Corporation for
NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

May 19, 2005

Ms. Shawn R. Lecker-Pomaville
Executive Director
Nevada Commission for National and Community Service
90 North Maine Street #204
Fallon, NV 89406-2956

Dear Ms. Lecker-Pomaville:

Enclosed is the final report on our audit of grants awarded to the Nevada Commission for National and Community Service (Commission). The Office of Inspector General retained Cotton & Company LLP to perform an incurred-cost audit of the Commission. Under the Corporation's audit resolution policy, final management decisions made on the recommendations contained in this report are due by November 19, 2005.

If you have any questions related to the audit resolution process, please contact Andrew Kleine, Acting Chief Financial Officer, at (202) 606-6692. If you have any questions pertaining to this report, please contact Stuart Axenfeld, Audit Manager, at (202) 606-5000, extension 385.

Sincerely,

Carol Bates
Acting Inspector General

Enclosure

Corporation for
NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

May 19, 2005

TO: Rosie Mauk
Director, AmeriCorps

Peg Rosenberry
Director, Grants Management

FROM: Carol Bates
Acting Inspector General

SUBJECT: Office of Inspector General Audit Report 05-10, *Audit of Corporation for National and Community Service Grants Awarded to the Nevada Commission for National and Community Service*

Attached is the final report on our incurred-cost audit of grants awarded by the Corporation to the Nevada Commission for National and Community Service (Commission). Under the Corporation's audit resolution policy, final management decisions on the recommendations in this report are due by November 19, 2005.

If you have any questions pertaining to this report, please contact me at extension 248.

cc: Andrew Kleine, Acting Chief Financial Officer

Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE

OIG REPORT NUMBER 05-10

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

COTTON & COMPANY LLP
333 North Fairfax Street, Suite 401
Alexandria, Virginia 22314

This report was issued to Corporation management on May 19, 2005. 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 November 19, 2005, and complete its corrective actions by May 19, 2006. 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 05-10

Audit of Corporation for National and Community Service Grants Awarded to the Nevada Commission for National and Community Service

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Cotton & Company LLP (Cotton) to perform an incurred-cost audit of grants awarded to the Nevada Commission for National and Community Service (Commission).

For the grants audited, the Commission claimed costs of $3,336,952 of which the auditors questioned $78,534 as unallowable costs and $56,619 of education awards. Overall, the auditors questioned approximately 2.4 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 grant award conditions, or costs that require an interpretation of allowability by the Corporation. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. In addition, the auditors noted two internal control findings that are considered material weaknesses.

The Commission generally agreed with the audit report's conclusions and it has addressed many of the identified weaknesses. However, it disagreed with the auditors' classification of two internal control findings as material weaknesses, citing its relatively small amount of questioned costs. These comments and the Commission's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

In accordance with our statutory responsibilities, we reviewed Cotton's report and related audit documentation, interviewed their representatives, and performed other procedures as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Commission's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Cotton is responsible for the attached reports dated December 17, 2004, and the conclusions expressed therein. However, our review disclosed no instances where Cotton did not comply, in all material respects, with generally accepted government auditing standards.

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

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

Contents

Section	Page
Executive Summary	1
Independent Auditors' Report	5
Exhibit A: Consolidated Schedule of Claimed and Questioned Costs	7
Schedule A: Schedule of Claimed and Questioned Costs for Award No. 01APSNV029	8
Schedule B: Schedule of Claimed and Questioned Costs for Award No. 98ASCNV029	10
Schedule B-1: Schedule of Claimed and Questioned Costs	11
Schedule C: Schedule of Claimed and Questioned Costs for Award No.01ASCNV029	12
Schedule C-1: Schedule of Claimed and Questioned Costs	13
Schedule C-2: Schedule of Claimed and Questioned Costs	14
Schedule D: Schedule of Claimed and Questioned Costs for Award No. 00ASFNV029	17
Schedule D-1: Schedule of Claimed and Questioned Costs	18
Schedule D-2: Schedule of Claimed and Questioned Costs	20
Summary of Significant Accounting Policies	23
Independent Auditors' Report on Compliance and Internal Control	24

Attachment

A: Status of Findings from the Pre-Audit Survey

Appendices

A: Commission's Response to Draft Audit Report
B: Corporation's Response to Draft Audit Report

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) contracted with Cotton & Company LLP to perform an incurred-cost audit of costs claimed by the Nevada Commission for National and Community Service (Commission) for Program Years (PYs) 2000-2001, 2001-2002, and 2002-2003. Our audit included costs claimed under the following grants from inception to the end of the grant, or through December 31, 2003, if the grant was open as of that date. Our audit covered financial transactions, compliance, and internal control testing of the following awards funded by the Corporation for National and Community Service (Corporation):

Program	Award No.	Award Period	Audit Period
Administrative	01SCSNV033	07/01/01-06/30/04	07/01/01-06/30/03
Program Development Assistance and Training (PDAT)	02PDSNV033	07/01/02-06/30/05	07/01/02-06/30/03
Disability	00DSCNV033	07/01/00-06/30/03	07/01/00-06/30/03
AmeriCorps Competitive	98ASCNV029	09/01/00-08/31/03	09/01/00-09/30/01
AmeriCorps Competitive	01ASCNV029	06/01/01-05/31/04	06/01/01-12/31/03
AmeriCorps Formula	00ASFNV029	09/01/00-08/31/03	09/01/00-08/31/03
AmeriCorps Promise Fellows	01APSNV029	11/01/01-10/31/04	11/01/01-12/31/03

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 subrecipients 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 established adequate financial and program management oversight of its subrecipients.

BACKGROUND

State commissions may receive Corporation funding under specific grants for such programs as AmeriCorps, Education Awards and Promise Fellows. The primary AmeriCorps grant is an annual award passed through the State commissions to eligible subrecipients (State and local government and certain nonprofit entities) that recruit and select volunteers who then receive living allowances and earn education awards. The education awards are administered by the Corporation through a database of all members that is updated by each Commission and reported to the Corporation's National Service Trust. Members then submit requests to the Trust to redeem their awards via payment to higher education institutions or lenders of their outstanding education loans.

