

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE GRANTS AWARDED TO
OPERATION REACH, INC.**

OIG REPORT 12-15

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

1201 New York Ave, NW
Suite 830
Washington, DC 20525

(202) 606-9390

This report was issued to Corporation management on August 28, 2012. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than February 28, 2013 and complete its corrective actions by August 28, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



August 28, 2012

TO: Margaret Rosenberry
Director of Office of Grants Management

Dr. Kyshun Webster, Sr.
Chief Executive Officer, Operation REACH, Inc.

FROM: Stuart Axenfeld 
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General (OIG) Report 12-15: *Audit of Corporation for National and Community Service Grants Awarded to Operation REACH, Inc.*

Attached is the OIG's final report on the *Audit of Corporation for National and Community Service Grants Awarded to Operation REACH, Inc.* This audit was performed by OIG staff in accordance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by February 28, 2013. Notice of final action is due by August 28, 2013.

If you have questions pertaining to this report, please contact Thomas Chin, Audit Manager, at (202) 606-9362 or t.chin@cncsoig.gov; or me at (202) 606-9360 or s.axenfeld@cncsoig.gov.

Attachment

cc: Robert Velasco II, Chief Operating Officer
David Rebich, Chief Financial Officer
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center
William Basl, Director, AmeriCorps*State and National
Mary Strasser, Director, AmeriCorps*VISTA
Michael Berning, Director, Office of Field Liaison
Claire Moreno, Audit Liaison, Office of Grants Management
Pam Olson, Louisiana State Program Director
Jon Mason, Director, Alabama Governor's Office of Faith-Based & Community Initiatives
Janet Pace, Executive Director, Louisiana Serve Commission
John Turner, Executive Director, Georgia Commission for Service and Volunteerism

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- D: Details of Questioned Member Ineligibility Costs
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- F: Corporation's Response to Draft Report

TABLE OF ACRONYMS

CEO	Chief Executive Officer
CFR	Code of Federal Regulations
FAS	Statement of Financial Accounting Standards
GAAP	Generally Accepted Accounting Principles
GYAC	GulfSouth Youth Action Corps
NSOPR	National Sex Offender Public Registry
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORI	Operation REACH, Inc.
PER	Periodic Expense Report
SAS	Statement on Auditing Standards
USC	United States Code
VAD	VISTA Assignment Description
VISTA	Volunteers in Service to America

EXECUTIVE SUMMARY

An audit of grants awarded by the Corporation for National and Community Service (Corporation) to Operation REACH, Inc. (ORI) identified costs of \$886,845 that were unsupported by required documentation and/or incurred improperly, in violation of applicable laws, regulations and grant terms and conditions. This represents 36 percent of the \$2.5 million in grants awarded to ORI during the period from June 2008 to September 2011. The Office of Inspector General (OIG) audit also discovered pervasive noncompliance and internal control deficiencies across all of the Corporation's sponsored programs, many of which persisted despite ORI's prior assurances to multiple State Commissions that these problems were being rectified. Inadequate financial management, poor record retention and lack of oversight of service sites resulted in substantial mismanagement of Federal and match funds. These deficiencies placed Federal funds at such substantial risk that, in the midst of the audit, the OIG alerted the Corporation and representatives of the State Commissions of Alabama, Louisiana and Georgia, enabling them to take immediate action to prevent further losses.

The audit objectives were to determine whether: (1) ORI's financial, grant, and program management were compliant with the requirements of the grant, and (2) ORI's AmeriCorps and VISTA members, and the programs (including subrecipients) funded by the grants, complied with applicable laws, regulations, and grant provisions.

Our audit covered grants administered by ORI for the Corporation's national service programs, including AmeriCorps National Direct, AmeriCorps State grants (Louisiana, Alabama, and Georgia), Volunteers in Service to America (VISTA), and Learn and Serve America, over a three-year period. We assessed ORI's control environment and accounting system and tested ORI's financial management over its material transaction cycles, including employee payroll, AmeriCorps members education awards and living allowance, and other Federal and match direct costs. Because ORI no longer receives Federal grant funds from the Corporation, this audit report focuses on findings that resulted in questioned costs.

Prior to our audit, single audit¹ and grant monitoring by the State Commissions disclosed significant, widespread noncompliance and internal control weaknesses across all the Corporation's grants administered by ORI. Although ORI represented that it had addressed these concerns, our audit revealed that many of these problems persisted and identified additional serious violations. The issues that resulted in questioned costs included:

- Unallowable, Unallocable, and Unsupported Costs Charged to Grants;
- Employee Payroll Deficiencies;
- Member Timekeeping Deficiencies;
- Member Ineligibility;
- Unallowable Service by a VISTA Member; and
- Improper Accounting and Unsupported Program Income.

¹ Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart B -- *Audits*, § __.200, *Audit requirements.*, (b), states "[n]on-Federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in Federal awards shall have a single audit conducted."

The table below quantifies the questioned costs associated with each of these findings:

Findings	Questioned Federal Costs (\$)	Questioned Match Costs (\$)	Questioned Education Awards (\$)	Total Questioned Costs (\$)
Unallowable, Unallocable, & Unsupported Costs Charged to Grants	134,207	215,262	-	349,469
Employee Payroll Deficiencies	66,919	12,027	-	78,946
Member Timekeeping Deficiencies	195,986	-	94,347 *	290,333
Member Ineligibility	31,529	-	-	31,529
Unallowable Service by a VISTA Member	9,497	-	5,550	15,047
Improper Accounting & Unsupported Program Income	121,521	-	-	121,521
Total (\$)	559,659	227,289	99,897	886,845

* Included accrued interest of \$2,222

Internal control failure, lack of central monitoring by management, and unusually high employee turnover contributed to these long-standing issues at ORI. ORI failed to apply basic cost principles and adhere to the terms of its grant awards. Its financial management was weak, and its record keeping/retention was poor. A substantial number of the transactions that we tested were not supported by documentation, including employee payroll, member timekeeping and the eligibility of members to participate in the program and/or receive education awards. Further, ORI often assigned staff and charged their time to grants for which they were not authorized. ORI also failed to demonstrate and support any use of program income. ORI's high employee turnover contributed to these problems, as did its weak internal control environment and lack of proper supervision of program sites.

The preliminary findings from our second site visit in September 2011 were so alarming that we presented a management alert to Corporation personnel and representatives from the Alabama, Georgia, and Louisiana Commissions to discuss our concerns and preliminary audit findings. Upon return from our second site visit, we advised the Corporation to take action and it placed a hold on ORI's access to grant funds. All National Direct grants to ORI ended on September 30, 2011. The Louisiana and Alabama State Commissions did not renew their grants, and the Georgia State Commission, which had initially renewed its grants to ORI, terminated them shortly thereafter, in early October 2011.

Our audit findings result in questioned costs totaling \$886,845 (\$559,659 Federal costs, \$99,897 education awards, and \$227,289 match) for violations of applicable laws, regulations and grant terms, and recommend that ORI be required to reimburse the Corporation and State Commissions. Given the fundamental and pervasive nature of these problems, the Corporation should not consider awarding another grant to ORI, unless it can demonstrate that all of these internal control and noncompliance issues have been resolved completely.

The table below shows the amount of the Corporation's grants and the questioned costs associated with each:

Programs	Grant Number	Audit Period	Awarded Federal Amounts (\$)	Questioned Federal Costs (\$)	Questioned Match Costs (\$)	Questioned Education Awards (\$)	Total Questioned Costs (\$)
National Direct Grant	08NDHLA001	6/01/08 – 7/15/11	1,041,889	199,250	17,033	47,000	263,283
Louisiana State Grant	09ACHLA001	7/08/10 – 7/15/11	430,171	76,439	82,275	-	158,714
Alabama State Grant	09ACHAL001 0003	6/11/10 – 7/15/11	280,757	71,804	16,753	17,119 @	105,676
Georgia State Grant	06AFHGA001 004	6/01/10 – 7/15/11	514,585	109,757	111,228	25,228 #	246,213
Learn & Serve Grant	10LSWLA002	5/01/10 – 4/30/11	200,000	92,912	-	5,000	97,912
VISTA Grant	08VSWLA004	7/16/09 – 9/15/11	-	9,497	-	5,550	15,047
Total (\$)			2,467,402	559,659	227,289	99,897	886,845

@ Included accrued interest of \$1,069

Included accrued interest of \$1,153

RESULTS OF AUDIT

Finding 1. Unallowable, Unallocable, and Unsupported Costs Charged to Grants

During our transaction testing, we noted that a significant portion (87 percent) of sampled transactions should not have been charged to the Corporation's grants. We judgmentally selected a sample of 52 direct cost transactions from ORI's general ledger, as we determined whether transactions were properly supported, allowable in accordance with applicable laws and regulations, and allocable to grants. Based on our testing results, we identified the following issues:

- Lack of supporting documentation to validate transactions and grant costs;
- Improper allocation of program expenses to the appropriate grant;
- Unallowable expenses charged to the grants; and
- Insufficient documentation to support the fair market value of the reported in-kind labor and rent match costs.

We noted that 45 of 52 transactions we reviewed had at least one of the above issues, which resulted in questioning a total of \$134,207 Federal costs and \$215,262 match costs.

The following table shows details of questioned costs by each program we reviewed:

Programs	Questioned Federal Costs (\$)	Questioned Match Costs (\$)	Total Questioned Costs (\$)
National Direct	38,368	8,865	47,233
AmeriCorps State – Louisiana	6,419	81,144	87,563
AmeriCorps State – Alabama	862	15,877	16,739
AmeriCorps State – Georgia	-	109,376	109,376
Learn & Serve	88,558	-	88,558
Total (\$)	134,207	215,262	349,469

Refer to Appendix A, Details of Unallowable, Unallocable, and Unsupported Costs Charged to Grants, for details of types of deficiencies and questioned costs of all samples which we identified issues.

