Office of Inspector General
Corporation for National and Community Service

INCURRED-COST AUDIT OF GRANTS AWARDED TO THE SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

OIG REPORT NUMBER 04-14

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

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This report was issued to Corporation management on June 18, 2004. 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 December 18, 2004, and complete its corrective actions by June 18, 2005. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for National and Community Service
Audit Report 04-14

Incurred-Cost Audit of Grants Awarded to the
South Carolina Commission on National and Community Service

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation) retained Cotton & Company LLP to perform an incurred-cost audit of grants awarded to the South Carolina Commission on National and Community Service. The objectives of the audit were to determine whether: (1) financial reports prepared by the Commission presented fairly the financial status of the awards; (2) the internal controls were adequate to safeguard Federal funds; (3) the Commission and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions, and that member services were appropriate to the programs; (4) the award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and (5) the Commission had established adequate oversight and informed subrecipients of the Corporation's Government Performance and Results Act goals.

For the grants audited, the Commission claimed costs of $5,059,908, of which the auditors questioned $25,592 as unallowable and $19,586 as unsupported because the claims lacked supporting documentation. The auditors questioned less than one percent of claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations, or specific award conditions, or costs that require an interpretation of allowability. Costs questioned for support require additional documentation to substantiate that the costs were incurred and are allowable. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments. The auditors also noted nine instances of noncompliance with provisions of laws, regulations and grants.

The Commission's response to the draft report includes modification or implementation of policies and procedures to correct the noncompliance issues, as well information about the questioned costs. These actions will be reviewed by the Corporation as part of the audit resolution process.

The Office of Inspector General has reviewed the report and the work papers supporting the auditors' conclusions. Our review of the auditors' work papers disclosed no instances where Cotton & Company LLP did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of the South Carolina Commission on National and Community Service and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices A and B, respectively.

Background

The Corporation for National and Community Service, pursuant to the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, tribes, and territories to assist in the creation of full-time and part-time national and community service programs. Currently, under the Act's requirements, the Corporation awards approximately three-fourths of its AmeriCorps*State/National funds to State commissions. The State commissions, in turn, fund and oversee the subgrantees that execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED-COST AUDIT OF GRANTS AWARDED TO THE
SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

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AUDIT SCOPE

Cotton & Company LLP was contracted by the Office of Inspector General (OIG) to perform an incurred-cost audit of costs claimed by the South Carolina Commission on National and Community Service (Commission) and its subgrantees (listed on the following page) for Program Years (PYs) 2000-2001, 2001-2002, and 2002-2003. Our audit included costs incurred under the following grants from inception to the end of the grant or costs incurred as of September 30, 2003, if the grant was still open as of that date. Our audit covered financial transactions, compliance, and internal control testing of the following program awards funded by the Corporation for National and Community Service (Corporation):

Program	Award No.	Award Period	Audit Period
Administrative	01SCSSC051	01/01/01-12/31/03	01/01/01-09/30/03
Program Development Assistance and Training (PDAT)	02PDSSC051	01/01/02-12/31/04	01/01/02-09/30/03
Disability	01DSCSC040	01/01/01-12/31/03	01/01/01-09/30/03
AmeriCorps Competitive	00ASCSC042	07/01/00-06/30/03	07/01/00-06/30/03
AmeriCorps Formula	00ASFSC042	08/01/00-07/31/04	08/01/00-09/30/03
AmeriCorps Homeland Security	02AHHSC042	09/01/02-08/31/05	09/01/02-09/30/03
AmeriCorps Promise Fellows	01APSSC042	01/31/02-01/30/05	01/31/02-09/30/03
Learn and Serve	00LCSSC041	09/01/00-08/31/03	09/01/00-08/31/03

Audit objectives were to determine if:

- The Commission's financial reports presented financial award results fairly.
- Internal controls were adequate to safeguard Federal funds.
- The Commission and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.
- The Commission documented award costs reported to the Corporation, and these costs were allowable in accordance with award terms and conditions.
- The Commission had established adequate financial and program management oversight of its subgrantees.

We used the following subgrantee abbreviations in this report:

Full Name	Abbreviated Name
Benedict College	Benedict
Charleston County Parks and Recreation Commission	Charleston
City of York Recreation Department	York
City Year, Inc.	City Year
Clarendon County Council on Aging/United Way of Sumter	Clarendon
Clarendon School District 2	Clarendon 2
Clemson Extension	Clemson
Community In Schools	Community In Schools
Crisis Ministries	Crisis Ministries
Edgefield County School District	Edgefield
ElderCare Service Providers, Inc.	ElderCare
Georgetown County United Way, Inc.	Georgetown
Habitat for Humanity International	HFHI
Hampton County Recreation Department	Hampton
Irmo Chapin Recreation Commission	Irmo Chapin
Lancaster County School District	Lancaster
Marion School District 7	Marion
Mayor's Office on Children, Youth, and Families	Mayor's Office
Office of the Adjutant General	OAG
Palmetto Community Hope Foundation	Palmetto
Pickens County School District	Pickens
Raven, Inc.	Raven
Richland School District 2	Richland
Rock Hill Area YMCA	Rock Hill
St. Andrew's Parish Parks and Playground Commission	St. Andrew's
United Way of Pickens	UW of Pickens
University of South Carolina-Columbia	USCC
University of South Carolina-Spartanburg	USCS
Volunteers of America of the Carolinas, Inc: Children's Garden	Children's Garden
Winthrop University	Winthrop

SUMMARY OF RESULTS

Our audit report expresses a qualified opinion on the Consolidated Schedule of Claimed and Questioned Costs based upon questioned costs detailed below. Compliance and internal control findings and cost findings are summarized below.

COMPLIANCE AND INTERNAL CONTROL FINDINGS

We have issued a report titled "Independent Auditors' Report on Compliance and Internal Control," which is applicable to the audit of the Consolidated Schedule of Claimed and Questioned Costs. In that report, we identified findings required to be reported under *Government Auditing Standards.* These findings are as follows:

1. The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.

2. The Commission and certain subgrantees did not submit all required Financial Status Reports (FSRs), Progress Reports, and Periodic Expenditure Reports (PERs)/Final Reimbursement Claims in a timely manner.

3. Federal and grantee shares of outlays reported on FSRs were inaccurate.

4. Grantee matching contributions were not properly recorded and monitored.

5. The Commission did not include sufficient financial information, Office of Management and Budget (OMB) Circular A-133 audit results, and relevant past performance of grant applicants in the subgrant award process.

6. Certain subgrantees did not prepare, approve, and report member time sheets properly.

7. Certain subgrantees did not ensure that members were eligible to perform their designated services or that services provided were qualified under grant provisions.

8. Certain subgrantees did not comply with program requirements on member activities' documentation and reporting.

9. The Commission lacked appropriate procedures for reviewing OMB Circular A-133 audit reports and providing feedback to subgrantees for improvements.

COST FINDINGS

The Commission claimed $5,059,908 in Corporation grants for PYs 2000-2001, 2001-2002, and 2002-2003. Of this amount, we questioned claimed costs of $25,592 for allowability and $19,586 for lack of support. Costs questioned for allowability are costs for which documentation shows that recorded costs were incurred in violation of laws, regulations, or specific award conditions, or costs that require interpretation of allowability by the Corporation. Costs questioned for lack of support require additional documentation to substantiate that the cost was incurred and is allowable.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of the audit on award eligibility. Using the same criteria described above, we questioned $7,775 in education awards for allowability and $29,612 for lack of support.

Questioned costs and education awards are summarized below.

Questioned for Allowability	Costs	Education Awards
Fundraising Labor	$3,489	
Claimed Costs Exceeded Invoice	281	
Living Allowance Paid After Member Stopped Service	3,244	
Unnecessary Costs	108	
Overclaimed Living Allowance	13,525	
Underclaimed Labor Costs	(477)	
Unreconciled Differences	630	
Donated Services/Materials	3,908	
Recalculated Administrative Costs	884	
No High School Diploma or Equivalent		$4,725
Member Did Not Complete Service Term		1,250
Ineligible Member Service Provided		1,800
Total	$25,592	$7,775

Questioned for Support	Costs	Education Awards
Inadequate Performance Evaluations		$29,612
Missing Invoice/Receipt	$135	
Unsupported Labor Costs	19,451	
Total	$19,586	$29,612

Details of questioned costs and questioned education awards appear in the Independent Auditors' Report. Schedules A through E detail cost and education exceptions by award and are summarized below.

	Costs Questioned		Education Awards Questioned		
Grant No.	**Allowability**	**Support**	**Allowability**	**Support**	**Schedule**
01SCSSC051					A
02PDSSC051					
01DSCSC040					
00ASCSC042	$4,932		$5,975	$16,538	B
00ASFSC042	16,122	$1,503	1,800	13,074	C
02AHHSC042		10,351			D
01APSSC042					
00LCSSC041	4,538	7,732			E
Total	$25,592	$19,586	$7,775	$29,612	

Exit Conference

We held an exit conference with Commission and Corporation representatives on April 5, 2004.

Follow Up on Prior Audit Findings

The Corporation's OIG performed a Pre-Audit Survey of the Commission in Fiscal Year 2000 and issued Office of Inspector General Report No. 01-22, dated October 20, 2000. Our audit followed up on the status of findings and recommendations from that report (see Attachment A).