The Commission initially operated out of the Nevada Department of Employment, Training, and Rehabilitation (DETR) from its inception in 1994 through May 15, 1998. By Executive Order of the Governor of Nevada in 1998, the Commission became an independent non-profit organization and began to administer Corporation programs authorized by the National and Community Service Trust Act of

1993. The Commission does not administer any direct AmeriCorps programs. Therefore, the majority of the funding received from the Corporation flows through the Commission to its subrecipients. The Commission does, however, directly administer an Administrative Grant, a Program Development Assistance and Training (PDAT) grant, and a Disability Grant.

The following seven subrecipients were included in our audit:

Full Name	Abbreviated Name
Boys & Girls Clubs of Las Vegas	B&G Clubs
Family Resource Centers of North Eastern Nevada	Resource Centers
Great Basin Institute, University of Nevada	GBI
Great Basin Primary Care Association	GBPC
The Best Coalition	Coalition
The Parasol Foundation	Parasol
United States Veterans Initiative	U.S. Vets

SUMMARY OF RESULTS

Based on questioned costs detailed below our audit report expresses a qualified opinion on the Consolidated Schedule of Claimed and Questioned Costs. Compliance, internal control findings, and cost findings are summarized as follows:

Compliance and Internal Control Findings

We have issued a report titled Independent Auditors' Report on Compliance and Internal Control that 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 generally accepted government auditing standards. These findings are as follows:

1. The Commission did not have adequate financial monitoring procedures or other procedures to ensure that subrecipients had adequate financial management and reporting systems.

2. The Commission claimed unallowable costs and unsupported costs.

3. The Commission did not have adequate procedures to ensure member eligibility.

4. The Commission did not have adequate procedures to ensure that members received living allowances in accordance with AmeriCorps Provisions.

5. The Commission did not have procedures to ensure that subrecipients adequately documented member activities.

6. The Commission did not have procedures to ensure that subrecipients complied with all grant compliance provisions.

7. The Commission did not adequately document its consideration of relevant past performance by subrecipients in its subgrant award process.

Cost Findings

The Commission claimed $3,336,952 for Program Years 2000-2001, 2001-2002, and 2002- 2003. We audited $2,653,101 of claimed costs (see Exhibit A). Of this amount, we questioned claimed costs of $78,534. Costs questioned are those for which documentation shows that recorded costs were incurred in violation of laws, regulations, or specific award conditions; costs that require interpretation of allowability by the Corporation; or costs that 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 audit findings on education award eligibility. Using the same criteria described above, we questioned education awards totaling $56,619.

Net questioned costs and education award costs are summarized below. Although some costs and education awards had more than one reason to be questioned, we question these amounts only once. Also, other questioned costs identified in the Independent Auditors' Report on Internal Control and Compliance are not included here because these amounts related to claimed match, or program costs that exceeded claimed costs, and they did not result in costs reimbursed by the Corporation.

Questioned for	Costs	Education Awards
Unsupported Cost Allocations	$66,984	
Claimed Under Duplicate Program	46,906	
Background Check Not Conducted	26,833	$10,700
Costs Allocable to Other Awards	3,783	
Pre-Award Costs Claimed	5,030	
Excess FICA	5,593	
Unallowable Unemployment Insurance	782	
Unallowable Health Insurance	924	
Costs Misclassified on FSR	1,729	
Unsupported Costs	6,281	
Out-of-Period Living Allowance	1,458	
Excess Living Allowance	124	
Living Allowance Over Ceiling	30,928	
Unallowable Travel Costs	150	
Overclaimed Administrative Costs	5,578	
Post-FSR Adjustment	2,527	
Missing Proof of Citizenship/Legal Residency		8,712
Compelling Personal Circumstances Not Documented		6,264
Minimum Service Hours Not Supported		23,625
Member Released for Cause		2,593
Vacation, Sick Leave, and Holiday Hours Recorded as Service Hours		4,725
Costs Incurred in Excess of Costs Claimed	(127,076)	
Net Questioned	$78,534	$56,619

Details of questioned costs and education awards are included in the Independent Auditors' Report. Cost and education exceptions by award are detailed in Schedules A through D and are summarized below. Total questioned costs below are less than the questioned costs in the table above because some subrecipients incurred costs that exceeded claimed costs.

Grant No.	Costs Questioned	Education Awards Questioned	Schedule
01SCSNV033	–	–	–
02PDSNV033	–	–	–
00DSCNV033	–	–	–
01APSNV029	–	$8,711	A
98ASCNV029	–	7,318	B
01ASCNV029	$9,711	12,352	C
00ASFNV029	68,823	28,238	D
Total	$78,534	$56,619	

Exit Conference

An exit conference was held with Commission and Corporation representatives on March 3, 2005. In addition, we provided a draft copy of this report to the Commission and the Corporation for comment on March 25, 2005. Their responses, dated April 28, 2005, and April 27, 2005, respectively, are included as appendices A and B to this report. The Commission provided specific comments on the report which are included in the Independent Auditors' Report on Compliance and Internal Control. The Corporation stated that it has reviewed the findings in detail and will respond to all findings and recommendations when the final audit report is issued.

Follow-Up on Prior Audit Findings

The Office of Inspector General performed a Pre-Audit Survey of the Commission in Fiscal Year 2000 and issued Office of Inspector General Report No. 01-17, dated October 27, 2000. Our audit followed up on the status of findings and recommendations made in that report (see Attachment A).