Our transaction testing results reflected ORI's lack of understanding of cost principles and grant provisions as well as weaknesses in ORI's financial management and record retention. For example, most of our sampled in-kind match transactions related to donated rent and labor at ORI's service sites; we noted that the only supporting documentation were invoices for the monthly rent and labor amounts. We requested documentation to support the fair market values and their calculations for in-kind rent and labor. However, ORI was unable to provide any documentation so that we could assess the reasonableness of the in-kind match valuation.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *Basic Considerations*, Paragraph A.4. *Allocable costs*, subsection (b), states:

Any cost allocable to a particular award or other cost objective under these principles may not be shifted to other Federal awards to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the award.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Paragraph A.2. *Factors Affecting Allowability of Costs*, states:

To be allowable under an award, costs must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.*
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.*
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.*
- d. Be accorded consistent treatment.*
- e. Be determined in accordance with generally accepted accounting principles (GAAP).*
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or a prior period.*
- g. Be adequately documented.*

Statement of Financial Accounting Standards (FAS) No. 116, *Accounting for Contributions Received and Contributions Made*, Paragraphs 8 and 9, states in part:

... [C]ontributions received shall be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions received shall be measured at

their fair market values. Contributions received by not-for-profit organizations shall be reported as restricted support or unrestricted support...

Contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen. Contributed services and promises to give services that do not meet the above criteria shall not be recognized.

Recommendations

We recommend that the Corporation:

- 1a. Disallow and recoup the questioned cost of \$134,207; and
- 1b. Analyze the impact of the \$215,262 questioned match costs.

ORI's Response

ORI disagreed with the finding. ORI stated that it relied on its host sites to retain documentation to support valuation of in-kind contributions. ORI also stated that it did not require detailed supporting documentation for valuation unless there was a need for auditing the partner agencies. ORI believed it should be allowed time to request additional supporting documentation from ORI's partners for fair market values reported and estimated by its partners.

OIG's Comment

While ORI disagreed with the finding in its entirety, its response does not address two of the four deficiencies that we found. Those deficiencies—the improper allocation of grant costs and the unallowable expenses—account for \$221,264, or 63.3 percent, of the costs questioned under Finding 1. Refer to Appendix A for details.

With respect to the other deficiencies, ORI submits that it should not be held responsible for the failure to maintain adequate documentation of grant costs, including the lack of documentation supporting the valuation of in-kind contributions. Instead, it contends that it relied upon others to maintain those records. However, OMB circulars and Corporation grant provisions require grantees to maintain sufficient documentation to support grant costs, and ORI was not permitted to shift this responsibility to others. In particular, mere assurances that ORI charged to the grants for the costs that it actually incurred to rent service sets are not sufficient; the purpose of documenting fair market value is to ensure that such actual costs reflect arms-length transactions on commercially reasonable terms. ORI's responsibility to account for Federal funds exists throughout the grant life cycle, not merely when required to produce relevant records for an audit.

Finding 2. Employee Payroll Deficiencies

We selected 15 ORI employees to determine whether their time was appropriately charged against the Corporation grants. Our results revealed deficiencies related to the ORI's employees payroll process. A significant portion, 67 percent (10 of 15), of our sample contained one or more deficiencies as noted below:

- Employees charged work hours on timesheets for programs and/or projects that they were not assigned based on the budget narratives;
- Employee timesheets were missing; and
- Employee timesheets did not support work hours recorded on the employee payroll register.

Based on our testing results and employee payroll deficiencies identified above, we calculated employee work hours that were not properly approved, and could not be validated or supported. As a result, we have questioned a total of \$66,919 Federal costs and \$12,027 match costs.

The following table shows details of questioned costs by each program we reviewed:

Programs	Questioned Federal Costs (\$)	Questioned Match Costs (\$)	Total Questioned Costs (\$)
National Direct	49,767	8,168	57,935
AmeriCorps State – Louisiana	4,143	1,131	5,274
AmeriCorps State – Alabama	4,348	876	5,224
AmeriCorps State – Georgia	4,307	1,852	6,159
Learn & Serve	4,354	-	4,354
Total (\$)	66,919	12,027	78,946

Refer to Appendix B, Details of Questioned Employee Payroll Costs, for details of types of deficiencies and questioned costs of all samples which we identified issues.

We noted that the high employee turnover attributed to unauthorized cross-utilization of ORI's employees among various AmeriCorps programs. As a result, for a significant number of employee timesheets we reviewed, many ORI employees reported time on programs which were not authorized by the budget narrative, or reported work hours which exceeded the percentage authorized by the budget narrative. Also, a lack of oversight of ORI's employee time reporting, and weaknesses in ORI's record retention greatly hindered its ability to adequately support its employees' time reporting and ultimately its labor charges to the Corporation.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B. *Selected Items of Cost*, Paragraph 8.m. *Support of salaries and wages*, states in part:

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

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

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

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

Recommendations

We recommend that the Corporation:

- 2a. Disallow and recoup the questioned cost of \$66,919; and
- 2b. Analyze the impact of the \$12,027 questioned match costs.

ORI's Response

ORI stated that it used electronically approved timekeeping systems that were reviewed and approved by the Corporation program officers prior to implementation. It also stated that it should be able to charge Federal grants for the time of professionals without maintaining timesheets, because "the complexity of timekeeping would substantially affect the ORI organizational culture." While ORI concurred with our observation regarding ORI's employee high turnover, it did not understand that it was necessary to report staff changes. Also, ORI stated that there were undue delays with reimbursements from State Commissions and it hindered ORI's ability to hire critical staff positions to manage requirements for AmeriCorps programs.

OIG's Comment

ORI's response does not address the core of our findings: employees consistently charged time to programs to which they were not assigned, employee time records did not match payroll and timesheets were missing. Employee timekeeping is a core responsibility of a grantee. Assuming for the sake of argument that reimbursements from the State Commissions were delayed without justification, that does not relieve the grantee from its obligation to maintain accurate and complete records to support the hours charged and does not authorize a grantee to shift its employees from one grant to another.

Finding 3. Member Timekeeping Deficiencies

We noted that all 50 members' timesheets sampled contain various types of deficiencies. These member timekeeping deficiencies reflect ORI's lack of controls over its member timekeeping review and record retention process. The following specific member timekeeping deficiencies, which resulted in a total of \$290,333 questioned costs (questioned living allowance and benefits of \$195,986² and questioned education awards of \$94,347), included:

- Missing member timesheets;
- Missing member's signature and/or supervisor's approval signature on member timesheets;
- Member timesheets were reviewed and approved by supervisors prior to last day of the timekeeping period; and
- Member timesheets were not segregated by projects.

We noted widespread member timekeeping problems for all Corporation's grants that ORI administered. As our member timekeeping reviews covered all weekly timekeeping periods during member's service term, we noted that 19 of 50 members selected for testing contained at least two or more timekeeping deficiencies as mentioned above. For example, based on our review of all 12 weekly member timesheets of an AmeriCorps member who served quarter-time under a National Direct grant, all four above-mentioned timekeeping deficiencies were noted from the member's seven weekly timesheets³. Because of these four types of timekeeping deficiencies noted from the member's timesheets, 254.5 of 501 hours charged could not be validated during the entire service term, which resulted in a total of \$2,542 questioned costs. For the 50 members sampled, we verified from eSPAN⁴ that 38 members finished their service terms and earned education awards; however, none of these 38 members would qualify for education awards after excluding improperly approved, unvalidated, and unsupported member service hours.

The following table shows details of questioned costs by each program we reviewed:

Programs	Questioned Federal Costs (\$)	Questioned Education Awards (\$)	Total Questioned Costs (\$)
National Direct	78,548	47,000	125,548
AmeriCorps State – Louisiana	13,086	-	13,086
AmeriCorps State – Alabama	55,328	17,119 @	72,447
AmeriCorps State – Georgia	49,024	25,228 #	74,252
Learn & Serve	-	5,000	5,000
Total (\$)	195,986	94,347	290,333

@ Included accrued interest of \$1,069

Included accrued interest of \$1,153

² We questioned the members' living allowance (\$178,650) and benefits (\$17,336) limited to those pay periods where we noted timekeeping deficiencies.

³ We noted other timekeeping compliance issues for other four weekly member timesheets. As explained further in the "Objectives, Scope, and Methodology" section in this report, we did not report ORI's compliance and internal control findings because ORI no longer has Corporation grants and those findings did not result in questioned costs.

⁴ eSPAN is the Corporation's in-house information system, processes education award payments for the AmeriCorps National Service Program. It interfaces with Momentum, the Corporation's core financial management system. eSPAN also records AmeriCorps members personal information, program service information, and education award status.

Refer to Appendix C, Details of Questioned Member Timekeeping Costs, for details of the types of deficiencies and questioned costs we identified.

ORI control failures regarding its member timekeeping reviews and record retention practices were noted at all ORI's service sites and resulted in questioned education awards and related costs. There was serious lack of monitoring and proper review process from the ORI headquarters regarding its member timekeeping. For example, the ORI headquarters was not aware its service sites maintained their own timesheets, and there were instances where timesheet information was different between the information maintained by service sites and the ORI headquarters (OnCorps timekeeping system). Further, timesheets from OnCorps were not reviewed and approved by the member's direct supervisor, who had first-hand knowledge of the member's activities and actual hours worked. Instead, those timesheets from OnCorps were approved by the ORI headquarters in New Orleans, LA, which did not have daily direct interactions with those members serving at service sites in Alabama and Georgia.

AmeriCorps 2009 Grant Provisions, Section IV.C.4. *Timekeeping*, states:

The grantee is required to ensure that time and attendance recordkeeping is conducted by the individual who supervises the AmeriCorps member. This time and attendance record is used to document member eligibility for in-service and post-service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member.

AmeriCorps 2009 Grant Provisions, Section IV. F.1. *Living Allowance Distribution*, states:

A living allowance is not a wage. Grantees must not pay a living allowance on an hourly basis. Grantees should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased living expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service.

Other member timekeeping compliance issues noted during the audit included: untimely completion and review of member timesheets; multiple versions of member timesheets with conflicting service hours; member timesheets were not segregated between direct service and training; and service hours were not reconciled between member timesheets and eSPAN records. As noted previously, because ORI is no longer a grantee with the Corporation, we do not report ORI's compliance and internal control findings in this report as we focused on audit issues which resulted in questioned costs.

Recommendation

We recommend that the Corporation:

3. Disallow and recoup the questioned cost of \$290,333.

ORI's Response

ORI stated that it used an approved electronic timekeeping system, OnCorps, for its AmeriCorps members. Although ORI stated that it provided training to all host site supervisors on timekeeping, it was not aware of another timekeeping system that was maintained at its host sites. ORI explained it was beyond ORI's control and OnCorps served as the only system used for its member timekeeping. However, ORI also concurred with the finding that AmeriCorps members may not have consistently disaggregated how they recorded their service hours on their timesheets.