COTTON & COMPANY LLP
auditors • advisors

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January 31, 2004

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by the South Carolina Commission on National and Community Service for Program Years (PYs) 2000-2001, 2001-2002, and 2002-2003 for the awards listed below. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs (Schedules A through E), are the responsibility of Commission management. Our responsibility is to express an opinion on the consolidated and grant-specific schedules based on our audit.

Program	Award No.	Award Period	Audit Period
Administrative	01SCSSC051	01/01/01-12/31/03	01/01/01-09/30/03
Program Development Assistance and Training (PDAT)	02PDSSC051	01/01/02-12/31/04	01/01/02-09/30/03
Disability	01DSCSC040	01/01/01-12/31/03	01/01/01-09/30/03
AmeriCorps Competitive	00ASCSC042	07/01/00-06/30/03	07/01/00-06/30/03
AmeriCorps Formula	00ASFSC042	08/01/00-07/31/04	08/01/00-09/30/03
AmeriCorps Homeland Security	02AHHSC042	09/01/02-08/31/05	09/01/02-09/30/03
AmeriCorps Promise Fellows	01APSSC042	01/31/02-01/30/05	01/31/02-09/30/03
Learn and Serve	00LCSSC041	09/01/00-08/31/03	09/01/00-08/31/03

We conducted our audit in accordance with audit standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on costs claimed.

The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present allowable costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of the Commission's revenues and

established 1981

expenses. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of all member eligibility issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Claimed and Questioned Costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by the Commission for the period July 1, 2000, through September 30, 2003, in conformity with OMB Circular A-87, other applicable OMB circulars, and award terms and conditions.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2004, on our consideration of the Commission's internal control and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering audit results.

This report is intended solely for the information and use of the OIG, Corporation management, the Commission, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Sam A. Hadley, CPA, CGFM
Partner

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

				Costs Questioned		Education Awards Questioned		
Award No.	Program	Approved Budget	Claimed Costs	Allowability	Support	Allowability	Support	Schedule
01SCSSC051	Administrative	$645,151	$552,797					A
02PDSSC051	PDAT	214,000	153,016					
01DSCSC040	Disability	106,668	78,698					
00ASCSC042	AmeriCorps Competitive	1,119,238	1,013,268	$4,932		$5,975	$16,538	B
00ASFSC042	AmeriCorps Formula	3,704,477	2,779,498	16,122	$1,503	1,800	13,074	C
02AHHSC042	AmeriCorps Homeland Security	297,476	118,144		10,351			D
01APSSC042	AmeriCorps Promise Fellows	82,800	38,549					
00LCSSC041	Learn and Serve	408,000	325,938	4,538	7,732			E
	Total	$6,577,810	$5,059,908	$25,592	$19,586	$7,775	$29,612	

SCHEDULE A

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 01SCSSC051
ADMINISTRATIVE GRANT
JANUARY 1, 2001, TO SEPTEMBER 30, 2003

Administrative Grant		Note
Approved Budget (Federal Funds)	$645,151	
Claimed Costs	$552,797	1

1. The Commission claimed a $4,352 fee for membership in the American Association of State Service Commissions, an organization that attempts to influence government through lobbying efforts that include:

   - Educating members of Congress and State legislators on the value of volunteer programs.
   - Promoting Federal legislation designed to provide a tax-free education award and living allowance, streamline programs providing grant awards, provide State commissions with additional funding for operations, reduce the match necessary for Federal funds, and provide for portability of the education award.

   According to OMB Circular A-87, Attachment B, Section 30, *Memberships, subscriptions, and professional activities*, Paragraph (e), costs of membership in organizations substantially engaged in lobbying are unallowable.

   Further, 45 CFR § 1230.100, *Conditions on use of funds*, Paragraph (a), states:

   > No appropriated funds may be expended by the recipient of a Federal contract, grant, loan, or cooperative agreement to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant , loan, or cooperative agreement.

   While we identify these costs in this report, we will not question the $4,352 membership fee as unallowable, because the OIG is making a final determination regarding this issue.

SCHEDULE B

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASCSC042
AMERICORPS-COMPETITIVE
JULY 1, 2000, TO JUNE 30, 2003

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
City Year	$872,900	$834,154	$3,968	$14,175	Schedule B-1
Winthrop	246,338	179,114	964	8,338	Schedule B-2
Total	$1,119,238	$1,013,268	$4,932	$22,513	

SCHEDULE B-1

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASCSC042
AMERICORPS-COMPETITIVE
JULY 1, 2000, TO JUNE 30, 2003

City Year			Notes
Approved Budget (Federal Funds)		$872,900	
Claimed Costs		$834,154	
Questioned for Allowability			
Fundraising labor	$3,489		1
Claimed cost exceeded invoice	281		2
Recalculated administrative costs	198		3
Total Questioned for Allowability		$3,968	
Questioned for Support, Education Award			
Inadequate performance evaluations		$9,450	4
Questioned for Allowability, Education Award			
No GED or equivalent		$4,725	5

1. City Year claimed salary costs for employees performing fundraising activities. In PY 2002-2003, City Year revised its timekeeping system to include electronic time sheets. In that conversion, its accounting system did not eliminate development labor charged on employee time sheets before it allocated labor costs to programs or categories identified on time sheets, including this subgrant and City Year's National Direct grants with the Corporation.

   OMB Circular A-122, Attachment B, Paragraph 23(b), *Interest, fundraising, and investment management costs*, states that costs of organized fundraising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

   During PY 2002-2003, the executive director of City Year incurred $9,336 of fundraising labor costs allocated to reimbursed and match costs under this program, as well as reimbursed costs and match under City Year's National Direct grant, based on the number of AmeriCorps members in each program in South Carolina. We questioned $3,489, which represents the amount reimbursed under this grant. Because City Year had incurred match costs in excess of the required match, the amount of fundraising labor claimed as match does not cause City Year to be in noncompliance with its matching requirements.

2. For PY 2001-2002, City Year claimed $3,938 paid to a vendor that provided meeting space for a retreat. The amount was charged to the grant using an adjusting journal entry; the supporting

invoice was, however, in the amount of $3,657. We questioned the $281 difference between claimed and actual costs in accordance with OMB Circular A-122, Attachment A, Paragraph 2(g), *Factors affecting allowability of costs*, which requires all costs to be adequately documented.

3. City Year exceeded its allowable administrative costs in PYs 2001-02 and 2002-03 as the result of our questioning claimed costs. AmeriCorps Provision (C)(22), *Administrative Costs,* states that administrative costs cannot exceed 5 percent of total Corporation funds expended.

   We questioned $198 of administrative costs as follows:

Recalculated Administrative Costs	**PY 2001-2002**	**PY 2002-2003**
Claimed Costs Excluding Administrative Costs	$284,309	$212,682
Less Questioned Costs from Notes Above	281	3,489
Direct Costs per Audit	284,028	209,193
Administrative Costs Percentage	5.26	5.26
Administrative Costs per Audit	14,940	11,004
Administrative Costs Claimed	14,955	11,187
Questioned Administrative Costs	$15	$183

4. City Year did not properly prepare mid-term and final member performance evaluations in PY 2000-2001. Of the seven members tested, one member did not sign the final evaluation. Another member did not receive a final evaluation, and neither she nor her supervisor signed her mid-term evaluation. Yet, both of the members earned education awards.

   45 CFR § 2522.220(d), *Participant performance review*, states that, for purposes of determining a participant's eligibility for a second or additional term of service and/or for an AmeriCorps education award, each AmeriCorps program must evaluate the performance of a participant at mid-term and upon completion of a participant's term of service. Without properly prepared evaluations, we were unable to determine if the members received that evaluation and thus were eligible for education awards. We questioned total education awards for both members of $9,450.

5. In PY 2000-2001, City Year did not notify the Trust that a member who completed his service term had not completed his GED. The member filed a written agreement to obtain the GED before using the education award. City Year, however, marked the member as eligible for an education award on the Exit Form and did not submit a signed memorandum to the Trust notifying it that the member had not completed his GED.

   Per 45 CFR § 2522.200(a), *Eligibility*:

   > An AmeriCorps participant must . . . [h]ave a high school diploma or its equivalent; or . . . [n]ot 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.

Also, according to the 2001 AmeriCorps Program Director's Handbook, if a member has not completed a GED by the end of a service term, but has otherwise successfully completed the term, the program director must submit the Exit/End of Term of Service form with a signed memorandum indicating that the member did not complete the GED. Thus, the member would not be entitled to use the education award until the Trust received documentation of successful completion of the GED.

Unless notified that a member has not completed a GED, the Trust is unable to ensure member eligibility before disbursing the education award. We questioned the education award of $4,725 as unallowable.

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASCSC042
AMERICORPS-COMPETITIVE
JULY 1, 2000, TO JUNE 30, 2003

Winthrop		Notes
Approved Budget (Federal Funds)	$246,338	
Claimed Costs	$179,114	
Questioned for Allowability		
Living allowance paid after member stopped service	$964	1
Questioned for Support, Education Award		
Inadequate performance evaluations	$7,088	2
Questioned for Allowability, Education Award		
Member did not complete service term	$1,250	3

1. Of the seven members tested, three members received additional payments after they had exited the program without completing the required service hours. The program director noted that all members received living allowances during school breaks; however, these three members, without notifying the program director, did not return to the program after the break. Living-allowance payments made to members after submission of final time sheets totaled $1,134.

   Per AmeriCorps Provision (B)(11)(b), *Living Allowance Distribution*, the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. If a member is no longer participating in the program, the member should not receive the living-allowance payment. We questioned $964 of overpaid living allowances (85 percent of $1,134).