COTTON & COMPANY LLP
auditors • advisors

333 NORTH FAIRFAX STREET • SUITE 401 • ALEXANDRIA, VIRGINIA 22314 • 703/836/6701 • FAX 703/836/0941 • WWW.COTTONCPA.COM

December 17, 2004

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs claimed by the Nevada Commission for 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 D), 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	01SCSNV033	07/01/01-06/30/04	07/01/01-06/30/03
Program Development Assistance and Training (PDAT)	02PDSNV033	07/01/02-06/30/05	07/01/02-06/30/03
Disability	00DSCNV033	09/01/00-06/30/03	09/01/00-06/30/03
AmeriCorps Competitive	98ASCNV029	09/01/00-08/31/01	09/01/00-09/30/01
AmeriCorps Competitive	01ASCNV029	06/01/01-05/31/04	06/01/01-12/31/03
AmeriCorps Formula	00ASFNV029	09/01/00-09/30/03	09/01/00-09/30/03
AmeriCorps Promise Fellows*	01APSNV029	11/01/01-01/05/05	11/01/01-12/31/03

* This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing compliance with member eligibility and staffing requirements.

Except as described below, we conducted our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government auditing standards. 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.

As noted above, our audit included examining transactions on a test basis. We initially identified certain subrecipients of the Commission's AmeriCorps Formula and Competitive Grants and tested costs claimed by those subrecipients. During our testing, we identified a significant number of compliance issues and questioned costs. At the OIG's request, however, we did not expand testing to other subrecipients. Costs claimed by those subrecipients are not included in audited costs as shown in the Consolidated Schedule of Claimed and Questioned Costs.

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

established 1981

with Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of the Commission's revenues and 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, and the effect of such additional questioned costs, if any, that might have been identified if we had tested all subrecipient costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by the Commission for Program Years 2000-2001, 2001-2002, and 2002-2003, in conformity with applicable OMB circulars, and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated, December 17, 2004, on our consideration of the Commission's internal controls and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering audit results.

COTTON & COMPANY LLP

Sam A. Hadley, CPA, CGFM
Partner

EXHIBIT A

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Audited Costs	Questioned Federal Costs	Education Award Questioned	Schedule
01SCSNV033	Administrative	$320,906	$305,017	$305,017			
02PDSNV033	PDAT	99,000	99,000	99,000			
00DSCNV033	Disability	82,000	54,792	54,792			
01APSNV029	Promise Fellows	82,800	48,572	48,572		$8,711	A
98ASCNV029	AmeriCorps Competitive	655,223	562,752	408,742		7,318	B
01ASCNV029	AmeriCorps Competitive	1,555,972	1,465,191	1,123,641	$9,711	12,352	C
00ASFNV029	AmeriCorps Formula	949,200	801,628	613,337	68,823	28,238	D
	Total	$3,745,101	$3,336,952	$2,653,101	$78,534	$56,619	

Refer to the Independent Auditors' Report for scope limitations affecting this schedule.

SCHEDULE A

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01APSNV029
PROMISE FELLOWS
NOVEMBER 1, 2001, TO DECEMBER 31, 2003

Promise Fellows	Amount	Notes
Approved Budget (Federal Funds)	$82,800	
Claimed Costs	$48,572	1
Questioned Federal Costs	$0	2
Questioned Education Award	$8,711	3

1. This grant is a fixed-amount award for which the Commission is not required to submit Financial Status Reports (FSRs). The Corporation provided a fixed level of support based on the specified number of Fellows. Claimed costs shown above are amounts drawn down as of December 31, 2003, as reported in the Commission's Federal Cash Transaction Report (FCTR). The grant provided funding of $82,800 based on six full-time Fellows ($13,800 per Fellow). The Commission had two subrecipients under this award, GBI and B&G Clubs. As of December 31, 2003, the Commission had drawndown $48,572 of this award. However, the Commission is not entitled to the full awarded amount because it did not have the specified number of members complete the program. We obtained the AmeriCorps Member Roster for this award and determined that three Fellows completed their terms and two completed only partial terms. According to grant award terms, the Commission is entitled to $59,800, based on $13,800 for each of the three full-term member and a prorated amount for the two partial-term members.

2. One of the Commission's subrecipients, GBI, did not maintain documentation to support eligibility for one Fellow. AmeriCorps Provisions, Section B (8), *Member Eligibility, Recruitment, and Selection,* require that a member be a U.S. citizen, U.S. national, or lawful permanent resident alien of the U.S. GBI obtained a Form I-9, Employment Eligibility Verification, from this member. However, Section C of this form, which requests citizenship information, was not completed. The Fellow's $11,500 living allowance is unallowable. Because this grant was open as of the date of our fieldwork, we have not questioned these costs. We recommend that upon closing of the grant, the Corporation complete a reconciliation of final amounts drawn down to amounts earned for this award.

3. We questioned education awards of $8,711 as follows:

   a. B&G Clubs recorded 120 hours of vacation, sick, and holiday leave to satisfy a Fellow's service requirement. AmeriCorps Provisions, Section B (6), *Terms of Service,* requires that a member serve at least 1,700 hours to earn an education award. Excluding non-service hours, this Fellow did not meet the minimum 1,700-hour requirement. We therefore questioned the Fellow's education award of $4,725.

b. GBI did not maintain documentation to support eligibility for one Fellow. AmeriCorps Provisions, Section B (8), *Member Eligibility, Recruitment, and Selection,* requires that a member be a U.S. citizen, U.S. national, or lawful permanent resident alien of the U.S. GBI obtained a Form I-9, Employment Eligibility Verification, from this Fellow. However, Section C of this form, which requests citizenship information, was not completed. We questioned the GBI Fellow's $3,986 education award.