OIG's Comment

ORI does not dispute the underlying facts but again attempts to shift responsibility to the host site supervisors. ORI has the ultimate oversight responsibility of its host sites, and that responsibility is not delegable. The pervasiveness of these errors suggests that the problem was program-wide, and if ORI remained ignorant, its supervision was deficient.

Finding 4. Member Ineligibility

We selected 50 AmeriCorps members from the ORI's member roster within the audit scope period to determine whether members were eligible to serve in the AmeriCorps program. Based on our review of the member files, we identified 21 members who were ineligible to participate in the program due to the lack of evidence of the required State Criminal Registry Check, National Sex Offender Public Registry (NSOPR) check, or a high school diploma (including members' written declaration regarding high school diploma requirements). As a result, we have questioned a total of \$31,529 in Federal costs.

Without a copy of the member's high school diploma or member's written declaration regarding high school diploma requirements in his/her member file, we could not validate if a member completed his/her high school term and fulfilled the AmeriCorps eligibility requirement. Also, a member's eligibility in the AmeriCorps program could not be verified without the missing criminal history or NSOPR checks since we could not confirm if a member's background checks were properly conducted, or conducted at all by ORI. Failure to perform State Criminal Registry Checks/NSOPR checks on a member could result in participation by ineligible members who are potentially dangerous to individuals they are serving.

The following table shows details of questioned costs by each program we reviewed:

Programs	Questioned Federal Costs (\$)
National Direct	19,678
AmeriCorps State – Louisiana	5,779
AmeriCorps State – Alabama	2,622
AmeriCorps State – Georgia	3,450
Total (\$)	31,529

Refer to Appendix D, Details of Questioned Member Ineligibility Costs, for details of the types of findings and questioned costs we identified. Note that in the previous finding "Member Timekeeping Deficiencies," we presented questioned education awards and part of the living

allowance⁵ for all 21 members with member eligibility issues because we also identified member timekeeping deficiencies for these 21 members. In this finding, we questioned the remaining living allowance for the 21 members.

45 Code of Federal Regulations (CFR) §2540.202, *What two search components of the National Service Criminal History Check must I satisfy to determine an individual's suitability to serve in a covered position?*, states:

Unless the Corporation approves an alternative screening protocol, in determining an individual's suitability to serve in a covered position, you are responsible for conducting and documenting a National Service Criminal History Check, which consists of the following two search components:

(a) State criminal registry search. A search (by name or fingerprint) of the State criminal registry for the State in which your program operates and the State in which the individual resides at the time of application; and

(b) National Sex Offender Public Registry. A name-based search of the Department of Justice (DOJ) National Sex Offender Public Registry (NSOPR).

45 CFR §2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?*, states:

(a) The State criminal registry check must be conducted on Foster Grandparents, Senior Companions, and AmeriCorps State and National participants and grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities, who enroll in, or are hired by, your program after November 23, 2007. For all other covered individuals, the State criminal registry check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.

(b) The National Sex Offender Public Web site check must be conducted on an individual who is serving, or applies to serve, as a Foster Grandparent, Senior Companion, or AmeriCorps State and National participant or grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities on or after November 23, 2007. For all other covered individuals, the National Sex Offender Public Web site check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.

45 CFR §2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

(a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and

⁵ See footnote 2 for discussion of the portion of living allowance we questioned related to member timekeeping deficiencies.

(b) Maintain the results of the National Service Criminal History check (unless precluded by State law) and document in writing that you considered the results in selecting the individual.

45 CFR § 2522.200, *What are the eligibility requirements for an AmeriCorps Participant?*, states in part:

(a) Eligibility. An AmeriCorps participant must ... (2)(i) Have a high school diploma or its equivalent; or (ii) Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant and must agree to obtain a high school diploma or its equivalent prior to using the education award; or (iii) Obtain a waiver from the Corporation of the requirements in paragraphs (a)(2)(i) and (a)(2)(ii) of this section based on an independent evaluation secured by the program demonstrating that the individual is not capable of obtaining a high school diploma or its equivalent; or (iv) Be enrolled in an institution of higher education on an ability to benefit basis and be considered eligible for funds under section 484 of the High Education Act of 1965 (20 U.S.C. 1091)...

(b) Written declaration regarding high school diploma sufficient for enrollment. For purpose of enrollment, if an individual provides a written declaration under penalty of law that he or she meets the requirements in paragraph (a) of this section relating to high school education, a program need not obtain additional documentation of that fact.

During our audit, we identified other missing required documents and deficiencies from the member files which related to member eligibility issues. These member files' deficiencies included: member contracts were signed by members after service hours were earned; lack of member orientation records; lack of member fundraising monitoring; and no evidence tracking member's training. Since the ORI is no longer a Corporation grantee, we did not report ORI's compliance and internal control findings as we focused on audit issues which resulted in questioned costs.

Recommendations

We recommend that the Corporation:

- 4a. Disallow and recoup the questioned cost of \$31,529;
- 4b. Perform the following if ORI successfully applies for a Corporation's grant in the future:
 - Conduct a full financial capability assessment before awarding any funds;
 - Consult with the OIG regarding ORI's compliance and internal control findings. Any outstanding issues concerning these findings should be completed and adequate systems are in place that comply with Federal grant management requirements, OMB Circulars, and Corporation statutory and regulatory requirements; and
 - Record the above requirements in the Corporation's eGrants system.

ORI's Response

ORI disagreed with the finding, stating that ORI's member eligibility documents were reviewed and audited internally by ORI employees before members were accepted into the program. ORI also stated that it requested technical assistance from the Corporation regarding required FBI background checks for its members and it could not gain access to the FBI background checks because the Corporation had not worked out coordination with the FBI. Also, logistical matters with state offices created challenges in sending documents from different states and that OIG auditors may have discounted non-original hard-to-read documents. ORI cited an unsourced regulation which evidently pertains to citizenship eligibility requirements for the proposition that the "Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements." ORI requested the Corporation to provide specific member names who allegedly had missing documents so that ORI could relocate the documents. Finally, ORI requested clarification from the Corporation for those documents that are required to be maintained in the member file. It claimed it used a standard checklist to indicate the review and verification of all member eligibility documents.

OIG's Comment

We provided ORI numerous opportunities and extended multiple deadlines to allow ORI to prepare and gather supporting documents, including providing lists of specific members and the documentation that was missing from their files. These deficiencies were previously brought to ORI's attention through the findings of State Commission monitoring reports. ORI was on notice that its files were not adequate to demonstrate member eligibility, but did not resolve these problems despite promises to do so. We did not reject or discount any "non-original hard-to-read documents" related to our member eligibility testing.

ORI cited 45 CFR § 2522.200(c) for the proposition that grantees are not required to retain member eligibility documents. That regulation, however, is limited to documentation relating to verification of citizenship, which was not the subject of our findings. The applicable regulation is 45 CFR §2540.205, which clearly requires that documentation be maintained for AmeriCorps members' background checks. ORI's response concerning the difficulty it encountered in obtaining an FBI fingerprint check is not germane to the finding concerning the requirement that to obtain and maintain results of a state criminal registry check and an NSOPR check. We also noted that ORI did not address our finding regarding lack of evidence of members' high school diplomas.

Finding 5. Unallowable Service by a VISTA Member

We interviewed two VISTA members in order to understand their daily duties and responsibilities. One VISTA member performed unallowable direct service, administrative duties and activities that were inconsistent with those identified in the VISTA Assignment Description (VAD). The VISTA member performed direct service that the member assisted at the day care center and took care of children, while most of the time the VISTA member performed administrative duties such as making copies, filing, data entry, etc. The work actually performed by this VISTA member was different from the tasks specified in the VAD, including the activity to "develop and implement centralized system for tracking of all relevant organizational data ... in a way that is readily accessible to staff."

We noted that none of the member's duties were associated with capacity building, which is inconsistent with the VISTA program policy. VISTA members are prohibited from engaging in direct services because direct services run counter to building capacity. Engagement in direct services and non-capacity building activities represent mismanagement of VISTA resources. As a result, we have questioned the entire VISTA member's living allowance (\$9,497) and education award (\$5,550) for a total cost of \$15,047.

We also identified a high-level of turnover among ORI employees from various AmeriCorps programs, which contributed to ORI's lack of appropriate oversight of its VISTA program. For example, one VISTA member believed ORI's Chief Executive Officer (CEO) was his supervisor; however, the member only communicated with the CEO's assistant and the CEO did not speak or provide guidance to the VISTA member.

According to the *Guidelines for Selection of AmeriCorps *VISTA Sponsors and Projects*, Part II. *Criteria for Selection of AmeriCorps Sponsors and Projects*, Paragraph B.2.b. AmeriCorps *VISTA sponsoring organizations are prohibited by law from "assigning AmeriCorps VISTAs to activities which would otherwise be performed by employed workers."

Recommendations

We recommend that the Corporation:

- 5a. Disallow and recoup the questioned cost of \$15,047;
- 5b. Enhance control mechanisms to ensure that VISTA sponsors comply with laws, regulations, and policies. These should emphasize policies that delineate the requirements and expectations for VISTA recipients and outline the consequences of violating the program's laws and regulations; and
- 5c. Emphasize a proactive means by which VISTA members can communicate their concerns or report alleged prohibited services they have been assigned to engage in, such as direct service or non-VISTA related activities. This will enhance early intervention and detection of noncompliance.

ORI's Response

ORI disagreed with the finding. ORI stated that the Corporation-approved VADs addressed its organizational needs, and therefore disagreed with the assessment that VISTAs did not do what the VADs authorized. ORI also disagreed that the VISTA member in question did not understand who the supervisor was because the VISTA supervisors were ORI staff that attended official VISTA supervisor training. ORI concurred it had a significant employee turnover; however, ORI did not address the issue that the VISTA member performed direct service at the day care center.