2. Winthrop did not properly conduct and maintain documentation of final evaluations for all members. Three of seven members tested did not receive final evaluations.

   45 CFR § 2522.220(d), *Participant performance review*, states that, for purposes of determining a participant's eligibility for a second or additional term of service and/or for an AmeriCorps education award, each AmeriCorps program must evaluate the performance of a participant mid-term and upon completion of a participant's term of service. Without properly prepared evaluations, we were unable to determine if the members received that evaluation and thus were eligible for education awards. We questioned $7,088 in education awards made to members who did not receive necessary performance evaluations.

3. Winthrop provided an education award to a quarter-time member who did not complete the required number of service hours. Service hours reported on member time sheets did not agree to total hours recorded in the Web Based Reporting System (WBRS).

   AmeriCorps Provision (B)(12), *Post-Service Education Awards,* states that a quarter-time member must serve a minimum of 450 hours to receive an education award. We questioned the education award of $1,250 as unallowable.

SCHEDULE C

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFSC042
AMERICORPS-FORMULA
AUGUST 1, 2000, TO SEPTEMBER 30, 2003

	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
Benedict	$140,400	$118,492			
Clarendon 2	140,400	130,524			
Community in Schools	104,664	84,127			
Crisis Ministries	138,492	69,445			
Edgefield	115,952	67,542			
HFHI	537,872	407,112	$2,865		Schedule C-1
Lancaster	387,200	343,326			
Palmetto	415,126	198,902			
Pickens	511,139	452,641	13,842		Schedule C-2
Raven	122,847	41,709			
Richland	406,906	271,976			
USCC	187,204	170,343			
USCS	289,321	224,494		$1,800	Schedule C-3
Winthrop	238,597	198,865	918	13,074	Schedule C-4
De-Obligated Funds	(31,643)				
Total	$3,704,477	$2,779,498	$17,625	$14,874	

SCHEDULE C-1

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFSC042
AMERICORPS-FORMULA
AUGUST 1, 2000, TO SEPTEMBER 30, 2003

HFHI		Notes
Approved Budget (Federal Funds)	$537,872	
Claimed Costs	$407,112	
Questioned for Support		
Unsupported labor cost	$1,368	1
Questioned for Allowability		
Living allowance paid after member was released	$1,497	2

1. HFHI did not have adequate support for labor and related fringe benefit costs of $38,274 for the program coordinator, which were claimed as grantee match in PY 2000-2001.

According to OMB Circular A-87, Attachment B, Section 11, *Compensation for personnel services,* Subparagraph h(3):

> Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

HFHI stated that the program director worked full time for the AmeriCorps program and prepared time sheets for the whole period. It did not, however, maintain time sheets to support allocated direct labor costs. We questioned labor and related costs (health, dental, FICA, and unemployment insurance) from claimed matching costs.

As a result of this questioned match, HFHI did not meet the minimum cost share requirements specified in AmeriCorps Provision (B)(13)(a), *Matching Requirements*. Grantees are required to match a minimum of 33 percent of program operating costs (categories B-F), which include other member costs, staff, operating costs, internal evaluation and administration. For HFHI to comply with matching requirements, Federal costs must be designated as match costs. We questioned Federal costs of $1,368, as follows:

Claimed Program Operating Costs		
Federal Costs, Program Operating Costs	$11,138	
Less Questioned Claimed Costs	0	
Total Federal Costs per Audit		$11,138
Claimed Matching Costs, Program Operating Costs	$41,718	
Less Questioned Matching Costs	38,274	
Total Matching Costs per Audit		3,444
Total Grant Costs per Audit, Program Operating Costs		$14,582
Overclaimed Federal Share		
Federal Costs per Audit, Program Operating Costs		$11,138
Less Maximum Corporation Share (67 percent of $14,582)		9,770
Overclaimed Federal Share		$1,368

2. HFHI paid a member a living allowance of $1,761 after the member was released for cause in PY 2000-2001. According to the current program director, HFHI's accounting department was not notified that the member had been released for cause.

   In accordance with AmeriCorps Provisions, Section (B)(9)(b), *Release from Participation*, members are not eligible to receive any benefits or service hour credit upon release from service for cause. We questioned the Federal share of expenditures of the living allowance claimed, amounting to $1,497 (85 percent of $1,761).

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFSC042
AMERICORPS-FORMULA
AUGUST 1, 2000, TO SEPTEMBER 30, 2003

Pickens			Notes
Approved Budget (Federal Funds)		$511,139	
Claimed Costs		$452,641	
Questioned for Allowability			
Claimed unnecessary costs	$108		1
Overclaimed living allowance	13,525		2
Underclaimed labor costs	(477)		3
Recalculated administrative Cost	686		4
Total Questioned for Allowability		$13,842	

1. Pickens claimed costs for unnecessary items, including $25 for cookies and cake, $56 of luncheon costs that exceeded the school district's per diem limit (PY 2001-2002), and $27 for a flower arrangement (PY 2002-2003). We questioned $108 of unnecessary costs in accordance with OMB Circular A-87, Attachment B, Section 18, *Entertainment*, which states that costs of entertainment such as meals and gratuities are unallowable; and Section 41(b), *Travel Costs*, which states that costs incurred by employees and officers for travel cannot exceed charges normally allowed by the governmental unit in its regular operations as a result of the governmental unit's policy.

2. Pickens submitted an inaccurate FSR, dated August 10, 2001, that over-reported Category A (living allowance) expenses by $15,912 under the AmeriCorps grant ($13,525 of Federal costs and $2,387 in matching funds) in PY 2000-2001. This error was identified during our audit, and, in response, the subgrantee repaid the overclaimed costs of $14,236 ($13,525 for the living allowance, and $711 for the corresponding Administrative costs) to the Commission on October 30, 2003. The Commission has yet to return the funding to the Corporation.

3. Pickens claimed labor costs in PY 2000-2001 for a clerical assistant based on the percentage of time estimated in the AmeriCorps program budget. According to OMB Circular A-87, Attachment B, Subparagraph 11(h)(4), employees who work on multiple activities must provide personnel activity reports or equivalent documentation. Subparagraph 11(h)(5) requires personnel activity reports to meet the following standards:

   (a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,
(c) They must be prepared at least monthly and must coincide with one or more pay periods, and
(d) They must be signed by the employee.

Pickens representatives were not aware that budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

We requested that Pickens recalculate actual labor costs for all employees based on time records. This review resulted in actual labor costs exceeding claimed costs by $477. We recommend increased labor costs of $477.

4. Pickens exceeded its allowable administrative costs in PY 2000-2001 as the result of our questioning of claimed costs. AmeriCorps Provision (C)(22), *Administrative Costs,* states that administrative costs cannot exceed 5 percent of the total Corporation funds expended.

We questioned $686 of administrative costs as follows:

Recalculated Administrative Costs	**PY 2000-2001**
Claimed Costs Excluding Administrative Costs	$106,928
Less Questioned Costs from Notes Above	13,048
Direct Costs per Audit	93,880
Administrative Costs Percentage	5.26
Administrative Costs per Audit	4,938
Administrative Costs Claimed	5,624
Questioned Administrative Costs	$686

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFSC042
AMERICORPS-FORMULA
AUGUST 1, 2000, TO SEPTEMBER 30, 2003

USCS		Note
Approved Budget (Federal Funds)	$289,321	
Claimed Costs	$224,494	
Questioned for Allowability, Education Award Ineligible member services provided	$1,800	1

1. USCS claimed living-allowance costs paid to a member who did not perform eligible service. In PY 2002-2003, one member served two months in Mexico, accumulating 74 percent of her service hours. The member received living-allowance payments of $345 and accrued service hours during that time.

According to 45 CFR § 2510, *Overall Purposes and Definitions:*

> The Corporation's mission is to engage Americans . . . in community-based service. This service will address the Nations [sic] educational, public safety, human, and environmental needs to achieve direct and demonstrable results.

Service in Mexico does not accomplish the Corporation's stated purpose to address the needs of the United States. Therefore, the living allowance paid to the member for her service in Mexico is unallowable. We did not question the claimed $345 living allowance, however, because USCS underclaimed Federal costs of $1,721 as the result of a financial reporting error. We questioned the $1,800 education award, because the member did not complete the required number of acceptable service hours to earn the award.

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFSC042
AMERICORPS-FORMULA
AUGUST 1, 2000, TO SEPTEMBER 30, 2003

Winthrop		Notes
Approved Budget (Federal Funds)	$238,597	
Claimed Costs	$198,865	
Questioned for Support		
Missing invoice/receipt	$135	1
Questioned for Allowability		
Living allowance paid after member was released	$783	2
Questioned for Support, Education Award		
Mid-term and final evaluation	$13,074	3

1. Winthrop could not provide documentation to support $135 of Federal claimed costs for PY 2000-2001. As a result, we were unable to determine the nature of the expenditure and whether it was reasonable and allowable. We questioned the $135 as unsupported in accordance with OMB Circular A-21, Subparagraph A(2)(e), *Policy Guides,* which states that "the accounting practices of individual colleges and universities . . . must provide for adequate documentation to support costs charged to sponsored agreements."

2. One of the 13 sampled members received living-allowance payments for three and one-half months after he stopped serving in the program without completing his required minimum service hours. The program director noted that all members received living allowances during school breaks. This member, without notifying the program director, did not return to the program after the break. Living-allowance payments made to the member after his final time sheet was filed totaled $921.