SCHEDULE B

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 98ASCNV029
AMERICORPS-COMPETITIVE
SEPTEMBER 1, 2000, TO SEPTEMBER 30, 2001

	Approved Budget	Claimed Costs	Audited Costs	Questioned Education Awards	Reference
B&G Clubs	$233,156	$154,010			
GBI	258,266	257,366	$257,366		
U.S. Vets	163,801	151,376	151,376	$7,318	Schedule B-1
Total	$655,223	$562,752	$408,742	$7,318	

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 98ASCNV029
AMERICORPS-COMPETITIVE
SEPTEMBER 1, 2000, TO SEPTEMBER 30, 2001
U.S. VETS

	Amount	Notes
Approved Budget (Federal Funds)	$163,801	
Claimed Costs	$151,376	
Questioned Federal Costs	$0	1
Questioned Education Awards	$7,318	2

1. U.S. Vets incurred program costs of $248,719 and claimed $151,376 for Corporation reimbursement. The difference between incurred and claimed costs is U.S. Vets' matching funds for the grant. AmeriCorps grant provisions establish statutory minimum matching percentages of 15 percent for member support costs (Category A) and 33 percent for program operating costs (Categories B through F). U.S. Vets' matching exceeded the statutory minimum. We identified unallowable and unsupported costs, as described in Finding No. 2 to the Independent Auditors' Report on Compliance and Internal Controls. However, because U.S. Vets incurred costs in excess of costs claimed, and also claimed a match percentage that exceeded the Corporation minimum requirements, there are no net questioned costs here.

2. We questioned education awards of $7,318 as follows:

   a. U.S. Vets released one member in Program Year 2000-2001 for violating member contract rules of conduct. However, the exit form indicated that the member had been released for compelling personal circumstances, allowing the member to earn a partial education award of $2,593. According to 45 CFR § 2522.230 (b), *Release for Cause*, any release for other than a compelling personal circumstances is a release for cause, and a participant released for cause may not receive any portion of an education award. We therefore questioned the $2,593 education award for this member.

   b. U.S. Vets reported 1,701 hours to the Corporation for one member. However, time sheets for the member supported only 1,699 service hours. According to 45 CFR § 2522.220 (a), *Term of Service,* participants must complete 1,700 hours of service to be eligible for an education award. We therefore questioned the $4,725 education award for this member.

SCHEDULE C

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01ASCNV029
AMERICORPS-COMPETITIVE
JUNE 1, 2001, TO DECEMBER 31, 2003

	Approved Budget	Claimed Costs	Audited Costs	Questioned Costs	Questioned Education Awards	Reference
B&G Clubs	$397,707	$341,550				
GBI	815,107	800,924	$800,924	$380		Schedule C-1
U.S. Vets	343,158	322,717	322,717	9,331	$12,352	Schedule C-2
Total	$1,555,972	$1,465,191	$1,123,641	$9,711	$12,352	

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01ASCNV029
AMERICORPS-COMPETITIVE
JUNE 1, 2001, TO DECEMBER 31, 2003
GBI

	Amount	Reference
Approved Budget (Federal Funds)	$815,107	
Claimed Costs	$800,924	
Questioned Federal Costs	$380	Note

Note. GBI claimed $27,418 of administrative expenses based upon the amount it budgeted rather than the actual amount for this line item. AmeriCorps Provisions, Section 22 (C), *Administrative Costs*, state that administrative costs cannot exceed 5 percent of total Corporation funds expended, or 5.26 percent of total Corporation funds expended, excluding administrative costs. The Nevada Commission discovered the excess claim during an internal audit, but only identified $340 of the $380 excess claim. GBI remitted $340 to the Commission. We questioned the full $380, however, because the Commission included this amount in claimed costs.

NEVADA COMMISSION ON NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01ASCNV029
AMERICORPS-COMPETITIVE
JUNE 1, 2001, TO DECEMBER 31, 2003
U.S. VETS

	Amount	Notes
Approved Budget (Federal Funds)	$343,158	
Claimed Costs	$322,717	
Questioned Federal Costs	$9,331	1
Questioned Education Award	$12,352	2

1. U.S. Vets incurred program costs of $522,906 and claimed $322,717 for Corporation reimbursement. The difference between incurred and claimed costs is U.S. Vets' matching funds for the grant. AmeriCorps grant provisions establish statutory minimum matching percentages of 15 percent for member support costs (Category A) and 33 percent for program operating costs (Categories B through F). U.S. Vets' claimed matching funds exceeded the statutory minimum. We identified unallowable and unsupported Category A costs, as described in Finding No. 2 to the Independent Auditors' Report on Compliance and Internal Control. However, because U.S. Vets incurred costs in excess of costs claimed, and also claimed a match percentage that exceeded the Corporation minimum requirements, there are no Category A costs questioned here. We questioned $9,331 of Categories B-F costs as follows:

	Categories B-F	Notes
Total Program Costs Incurred	$267,703	
Less: Unsupported Costs	5,259	a
Claimed Under Duplicate Program	46,906	b
Costs Allocable to Other Awards	520	c
Unallowable Travel Costs	150	d
Post-FSR Adjustment	2,527	e
Total Allowable Program Costs	$212,341	
Federal Funding Percentages	67%	
Total Allowable Federal Costs		
Total Allowable Program Costs x Federal Funding Percentage	$142,268	f
Costs Claimed	$151,599	
Net Cost Exceptions	$9,331	

a. U.S. Vets claimed $5,259 of costs for which it could not provide adequate supporting documentation as follows:

- $4,250 for rent paid for the site facility from September 2002 to June 2003. U.S. Vets had an open issue with another Federal agency questioning whether rent paid for other

facilities to this same landlord is a related-party transaction. While U.S. Vets believes that the landlord is not a related party, we requested either documentation from the agency that the issue had been resolved or documentation from U.S. Vets showing that costs charged represent actual ownership costs of the landlord and would otherwise be allowable. Supporting documentation was not provided. OMB Circular A-122, Attachment B, Paragraph 43 (c), *Rental costs of building and equipment,* states that rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property been vested in the organization.

- $379 for hotel costs for a National Coalition for Homeless Veterans (NCHV) conference in May 2003, that were supported by a check request for that amount. U.S. Vets could not provide the hotel receipt.

- $250 for a Points of Light Conference (an award dinner to recognize Nevada volunteers). The only documentation provided was a monthly credit card statement with that amount handwritten on the bill.

