
<b>Operating Costs – South George Street Community Partnership:</b>			
Rental of Headquarters Building	\$ 1,625	\$0	
Installation of Phone System	1,159	0	
Personal Computer in Executive Director's Office	<u>2,083</u>	<u>0</u>	
<b>Total Operating Costs</b>	<u><b>4,867</b></u>	<u><b>0</b></u>	<b>2</b>
<b>Total Program Costs Reclassified as Administrative Costs</b>	<u><b>\$45,396</b></u>	<u><b>\$33,351</b></u>	
<b>Notes:</b>			
1. We found that costs were claimed for direct staff salaries and benefits that were not incurred in support of specific program objectives. We reviewed job titles and position descriptions as provided by the Foundation and Columbus Housing Partnership (CHP) and also interviewed personnel at the Foundation and CHP. At the Foundation, the positions of Senior Vice President,			

**(Notes to Table Continued)**

Director of Community Services and Administrative Assistant were determined to be administrative. At CHP, the positions of Executive Director, Director of Operations, Chief Financial Officer, Bookkeeper and Administrative Assistant were determined to be administrative. We found that job duties associated with the claimed costs did not include the direct recruitment, placement, or supervision of AmeriCorps Members. As a result, we reclassified as administrative costs \$40,529 of the Federal share of staff salaries and benefits and \$33,351 in related cost sharing. Of these reclassified amounts:

- The Foundation claimed \$31,750 as the Federal share and \$31,527 in related cost sharing.
  - CHP claimed \$8,779 as the Federal share and \$1,824 in related cost sharing.
2. South George Street Community Partnership (SGSCP) claimed \$4,867 of direct operating costs which were incurred for the benefit of SGSCP as a whole, and not for specific program objectives, as follows:
- SGSCP claimed \$1,625 for rental costs of the headquarters building. All operations, not only AmeriCorps activities, are housed in the building.
  - Costs of \$1,159 were claimed by SGSCP for the installation of a six-line phone system in the headquarters building. The system was installed in order to provide phone service to the entire building, which is occupied by SGSCP staff.
  - SGSCP claimed \$2,083 for the purchase of a personal computer which we found to be located in the Executive Director's office. We found that the computer was used primarily by the Executive Director and not in support of specific program objectives.

When these costs are included as administrative costs, the total administrative costs claimed exceed the maximum allowable administrative costs by \$24,015.

We recommend that CNS require the Foundation to reimburse the amount of excess administrative costs claimed. Additionally, we recommend that CNS require the Foundation to review supporting documentation provided by subgrantees to determine whether all costs claimed by subgrantees as direct costs are only for the direct benefit of the AmeriCorps grant.

In their response, the Foundation did not agree that costs claimed for staff salaries and benefits of Foundation employees participating in the grant are administrative. We reviewed their comments and do not agree with the Foundation's interpretation of CNS regulations. Although the positions are described in the approved grant budget narrative, we determined that the duties and responsibilities performed are administrative as specified in CNS regulations. We did not revise our finding but added for clarification the titles of the positions we questioned.

III. Columbus Housing Partnership, a subgrantee, credited service hours to Members for holidays when no service was performed.

AmeriCorps grant special provision 8a, "Training, Supervision, and Support," requires the Enterprise Foundation (Foundation) to provide each Member with sufficient opportunity to complete the required number of hours to qualify for a post-service educational award. The provision further identifies holidays as "missed hours" which the Foundation must allow the Member to make up. However, we found that Columbus Housing Partnership (CHP) credited AmeriCorps Members with service hours earned for holidays on which no service was performed.

We recommend that CNS require the Foundation to develop and implement policies and procedures to properly record Member service hours in accordance with the AmeriCorps grant provisions. Further, the Foundation should review the hours credited to CHP's Members and reimburse the National Service Trust for any unearned portion of post-service educational benefits awarded to CHP's Members.

IV. Columbus Housing Partnership permitted one of its 30 Members to engage in clerical activities, which were not incidental to the Member's service.

CNS regulations (45 CFR 2520.20) require approved AmeriCorps activities to result in a specific identifiable service or improvement that otherwise would not be provided with existing funds or volunteers. The regulations further prohibit participants from engaging in activities such as clerical work unless the performance of such an activity is incidental to the participant's service in providing a direct benefit to the community in which such activities are performed.

We found that one part-time Member at Columbus Housing Partnership's (CHP) Ohio Avenue United Methodist Church site provided clerical assistance for the AmeriCorps supervisor at the church. The Member's service, therefore, did not result in a direct identifiable benefit to the community served by CHP. According to CHP's records, the Member did not begin service until July 1996. Therefore, no associated Member Support Costs were claimed as of the June 30, 1996 FSR.