   AmeriCorps Provision (B)(11)(b), *Living Allowance Distribution*, states that living allowances are designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. If a member is no longer participating in the program, the member should not receive the living-allowance payment. We questioned the $783 Federal share of overpaid living allowances (85 percent of $921).

3. Winthrop did not properly conduct and maintain mid-term and final evaluations for all members. In PY 2000-2001, one of six members tested did not receive a final evaluation, two did not have mid-term or final evaluations, and one did not sign her mid-term evaluation. In PY 2001-2002,

four of seven members tested did not sign their final evaluations, and one member did not receive a mid-term evaluation.

45 CFR § 2522.220(d) requires mid-term and final performance evaluations. Without properly prepared evaluations, we were unable to determine if members received that evaluation and thus were eligible for education awards. Of the nine members that did not receive or complete mid-term or final evaluations, six received education awards. We questioned $13,074 in education awards made to these members.

SCHEDULE D

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 02AHHSC042
AMERICORPS-HOMELAND SECURITY
SEPTEMBER 1, 2002, TO SEPTEMBER 30, 2003

	Approved Budget	Claimed Costs	Questioned Costs	Reference
OAG	$297,476	$118,144	$10,351	Schedule D-1
Total	$297,476	$118,144	$10,351	

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 02AHHSC042
AMERICORPS-HOMELAND SECURITY
SEPTEMBER 1, 2002, TO SEPTEMBER 30, 2003

OAG		Note
Approved Budget (Federal Funds)	$297,476	
Claimed Costs	$118,144	
Questioned for Support		
Unsupported labor cost allocation	$10,351	1

1. OAG could not adequately support claimed labor costs for all employees who worked a portion of their time on the AmeriCorps program. OAG claimed 33 percent of labor costs for one staff member based on a budgeted estimate of effort and 3.125 percent of labor costs for seven other staff members who certified their time-and-effort levels on a semi-annual basis.

According to OMB Circular A-87, Attachment B, Subparagraph 11(h)(4), employees who work on multiple activities must provide personnel activity reports or equivalent documentation. Section 11(h)(5) requires personnel activity reports to meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,
(b) They must account for the total activity for which each employee is compensated,
(c) They must be prepared at least monthly and must coincide with one or more pay periods, and
(d) They must be signed by the employee.

We questioned $10,351 of claimed Federal labor costs as unsupported.

SCHEDULE E

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00LCSSC041
LEARN AND SERVE
SEPTEMBER 1, 2000, TO AUGUST 31, 2003

Subgrantee	Approved Budget	Claimed Costs	Questioned Costs	Reference
Commission	$171,476	$118,782		
Charleston	21,760	10,880		
York	32,542	21,575	$299	Schedule E-1
Clarendon	32,640	32,640	3,908	Schedule E-2
Clemson	21,760	26,041		
ElderCare	10,000	10,000		
Hampton	21,760	21,760		
Irmo Chapin	32,640	32,640	7,732	Schedule E-3
Rock Hill	10,000	10,000		
St. Andrew's	21,760	11,087		
UW of Pickens	21,760	20,634	331	Schedule E-4
Children's Garden	9,902	9,899		
Total	$408,000	$325,938	$12,270	

SCHEDULE E-1

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00LCSSC041
LEARN AND SERVE
SEPTEMBER 1, 2000, TO AUGUST 31, 2003

York		Note
Approved Budget (Federal Funds)	$32,542	
Claimed Costs	$21,575	
Questioned for Allowability	$299	1

1. York claimed $10,880 in Federal costs for PY 2001-2002; however, its accounting detail supported Federal costs of $10,581. In accordance with 45 CFR § 2543.21(b), *Standards for financial management system,* subgrantee financial management systems must provide "[a]ccurate, current and complete disclosure of the financial results of each federally-sponsored project or program." We questioned the $299 difference between claimed costs and costs per the accounting records.

SCHEDULE E-2

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00LCSSC041
LEARN AND SERVE
SEPTEMBER 1, 2000, TO AUGUST 31, 2003

Clarendon		**Note**
Approved Budget (Federal Funds)	$32,640	
Claimed Costs	$32,640	
Questioned for Allowability		
Donated services/material	$3,908	1

1. Clarendon claimed costs for in-kind donations from vendors. Three vendors provided services and submitted invoices to Clarendon; Clarendon sent checks for payment and recorded the transactions as grant expenses. Subsequently, the vendors notified Clarendon that they would not be cashing the checks, as they had decided to donate those goods or services. Clarendon did not adjust costs claimed to the Commission to reflect these changes.

   In accordance with OMB Circular A-87, Attachment B, Paragraph 11(i), the value of donated or volunteer services is not reimbursable either as a direct or indirect cost. Clarendon cannot be reimbursed for donated services. We questioned $1,745 for services provided in PY 2001-2002, and $2,163 for services provided in PY 2002-2003.

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00LCSSC041
LEARN AND SERVE
SEPTEMBER 1, 2000, TO AUGUST 31, 2003

Irmo Chapin		Note
Approved Budget (Federal Funds)	$32,640	
Claimed Costs	$32,640	
Questioned for Support		
Unsupported Salary and Fringe Costs	$7,732	1

1. Irmo Chapin could not adequately support claimed labor costs for the program director, who worked a portion of time on the Learn and Serve program. It claimed program director labor costs of $2,440, $2,646, and $2,646 in PYs 2000-2001, 2001-2002, and 2002-2003, respectively, as Federal costs, and $10,880 in PY 2002-2003 as grantee match based on the budgeted estimate of effort.

   According to OMB Circular A-87, Attachment B, Subparagraph 11(h)(4), employees who work on multiple activities must provide personnel activity reports or equivalent documentation. Subparagraph 11(h)(5) requires personnel activity reports to meet the following standards:

   (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
   (b) They must account for the total activity for which each employee is compensated,
   (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
   (d) They must be signed by the employee.

   Irmo Chapin did not maintain after-the-fact reports of its activities.

   We questioned $7,732 of claimed Federal labor costs as unsupported.

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00LCSSC041
LEARN AND SERVE
SEPTEMBER 1, 2000, TO AUGUST 31, 2003

UW of Pickens		Note
Approved Budget (Federal Funds)	$21,760	
Claimed Costs	$20,634	
Questioned for Allowability	$331	1

1. UW of Pickens claimed $10,868 in Federal costs for PY 2002-2003; its accounting detail, however, supported Federal costs of $10,537. In accordance with 45 CFR § 2543.21(b), subgrantee financial management systems must provide "[a]ccurate, current and complete disclosure of the financial results of each federally-sponsored project or program." We questioned the $331 difference between claimed costs and costs per the accounting records.

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
NOTES TO SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Equipment

No equipment was purchased and claimed under Federal or match share of cost for the period within our audit scope.

Inventory

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

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January 31, 2004

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs claimed by the South Carolina Commission on National and Community Service to the Corporation for National and Community Service for the following awards and have issued our report thereon dated January 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

Program	Award No.	Award Period	Audit Period
Administrative	01SCSSC051	01/01/01-12/31/03	01/01/01-09/30/03
Program Development Assistance and Training (PDAT)	02PDSSC051	01/01/02-12/31/04	01/01/02-09/30/03
Disability	01DSCSC040	01/01/01-12/31/03	01/01/01-09/30/03
AmeriCorps Competitive	00ASCSC042	07/01/00-06/30/03	07/01/00-06/30/03
AmeriCorps Formula	00ASFSC042	08/01/00-07/31/04	08/01/00-09/30/03
AmeriCorps Homeland Security	02AHHSC042	09/01/02-08/31/05	09/01/02-09/30/03
AmeriCorps Promise Fellows	01APSSC042	01/31/02-01/30/05	01/31/02-09/30/03
Learn and Serve	00LCSSC041	09/01/00-08/31/03	09/01/00-08/31/03

COMPLIANCE

As part of obtaining reasonable assurance about whether final schedules are free of material misstatements, we performed tests of compliance with certain provisions of laws, regulations, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. Providing an overall opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* (Finding Nos. 1-4 and 6-8, discussed below).

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INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of the Commission's internal control over financial reporting to determine audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. We noted, however, certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the Commission's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial schedules (Finding Nos. 1-5 and 9, discussed below).

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions in Finding Nos. 2 and 3 to be material weaknesses.

FINDINGS

1. The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.

The results of our subgrantee visits identified several sites that claimed unallowable costs, or costs for which there was no supporting documentation. In some cases, the subgrantees were not aware that costs had to be claimed in accordance with cost principles, or were not aware of certain requirements contained in the cost principles. Also, the Commission did not charge labor costs to the Administrative and Disability grants in accordance with Office of Management and Budget (OMB) Circular A-87.

The most significant questioned costs relate to labor costs being charged to Corporation grant awards based on budgets or estimated levels of effort. OMB Circulars A-87 and A-122 require that claimed labor costs be supported by after-the-fact activity reports for each employee (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In certain cases budgets may be charged during the year for easier accounting, but comparisons and adjustments to the actual level must be made. Six of the 13 subgrantees selected for testing did not have adequate procedures in place to ensure proper allocation of labor charges: City Year, Pickens, HFHI, OAG, Clarendon, and Irmo Chapin. This internal control weakness may not have resulted in questioned costs, because alternative audit procedures were used, or subgrantees had eligible costs incurred that exceeded claimed costs. In general, the subgrantees stated that they were unaware that labor costs had to be supported by after-the-fact time records, including certifications or time sheets.