OIG's Comment

Our finding was limited to a single VISTA member, whose actual work deviated from his VAD, in that it consisted of direct services, which cannot be provided through VISTA. The contents of the VAD and whether it was properly authorized are irrelevant. Had the VISTA member conformed to the VAD, we would not have questioned these costs. As for the point about

supervision, whatever ORI may have thought about who was supervising this work, the member believed that his supervisor was ORI's CEO, and that he was not receiving guidance.

Finding 6. Improper Accounting and Unsupported Program Income

We identified that ORI received program income in the form of service fees from its 36 host sites for the placement of ORI sponsored AmeriCorps members. Upon review of ORI's accounting records and financial reports, ORI was unable to demonstrate and support any programmatic use of this income. Specifically, we noted that members' service fees collected from all host sites were not recorded and reported as program income by ORI. ORI was also unable to show how these AmeriCorps members' service fees collected from 36 host sites were applied and used towards its AmeriCorps programs, as required by 45 CFR § 2543.24(b).

By failing to demonstrate how it included the AmeriCorps members' service fees to expand the programs, ORI may have benefited by receiving funds which it was not entitled. As a result, we have questioned all members' service fees totaling \$121,521 in Federal costs.

The following table provides details of questioned costs by program:

Programs	Questioned Federal Costs (\$)
National Direct	12,889
AmeriCorps State – Louisiana	47,012
AmeriCorps State – Alabama	8,644
AmeriCorps State – Georgia	52,976
Total (\$)	121,521

45 CFR §2543.24 (b), *Program Income*, states:

[P]rogram income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following:

- (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.*
- (2) Used to finance the non-Federal share of the project or program.*
- (3) Deducted from the total project or program allowable costs in determining the net allowable costs on which the Federal share of costs is based.*

Recommendations

We recommend that the Corporation:

- 6a. Obtain supporting documentation from the ORI to demonstrate its appropriate use of the members' service fee income towards programmatic funds; and
- 6b. Instruct ORI to return the programmatic funds to the Corporation.

ORI's Response

ORI disagreed with the finding and stated that it used program income to support program related activities. ORI stated if collected match fees were not properly documented, that was the result of administrative errors that can be corrected. ORI also recommended that the Corporation should work with it to provide documentation of how collected match funds were used.

OIG's Comment

ORI's assurances that it used programmatic fees to pay for non-Federal costs not covered by the grants is insufficient. The purpose of an audit is to determine whether such assertions are supported by documentary evidence. ORI received advance written notice of the audit and had numerous opportunities during and after audit fieldwork to provide supporting documentation.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this audit were to determine whether: (1) ORI's financial, grant, and program management were compliant with the requirements of the grant, and (2) ORI's AmeriCorps and VISTA members, and the programs (including subrecipients) for grants awarded were compliant with applicable laws, regulations, and grant provisions. We conducted our audit at our office in Washington, DC between June 2011 and March 2012. We also conducted two on-site fieldwork visits to ORI's headquarters in New Orleans, LA during July 11 to 15, 2011 and September 12 to 13, 2011.

The scope of this audit included all of the Corporation's grants held by ORI as either a direct grantee or subgrantee for program years 2008-2009, 2009-2010, and 2010-2011. The following table provides the details of grants and the related audit periods:

Programs	Grant Number	Audit Period	Awarded Amount (\$)
National Direct Grant	08NDHLA001	6/1/08 - 7/15/11	1,041,889
Louisiana State Grant	09ACHLA001	7/8/10 - 7/15/11	430,171
Alabama State Grant	09ACHAL0010003	6/11/10 - 7/15/11	280,757
Georgia State Grant	06AFHGA001004	6/1/10 - 7/15/11	514,585
Learn & Serve Grant	10LSWLA002	5/1/10 - 4/30/11	200,000
VISTA Grant	08VSWLA004	7/16/09 - 9/15/11	- ⁶

With the exception of its VISTA grant, ORI no longer has any grants with the Corporation. Because ORI is no longer a grantee with the Corporation, we adjusted our audit scope to solely focus on the findings resulting in questioned costs. Therefore, we did not report on ORI's compliance and internal control findings in this audit report.

⁶ Standard VISTA grant awards do not provide monetary resources to the VISTA sponsor. If a sponsor is awarded a standard VISTA grant, the Corporation provides support for VISTA members approved in the memorandum of agreement with the sponsor.

During our audit, we performed the following key audit procedures:

- Conducted a risk assessment of ORI's internal controls by corroborating results from the following sources:
 - ORI's 2008 and 2009 OMB Circular A-133 audit (Single Audit) reports;
 - Sub-monitoring reports conducted by the Corporation as well as Alabama, Georgia, and Louisiana State Commissions;
 - Various grant reports (grant applications, budget, grant history report) generated from the Corporation's grant information systems, including MyAmeriCorps Portal and eGrants;
- Inquired and requested documents from the Corporation, ORI, as well as Alabama, Georgia, and Louisiana State Commissions;
- Reviewed policies, procedures, laws and regulations related to the operation of AmeriCorps programs, as well as the policies and procedures practiced by ORI with regards to their internal controls over their program compliance;
- Evaluated ORI's financial management system and its Federal financial reports in compliance with the AmeriCorps financial reporting regulations;
- Interviewed AmeriCorps members and supervisors to understand their duties and activities;
- Tested transactions regarding its allowable activities of its direct costs;
- Reviewed ORI staff and AmeriCorps member timesheets for adequate support, and proper approval;
- Reviewed AmeriCorps member files to ensure member eligibility to participate in AmeriCorps programs; and
- Analyzed ORI's program income over compliance with its match requirements and allowable use.

We judgmentally selected samples during our audit for our AmeriCorps members, ORI staff, and transaction testing. Our sample sizes were based on the following data we obtained:

Testing Area	Sample Size	Basis of Sample Size
AmeriCorps Member Timesheets Review	50	Total number of AmeriCorps members by program
AmeriCorps Member Files Review	50	Total number of AmeriCorps members by program
AmeriCorps Member Interviews	4	Judgmentally selected AmeriCorps members
VISTA Member Interviews	2	Total number of VISTA members
ORI Staff Timesheet Review	15	Total number of ORI staff and their work titles
Transaction Testing	52	Federal Financial Reports

Below is a table to show the sample size, by program, used for our AmeriCorps members and expense transaction testing:

Programs	Grant Number	Total Members	Members Selected	Transactions Selected
National Direct Grant	08NDHLA001	158	21	22
Louisiana State Grant	09ACHLA001	27	3	8
Alabama State Grant	09ACHAL0010003	51	6	8
Georgia State Grant	06AFHGA001004	92	10	3
Learn & Serve Grant	10LSWLA002	323	10	11
	Total	651	50	52

BACKGROUND

ORI was established in 1999 as a non-profit organization to assist schools, foundations, and other community organizations with technical management resources and programs that help youth and families obtain academic success through educational enhancement programs and learning. ORI's mission is to engage children, youth, and families through community-based learning opportunities.

ORI created the Gulfsouth Youth Action Corps (GYAC) following Hurricanes Katrina and Rita to address the shortage of quality out-of-school-time activities for at-risk school-age children in the Greater New Orleans area. ORI first began receiving grant funds from the Corporation in February 2007 through Louisiana State Commission to support GYAC. Since February 2007, ORI has received more than \$3 million funding from the Corporation through Learn & Serve, AmeriCorps National Direct, and State grants to support the work of the GYAC in Louisiana, Alabama and Georgia. In addition, ORI became a sponsoring agency for VISTA members in 2008. ORI also obtained funding from private foundations, including the Kellogg Foundation and the Foundation for the Mid South. While a portion of these funds from private foundations were used toward the State grant match, a portion of these funds were designated as cost share for the National Direct grant as well as covering other operating expenses for the organization that were not directly related to the GYAC.

In the most recent ORI 2009 single audit report issued on September 27, 2010, the OMB Circular A-133 auditor noted the following two material weaknesses⁷ of ORI's internal control over financial reporting and one significant deficiency⁸ of ORI's internal control over compliance and Federal compliance:

- **Untimely Submission of Audit Report (material weakness):** ORI did not submit its December 31, 2009 audited financial statements within the prescribed timeframes;
- **Financial Management System (material weakness):** ORI did not adhere to accounting procedures to ensure that accounting records were properly maintained or that the

⁷ Per Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

⁸ Per SAS No. 115, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

accounting records and general ledger accounts were reconciled and reviewed on a monthly basis; and

- Reporting (significant deficiency): ORI was unable to provide a complete and accurate general ledger detail of the costs incurred for the AmeriCorps grant or the other non-major Federal programs tested. The inability to separately identify expenditures by grant does not provide for full accounting disclosure of grant activities.

Prior grant monitoring results and site visits conducted by Louisiana, Alabama, and Georgia State Commissions also disclosed various management and financial issues, including ORI's inability to raise sufficient match funds to the Corporation's programs; lack of supporting member file documents and financial transactions; high employee turnover; lost, misplaced, unapproved timesheets for members and employees; and host site oversight.

In October 2008, ORI opened satellite offices in Atlanta, GA and Birmingham, AL. However, ORI announced in August 2011 that its satellite office in Birmingham, AL would close permanently, citing "result of congressional budget cuts." On September 1, 2011, the Corporation notified ORI that based on our preliminary audit findings, the Corporation placed a hold on ORI access to Corporation grant funds and ORI had to obtain approval from the Corporation to further utilize grant funds. On October 6, 2011, Georgia State Commission notified ORI that Georgia State Commission decided to terminate the Program Year 2011-2012 State grant due to its concerns raised about ORI's financial capability to manage AmeriCorps grants. The Georgia State grant termination became effective on December 5, 2011 and the ORI office in Atlanta, GA was closed down accordingly.

EXIT CONFERENCE

We discussed the contents of this report with representatives from the Corporation, ORI, as well as Alabama, Georgia, and Louisiana State Commissions at the exit conference held on March 1, 2012. The ORI's and Corporation's responses to the draft report were included verbatim in this report as Appendices E and F, respectively, and were summarized after each recommendation.