We recommend that CNS require the Foundation to utilize Members only in activities which result in a direct and identifiable benefit to the community served.

In their response, the Foundation claimed that the Member's clerical hours were incurred in addition to any hours credited as AmeriCorps service hours. We reviewed the documentation provided to support this explanation and did not revise our finding. The Member's time sheet reports total hours and lists the various activities performed but does not allocate the Member's time among these activities.

- V. South George Street Community Partnership (SGSCP), a subgrantee, did not have adequate accounting procedures or an understanding of cost principles and administrative requirements for performance under AmeriCorps grants. As a result, SGSCP claimed direct program costs under the grant which were either unsupported, unallowable or administrative in nature.

Federal regulations (45 CFR 2543.21 (b) (1, 2, 6 and 7)) require the Foundation and its subgrantees to:

- Maintain financial management systems which include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Such financial management systems must be capable of distinguishing expenditures allocable to an AmeriCorps grant from expenditures not allocable to an AmeriCorps grant. Further, such financial management systems must be able to identify costs by program year and by budget line item and to differentiate between direct and indirect costs or administrative costs.
- Maintain adequate supporting documentation for expenditures (Federal and non-Federal) and in-kind contributions made under an AmeriCorps grant. Costs must be shown in books or records (e.g., a disbursement ledger or journal) and must be supported by source documentation such as receipts, travel vouchers, invoices, bills, affidavits, in-kind vouchers or similar documents.

South George Street Community Partnership (SGSCP) had no general ledger which collected, classified, and summarized grant expenditures to support amounts reported on its June 30, 1996 FSR. The only detail transaction record made available was the register of SGSCP's checkbook which did not show classifications by general ledger account or allocation to different cost objectives. Further, SGSCP personnel were unaware of CNS and Federal regulations applicable to AmeriCorps grants.

We recommend that CNS require the Foundation to instruct subgrantees on applicable laws and regulations for performance under AmeriCorps grants with specific emphasis on the applicable financial management systems requirements.

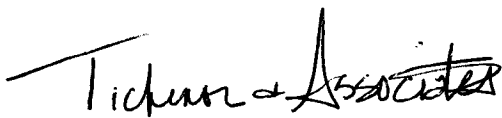
In their response, the Foundation indicated that the Treasurer of the Board of Directors of SGSCP supervises the financial management of grant funds and prepares a monthly report. However, the SGSCP Treasurer subsequently confirmed that no general ledger is maintained and that the monthly report is a compilation of the check register and the payroll reports. We did not revise our finding because the Treasurer's procedures do not compensate for the controls of a general ledger system. Further, the Treasurer's report does not segregate CNS costs from the other costs of SGSCP.

VI. The Enterprise Foundation and its subgrantees did not accumulate adequate information to track the accomplishment of program objectives under the grant. CNS regulations (45 CFR 2543.51 (d) (1)) require grantees to track progress toward achievement of their program objectives. We found that:

- The Enterprise Foundation (Foundation) did not establish procedures to collect the performance data necessary to conduct proper oversight of proposed performance objectives.
- The two subgrantees we visited, South George Street Community Partnership and Columbus Housing Partnership, had approved performance measures that were objectively measurable but did not collect adequate data to determine if progress was being made toward the stated objectives. For example, team leaders at both subgrantees were required to submit monthly progress reports to their Project Directors. We reviewed a sample of these reports and found that most of the reports contained no quantitative data which could be tied directly to the approved performance measures. Further, we found that the reports were not standardized and, therefore, did not provide consistent reporting of AmeriCorps activities from all team leaders.

We recommend that CNS require the Foundation to develop procedures and reporting formats which will facilitate effective reporting on program activities, statistics and stated program objectives. For example, the Foundation could require all subgrantees and AmeriCorps team leaders to complete monthly reports which are in the same format as the quarterly progress reports submitted to CNS. A matrix similar to that included in the Foundation's proposal could also be included in the subgrantee reports in order to effectively measure progress towards each subgrantee's program objectives.

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



TICHENOR & ASSOCIATES  
Woodbridge, Virginia  
November 6, 1996

**APPENDIX I**

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**Response of the Corporation for National Service**



AmeriCorps National Service

CORPORATION  
FOR NATIONAL  
SERVICE

June 9, 1997

Jonathan D. Crowder  
Tichenor & Associates  
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Woodbridge, VA 22192

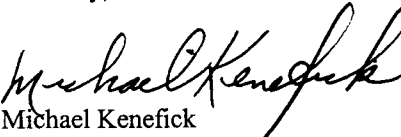
Subject: Draft Review Report for Corporation for National Service (CNS) Award  
Number 95ADNMD007, The Enterprise Foundation

Dear Mr. Crowder:

Thank you for the opportunity to review the draft report. Our review was primarily limited to information contained in the report. We have not yet conducted a more comprehensive review and analysis. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time. However, please note that CNS does not agree with the limited definition of administrative costs as presented in the report and may therefore disagree with reclassification of personnel costs based on such a limited definition.