Additionally, subgrantees claimed other direct costs that were unallowable with respect to cost circulars. Unallowable costs included unnecessary costs, costs not allocated appropriately to the grant, and amounts that exceeded actual expenses. Finally, we noted that subgrantees could not always support claimed costs. Documentation may have been lost, or proper support may not have been maintained. In some instances, subgrantees noted that they were not aware of the applicable cost principle, or errors were made in accumulating expenses.

Recommendation: We recommend that the Corporation follow up with the Commission to determine if questioned and unsupported amounts should be disallowed and recovered. Additionally, we recommend that the Corporation ensure that the Commission better train subgrantees on the allowability of costs and the documentation required to support claimed costs.

2. The Commission and certain subgrantees did not submit all required Financial Status Reports (FSRs), Progress Reports, and Periodic Expenditure Reports (PERs)/Final Reimbursement Claims in a timely manner.

FSRs. The Commission and its subgrantees were required to submit FSRs for the periods ending September 30 and March 31. The Commission interpreted this provision to mean that costs were reported only for periods ending on these dates, and did not require that its subgrantees submit the final FSRs for PYs 2001-2002 and 2002-2003. The result was that not all costs incurred by the subgrantees were reported on their FSRs. Additionally, the costs claimed on Commission aggregate FSRs did not represent all costs incurred. The Corporation cannot properly conduct financial management based on costs claimed on aggregate FSRs. We identified this problem during our audit, and, in response, the Commission submitted five of the required aggregate FSRs.

Subgrantees are reimbursed by the Commission for program expenditures by submitting a State expenditure reimbursement form, which is not necessarily reconciled to FSR reporting. As a result, we could not use FSRs to represent "claimed" costs for this audit. Rather, the Commission had to create cumulative claimed costs using internal Commission accounting records of costs incurred and cumulative payments made to subgrantees.

In addition to FSRs that were not filed, certain FSRs were not filed within the prescribed time limits. A summary of untimely submission of FSRs by the Commission includes:

- **AmeriCorps-Competitive:** We reviewed nine periodic FSRs and a final FSR required by the provision; one was not submitted, and one was submitted late.
- **AmeriCorps-Formula:** Of nine FSRs tested, one was not submitted, and three were submitted late.
- **AmeriCorps-Homeland Security:** Of three FSRs required, one was not submitted on time and was incomplete as of our audit date.

According to the subgrantee grant agreement, subgrantees were required by the Commission to file an FSR with the Commission quarterly for PY 2000-2001. For PYs 2001-2002 and 2002-2003, three FSRs were required to be filed each year based on the subgrantee grant agreement. We noted the following exceptions:

- City Year submitted 6 of the required 10 FSRs late.
- Winthrop filed 4 of 10 FSRs late.
- HFHI filed 1 of 10 FSRs late.
- Pickens filed 3 of 10 FSRs late and did not submit the final FSR for PY 2000-2001.
- USCS filed 1 of 6 FSRs late.

Progress Reports. The Commission is required to submit one progress report per program year for AmeriCorps Competitive and Formula grants, as well as a final progress report. The progress reports for both Competitive and Formula grants were submitted late for PY 2000-2001.

According to the subgrantee grant agreement, subgrantees were required by the Commission to file a progress report with the Commission quarterly for PY 2000-2001. For PYs 2001-2002 and 2002-2003, three progress reports were required to be filed each year based on the subgrantee grant agreement. We noted the following exceptions:

- City Year submitted 5 of 10 progress reports late, and 1 was never submitted.
- Winthrop submitted 2 of the 10 required progress reports late.
- HFHI submitted 2 progress reports late, and did not submit the last report for PY 2000-2001.
- Pickens submitted 2 of 10 progress reports late, and 2 were never submitted.

PERs/Final Reimbursement Claim. For PY 2000-2001, subgrantees were required by the Commission to submit PERs quarterly. For PYs 2001-2002 and 2002-2003, a Final Reimbursement Claim was also required. We noted the following exceptions:

- City Year submitted 3 of 4 required PERs late in PY 2000-2001 and the final reimbursement claim for PY 2001-2002 was also submitted late.
- OAG did not submit the final reimbursement claim for PY 2002-2003.
- Pickens delayed submission of its June 2001 PER to include July expenditures. Consequently, the June PER was submitted late. The September PER was not submitted.

The subgrantees submitted all reports noted above through the WBRS system. The Commission stated that there were considerable problems and challenges in the first year of implementing WBRS, which may have affected the timeliness of reports. Additionally, WBRS only tracks the date of final submission, which may be different than the date of original submission.

Recommendation: We recommend that the Commission implement procedures to ensure timely submission of all FSRs, progress reports, PERs, and final reimbursement claims.

3. Federal and grantee shares of outlays reported on FSRs were inaccurate.

In our audit of selected subgrantees, we noted the following situations in which claimed Federal and matching costs reported by subgrantees on FSRs and Expenditure Reports could not be supported (or easily supported) by its accounting system.

- Pickens claimed its matching cost based on budgeted amounts instead of actual costs incurred.

- USCS could not easily support claimed Federal costs with accounting records. For PY 2001-2002, it claimed estimated costs on the August 2002 PER and was reimbursed for those estimates. For PY 2002-2003, it did not claim all costs incurred. Also, subgrantee matching costs claimed on the FSRs for both program years could not be supported by accounting records.

- York claimed $10,880 in Federal costs for PY 2001-2002, which was the full amount of its award. Actual costs per its accounting records were $299 less.

- UW of Pickens claimed $10,868 in Federal costs for PY 2002-2003. Actual costs per its accounting records were $331 less.

Recommendation: We recommend that the Commission provide training and technical assistance to subgrantees to ensure that subgrantees submit accurate financial reports and reimbursement requests. We also recommend that the Commission add procedures to its site visits to include reconciliation of claimed costs to accounting records, or request accounting records on a periodic basis to ensure accurate reporting by subgrantees.

4. Grantee matching contributions were not properly recorded and monitored.

Several subgrantees did not adequately segregate and accumulate AmeriCorps program matching costs in their accounting systems, as follows:

- Costs used for match requirements were not segregated in Pickens's accounting system or identified as costs used for the match requirement on this Federal program. Costs claimed for in-kind contributions were not properly valued, and other claimed matching costs for labor were not adequately supported. Finally, Pickens claimed the lower of budgeted amounts or actual expenditures for certain matching costs.

- USCS did not consistently identify and segregate matching costs in the accounting system. Matching costs were accumulated in many accounts, and not all accounts were identified as accounts for match of a Federal grant. Some matching costs claimed were only transactions or sets of transactions in accounts commingled with non-program costs.

- York did not establish a separate account to record its matching for the Corporation grant. Claimed matching costs were included in accounts commingled with other non-program costs.

In many instances, subgrantees were able to identify claimed matching costs in the accounting system. Without proper segregation and identification, however, the possibility exists that costs can be used as matching costs (or reimbursed costs) on other programs.

Several subgrantees claimed unallowable matching costs, including inadequately supported labor costs, improperly valued in-kind contributions, costs unallowable under the program, and costs without adequate supporting documentation.

We noted that one subgrantee did not report any significant matching costs. On OAG's June 30, 2003, FSR the Corporation's share of expenditures was 86 percent of the living allowance and 99.9 percent of other direct costs. According to AmeriCorps Provisions, the Federal share of living allowance for members cannot exceed 85 percent, and the Federal share of other direct costs cannot exceed 67 percent. The program year had ended, OAG had not prepared the FSR for the period ending September

30, 2003, and the time limit for reporting had lapsed. The subgrantee and the Commission had been communicating about matching requirements and this reporting deadline. Yet, there was no communication on an interim basis to ensure that the subgrantee would be able to meet its matching requirements nor any documentation to note how costs were being accumulated and whether they were separately recorded and identified in OAG's accounting system.

Finally, we noted that the Commission did not segregate and accumulate match costs claimed under its Administrative grant. The Commission's claimed matching costs were comprised of expenditures incurred primarily for salaries and rent incurred by the State Department of Education, program expenditures paid for by private funds, and in-kind donations. Costs incurred by the State Department of Education were commingled with other expenditures and manually identified as matching costs. Private funds and in-kind donations were recorded by the Commission using an internal log book. Expenditures incurred with these private funds were not identified as Federal matching costs. Claimed costs were manually accumulated each reporting period by the State Department of Education from accounting records and information provided by the Commission.

Recommendation: We recommend that the Commission review its financial monitoring procedures and make revisions necessary to ensure that all subgrantees are adequately reporting, accumulating, and identifying required matching costs. We also recommend that the Commission segregate all matching costs in the State accounting system to ensure that costs are properly identified.

5. The Commission did not include sufficient financial information, OMB Circular A-133 audit results, and relevant past performance of grant applicants in the subgrant award process.

The Commission did not include information regarding the adequacy of the applicants' financial management systems and results of past OMB Circular A-133 audits in its subgrant award process. Subgrantee selections are made by peer reviewers (commissioners and non-commissioners recruited based on grants experience) who receive applications prepared by the applicants and reviewed by Commission employees for technical errors. In addition to the grant application, the peer reviewers relied only on questionnaires completed by applicants for financial risk assessment.

The questionnaire provided no history of internal control weaknesses or compliance issues to the selection team. Commission management stated that most applicants were part of the State Single Audit, and thus there was no need to perform a financial risk assessment. Most State agency applicants, however, were not covered by the State Single Audit. In addition, some applicants were not State agencies.