- $380 for a telephone charge. U.S. Vets provided no documentation.

OMB Circular A-122, Attachment A, Paragraph A.2., states that costs must be adequately documented to be allowable. We therefore questioned $5,259.

b. U.S. Vets claimed supervisors' labor costs of $46,906, but did not provide adequate supporting documentation, such as time sheets, that would identify the program that the employee was working on, as required by OMB Circular A-122, Attachment B, Paragraph 8 (m), *Compensation for personal service, Support of salaries and wages.* Additionally, labor costs for these employees were claimed under another Federal program. U.S. Vets noted that the amount claimed for these supervisors represented only the portion allocated to the cost-share requirement of the other Federal program, and therefore it had no duplicative cash recovery. Costs charged to a Federal program, whether directly reimbursed or identified as match or cost-share expenses, cannot be borne by another agency, in accordance with 45 CFR § 2543.23, *Cost Sharing or Matching.* We therefore, questioned the $46,906 in labor costs.

c. U.S. Vets claimed the following unallocable costs:

- $199 for supplies that should have been allocated between the AmeriCorps program and a Department of Housing and Urban Development grant.

- $321 for the executive director's site visit to Houston, Texas. This visit was not within the scope of the AmeriCorps Nevada grant.

These costs are unallowable in accordance with OMB Circular No. A-122, Attachment A, Paragraph A.4. We therefore questioned $520.

d. U.S. Vets paid its employees $150 over the maximum allowed by its travel policy:

- U.S. Vets paid an employee the full per-diem amount for the first and last day of travel. Its documented travel policy states, however, that employees must record the time of travel on the travel expense report, and that per-diem amounts for partial-day travel must be requested in one-third increments. The employee did not record departure or return

times. We therefore questioned $72, which represents the difference between claimed costs and the minimum amount that would have been earned.

- U.S. Vets also paid amounts exceeding the maximum per-diem amount to an employee. Its documented travel policy states that lodging will be reimbursed up to the maximum allowance in the *Federal Travel Regulations* (FTR) unless prior approval is obtained from the executive director and justification is properly documented. U.S. Vets paid the employee $78 (3 nights x $26) above the maximum federal per diem without prior approval and justification. We therefore questioned $78.

e. U.S. Vets recorded adjustments to AmeriCorps expenses for Program Years 2001-2002 and 2002-2003 after filing FSRs. It did not file adjusted FSRs to reflect these adjustments, and claimed costs were overstated by $1,737 and $790, respectively, in these two program years. We therefore questioned $2,527.

f. Allowable federal costs are total allowable program costs for the cost category multiplied by cost-sharing percentages required by AmeriCorps regulations, unless the amount exceeds the approved budgeted amount for the cost category. Allowable federal costs by category cannot exceed the budgeted amount as the result of budgetary restrictions on member living allowances as well as administrative costs. This is in accordance with AmeriCorps Provisions, Section B (15), *Budget and Programmatic Changes*, as well as budgetary restrictions on administrative costs in accordance with OMB Circular A-110, Paragraph 25 Revision of budget and program plan.

2. We questioned education awards of $12,352 as follows:

a. U.S. Vets allowed two members in Program Years 2001-2002 to earn partial education awards totaling $2,901 ($979 and $1,922), but did not document the compelling personal circumstances for leaving the program that are necessary to merit the award. Circumstances under which a member may leave the program early and earn an award are detailed in 45 CFR § 2522.230 *(b) Release for cause,* which requires that circumstances must be documented. We therefore questioned $2,901.

b. U.S. Vets could not provide documentation supporting U.S. citizen or legal residency status for five members. According to 45 CFR § 2522.200, every AmeriCorps participant must be a U.S. citizen, national, or lawful permanent resident alien of the United States. We therefore questioned $4,726 in related education awards earned by those members.

c. U.S. Vets reported 1,702 hours to the Corporation for one member. However, time sheets for the member supported 1,600 service hours. According to 45 CFR § 2522.220 (a) *Term of Service*, participants must complete 1,700 hours of service to be eligible for an education award. We therefore questioned the $4,725 education award for this member.

SCHEDULE D

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFNV029
AMERICORPS-FORMULA
SEPTEMBER 1, 2000, TO SEPTEMBER 30, 2003

	Approved Budget	Claimed Costs	Audited Costs	Questioned Costs	Questioned Education Awards	Reference
Coalition	$144,000	$129,191				
Resource Centers	74,400	59,100		$681		Note
GBPC	198,400	153,096	$153,096	45,601	$4,725	Schedule D-1
GBI	161,106	119,922	119,922			
Parasol	371,294	340,319	340,319	22,541	23,513	Schedule D-2
Total	$949,200	$801,628	$613,337	$68,823	$28,238	

Note. Resource Centers claimed $3,600 of administrative expense based upon the amount it budgeted rather than the allowable amount for this line item. AmeriCorps Provisions, Section C (22), *Administrative Costs*, state that administrative costs cannot exceed 5 percent of total Corporation funds expended, or 5.26 percent of total Corporation funds expended, excluding administrative costs. The Commission discovered the excess claim during an internal audit, but only identified $645 of the $681 excess claim. Resource Centers remitted $645 to the Commission. However, we questioned the full $681, because the Commission included this amount in claimed costs.