Stuart Axenfeld, Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service

Appendix A

Details of Unallowable, Unallocable, and Unsupported Costs Charged to Grants

Sample #	Program	Program Year	Claimed Amount(\$)	Exceptions	Questioned Federal (\$)	Questioned Match (\$)	Notes
1	Alabama	2011	1,700	E2, E4	-	640	Lack of valuation support for in-kind services; Incorrect reporting of in-kind rent match on general ledger: March 2011 in-kind rent match per Periodic Expense Report (PER) was \$640 while general ledger was \$1,700.
2	Alabama	2011	220	E2	-	220	Incorrectly recorded as Federal expense on general ledger.
3	Alabama	2011	485.98	E2	-	485.98	Incorrectly recorded as Federal expense on general ledger.
4	Alabama	2011	1,463.5	E2, E4	-	1,475	Lack of valuation support for in-kind services; Incorrect reporting of in-kind labor (site supervisor) on general ledger: December 2011 in-kind labor per PER was \$1,475 while general ledger was \$1,463.5.
5	Alabama	2011	861.76	E2	861.76	-	Incorrectly recorded as Federal expense on general ledger.
6	Alabama	2011	1,800	E2, E4	-	640	Lack of valuation support for in-kind services; Incorrect reporting of in-kind rent match on general ledger: March 2011 in-kind rent match per PER was \$640 while general ledger was \$1,800.
7	Alabama	2011	10,916	E2, E4	-	10,916	Lack of valuation support for in-kind services; Incorrect reporting of match as in-kind.
8	Alabama	2011	1,500	E1	-	1,500	Lack of payment receipt for conference registration.
9	Louisiana	2011	278.96	E2	-	278.96	Incorrectly recorded as Federal expense on general ledger.
10	Louisiana	2011	1,058.16	E2	1,058.16	-	The general ledger entry was a reversal for an overpayment. However, per review of the PER, no reversal was made to the reimbursement. Therefore, the PER was overstated by \$1,058.16.
11	Louisiana	2011	1,209.93	E2	112	-	Incorrect reporting of direct costs in the general ledger: November 2011 indirect cost per PER was \$1,322 while indirect cost per general ledger was \$1,210.
12	Louisiana	2011	4,700.8	E2	4,700.8	-	Incorrect reporting of member stipend costs on PER.
13	Louisiana	2011	448.19	E2	448.19	-	Incorrect reporting of member stipend costs on PER.
14	Louisiana	2011	2,500	E4	-	2,500	Lack of valuation support, beyond an invoice, for in-kind services.
15	Louisiana	2011	78,365	E4	-	78,365	Lack of valuation support, beyond an invoice, for in-kind services.
16	Louisiana	2011	100	E3	100	-	Custodial expense was not allowable per budget narrative.
17	Learn & Serve	2010	9,523.67	E2	9,523.67	-	Incorrectly account expenses for 5/14/2010 drawdown.
18	Learn & Serve	2010	4,122.71	E2,E3	4,122.71	-	General ledger incorrectly recorded supplies expenses for the drawdown on 6/15/10; Uniform expenses were not allowable per budget narrative.

Sample #	Program	Program Year	Claimed Amount(\$)	Exceptions	Questioned Federal (\$)	Questioned Match (\$)	Notes
19	Learn & Serve	2010	5,750	E1, E2	5,750	-	Lack of contract agreement stating scope and purpose of services; General ledger incorrectly recorded supplies expenses for the drawdown on 6/25/10.
21	Learn & Serve	2010	1,750	E1, E2	1,750	-	Lack of contract agreement stating scope and purpose of services; General ledger incorrectly recorded supplies expenses for the drawdown on 7/9/10.
22	Learn & Serve	2010	800	E1	800	-	Lack of supporting documentation to validate purchase of supplies.
24	Learn & Serve	2010	1,500	E1	1,500	-	Lack of contract agreement stating scope and purpose of services.
25	Learn & Serve	2010	32,408.5	E1, E2	32,408.5	-	Lack of contract agreement stating scope and purpose of services; General ledger incorrectly recorded contract expenses for all July 2010 drawdowns.
26	Learn & Serve	2010	32,703.5	E1, E2	32,703.5	-	Lack of contract agreement stating scope and purpose of services; General ledger incorrectly recorded contract expenses for all June 2010 drawdowns.
30	National Direct	2009	90	E1, E2	90	-	Lack of support to validate the salary expense; Expense was excluded from the drawdown report.
31	National Direct	2009	90	E1, E2, E3	-	90	Lack of support to validate the salary expense; Expense was excluded from the drawdown report; Travel expenses were improperly coded to Federal expenses.
33	National Direct	2009	229	E1, E2	229	-	Lack of support to validate the expense; Expense was excluded from the drawdown report.
34	National Direct	2009	330	E1, E2, E3	330	-	Lack of support to validate the expense; Expense was excluded from the drawdown report; Expenses were improperly coded to Federal expenses.
35	National Direct	2009	200	E1, E2	200	-	Lack of support to validate the expense; Expense was excluded from the drawdown report.
36	National Direct	2009	573.33	E2, E3	-	573.33	Expense was excluded from the drawdown report; Expenses were improperly coded to Federal expenses.
37	National Direct	2009	209.35	E2	209.35	-	Expense was excluded from the drawdown report.
38	National Direct	2010	5,000	E2	5,000	-	Expense was excluded from the drawdown report.

Sample #	Program	Program Year	Claimed Amount(\$)	Exceptions	Questioned Federal (\$)	Questioned Match (\$)	Notes
39	National Direct	2010	773.78	E2, E3	-	773.78	Expense was excluded from the drawdown report; Expenses were improperly coded to Federal expenses.
40	National Direct	2010	24,109.05	E2, E3	24,109.05	-	Expense was excluded from the drawdown report; Expenses were improperly coded to Federal expenses.
41	National Direct	2010	151,623.34	E1, E2, E3	7,000	-	No support was provided for employee's salaries and hours associated with the journal entry.
42	National Direct	2010	525	E2, E3, E4	-	525	No valuation support, beyond an invoice, for in-kind services; No supporting documentation to determine the match expenses; Expenses were improperly coded as Federal expenses while no funds were drawdown.
43	National Direct	2010	2,000	E2, E4	-	2,000	No valuation support, beyond an invoice, for in-kind services; No supporting documentation to determine the match expenses.
44	National Direct	2010	1,538.46	E1, E2	-	1,538.46	No support was provided for employee's salaries and hours associated with the journal entry; No supporting documentation to determine the match expenses.
45	National Direct	2010	364.8	E2, E3	-	364.8	Expense was excluded from the drawdown report; Expenses were improperly coded to Federal expenses.
46	National Direct	2010	1,200	E3	1,200	-	Salary expense for the Director of Programs is a match expense per the budget narrative. However, the amount was improperly drawdown on 6/25/10.
47	National Direct	2011	3,000	E2, E4	-	3,000	No valuation support, beyond an invoice, for in-kind services.
49	Georgia	2011	31,880	E2, E4	-	31,880	No valuation support, beyond an invoice, for in-kind services.
50	Georgia	2011	53,812	E2, E4	-	33,956	No valuation support, beyond an invoice, for in-kind services; PER identified only \$33,596 as the recorded match expenses for January and February 2010.
51	Georgia	2011	36,540	E4	-	36,540	No valuation support, beyond an invoice, for in-kind services.
52	Georgia	2011	7,000	E4	-	7,000	No valuation support, beyond an invoice, for in-kind services.
Total (\$)					134,206.69	215,262.31	

Keys to Exception:

E1: Lack of supporting documentation to validate transactions and grant costs

E2: Improper allocation of program expenses to the appropriate grant

E3: Unallowable expenses were charged to the grants

E4: Insufficient documentation to support the fair market value of the reported in-kind labor and rent match costs

Appendix B

Details of Questioned Employee Payroll Costs

Program Year 2010 Questioned Federal Costs

Sample	Program	Key	Questioned Federal (\$)	Notes
6	Alabama	E2	1,538.46	Missing employee timesheet and therefore we questioned all work hours based on payroll register record.
6	Alabama	E3	591.35	Only 49.25 hours were supported by the September 2010 timesheets. Questioned 30.75 hours from payroll register that were not supported by timesheets.
8	Louisiana	E2	1,230.77	Missing employee timesheet and therefore we questioned all work hours based on payroll register record.
8	Louisiana	E3	615.39	Only 40 hours were supported by the September 2010 timesheets. Questioned 40 hours from payroll register that were not supported by timesheets.
9	National Direct	E3	984	Per employee timesheet, only 15.25 hours worked (total hours recorded per payroll register was 166.5) for the program from 10/1/10 to 10/15/10 representing \$216. Questioned the rest of pay.
9	National Direct	E3	264	Per employee timesheet, only 64.5 hours worked (total hours recorded per payroll register was 166.5) for the program from 10/16/10 to 10/30/10 representing \$936. Questioned the rest of pay.
9	National Direct	E3	888	Per employee timesheet, only 26 hours worked (total hours recorded per payroll register was 199.25) for the program from 11/1/10 to 11/12/10 representing \$312. Questioned the rest of pay.
9	National Direct	E3	2,255	Per employee timesheet, only 12 hours worked (total hours recorded per payroll register was 199.25) for the program from 11/13/10 to 11/30/10 representing \$145. Questioned the rest of pay.
9	National Direct	E3	2,192	Per employee timesheet, only 16.25 hours worked (total hours recorded per payroll register was 187.75) for the program from 12/1/10 to 12/10/10 representing \$208. Questioned the rest of pay.
9	National Direct	E3	234	Per employee timesheet, only 15.5 hours worked (total hours recorded per payroll register was 187.5) for the program from 12/11/10 to 12/31/10 representing \$198. Questioned the rest of pay.
9	Louisiana	E1	600	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
9	Alabama	E1	600	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
9	Georgia	E1	600	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	576.92	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	336.54	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	240.38	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	240.38	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	336.54	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	240.38	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	336.54	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	240.38	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	304.54	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	220.54	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	Learn & Serve	E1	240.38	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	1,782.08	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.
10	National Direct	E1	1,205.24	Employee charged work hours on timesheets for program that were not assigned to base on budget narratives. Questioned entire pay.

Sample	Program	Key	Questioned Federal (\$)	Notes
11	Learn & Serve	E1	129.23	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
11	Learn & Serve	E1	258.46	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
11	Learn & Serve	E1	258.46	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
11	Learn & Serve	E1	258.46	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
11	Learn & Serve	E1	258.46	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
11	Learn & Serve	E1	258.46	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.