Recommendation: We recommend that the Commission evaluate all aspects of subgrantee past performance, including financial system adequacy and OMB Circular A-133 audit results, and consistently include past performance results in information provided to peer review selection teams.

6. Certain subgrantees did not prepare, approve, and report member time sheets properly.

Eight subgrantees did not properly prepare or maintain member time sheets. Problems included time sheets that were not signed by the member or supervisor, changes to member time sheets that were not initialed by members or supervisors, and time sheets on file that were fax copies rather than originals. Additionally, hours reported in WBRS could not always be supported by member time sheets. In certain instances, members did not have enough service hours reported on their time sheets compared to hours reported in WBRS to support the education award they received. Issues identified by subgrantee are as follows:

- For City Year, out of 17 member files tested, 6 time sheets had no supervisor signature and 36 time sheets were changed but not initialed (PYs 2000-2001 and 2001-2002). Additionally, total time sheet hours for 10 members did not agree with total service hours reported in WBRS (PY 2000-2001).

- Of 20 member files tested at Winthrop, 2 time sheets were not approved by a supervisor, 4 time sheets were not completed and signed by the member, changes to 2 time sheets were not initialed, 3 original time sheets were missing, and the total time sheet hours for 11 members did not agree with total service hours reported in WBRS. As a result, one quarter-time member earned an education award without completing the minimum required number of service hours.

- HFHI did not maintain original time sheets for PYs 2000-2001 and 2001-2002, and only fax copies were available; changes to 3 time sheets were not initialed.

- At Pickens, we identified instances where time sheet changes were not initialed, and white out was used (PY 2000-2001). Of our test of 13 member files, total service hours for two members recorded on time sheets, WBRS, and member Exit Forms did not agree (PYs 2001-2002 and 2002-2003).

- Of 7 member files we tested at OAG, 12 time sheets were not originals, and changes to 2 time sheets were not initialed.

- Mayor's Office, Georgetown and Marion each had only one member and one program year within our audit scope; total service hours recorded on time sheets did not, however, agree with hours reported on WBRS for any member.

In accordance with AmeriCorps Provision (C)(21)(c), *Time and Attendance Records*, the grantee (or subgrantee) must keep time and attendance records on all AmeriCorps members to document eligibility for in-service and post-service benefits. Time and attendance records must be signed by both the member and an individual with oversight responsibilities for the member.

The Commission continued to implement additional procedures to ensure accurate member time sheets. We noted that incidences of noncompliance occurred in PYs 2000-2001 and 2001-2002, except for OAG, which was in its first year of the AmeriCorps program in PY 2002-2003.

Recommendation: We recommend that the Commission continue to educate its subgrantees on the need for appropriate timekeeping and recording procedures, and strengthen its monitoring efforts during site visits to ensure that member time sheets are properly prepared, approved, maintained, and reported.

7. Certain subgrantees did not ensure that members were eligible to perform their designated services or that services provided were qualified under grant provisions.

Subgrantees did not ensure members were eligible to perform service, or the services provided did not meet the intent of the grant, as follows:

- Member files at three subgrantees (City Year, Winthrop, and HFHI) did not always include high school diplomas or equivalent records; Winthrop and HFHI provided GED

information subsequent to our site visit. According to 45 CFR, § 2522.200(a)(2)(ii), *Eligibility*:

> An AmeriCorps participant must . . . [h]ave a high school diploma or its equivalent; or . . . [n]ot 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.

Also, for PY 2000-2001, City Year failed to notify the Trust that a member who completed his service term had not completed his GED. According to the 2001 AmeriCorps Program Director's Handbook, if a member has not completed a GED by the end of a service term but has otherwise successfully completed the term, the program director must submit the Exit/End of Term of Service form with a signed memorandum indicating that the member did not complete the GED.

Failure to obtain this information could result in an education award being made to an ineligible member.

- OAG failed to maintain documentation regarding proof of U.S. Citizenship for five member files. According to AmeriCorps Provision (B)(14)(b), *Member Records and Confidentiality*, grantees must obtain and maintain documentation to verify U.S. citizenship, U.S. national status, or U.S. lawful permanent resident alien status.

- With Commission approval, USCS allowed a member to serve in Mexico. The member received a living allowance for her two months of service in Mexico and an education award at the end of her service. Per 45 CFR § 2510, *Overall Purposes and Definitions,* the Corporation's mission is to engage Americans in community-based services that will address the nation's educational, public safety, human, and environmental needs to achieve direct and demonstrable results. Therefore, the living allowance for the time served in Mexico is unallowable. Additionally, the member did not meet the required number of service hours to be eligible for an education award.

- USCS recruited six work study students without prior Corporation approval, although it did obtain Commission approval (PY 2002-2003). AmeriCorps Provision (B)(11)(h), *Federal Work Study*, states, "[u]pon approval by the Corporation's Program Office, Work Study students may be enrolled as AmeriCorps members."

Recommendation: We recommend that the Commission strengthen subgrantees' understanding of provision requirements and enhance training efforts to ensure that subgrantees properly document member eligibility and eligible service projects.

8. Certain subgrantees did not comply with program requirements on member activities' documentation and reporting.

We noted the following instances in which subgrantees did not comply with program requirements in the areas of member activity and living-allowance payments.

- **Member Enrollment and Exit Forms.** These forms must be submitted to the Corporation no later than 30 days after member enrollment and exit. We found the following exceptions:

Subgrantee	Program Years	Number of Files Tested	Forms Submitted Late
City Year	2000-2003	17	11
Winthrop	2000-2003	20	14
OAG	2002-2003	7	1
Mayor's Office	2001-2002	1	1
Marion	2001-2002	1	1

Additionally, Winthrop did not submit an exit form for one member.

- **Mid-Term and Final Evaluations.** Documentation of mid-term or final evaluations was missing for several subgrantees, and evaluations were not properly recorded and signed by members or supervisors. Grantees are required to conduct at least mid-term and end-of-term evaluations on each member's performance. AmeriCorps Provision (B)(7)(g), *Performance Reviews*, stipulates that evaluations are to be performed to document assignments and to document that members met other performance criteria communicated at the beginning of the service term. The following subgrantee files were missing these evaluations:

Subgrantee	Program Years	Number of Files Tested	Missing Evaluations	Evaluations with Missing Signature
City Year	2000-2003	17	4	2
Winthrop	2000-2003	20	9	5
Pickens	2000-2003	13	4	0

- **Supporting Documentation.** OAG did not maintain support to document that three members attended member orientation, as required by AmeriCorps Provision (B)(7)(c), which states, "[t]he Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation."

Recommendation: We recommend that the Commission enhance its training efforts to ensure that subgrantees adequately document and report member activities as required by the Corporation.

9. The Commission lacked appropriate procedures for reviewing OMB Circular A-133 audit reports and providing feedback to subgrantees for improvements.

Our review of subgrantee OMB Circular A-133 audit reports noted the following problems:

- Three subgrantees (Pickens, Richland, and Clarendon 2) reported Learn and Serve expenditures as coming from the Commission, although they were direct grants from the Corporation.

- Three subgrantees (Pickens, HFHI, and Richland) improperly identified subgrants as coming from an agency other than the Commission.

The checklist used by the Commission to review OMB Circular A-133 reports did not always document the audit resolution and follow-up process or any reconciliation of funds reported on the OMB Circular A-133 schedule of expenditures paid to the subgrantee under that award.

Recommendation: We recommend that the Commission strengthen its review of subgrantee OMB Circular A-133 audit reports to ensure that sources and uses of the funds are properly identified, and costs claimed to the Commission are reconciled to amounts reported on subgrantee OMB Circular A-133 audit reports.

This report is intended solely for the information and use of the Corporation's OIG, Corporation management, the Commission, and the U.S. Congress, and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Sam A. Hadley, CPA, CGFM
Partner

STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF THE SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE OFFICE OF INSPECTOR GENERAL REPORT NO. 01-22

The findings listed below were included in Office of Inspector General Report No. 01-22. The status of each finding is addressed below.

1. Communications with Rejected Applicants

In a sample of five rejected applicants tested in the pre-audit survey, the Commission could not provide documentation indicating whether the reasons for the rejection of Literacy for Liberty's grant application for Program Year 1994-1995 were communicated to the applicant. This documentation may have been misfiled or lost in the process of transferring the Commission's activities from the South Carolina Governor's Office to the South Carolina Department of Education.

Additionally, in years prior to PY 2000-2001, the Commission's notification to rejected applicants only contained a generic reason for rejection and did not specifically invite the applicants to contact the Commission for additional information.

Current Status: The exception noted in PY 1994-1995 appears to be an isolated incident. Additionally, this finding related to a program year outside of our audit scope. During our audit, we verified that the Commission's current notification letter to rejected applicants invites them to contact the Commission for additional information. No exception was noted, and no further action is recommended.

2. Lack of Review of Subgrantee Matching Requirements and Follow Up on Noted Deficiencies

From 1994 to 1998, no documented evidence exists to support the review of subgrantee matching requirements and follow up on matching deficiencies. In addition, the Commission had not formalized procedures on what actions to take if subgrantees did not meet their match.

Current Status: Based on our subgrantee site visits, we noted that the Commission's monitoring effort over subgrantee matching requirements should be improved. The Commission did not ensure that subgrantee matching was accurately recorded, and that the reported match was properly supported and allowable. We also identified deficiencies on subgrantee matching even after the Commission's review noted no problems. (Finding No. 4).