Note that identification of personnel and job descriptions of staff reclassified are not included in your report. As such, we ask that you provide the job titles and position descriptions that were reviewed and, as a result, reclassified by the auditor as administrative costs. According to the program staff at the Enterprise Foundation, they will be providing a detailed response regarding questioned costs. We have no objection to the report being issued.

Sincerely,

  
Michael Kenefick  
Director, Grants and Contracts

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Washington, DC 20525  
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## **APPENDIX II**

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### **Response of the Enterprise Foundation**





# THE ENTERPRISE FOUNDATION

JAMES W. ROUSE  
CO-FOUNDER  
1914-1996

F. BARTON HARVEY III  
CHAIRMAN & CEO

REYNARD RAMSEY  
PRESIDENT & COO

EDWARD L. QUINN  
SENIOR VICE PRESIDENT

PATRICIA T. ROUSE  
CO-FOUNDER  
VICE PRESIDENT & SECRETARY

WILLIAM R. FREY  
VICE PRESIDENT

RICHARD M. HESSE  
VICE PRESIDENT & CFO

KRISTINE E. SIGLIN  
VICE PRESIDENT

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KAREN HASTIE WILLIAMS  
RAUL YZAGUIRRE  
BARRY ZIGAS

June 10, 1997

Jonathan D. Crowder  
Tichenor & Associates  
12531 Clipper Drive, Suite 202  
Woodbridge, VA 22192

Dear Mr. Crowder:

The purpose of this letter is to respond to the report containing findings and recommendations resulting from your review of the Corporation for National Service award to The Enterprise Foundation. I will respond to each of the findings in turn below.

#### Finding I.

The Enterprise Foundation and its subgrantees claim costs which were either not supported by adequate source documentation or not allocable to the AmeriCorps grant. As a result we are questioning \$38,090 in claimed costs and \$6,743 in related cost sharing.

Note 1. The Foundation claimed costs for staff salaries based on budgeted amounts rather than actual expenditures recorded in time keeping reports. When we recalculated actual payroll costs from available time records, we found that costs of \$8,802 were unclaimed for the project director and an excess of \$2,405 was claimed for the administrative assistant. This resulted in a net unclaimed amount of \$6,397 and an overstatement of \$41,702 in related cost sharing.

#### Response:

The unclaimed money resulted from the resignation of the project director effective August 31, 1996. The additional burdens placed on the administrative assistant after the director left gave rise to the additional amount claimed for that line. (See Attachment 1 & 2.)

Note 2. Two subgrantees claimed a total of \$40,078 of staff salaries and benefits which were not supported by timesheets. (According to the May 27<sup>th</sup> memo, these timesheets did not show a distribution of time to all projects.)

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Response:

Timesheets do reflect the percentage of time devoted to the Project by all staff. Where there are no percentages (e.g., Judy Ritter's timesheet), the staff person was assigned to the Project 100% of the time. For Enterprise employees "AmeriCorps" indicates time spent on the Project funded by the Corporation. "Volunteer Institute" shows the Enterprise match. (See enclosed examples of timesheets, Attachment 3.)

Note 3. The Foundation and its subgrantees claimed unallocable or unsupported travel costs of \$4,304.

- The Foundation claimed airfare of \$479 for a ticket that was not used.

Response:

While American Express did credit the Foundation's account for the unused airplane ticket, the Corporation was inadvertently billed for the ticket. We are attaching a copy of the check sent to the Corporation to correct this error. (See Attachment 4.)

- The Foundation also claimed airfare of \$479 for a VISTA participant at CHP who was not involved with the Project.

Response:

The VISTA participant was responsible for supervising AmeriCorps members. The ticket was purchased for her to attend AmeriCorps training in her supervisory capacity. (See attached letter and job description, Attachment 5.)

- Columbus Housing Partnership claimed \$1,150 for costs that were reimbursed by the Ohio State Commission on Community Service but not credited to the AmeriCorps grant.

Response:

A copy of the check sent to the Corporation for National Service to cover this amount as well as the \$479 for the unused airfare is enclosed. (See Attachment 4.)

- SGSCP claimed staff and member travel costs of \$2,196 that were not supported by source documentation such as receipts or mileage claims.

Response:

SGSCP was not reimbursed for undocumented expenses. Documentation for these expenses is enclosed. (Attachment 6)

Note 4. SGSCP claimed supply costs of \$105 for which they could provide no supporting invoices or other source documentation.

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Response:

Over the course of the year, SGSCP made several requests for reimbursement which were denied because they were undocumented. If these particular supply items are identified, the Foundation can determine with more certainty if SGSCP was inappropriately reimbursed. We suspect they were not.