Total (\$) 20,315.33

Program Year 2010 Questioned Match

Sample	Program	Key	Questioned Match (\$)	Notes
9	National Direct	E3	147.6	Per employee timesheet, only 30.5 hours worked under the program match from 12/11/10 to 12/31/10. Employee was not budgeted to this grant's match funds. Questioned entire pay.
9	Louisiana	E3	239.6	Per employee timesheet, only 4.5 hours worked under the program match from 12/11/10 to 12/31/10. No personnel match funds were budgeted under this grant. Questioned entire pay.
9	Alabama	E3	61	Per employee timesheet, only 25.25 hours worked under the program match from 12/11/10 to 12/31/10. No personnel match funds were budgeted under this grant. Questioned entire pay.
9	Georgia	E3	262.8	Per employee timesheet, only 25.25 hours worked under the program match from 12/11/10 to 12/31/10. No personnel match funds were budgeted under this grant. Questioned entire pay.

Total (\$) 711

Program Year 2011 Questioned Federal Costs

Sample	Program	Key	Questioned Federal (\$)	Notes
2	Learn & Serve	E1	1,153.85	Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives. Questioned entire pay.
2	Georgia	E2	1,153.85	Missing employee timesheet and therefore we questioned all work hours based on payroll register record.
3	Georgia	E3	1,015.08	Per employee timesheet, no hours worked between 1/16/11 to 1/26/11. Questioned entire pay.
3	Georgia	E1	1,538.46	Missing employee timesheet and questioned all work hours based on payroll register record.
5	Alabama	E2	585.04	Missing employee timesheet for July 2011 representing 44.25 unsupported work hours in which we questioned these unsupported work hours.
6	Alabama	E2	1,033.65	Missing employee timesheet for July 2011 representing 53.75 unsupported work hours in which we questioned these unsupported work hours.
8	Louisiana	E2	1,000	Missing employee timesheet after 1/24/11 representing 65 unsupported work hours in which we questioned these unsupported work hours.
9	National Direct	E1	432	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.

Sample	Program	Key	Questioned Federal (\$)	Notes
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,400	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,692.31	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,692.31	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	484.62	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,692.31	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1	2,692.31	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
9	National Direct	E1, E2	2,692.31	Missing employee timesheet for July 2011 timesheet; Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
10	National Direct	E1	317.31	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
10	National Direct	E2	961.60	Missing employee timesheet and questioned all work hours based on payroll register record.
11	Louisiana	E2	538.80	Missing employee timesheet and questioned all work hours based on payroll register record.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	National Direct	E1	779.04	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	Louisiana	E3	158.38	Per employee timesheet, only 37 hours worked (total hours recorded per payroll register was 90.5) under the program for pay period ending 4/15/11 representing \$707. Questioned the rest of pay.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
15	National Direct	E1	865.39	Per budget narrative, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.

Total
(\$) **46,605.57**

Program Year 2011 Questioned Match

Sample	Program	Key	Questioned Match (\$)	Notes
9	National Direct	E3	537.6	Per employee timesheet, only 23.25 hours worked under the program match from pay period ending 1/13/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Georgia	E3	748.8	Per employee timesheet, only 27 hours worked under the program match from pay period ending 1/13/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Louisiana	E3	297.6	Per employee timesheet, only 18 hours worked under the program match from pay period ending 1/13/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Alabama	E3	384	Per employee timesheet, only 18 hours worked under the program match from pay period ending 1/13/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Alabama	E3	430.76	Per employee timesheet, only 9 hours worked under the program match from pay period ending 6/10/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	National Direct	E3	603.08	Per employee timesheet, only 21 hours worked under the program match from pay period ending 6/10/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Louisiana	E3	333.85	Per employee timesheet, only 9 hours worked under the program match from pay period ending 6/10/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
9	Georgia	E3	840	Per employee timesheet, only 19 hours worked under the program match from pay period ending 6/10/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
10	Louisiana	E3	259.61	Per employee timesheet, only 18 hours worked under the program match from pay period ending 1/13/11. No personnel match funds were budgeted under the grant. Questioned entire pay.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	821.94	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.
14	National Direct	E1	865.38	Per budget narrative and ORI's budget worksheet, employee was not budgeted to the specific program. Questioned all hours worked during the time reporting period.

Total (\$) 11,314.9

Keys

E1: Employees charged work hours on timesheets for programs and/or projects that they were not assigned to base on budget narratives

E2: Missing employee timesheets

E3: Employee timesheets did not support work hours recorded on employee payroll register and recorded on the FFR

Appendix C

Details of Questioned Member Timekeeping Costs

Sample	Program	Program Year	Service Type	Hours Served	Exceptions	Questioned Hours	Questioned Benefits (\$)	Questioned Living Allowance (\$)	Questioned Education Award (\$)
1	National	2009	FT	1,704	E1, E2, E3	809	279.66	2,833.22	4,725
2	National	2009	HT	1,054	E1	920	313.07	3,333.2	2,362.5
3	National	2009	QT	476	E1, E2, E3	28.25	126.6	1,200	1,250
4	National	2009	QT	450	E1, E2, E3	51.5	96	800	1,250
5	National	2009	QT	501	E1,E2,E3,E4	35.75	126.6	1,200	1,250
6	National	2009	QT	455	E1, E2, E3	107.25	96	800	1,250
7	National	2009	QT	450	E2	53.75	65.4	400	1,250
9	National	2010	QT	302	E1	223	90.84	960	1,250
10	National	2010	QT	493	E1, E3	431	90.84	960	1,250
11	National	2010	HT	900	E1	900	376.82	4,166.5	2,675
12	National	2010	HT	916	E1	916	364.07	3,999.84	2,362.5
13	National	2010	QT	450	E1	157	57.87	480	1,250
14	National	2010	QT	468	E1	364	90.84	960	1,250
15	National	2009	HT	906	E1	906	368.91	3,999.84	2,362.5
16	National	2009	HT	902	E1	902	380.37	4,333.16	2,362.5
17	National	2009	FT	1,700	E1, E3	1,310.5	869.55	9,025	4,725
18	National	2009	FT	2,032	E1	1,549	869.55	9,025	4,725
19	National	2009	FT	1,700	E1	1,258.5	555.52	4,919.99	4,725
20	National	2009	FT	2,074	E1	2,074	1,081.84	11,800	4,725
21	National	2010	FT	1,133	E1	461.25	660.08	6,391.67	NA2
22	Alabama	2010	FT	1,700	E1, E2	1,688.5	1,073.82	11,800	5,350
23	Alabama	2010	FT	1,701	E1	1,701	1,073.82	11,800	6,419
24	Alabama	2010	HT	108	E1	108	191.96	1,725	NA2
25	Alabama	2010	FT	351	E1	351	584.86	5,408.33	NA2
26	Alabama	2010	FT	1,784	E1	1,784	962.7	11,800	5,350
27	Alabama	2010	HT	289	E1	289	376.71	4,140	NA2
28	Alabama	2010	HT	637	E1, E2, E3	555.5	457.76	3,933.28	NA2
29	Georgia	2010	FT	1,709	E1	947.5	584.86	5,408.33	5,350
30	Georgia	2010	FT	1,700	E1	951	622.47	5,900	6,503
31	Georgia	2010	FT	409	E1	176	472.02	3,933.33	NA2
32	Georgia	2010	HT	949	E1	797.5	337.12	3,622.5	2,675
33	Georgia	2010	HT	905	E1	800	231.55	2,242.5	2,675
34	Georgia	2010	HT	634	E1	427	205.16	1,897.5	NA2
35	Georgia	2010	HT	936	E1	887	363.51	3,967.5	2,675
36	Georgia	2010	HT	411	E1	375.5	279.26	2,866.14	NA2
37	Georgia	2010	FT	1,711	E1	1,528	1,073.82	11,800	5,350
38	Georgia	2010	HT	569	E1	531	284.34	2,932.5	NA2
39	Louisiana	2010	FT	835	E1	813	697.7	6,883.33	NA2
40	Louisiana	2010	HT	538	E1	476	310.73	3,277.5	NA2
41	Louisiana	2010	HT	159	E1	141.5	191.96	1,725	NA2
42	L&S	2010	NA1	168	E1, E2, E3	168	NA1	NA1	500
43	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
44	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
45	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
46	L&S	2010	NA1	102	E1, E2, E3	102	NA1	NA1	500
47	L&S	2010	NA1	102	E1, E2, E3	102	NA1	NA1	500
48	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
49	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
50	L&S	2010	NA1	160	E1, E2, E3	160	NA1	NA1	500
51	L&S	2010	NA1	100	E1, E2, E3	100	NA1	NA1	500
Total						29,917.75	17,336.56	178,650.16	94,347

Note: Sample 8 was replaced by Sample 51.

NA1: Under the Learn & Serve provisions, summer campers were not provided living allowances, but they were given an education award of \$500 after 100 hours of service. There were no living allowances provided to these members.

NA2: Members did not complete their terms and we verified from eSPAN that members did not receive education awards.

Keys to Exceptions

- E1:** No member timesheet provided
- E2:** Missing member/supervisor signature
- E3:** Timesheets reviewed prior to last day in pay period
- E4:** Recorded time was not segregated by project

Keys to Service Type

- FT:** Full time
- HT:** Half Time
- QT:** Quarter Time

Appendix D

Details of Questioned Member Ineligibility Costs

Member Sample #	Program	Missing High School Diploma Documentation	Missing Criminal History Checks / NSOPR Checks Documentation	Living Allowance Paid (\$)	Less: Living Allowance Already Presented (\$) *	Total Remaining Questioned Living Allowance (\$)
3	National		X	1,200	1,200	-
4	National	X	X	1,200	800	400
5	National	X	X	1,200	1,200	-
6	National		X	1,200	800	400
7	National	X	X	1,200	400	800
10	National	X		1,200	960	240
17	National		X	11,800	9,025	2,775
18	National		X	11,800	9,025	2,775
19	National	X	X	11,800	4,919.99	6,880.01
20	National	X	X	11,800	11,800	-
21	National		X	11,800	6,391.67	5,408.33
22	Alabama	X		11,800	11,800	-
23	Alabama		X	11,800	11,800	-
24	Alabama		X	4,140	1,725	2,415
27	Alabama		X	4,140	4,140	-
28	Alabama	X		4,140	3,933.28	206.72
34	Georgia	X		4,140	1,897.5	2,242.5
37	Georgia		X	11,800	11,800	-
38	Georgia	X		4,140	2,932.5	1,207.5
39	Louisiana	X		11,800	6,883.33	4,916.67
40	Louisiana		X	4,140	3,277.5	862.5
Total (\$)				138,240	106,711	31,529

* This column "Less: Living Allowance Already Presented" refers to the member's living allowance questioned as part of our "Member Timekeeping Deficiencies" finding. Refer to Appendix C for details.