3. Preparation and Review of FSRs

The pre-audit survey identified situations where:

- Administrative grant FSRs and consolidated FSRs for the AmeriCorps Formula grant incorrectly reported the recipient share of outlays as total outlays and did not report the Federal share of outlays.

- On the consolidated FSRs for the AmeriCorps Formula grants, column I (previously reported amounts) did not always agree to cumulative totals in column III on prior consolidated FSRs.

- PDAT and Administrative expenditures were reported on the same FSRs from 1994 to 1998.

- The Commission's review procedures of subgrantee FSRs were not documented.

Current Status: We reviewed the Commission's aggregate FSRs for all grants within our audit scope and did not identify any errors in classification of the Federal and grantee share of costs or accumulation of costs. Costs for different grants were reported with separate FSRs. The Commission noted that it completes and files an FSR review worksheet for each FSR submitted by subgrantees. We reviewed the current process, tested those procedures, and noted no problems. During our site visit, however, we identified other issues relating to the preparation and submission of financial reports (Finding No. 3).

4. Timeliness of Subgrantee FSR and Progress Report Submissions

The Commission did not date stamp FSRs and progress reports upon receipt prior to the implementation of WBRS. Additionally, based on the date the subgrantee's representative signed the reports, 4 out of 8 subgrantees tested in the pre-audit survey submitted FSRs and progress reports late, and the auditor did not find evidence supporting follow-up on these untimely submissions. Prior to PY 1999-2000, there were no written policies requiring timely submission of these reports.

Current Status: We verified that a formal written policy, entitled "Financial Reporting Process," was established and included in subgrantee grant agreements. We noted, however, that none of the six selected AmeriCorps subgrantees submitted all FSRs and progress reports on time, and no punishments were levied, as stipulated in the policy (Finding No. 2).

5. Lack of Sufficient Subgrantee Monitoring and Evaluation Prior to Program Year 1998-1999

The Commission could not provide adequate documentation to support the extent of its monitoring and evaluation activities for Program Years 1994-1995 through 1997-1998, although limited evidence exists to support the performance of some site visits during that time frame.

Current Status: The Commission conducted site visits of all AmeriCorps subgrantees at least once a year and maintained adequate documentation to support the extent of its monitoring and evaluation activities. We noted that Commission monitoring did not identify all major compliance/programmatic problems during the site visits (Finding Nos. 6-8).

6. Documentation of Subgrantees' AmeriCorps Member Time Sheets and Expense Items Examined During Site Visits

Prior to July 2000, the Commission did not document which member time sheets and expense documents (Federal and match) were reviewed during site visits. In addition, the Commission did not document the sample size selected and the rationale behind that selection.

Current Status: The Commission reviewed 25 percent of member files during the fall site visit, and sampled matching documentations as shown in the most recent PER in WBRS during the spring site visit. Copies of the matching documentation reviewed were maintained, but a list of member files tested was not maintained in the monitoring files once all issues identified in the Commission site visit were adequately addressed. We recommend that the Commission maintain documentation of all member files and expense items tested, so that a reviewer of Commission

site visit files can assess whether the sample size selected was adequate. In addition, the Commission should retain site visit documentation in case questions arise about the results of a site visit. This issue is not material and was not included as an internal control finding.

7. Other Observation, Annual Accomplishment Review Form

Prior to PY 1999-2000, the Commission did not adequately review and verify the information provided by subgrantees to the Corporation in their Annual Accomplishment Review forms because the Corporation did not instruct the Commission to verify this information.

Current Status: Submission of Annual Accomplishment Review forms is no longer required for Commissions. The subgrantees submit progress reports via WBRS, and the Commission verifies the accuracy of the reported program accomplishments. Formal feedback on progress reports is provided to subgrantees. No further action is recommended.

APPENDIX A

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE RESPONSE

SOUTH CAROLINA COMMISSION ON NATIONAL AND COMMUNITY SERVICE

To: Daniel P. Lybert
Assistant Inspector General for Audits

Carol M. Bates
Audit Manager

From: Kathy G. Carter, Ed.D.
Executive Director

Date: May 19, 2004

Re: Comments on April 2004 draft of OIG Report Number 04-14 to South Carolina Commission on National and Community Service

Thank you for the opportunity to comment on the draft summarizing the results of the Office of the Inspector General Incurred-Cost Audit of grants awarded to the South Carolina Commission on National and Community Service. The Commission has put many procedures and policies in place to ensure that all federal programs are in compliance.

This package includes a response to each of the Compliance and Internal Control Findings as well as all questioned costs at the subgrantee level. The Commission has worked extensively with each subgrantee to resolve all audit issues. A response to each finding is included in this mailing for your review.

Please feel free to contact me at 803-734-4792 if you need any additional information for the final report. We look forward to working with the Grants Office to resolve all issues.

Cc: Tommy Myers, Chairman
South Carolina Commission on National and Community Service

Douglas S. Gerry
Grants/Financial Analyst

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COMPLIANCE AND INTERNAL CONTROL FINDINGS

1. The Commission claimed unallowable costs and costs for which no documentation was provided to support allowability.

   The Board revised its policy for Monitoring Program Quality and Compliance with Legal, Regulatory, and Grant Requirements of Corporation Subgrantees in April 2004. The purpose of the change is to strengthen the commission's financial review and ensure that all claims, including labor costs, meet the regulatory and compliance requirements. Sample time sheets will be distributed at orientation meetings for all commission-funded programs.

2. The Commission and certain subgrantees did not submit Financial Status Reports (FSRs), Progress Reports, and Periodic Expenditure Reports (PERs)/Final Reimbursement Claims in a timely manner.

   South Carolina was one of the last states to receive training in WBRS in October 2000. Initially there were numerous problems with the WBRS system, which made it impossible to prove that reports were submitted on time. Additionally, WBRS only tracks the date of final revision, which often is different from the original submission date. The commission plans to print and maintain a copy of all reports submitted in WBRS.

   The Commission requires a PER only when a subgrantee submits a reimbursement claim. PERs are a management tool and are not a reporting requirement.

3. Federal and grantee shares of outlays reported on FSRs were inaccurate.

   The Board revised its policy for Monitoring Program Quality and Compliance with Legal, Regulatory, and Grant Requirements of Corporation Subgrantees in April 2004. The purpose of the change is to strengthen the commission's financial review and ensure that all claims reported on the FSRs meet the regulatory and compliance requirements. Financial documents that are reviewed will be kept in the subgrantee's monitoring file.

4. Grantee match was not properly recorded and monitored.

   The current accounting system utilized at the SC Department of Education does not allow for the segregation of matching costs. Modifying the accounting system would require a substantial amount of both labor hours and cost. Our Office of Technology has a prioritized schedule for changes to all of our technology systems and this schedule is prepared well in advance.

   The Office of Finance will present this modification to the Office of Technology for their review as to the feasibility of adding this to the schedule. In the meantime, the manual accumulation of matching costs has worked without

problems in the past. There is only one person in the agency that prepares the financial status reports if required for a particular grant. This ensures that there is no duplication of matching costs being reported for various grants.

5. The Commission did not include sufficient financial information, including Office of Management and Budget (OMB) Circular A-133 audit results and relevant past performance of grant applicants, in its subgrant award process.

   The Board revised the Pre-Award Risk Assessment Process in February 2004 to include a review of state agencies' A-133 audits if an applying agency is part of the state's Single Audit Act. The audits will be reviewed for any audit exceptions prior to the issuance of any Commission grant awards.

6. Certain subgrantees did not properly prepare, approve, and report member time sheets.

   The PDAT director will ensure that all subgrantees are properly trained in how to properly prepare, approve and record member time sheets. Sample time sheets will be shared with new subgrantees each year.

   The Board revised its policy for Monitoring Program Quality and Compliance with Legal, Regulatory, and Grant Requirements of Corporation Subgrantees in April 2004. The monitoring teams will carefully review member time sheets to ensure compliance with legal and regulatory requirements during scheduled site visits.

7. Certain subgrantees did not ensure that members were eligible to perform their designated services or that services provided were qualified under grant provisions.

   The PDAT director will ensure that all subgrantees are trained on member eligibility. The monitoring teams will review the member records to ensure compliance with the Board's policy for Monitoring Program Quality and Compliance with Legal, Regulatory, and Grant Requirements. The monitoring team's work papers (with member names) will be kept in the subgrantees' files.

8. Certain subgrantees did not comply with program requirements on member activities and living-allowance payments.

   The Board revised its policy for Monitoring Program Quality and Compliance with Legal, Regulatory, and Grant Requirements of Corporation Subgrantees in April 2004. The purpose of this change was to ensure that subgrantees adequately adhere to all program requirements including the completion of member enrollment and exit forms, preparation of mid-term and final evaluations, and proper payment of living allowances.

The PDAT manager will ensure that all programs are properly trained and will distribute sample forms to all program directors.

9. The Commission lacked appropriate procedures to review OMB Circular A-133 audit reports and provide feedback to subgrantees for improvements.

   In accordance with OMB Circular A-133, the SC Department of Education serves as the pass-through entity for Corporation for National and Community Service federal funds. The Office of District Auditing and Field Services performs all subrecipient monitoring responsibilities outlined by OMB Circular A-133.