Finding II. The Enterprise Foundation incorrectly claimed administrative costs as direct program costs under the grant. As a result, we are reclassifying claimed direct costs and questioning \$24,015 in administrative costs which are in excess of the 5% cap.

Note 1. We found that costs were claimed for direct staff salaries and benefits that were not incurred in support of specific program objectives.

Response:

All staff salaries that were claimed by The Enterprise Foundation, the South George Street Community Partnership and the Columbus Housing Partnership were delineated in the original budget approved by the Corporation for National Service.

Note 2. South George Street Community Partnership claimed \$4,867 direct operating costs which were incurred for the benefit of SGSCP as a whole, and not for specific program objectives as follows:

- South George Street Community Partnership (SGSCP) claimed \$1,625 for rental costs of the headquarters building. All operations, not only AmeriCorps activities are housed in the building.

Response: To our knowledge, the SGSCP did not claim any rental costs, nor did we reimburse them for any.

- Costs of \$1,159 were claimed by SGSCP for the installation of a six-line phone system in the headquarters building. The system was installed in order to provide phone service to the entire building which was occupied by SGSCP staff.

Response:

With 30 members assigned to the SGSCP site regularly using the telephones to conduct business, the six-line phone system directly served the AmeriCorps project.

- SGSCP claimed \$2,083 for the purchase of a personal computer which we found to be located in the Executive Director's office. We found that the computer was used primarily by the Executive Director and not in support of specific program objectives.

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Response:

First, the Executive Director of SGSCP spends at least 20% of his time on the AmeriCorps project. Second, while the computer was located in the Director's office, there is an informal atmosphere at SGSCP and the computer was and is used by everyone associated with the AmeriCorps project.

Finding III

Columbus Housing Partnership, a subgrantee, credited service hours to members for holidays when no service was performed.

Response:

This concern was brought to the attention of staff at Columbus Housing Partnership during the initial visit by Tichenor & Associates. Because members had served more than the required number of hours, even excluding the holiday hours, this did not present a problem. Since then, the Foundation has developed and implemented procedures to record member hours properly. (See Attachment 7.)

Finding IV

Columbus Housing Partnership permitted one of its 30 members to engage in clerical activities which were not incidental to the member's service.

Response:

This AmeriCorps member, who worked part-time at one of the sites, completed all of her service hour requirements through service. The clerical work she performed was over and above the service hours she provided to the Project. We have enclosed a sample timesheet indicating service performed during 20 hours per week. (See Attachment 8.)

Finding V

South George Street Community Partnership (SGSCP), a subgrantee, did not have adequate accounting procedures or an understanding of cost principles and administrative requirements for performance under AmeriCorps grants. As a result, SGSCP claimed direct program costs under the grant which were either unsupported, unallowable or administrative in nature.

Response:

While the on-site staff of the SGSCP is quite small, the Partnership has an extremely active, highly skilled Board of Directors who devote an enormous amount of time helping to manage its affairs. John Findlayson, the Treasurer of the Board, who is the Vice President, Finance, of Susquehanna Pfaltzgraff, manages all financial transactions of the Partnership except the staff payroll which is handled by Crispus Attucks, a local community development corporation. Every month Mr.

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Findlayson prepares summary reports for the SGSCP which account for the funds. (See attached audit report and SGSCP Board minutes, Attachment 9.)

**Finding IV**

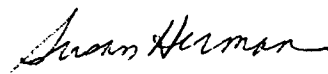
The Enterprise Foundation and its subgrantees did not accumulate adequate information to track the accomplishment of program objectives under the grant.

**Response**

During the first year of operation the Foundation established very good oversight procedures with daily calls between national staff and local staff, weekly conference calls with all the Project directors, monthly written reports and quarterly site visits. In our second year we have upgraded this system. We are now using one monthly form for all four sites which specifically asks for more quantitative data. A monitoring system which was already good, is now much better. (See Attachment 10.)

I hope this letter clarifies any misunderstanding about our Project. If you have any questions about any of our responses, I'm happy to discuss them with you.

Sincerely,



Susan Herman  
Director of Community Services

Attachments

**ATTACHMENTS**

1. Notice of Program Director's departure
2. Timesheets reflecting change in Administrative Assistant's time allocation
3. Project timesheets showing amount of time on AmeriCorps Project
4. Copy of check
5. VISTA worker's job description and other supporting documents
6. York Site Expense and Mileage Reports
7. Fax of Memo re: Holiday Hours and Cumulative Timesheet
8. Part-time member timesheet showing service performed during service hours
9. SGSCP Board Minutes indicating Crispus Attucks' responsibility for SGSCP's finances and Audit report for Crispus Attucks
10. New Monthly Report form