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFNV029
AMERICORPS-FORMULA
SEPTEMBER 1, 2000, TO SEPTEMBER 30, 2003
GBPC

	Amount	Notes
Approved Budget (Federal Funds)	$198,400	
Claimed Costs	$153,096	
Questioned Federal Costs	$45,601	1,2
Questioned Education Award	$4,725	3

1. GBPC incurred $244,714 of member and program operating costs and claimed $143,206 for Corporation reimbursement (excluding $9,889 for administrative expenses). The difference between incurred and claimed costs is GBPC's matching for the grant. AmeriCorps grant provisions establish statutory minimum matching percentages of 15 percent for member support costs (Category A) and 33 percent for program operating costs (Categories B through E). GBPC's matching exceeded the statutory minimum. We identified unallowable and unsupported costs as described in Finding No. 2 to the Independent Auditors' Report on Compliance and Internal Control. However, because GBPC incurred costs in excess of costs claimed and also claimed a match percentage that exceeded the Corporation minimum requirements, there are no Category A costs questioned here. We questioned $41,084 of Categories B-E costs as follows:

	Categories B-E	Note
Total Program Costs Incurred	$85,939	
Less: Unsupported Cost Allocations	66,984	a
Costs Allocable to Other Awards	3,263	b
Unsupported Costs	1,022	c
Preaward Costs Claimed	5,030	d
Total Allowable Program Costs	$9,640	
Federal Funding Percentage	67%	
Total Allowable Federal Costs	$6,459	
Costs Claimed	$47,543	
Costs Claimed in Excess of Allowable Costs	$41,084	

a. GBPC did not allocate its program director salary and benefit costs based on actual expended effort. The program director worked on both the AmeriCorps and VISTA programs, but 100 percent of salary and benefit costs ($66,984) was charged to AmeriCorps. OMB Circular A-122, Attachment B, Paragraph 8 (m) (2), *Compensation for personal services, Support of salary and wages,* requires that reports reflecting an after-the-fact distribution of activity be maintained for all personnel whose compensation is charged directly to awards. GBPC could not provide records supporting the work distribution of the program director's actual between the AmeriCorps and VISTA programs. We therefore questioned $66,984.

b. GBPC claimed 100 percent of additional costs, totaling $3,263, for expenses such as advertising, business cards and office supplies, that should have been allocated between the AmeriCorps and VISTA Programs. OMB Circular A-122, Attachment A, Paragraph A.4., states that costs are allocable to cost objectives in accordance with benefits received. GBPC could not provide documentation supporting the amount allocable to the AmeriCorps program. We therefore questioned $3,263.

c. GBPC claimed $1,022 for which it could not provide invoices or travel vouchers. AmeriCorps Provisions, Section 21 (B), *Financial Management Provisions*, requires that grantees maintain adequate supporting documents for all expenditures.

d. GBPC claimed $15,759 in costs incurred before its September 3, 2002, grant start date, for such costs as member uniforms, building rent, training and office supplies. OMB Circular A-122, Attachment B, Paragraph 36, *Pre-agreement costs*, states that such costs are allowable only with written approval of the awarding agency. GBPC did not obtain written approval for its pre-award costs. We therefore questioned $5,030 ($15,759 less previously questioned amounts of $10,289) [Note 1.a.], $200 [Note 1.b.], and $240 [Note 1.c].

2. GBPC claimed $9,889 of administrative expense based upon 5 percent of budgeted Federal expenditures. AmeriCorps Provisions, Section 22 (C), *Administrative Costs*, state that administrative costs cannot exceed 5 percent of total Corporation funds expended, or 5.26 percent of total Corporation funds expended, excluding administrative costs. During an internal audit, the Commission discovered that the claim was based on the budget. GBPC has remitted $2,234 to the Commission. We questioned $4,517 as shown below, including the $2,234 remittance because this amount was included in GBPC's claimed costs:

	Amount
Total costs claimed	$153,096
Less: Administrative expense	9,889
Questioned direct costs	41,084
Allowable base costs claimed	102,103
Administrative expense rate	5.26%
Allowable administrative expense	$5,372
Overclaimed administrative costs ($9,889 - $5,372)	$4,517

3. GBPC reported 1,700 hours to the Corporation for one member making the member eligible for an education award. However, time sheets for the member supported 1,695 service hours. According to 45 CFR § 2522.220 (a), *Term of Service,* participants must complete 1,700 hours of service to be eligible for an education award. We questioned the $4,725 education award for this member.

NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE
SCHEDULE OF CLAIMED AND QUESTIONED COSTS UNDER
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 00ASFNV029
AMERICORPS-FORMULA
SEPTEMBER 1, 2000, TO SEPTEMBER 30, 2003
Parasol

	Amount	Notes
Approved Budget (Federal Funds)	$371,294	
Claimed Costs	$340,319	
Questioned Federal Costs	$22,541	1,2
Questioned Education Award	$23,513	3

1. Parasol incurred $589,595 of member and program operating costs and claimed $340,319 for Corporation reimbursement. The difference between incurred and claimed costs is Parasol's matching for the grant. AmeriCorps grant provisions establish statutory minimum matching funding percentages of 15 percent for member support costs (Category A) and 33 percent for program operating costs (Categories B through F). Parasol's matching exceeded the statutory minimum. We identified unallowable and unsupported costs, as described in Notes a. through h. Claimed costs for Category A exceeded allowable federal costs by $22,153, as follows:

	Category A	Notes
Total Program Costs Incurred	$364,511	
Less: Living Allowances Over Ceiling	30,928	a
Costs Misclassified on FSR	1,729	b
No Background Check Conducted	26,833	c
Unallowable Unemployment Insurance	782	d
Excess FICA	5,593	e
Unallowable Health Insurance	924	f
Excess Living Allowance	124	g
Out-of-Period Living Allowance	1,458	h
Total Allowable Program Costs	$296,140	
Federal Funding Percentage	85%	
Total Allowable Federal Costs		
Budgeted Costs		
Total Allowable Program Costs x Federal Funding Percentage	$251,719	
Costs Claimed	$273,872	
Costs Claimed in Excess of Allowable Cost	$22,153	

a. Parasol paid living allowances to its members that exceeded maximum current-year amounts for Corporation participation established in AmeriCorps application guidelines. AmeriCorps Provisions, Section B (11) *Living Allowances, Other In-Service Benefits and Taxes*, state that living allowances exceeding these amounts must be funded by the grantee. We therefore have excluded these costs from the calculation because they exceed the maximum amount of member living allowance.

b. Parasol erroneously misclassified costs between member support (Category A) and program operating (Category B-F) categories on its FSR. The net effect of these misclassifications was $1,729 in program operating costs claimed as member support.