   Each of South Carolina's 85 local education agencies (LEAs) expend a total of $300,000 or more in federal awards each year and therefore have a Single Audit conducted. For all LEAs, the Office of District Auditing and Field Services' subrecipient monitoring procedures require that each LEA's audit report be reviewed to identify federal award findings. Once identified, federal award findings are submitted to the proper SDE federal program director for issuance of the required Management Decision. Upon receipt of the Management Decision, a complete desk review of the audit report is performed. Due to staff constraints, the Office's current subrecipient monitoring procedures require that desk reviews be performed for only those LEAs for which federal award findings are noted. After all desk reviews are completed, a closeout letter is mailed to the LEA. The purpose of the closeout letter is to inform the LEA of any findings noted during the desk review to ensure they are properly corrected.

   The Office of District Auditing and Field Services also performs subrecipient monitoring responsibilities for 171 non-profit entity subrecipients. For those non-profit entity subrecipients expending a total of $300,000 or more in federal awards, the same procedures noted above for LEA subrecipients are performed. However, because most non-profit entity subrecipients expend less than a total of $300,000 in federal awards, the Office's procedures require that a select number of subrecipients be selected for a documentation review. During the documentation review, one judgmentally selected expenditure claim is reviewed. Any findings noted as a result of the review are documented and distributed to the subrecipient and the federal program office director to ensure they are properly corrected. All 171 non-profit entity subrecipients remain subject to an on-site review by the Office depending on the results on responses provided on the annual federal program questionnaire and the results of the documentation review. Any findings noted as a result of the on-site review are distributed to the subrecipient and the federal program office director to ensure they are properly corrected.

   All findings noted during the audit will be addressed in the 2003-04 SDE Single Audit Guide.

Administrative Grant
Grant #: 01SCSSC051

While the auditors did not question the cost associated with the Commission's American Association of State Service Commissions (ASC) membership, they noted that it might violate OMB Circular A-87, Attachment B, Subsection 30.

Commission Response: The Commission received a letter from both the CNCS grants office and legal counsel granting permission to use federal dollars for ASC membership dues. The Commission also detailed this expenditure in the budget that was submitted to CNCS.

Questioned Costs

AmeriCorps Competitive
Grant #: 00ASCSC042

City Year

Finding	Response
1	Although internal calculations differed, City Year did not challenge Cotton & Co.'s calculation of unallowable salary costs. $3,489 was returned to the Commission.
2.	City Year claimed $3,938 that was paid to a vendor for meeting space and associated costs related to the 3-day training for incoming corps members. The invoice on file is for $3,659. The invoice provided to City Year was for room and board only. The PO reflected the submitted invoice. Incidental costs (phone service, clean up, equipment rental) were not included on the original invoice. City Year was unable to locate the supplemental invoice for the additional charges and returned the difference of $281 to the Commission.
3.	City Year did not challenge the above findings (#1 and #2); therefore, City Year returned $198 in associated administrative costs to the Commission.
4	City Year has an extensive system in place for the management of corps member documentation files. The new management system was rolled out in August 2002. The current policy allows City Year to aggressively seek to collect any omitted signatures. The questioned evaluations are for members who served prior to the introduction of this system.
5	This finding was cleared during the Exit Conference with the State Commission, auditors, OIG and CNCS grants office. As per standard procedure, City Year submitted a Non-Completion of GED form to the Trust, which will prohibit the member from accessing his award unless he provides evidence to the Trust that he has earned his GED.

Winthrop

Finding	Response
1	All members completed the required hours of service as stipulated in member contract. E-mails from CNCS program officers regarding how to pay members differ from the auditor's interpretation of the provision.
2	Members did receive midterm and final evaluations but some were missing member and/or site coordinator's signature. It is not specified in the provisions that all evaluations must receive the noted signatures. Section B(7)(g) of the AmeriCorps provision states: The Grantee must conduct at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as: i. Whether the member has completed the required number of hours; ii. Whether the member has satisfactorily completed assignments; and iii. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service. Furthermore, if successful completion of service needs to be determined, members' timesheets can be viewed to see if hour requirements were met. Lastly, there is a declaration statement on the Exit Form where program directors certify whether or not the member successfully completed service and this question was completed for all of the questioned members.
3	The questioned member who received the service award did have the required number of service hours on timesheets that matched WBRS. The auditors disallowed one timesheet because the member recorded 10 service hours that were performed two months earlier. The site coordinator that signed the sheet was the same site coordinator for the earlier month; however, because the time was not recorded on the correct timesheet, the hours were disallowed. To ensure that WBRS hours match timesheets, Winthrop has developed a two-step process where the coordinator will review all timesheets and compare to what is recorded in WBRS. After the coordinator completes this task, the director will do the same. This will ensure that all records are accurate.

AmeriCorps Formula
Grant #: 09ASFSC042

Habitat for Humanity

Finding	Response
1	Time sheets for the AmeriCorps program director in 2000-2001 were properly prepared but were misplaced and unavailable for review. HFHI has submitted to the Commission a notarized affidavit for all hours charged to the grant with back-up documentation. There were no problems with time sheets for subsequent years (2001-2002, 2002-2003 and 2003-2004).
2	HFHI did not challenge the finding and repaid the Commission $1,497.

Pickens

Finding Response

1 Pickens did not violate the district nor state procurement policy. The $7 luncheon per diem is the maximum that can be reimbursed to an individual, but the policy does not prohibit the district from exceeding that rate to a food vendor as long as all procurement procedures are followed. The district did not provide any individual reimbursements. The $25 cost of cookies in question was for a member-training event.

2 Pickens discovered the error prior to the audit and repaid the Commission $14,236.10. The Commission self reported the mistake to the auditors. The payment exceeded all costs questioned in the audit.

3 Labor costs were under claimed; therefore, there were no additional questioned costs.

4 Pickens repaid the administrative costs associated with Finding #2 as part of the $14,236.10.

USCS

Findings Response

1 The corps member completed her term of service in her hometown due to extenuating family circumstances USCS provided the Commission a notarized affidavit signed by the member.

Winthrop

Findings Response

1 The vendor provided the program coordinator a duplicate receipt for the questioned cost. This information was sent via UPS to Cotton and Company in December along with other requested information.

2 The program currently prepares two wage agreements for members: one for the fall and spring academic semester and one for the summer. The members receive a living allowance during the winter break because the majority of them go into the community and complete service during the holidays. If members are not allowed to receive a living allowance, this will have a twofold negative effect: first members will lose a month of service time during the grant year because the break is approximately four weeks; secondly the community will feel the effect because members contribute hundreds of hours for toy drives, food drives and other holiday related service projects.

3. Members did receive midterm and final evaluations but some were missing member and/or site coordinator's signature. It is not specified in the provisions that all evaluations must receive the noted signatures. Section B(7)(g) of the AmeriCorps provision states: The Grantee must conduct at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as:
i. Whether the member has completed the required number of hours;
ii. Whether the member has satisfactorily completed assignments; and
iii. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

Furthermore, if successful completion of service needs to be determined members' timesheets can be viewed to see if hour requirements were met. Lastly, there is a declaration statement on the Exit Form where program directors state whether or not the member successfully completed service and this question was completed for all of the questioned members.

AmeriCorps Homeland Security
Grant #: 02AHHSC042

Office of Adjutant General

Finding	Response
1	All members completed the required hours of service as stipulated in member contract. E-mails from CNCS program officers in distribution of member stipends differ from the auditor's interpretation of the provision.
2	The OAG did not properly prepare time sheets for the AmeriCorps program support staff. The OAG has submitted to the Commission notarized affidavits for all hours charged to the grant with back-up documentation. The OAG has redesigned their time sheets and currently meet all requirements of the grant.

Learn and Serve
Grant #: 00LCSSC041

York

Finding	Response
1	York Parks and Recreation did not challenge the finding and returned $299 to the Commission.

Clarendon

Finding	Response
1	Three vendors provided services and submitted invoices. Clarendon sent checks for payment and recorded the transactions. Clarendon was unaware that those checks would not be cashed. Subsequently Clarendon spend additional funds on the BRI4C program in a park miscellaneous account. Clarendon submitted the accounting records, invoices and canceled checks to the Commission. These expenses exceed $1,745 for 2001-2002 and $2,163 for 2002-2003.

Irmo Chapin

Finding	Response
1	Irmo Chapin Recreation Center did not properly prepare the program director's time sheets. Irmo Chapin has submitted to the Commission a notarized affidavit for all hours charged to the grant with back-up documentation. Irmo Chapin has redesigned their time sheets and currently meet all requirements of the grant.

UW of Pickens

Finding	Response
1	UW of Pickens did not charge an interim program director's salary to the grant. The interim program director worked on a part-time basis from October 28, 2002 until January 31, 2003. The interim director has submitted a notarized affidavit for 21.5 hours of time spent working on the BRI4C grant. The paperwork includes all payroll information. The employee was paid $12 an hour. UW of Pickens did not challenge the difference and submitted a check for $73 to the Commission.

APPENDIX B

CORPORATION RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Russell George, Inspector General

From: Margaret Rosenberry, Director of Grants Management

Date: May 21, 2004

Subj: Response to OIG Draft Audit Report 04-14: Incurred Cost Audit of Grants Awarded to the South Carolina Commission on National and Community Service

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We have reviewed the draft audit report of the grants to the South Carolina Commission and the response from the South Carolina Commission. Due to the limited timeframe for response, we have not analyzed all documentation provided by the South Carolina Commission supporting the questioned costs nor reviewed the audit work papers. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.

The auditors questioned $48,867, which is less than 1% of the costs expended by the Commission in its Corporation grants. The Commission has also addressed each of the findings and completed corrective action in many cases. We will confirm implementation during the audit resolution process.