Appendix E

Operation REACH, Inc.'s Response to Draft Report



1700 Josephine Street, New Orleans Louisiana 70113

August 9, 2012

Attn: Stuart Axenfeld
Office Of Inspector General
Corporation for National and Community Service
1201 New York Ave, NW
Suite 830
Washington, DC 20525

Dear Mr. Stuart Axenfeld:

Please find attached a response to the audit conducted on Operation REACH Inc.. We look forward to feedback and resolution of any unresolved matters.

If you have further questions, then please contact our office at (504) 529-1922.

Sincerely,

A handwritten signature in black ink that reads 'Kyshun Webster, Sr.' The signature is written in a cursive style.

Kyshun Webster, Sr. Ph.D.
Founder



1700 Josephine Street, New Orleans Louisiana 70113

RESPONSE TO OIG AUDIT FINDINGS

Disclaimer- The staff persons associated with this project are no longer employed by Operation REACH Inc. Moreover, the Chief Compliance Officer, Nicole Payne-Jack was the authorizer on E-grants, the Payment Management System and was primarily responsible for submission of all PERS, FFR and FSR in conjunction with the Americorps grants. The Chief Compliance Officer was the lead for coordinating samples for the Americorps program and fiscal audits in conjunction with ORI's retained accountant.

Foreword- While overall, ORI agree with some of the observation of weak infrastructure commented on in the OIG report, please consider the overall context in which the grants were awarded to this indigenous New Orleans-based organization, amidst a backdrop of post Hurricanes Katrina and Rita. We respond accordingly given this context to the findings and recommendations of the OIG. Like most, this organization was rebuilding itself, while also extending itself to help other youth-serving organizations rebuild and restore program infrastructure for youth affected by the worst national natural disaster in U.S. history. Additionally, the organization had launched the Gulfsouth Youth Action Corps independent of any Americorps funds in 2006, with private sources of funding.

Finding 1 Unallowable, Unallocable and Unsupported Charged to Grants

ORI Response:

We disagree with this finding. ORI relied on its 39 partner sites to pledge in-kind contributions and to retain documentation to support the valuation of in-kind contributions. Partners received training provided by ORI staff on the requirements for valuing in-kind. Host site agencies often pledged manpower hours of site supervisors who provided direct supervision to Americorps members and use of facilities. While ORI was unable to collect some sensitive personnel documents from partners, such as their internal payroll records to provide additional support, we took the value assessed by the partner agencies and had partners document that valuation on the approved CNCS official in-kind forms. These in-kind contributions were reviewed by CNCS program officers and state commissions and approved at each level as a condition of receiving continuous reimbursement. Like state commissions, we did not require detailed supporting documentation for valuation unless there was a need for auditing the partner agencies to verify valuation.

The CNCS Grant did not afford ORI the ability to pay for office space, telephones and related technology, although office space was needed, ORI paid the full amount of office and utilities associated with operating offices in Birmingham, AL; Atlanta, GA; and New Orleans, LA. Staff associated with the grants that occupied these offices used 100% of their time running Americorps programs in those respective locales. Fair market costs were based on the actual costs that the organization incurred for rent and the fair market costs associated with use of municipal gyms held by parks and recreations department in respective cities.

Any overdraws from the payment management system were done in error from staff miscalculation. These errors were reported to the accountant and reversed on the general ledger. Additionally, on subsequent drawdowns from the payment management system, the Chief Compliance Officer authorized less the overage in subsequent drawdowns to reconcile the difference.

Respectfully, ORI believes that the OIG, during the conduct of its field work with partner agencies could have requested additional support for in-kind valuation from the partner agencies for further testing. Given the limited staffing resources provided by Americorps grants, ORI did not have the ability to demand such personnel documents from each of the partner agencies that it worked with, but did sample these agencies during the conduct of our due diligence process for selecting partners and agreeing to count their in-kind pledges.

Recommendation:

Allow ORI time to request additional supporting documentation from specific partners for fair market values reported and estimated by partner agencies and or amend ORI proposed budgets to allow for a Match Waiver as allowed under the American Recovery and Reinvestment Act of 2009.

Finding 2 Employee Payroll Deficiencies

Response:

ORI employees used electronically approved time-keeping systems that were reviewed and approved by CNCS program officers prior to implementation. Employees, associated with implementing the Americorps program worked 100% on Americorps related tasks from recruitment of volunteers, training, engagement in service and regularly scheduled briefing and reflection sections. While the Americorps grant was never sufficient to cover the expenses of all whom were associated with administrative processes and oversights, we concur with the finding that the total costs were not fully captured by the CNCS grant. A management decision was made not to subject other non-federally funded employee positions to undue administrative burden. For example, the CEO regularly met with Americorps staff and managers for weekly briefings and planning sessions. However, his supervisory time for general oversight was not charged to the grant as federal or non-federal match. The complexity of the Americorps timekeeping devices would substantially affect the organizational culture already set within ORI for professional exempt employees.

We concur, that the organization did have high turnover; however, we did not specify in-name staff persons who would be hired into positions outlined in our original proposals. Hence, during periods of staff transition we did not understand it to be necessary to report such changes. Critical work still needed to be advanced while conducting proper searches for staff. Also, Despite or request for advance start-up costs to get personnel in position and acclimated at least 30 days prior to the launch date of the Americorps program, we were constantly denied. This would have, in some instances resolved the need to use existing staff while others were being recruited as first-time hires during critical start-up of the grant. We also, believe that the OIG auditors did not fundamentally gain an appreciation for ORI's continuum of programs and the relationship of Americorps staff and volunteers to these multi-program strategies.

Additionally, undue delays with reimbursements from state commissions from the onset of implementing programs also hindered ORI's ability to hire critical staff positions in a proactive manner in order to best manage the myriad of requirements for operating the Americorps programs. For example, for the program year beginning in 2010 It took the Alabama Commission five months before issuing ORI's reimbursements. Similarly, the Louisiana Serve Commission took approximately the same amount of time to provide ORI with its first reimbursement after five months of implementing the Americorps programs. Requests were made of each commission for advance planning costs in order to ensure a smooth start-up, although this is allowed it was refused. This was the start of creating a challenging fiscal and personnel environment within ORI. Such arbitrary delays in disbursements by state commissions to ORI critically injured the organization's ability to manage its own cash-flow properly and kept the organization in constant back-peddling motion with these two receipts alone totaling approximately \$140,000. A chain of emails inquiring into delays were maintained by ORI to document this timeline.

Recommendation:

Respectfully, we believe that greater consciousness and reciprocal accountability should be placed on Sub-grantees at every level, including State Commissions. Lack of regard for timely reimbursements can be injurious to an organization's financial health. In order to effectively implement programs, adequate staffing must be in place at the onset to facilitate effective implementation of Americorps programs. Most non-profits cannot afford to advance such large sums of money without an indefinite time for their reimbursement. According to federal regulations applicable to Americorps, ORI experienced uneven adherence and or consideration of these regulations from state commissions with regards to receiving timely payments:

2541.210 Payment.

(a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contractors.

(b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

e) Working capital advances. If a grantee cannot meet the criteria for advance payments described in paragraph (c) of this section, and the Federal agency has determined that reimbursement is not feasible because the grantee lacks sufficient working capital, the awarding agency may provide cash on a working capital advance basis. Under this procedure the awarding agency shall advance cash to the grantee to cover its estimated disbursement needs for an initial period generally geared to the grantee's disbursing cycle. Thereafter, the awarding agency shall reimburse the grantee for its actual cash disbursements. The working capital advance method of payment shall not be used by grantees or subgrantees if the reason for using such method is the unwillingness or inability of the grantee to provide timely advances to the subgrantee to meet the subgrantee's actual cash disbursements.

We recommend that CNCS work with ORI to address any human error that occurred in the individual documentation of staff time.

Finding 3. Member Timekeeping Deficiencies

Response:

ORI used approved electronic time-keeping systems for its employees and Americorps volunteers. This electronic system was reviewed by CNCS staff and met the requirements of time stamping approvals. Additionally, for some aspects of member management, ORI was “highly” encouraged to use “Oncorps,” a new member management portal endorsed by CNCS and its state affiliates in 2010, as a result of the national decision to abandon the former member management system provided by Americorps. In this rapid period of national transition, many state commissions and subgrantees experienced extreme problems with the technology, which was malfunctioning. In these times, paper timesheets were the only available short-term substitute at the very beginning of the start-up. The Louisiana Serve Commission, albeit these problems with technology, randomly decided to conduct a program start-up audit during this period.

ORI Staff provided training to all partner sites and host site supervisors on how to properly document time and how to use the available technology, provided by ORI to manage timekeeping of Americorps according to CNCS provisions. Host site partners, were not employees of ORI which limited ORI’s ability to inflict consequences for delays with approving members timesheets. Some of these delays often had to do with a number of things occurring at the partner sites:

1. Technology failures at host sites
2. Turnover of host site supervisors at partner agencies
3. Host site supervisors desensitized to timely reporting to an external agency (ORI)

These situations often left Americorps members vulnerable for not receiving stipends this is when headquarters got involved. Resolution involved finding alternate ways to verify Americorps members’ time via calling site supervisors, contacting supervisors via email to confirm time, or with permission from supervisors who were delayed troubleshooting technology problems that prohibited them from going into the system to approve time. In these instances, the payroll processor (HR Director), program coordinator and chief compliance officer corroborated findings and would provide the overrides in the system to eliminate the negative consequence of Americorps members not receiving their stipend due to technical glitches or, quite frankly site supervisor nonchalantness about timely submission.