c. Parasol did not conduct required background checks for four members. AmeriCorps Provisions, Section B (6), *Eligibility, Recruitment, and Selection,* require programs with members who have substantial, direct contact with children to conduct criminal record checks on these members. We therefore questioned the $26,833 in living allowances paid to these members.

d. Parasol claimed unallowable member unemployment insurance costs of $782. AmeriCorps Provisions state that grantees cannot charge unemployment insurance taxes to the grant unless mandated by state law. The Nevada Department of Employment, Training, and Rehabilitation determined that payments to AmeriCorps participants are not subject to unemployment insurance taxes. The Commission notified Parasol that these costs could no longer be billed, but it did not require that the unallowable costs be returned or credited against future billings. We therefore questioned $782.

e. Parasol claimed Federal Insurance Compensation Act (FICA) costs exceeding 7.65 percent of member living allowances and employee salaries. AmeriCorps Provisions, Section B (11) *Living Allowances, Other In-Service Benefits and Taxes,* require that grantees pay the employer share of FICA for any member receiving a living allowance. The effective FICA rate for employer payments was 7.65 percent of salaries. We therefore questioned $5,593 of claimed FICA costs that exceeded costs incurred for member living allowances.

f. Parasol claimed health insurance premiums paid for a part-time member. AmeriCorps Provisions, Section B (11) *Living Allowances, Other In-Service Benefits and Taxes*, states that the Corporation will not cover health care costs for less than full-time members. We therefore questioned claimed health insurance costs of $924.

g. Parasol claimed excess living allowances paid to two members whose contracts specified that total living allowances of $8,000 and $10,000 be paid to the two members, respectively. Parasol claimed $8,124 for one member and $10,417 for the other. However, Parasol erroneously recorded the excess paid to the second member as part of Category B-F costs. We therefore questioned $124 from Category A for the first member.

h. Parasol members normally started the program year between September 1, 2000, and September 15, 2000. Parasol paid "catch-up" living allowances to members who started the program after September 15. Two of these members quit before the program year was over. As a result, these members were effectively paid for service when they were not participating in the program. AmeriCorps Provisions state that the living allowance is designed to help members meet necessary living expenses incurred while participating in

the AmeriCorps Program. We therefore questioned $1,458 paid for periods when the members were not in service.

2. Parasol claimed Categories B-F costs of $66,447 that exceeded the approved budget of $66,059 for these costs. We therefore questioned costs claimed that exceeded the budget.

3. We questioned education awards of $23,513 as follows:

   a. Parasol permitted a Program Year 2000-2001 member to earn a $3,363 partial education award, but did not document the compelling personal circumstances necessary to merit the award for a member who leaves the program. Circumstances under which a member may leave the program early and earn an education award are detailed in 45 CFR § 2522.230 (a), *Release for Compelling Circumstances*, which also requires that the program document these circumstances. We therefore questioned $3,363.

   b. Parasol did not conduct required background checks for four members. AmeriCorps Provisions, Section B (6), *Eligibility, Recruitment, and Selection,* require programs with members who have substantial direct contact with children to conduct criminal record checks on these members. We therefore questioned $10,700 in education awards for these members.

   c. Time sheets for three members did not support minimum hours required for the education award. Parasol recorded 1,700 hours or more in WBRS for each of these members, but their time sheets supported less than 1,700 hours. AmeriCorps Provisions, Section B (12), *Post-Service Education Awards,* requires members to perform a minimum of 1700 hours of service established for the program to receive a full education award. The minimum hours of service established for this program are 1,700. Parasol claimed $14,175 in education awards for these individuals. We therefore questioned $9,450 ($14,175 less $4,725 previously questioned in Note 3.b.).

NEVADA COMMISSION FOR 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 subrecipients. 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.

COTTON & COMPANY LLP
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December 17, 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 Nevada Commission for National and Community Service to the Corporation for National and Community Service for the following awards and have issued our report thereon dated December 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

Program	Award No.	Award Period	Audit Period
Administrative	01SCSNV033	07/01/01-06/30/04	07/01/01-06/30/03
Program Development Assistance and Training (PDAT)	02PDSNV033	07/01/02-06/30/05	07/01/02-06/30/03
Disability	00DSCNV033	07/01/00-06/30/03	07/01/00-06/30/03
AmeriCorps Competitive	98ASCNV029	09/01/00-08/31/03	09/01/00-09/30/01
AmeriCorps Competitive	01ASCNV029	06/01/01-05/31/04	06/01/01-12/31/03
AmeriCorps Formula	00ASFNV029	09/01/00-08/31/03	09/01/00-08/31/03
AmeriCorps Promise Fellows	01APSNV029	11/01/01-10/31/05	11/01/01-12/31/03

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 generally accepted government auditing standards (all seven findings discussed below).

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 and 2, discussed below).

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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 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. 1 and 2 to be material weaknesses.

FINDINGS

1. The Commission did not have adequate financial monitoring procedures or other procedures to ensure that subrecipients had adequate financial management and reporting systems.

The Commission did not adequately monitor the financial progress of its subrecipients to ensure that adequate financial management and reporting systems were in place, and to ensure that financial reports were accurate. Specifically, we noted the following:

- GBPC, U.S. Vets, GBI, and Family Resource claimed administrative costs based on 5 percent of budgeted expenditures. AmeriCorps Provisions, Section C (22), *Administrative Costs,* state that administrative costs cannot exceed 5 percent of total Corporation funds expended, or 5.26 percent of total Corporation funds expended, excluding administrative costs. Subrecipients did not understand AmeriCorps provisions regarding administrative costs and thought they were entitled to 5 percent of budgeted federal expenditures. Consequently, their financial systems did not identify and accumulate administrative costs based on actual expenditures.