ORI, was required by CNCS provisions to enter into member service contracts which the responsibility and liability for administering and dispersing member living allowances was accrued to ORI. Not providing corps members with stipends that served time, due to errors of omission or negligence of host site supervisors put ORI in a double jeopardy situation. As the Americorps provisions state:

A living allowance is not a wage and programs may not pay living allowances on an hourly basis. Programs must distribute the living allowance at regular intervals and in regular increments, and may increase living allowance payments only on the basis of increased living expenses such as food, housing, or transportation. Living allowance payments may only be made to a participant during the participant’s term of service and must cease when the participant

concludes the term of service. Programs may not provide a lump sum payment to a participant who completes the originally agreed-upon term of service in a shorter period of time.

[73 FR 53752, Sept. 17, 2008]

We believe our resolution honored the spirit of CNCS provisions and our contractual agreement with Americorps members in service to ORI.

We concur with the finding, that Americorps members may not have consistently disaggregated how they spent their service hours on their individual timesheets. We attest that members spent their time appropriately on direct program related activities. ORI provided a one-time training for all of its Americorps members during Pre-Service Orientation (PSO) where ORI staff discussed the proper way to complete timesheets with members. PSO hours were captured at trainings through sign-in sheets. It was an administrative error of host site supervisors, ORI program staff and for the HR director processing the timesheets to review for this level of detail. However, training hours were captured by other means.

OIG agents, noted a dual system of timekeeping in the field, in their exit conference, this “shadow” system was not anything that ORI was aware of, but recognize that host site supervisors may have developed personal ways of organizing and collecting time from Corps Members on a daily, without having to necessarily go into the web-based technology for daily data entry. These self-selected strategies of personal efficiency were beyond the management control and scope of ORI employees responsible for collecting and reviewing time in the approved timekeeping system for Americorps members, which was “On-corps”. Therefore, we disagree with the insinuation that there was a dual system of timekeeping. We reaffirm that there was only one system used, “On-corps,” which was the system that partners received training for processing and certifying Americorps members service time in order for ORI to render them eligible for the post-service education award, granted by the National Service Education Trust Fund.

Recommendation:

CNCS work with ORI to obtain sworn affidavits reaffirming questioned member service from those specific members in question.

Findings 4. Member ineligibility

Response:

We disagree with the finding. Member eligibility documents were carefully reviewed and audited internally several times by, ORI staff and ORI’s Chief Compliance Officer prior to members being accepted into service. In the Corporation’s requirement for more strenuous background checks, CNCS had not sufficiently worked out the national infrastructure for required FBI background checks to be conducted. ORI requested technical assistance and has evidence through email chains and logs of phone conversations had with CNCS officials in the discovery of how to comply with a requirement that had not been sufficiently coordinated with FBI bureaus across the country. After spending a considerable amount of non-reimbursable staff hours, but to no avail, ORI tried to reach this compliance mark but could not gain access to FBI background checks because CNCS had not worked out coordination with the FBI.

We also disagree with the finding because there were some logistical matters with state offices in Alabama and Georgia which required certain original documents to be maintained at the state

offices and copies had to be made and transported. In this short period of time, with the transit of thousands of documents from across three states, there were challenges and OIG auditors may have discounted non-original hard-to-read documents.

NSOPR checks were consistently checked for each enrolling corps member. If no record was found, then a checklist was completed and placed in members' files; additionally, the screen page that found "no record" was also printed in placed in Americorps members' files.

Lastly, other documents claimed not to be in the Americorps members file by the OIG, would need further clarification, since according to the regulations:

***Verification.** The grantee must obtain and maintain documentation as required by 45 CFR§2522.200(c). The Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as a driver's license, or birth certificate, as long as the grantee has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review.*

ORI staff used a standard checklist to indicate the review and verification of all member eligibility documents. Therefore, clarification is needed to understand what is required by regulation to be in the file folder vs. what needs to be verified prior to member enrollment.

Recommendation:

CNCS notify Operation REACH of the specific names of members who allegedly had a missing document(s) and ORI will make every effort to relocate the document and or to reaffirm the members' eligibility status in question. Have individuals missing copies of diplomas sign a declaration regarding high school diploma sufficient for enrollment under penalty of law.

Finding 5 VISTA Member Engaged in Unallowable Service

Response:

We disagree with the finding that ORI engaged VISTA member in unallowable service. We believe that the OIG lacked a full appreciation of the Post Hurricanes Katrina and Rita context in which ORI operated, while rebuilding its own infrastructure and supporting the rebuilding and restoration of youth organizations across the affected Gulfcoast region. ORI, like most organizations post-Katrina and Rita had frail infrastructures as agencies were rebuilding after the nation's worst natural disaster. Hence, VISTA served a critical role in helping the organization rebuild and adjust to the rapid growth to meet the needs of the Gulfcoast region post these disasters. Prior to the Americorps grant, ORI had a meek staff of not more than three full-time employees and a partial volunteer Founder/ Executive Director. Hence, to adjust to the rapid growth to serve vulnerable and impoverished kids across the Gulfcoast states VISTAS assigned to ORI played a pivotal role that would have made the scale-up wholly unmanageable had they not been assigned. As we understood the VISTA program to be key in doing this, we wrote VADS to address the organizational needs of ORI. These VADS were approved by VISTA officials and implemented accordingly.

We also disagree with the insinuation that a VISTA member did not understand who is supervisor was. VISTA supervisors were those members of ORI staff that had gone to the official VISTA supervisor trainings. Internally, ORI VISTA supervisors would assign VISTA members to particular staff leading growth and expansion initiatives. VISTAS would assist in such projects as they aligned with their VAD.

We objectively disagree with the assessment that these VISTA did not do what the VADS authorized. We also recognize the intersubjective confusion could persist based on the questions asked to elucidate the breadth and scope of the VISTA's contribution. In the absence of the VISTA ORI did not use VISTA as a substitute for staff positions. VISTAs helped research, develop and implement new technologies and strategic plans to help build capacity of the organizational infrastructure that went from serving a few hundred children in New Orleans, to serving 10,000 through 39 partners across three states. This was the major thesis of our initial proposal to CNCS to rebuild and restore capacity and infrastructure of youth serving organizations post-Katrina and Rita.

According to the following expert taken from VISTA Program literature disseminated by CNCS: **VISTA members are assigned to organizations to work at tasks determined and defined by these sponsoring organizations and the low-income communities they serve.**

VISTA's as Organizational Developers

VISTA members serving as organizational developers are charged either with strengthening existing organizations or developing new organizations. Development of new organizations is approved only when it can be documented that the low-income community perceives a need for the proposed organization and had demonstrated it will be actively involved in supporting the organization.

VISTA organizational developers usually assist fledgling grassroots groups. VISTA members are often requested to help strengthen organizations that are struggling with less than adequate resources or do not have a structure adequate to maintain the services they wish to provide. Typical job functions include assisting in:

- Establishing or strengthening a Board of Directors and/or advisory groups*
- Obtaining non-profit, tax-exempt status*
- Setting up or refining administrative systems*
- Developing funding approaches and mobilizing cash and in-kind resources*
- Developing an effective volunteer program*
- Establishing long range and short term goals*
- Devising systems for responsive service provision*
- Developing a public relations program*

Recommendation:

CNCS allow ORI to get a sworn affidavit from the VISTA in question outlining his VAD and indicating percentage of time spent according to VAD.

Finding 6. Improper Accounting and Unsupported Program Income

Response:

We concur with the finding that ORI has had significant turnover. In context, while the organization endeavored to deal with post-traumatic stress as experienced by children and youth, many of the adult workforce who lived through these times were impacted in much the same way to the degree that these stressors impacted their coping in the workplace. Given this reality, ORI had 7 different grant/financial managers over the 3-year course of the CNCS grant cycle. New sophisticated accounting systems were put in place and implemented prior to the scale-up. These systems were reviewed and approved by CNCS program /grant officers. Constant feedback was given throughout the grant period to increase the efficiency in "real-time" reporting, as some processes lagged that were still being done manually by an external CPA. There was constant pressure exerted on the organization to change systems mid-stream to address desires of CNCS. Based on these "turn-on-a-dime" expectations, ORI complied to the best of its humane and

financial resources. Based on the organization's resources, the system in place to allocate expenses to the appropriate program funds was performed after funds had actually been received. Initially, the Operating account had to absorb expenses and then manual cost transfers/reallocations of allocable expenses were done to the appropriate program. At times of random audits, such as the one conducted by the OIG, these manual processes may have lagged by 30 or more days.

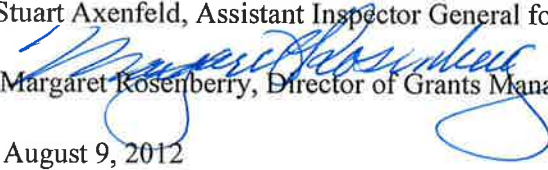
We disagree with the finding that ORI did not use program income from collected match fees to support program related activities/costs. We reaffirm that ORI used programmatic fees to pay for non-federal costs not covered by the grant, such as office space in Alabama, Georgia, Louisiana which housed Americorps staff and provided a central meeting and coordination hub for its local Americorps volunteers. Additionally, background checks, member uniforms and some member benefits were not fully covered by the Americorps grants and ORI pledged match dollars. If these recycled dollars (collected match fees), were not properly documented in correlation with expenses not covered by Americorps federal share, then this was an administrative error that can be corrected. Some of the actual match expenses that could not be met with in-kind contributions were met with real dollars collected from partners. Unequivocally, we know that the organization had to spend resources above and beyond the cost of operating the Americorps program.

Recommendation:

CNCS should work with ORI to provide documentation of how the collected match funds were used and actually supported some of the questioned match expenses.

Appendix F

Corporation's Response to Draft Report

To: Stuart Axenfeld, Assistant Inspector General for Audit
From: 
Margaret Rosenberry, Director of Grants Management
Date: August 9, 2012
Subject: Response to OIG draft report on the Audit of Corporation for National and
Community Service Grants Awarded to Operation REACH, Inc.

Thank you for the opportunity to review the Office of the Inspector General's draft report on the audit of CNCS grants awarded to Operation Reach, Inc. We will respond to all findings and recommendations in our management decision when the audit working papers are provided and the final audit is issued.

Cc: David Rebich, Chief Financial Officer
Valerie Green, General Counsel
William Basl, Director of AmeriCorps
Claire Moreno, Senior Grants Officer for Policy and Audit