- Parasol claimed costs on its Periodic Expense Reports (PERs) based on budgeted amounts. OMB Circular A-122, Attachment A, Paragraph 2, *Factors affecting allowability of costs*, requires that costs be adequately documented to be allowable. Parasol was not familiar with Federal cost principles and was thus unaware of the need to identify and accumulate costs, by program, in its financial system.

- GBPC and Parasol could not reconcile claimed program costs to their financial management systems because the systems did not properly identify, segregate, and allocate program costs. GBPC used Excel spreadsheets to calculate claimed AmeriCorps program costs and did not update its accounting records to reflect these allocations. Parasol's financial system did not identify costs by program year and budget category. According to 45 CFR § 2543.21 (b), *Standards for Financial Management Systems,* recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.

- GBPC did not have documented cost allocation procedures and had not updated its financial policies for current procedures. AmeriCorps Financial Management Provisions, Section C (21), *Financial Management Provisions,* requires that grantee financial management systems include standard accounting practices, sufficient internal controls, and written cost allocation procedures. GBPC did not see the need for written cost allocation procedures and did not update its financial policies because it generally followed the accounting procedures required by individual grants.

- U.S. Vets, GBI, Parasol, GBPC, and B&G Clubs did not have procedures to ensure that member and employee time sheets were properly maintained and that all time sheet entries and corrections were adequately documented. Specifically, we noted that:

  - Time sheet corrections were made using whiteout (U.S. Vets, and GBPC).

  - Time sheet changes were not initialed (U.S. Vets, GBI, Parasol, GBPC, and B&G Clubs).

  - Original time sheets were not maintained (U.S. Vets, GBI, Parasol, and GBPC).

  - Time sheets were prepared using pencil rather than ink (GBI and Parasol).

  - Time sheets were not signed by the member, employee or supervisor (Parasol and B&G Clubs).

  In accordance with AmeriCorps Provisions, Section C (21) (c), *Time and Attendance Records*, the grantee (or subrecipient) 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. Additionally, appropriate OMB Circulars require grantees to maintain adequate support for all labor charges, such as time sheets or effort reports.

- The Commission's procedures did not include a review of subrecipient OMB Circular A-133 reports to verify that reported expenditures agreed to the Commission's records and to resolve any discrepancies noted in the review process. According to AmeriCorps Provisions, Section C 21(d), *Audits*, recipients must consider whether subrecipient audits necessitate adjustment of the grantee's records. The Commission was not aware of this requirement.

- GBPC and Parasol did not submit Financial Status Reports (FSRs) on a timely basis. The grant agreements established quarterly due dates for subrecipient FSRs. We noted that the following FSRs were not submitted on time:

Subrecipient	Program Year	Reporting Period	Date Due	Actual Submission Date
GBPC	2002-2003	10/01/02-12/31/02	01/15/03	02/25/03
GBPC	2002-2003	01/01/03-03/31/03	04/15/03	04/20/03
Parasol	2000-2001	07/01/01-09/30/01	10/15/01	10/22/01
Parasol	2001-2002	07/01/02-09/30/02	10/15/02	10/29/02

The Commission is responsible for ensuring that its subrecipients have adequate financial management systems and are accurately reporting financial results. The Commission should have detected the conditions described above in its periodic review of subrecipient expense reports and during its site visits. The Commission's failure to identify and require corrective action for the above conditions indicates that it is not adequately monitoring its subrecipients.

Recommendation: We recommend that the Commission:

- Provide training and technical assistance to subrecipients to ensure that they maintain adequate financial records and submit accurate and timely financial reports and reimbursement requests.

- Add procedures to its site visits to include reconciliation of claimed costs to accounting records, and ensure accurate reporting by subrecipients by periodically requesting accounting records.

Commission Response

The Commission commented on each of the issues above:

- *Subrecipients claimed administrative costs based on 5 percent of budgeted expenditures.* The Commission stated that it found this discrepancy on its own during its annual internal audit, thus proving that it has adequate internal control systems in place.

- *Parasol claimed costs based on its PERs based on budgeted amounts.* The Commission stated that Parasol staff has attended training on Federal cost principles.

- *GBPC and Parasol could not reconcile claimed program costs to their financial management systems.* The Commission stated that these are small, community-based organizations without the financial sophistication necessary to consistently allocate and segregate program costs. Both subrecipients, however, were provided financial training opportunities and had independent audits. The Commission will no longer provide financial training as an option, but rather will make it a requirement for subcipients.

- *GBPC did not have documented cost allocation procedures and had not updated its financial policies for current procedures.* The Commission stated that it is addressing this problem, but pointed out that, since the government is emphasizing grants to small community and faith-based organizations, it should consider allocating training funds to systematize Federal grants management capacity for these organizations.

- *Subrecipients did not have procedures to ensure adequate timekeeping.* The Commission has instructed all of its programs to place more emphasis on correctly maintaining time sheets. The Commission has also revised its program review instrument to reflect tighter monitoring of this issue, and is developing an AmeriCorps program training manual to include topics addressing all of the audit findings.

- *The Commission did not review subrecipient OMB Circular A-133 reports to verify that reported expenditures agreed to the Commission's records.* The Commission stated that it regularly reviews subrecipient audit reports and follows up on applicable findings. It also reconciles the subrecipient Schedule of Award to their Financial Status Reports, both on a quarterly and year-end basis. There was only one instance where it did not obtain a subrecipient's audit report due to a discrepancy in program year and audit due dates.

- *GBPC and Parasol did not submit Financial Status Reports (FSRs) on a timely basis.* The Commission stated that its program officer noted that GBPC's reports were late, and verbally warned GBPC that it would be fined for future late reports. The subrecipients did not meet the

Commission's deadlines, but the Commission wasn't late in submitting its reports to the Corporation.

The Commission agrees that it needs to improve its program monitoring procedures. It has changed its program review instrument to include reconciling claimed costs to accounting records. It has strengthened its financial monitoring by:

- Making changes to its program review instrument.
- Requiring subrecipients to submit financial statements regularly.
- Verifying match more often.
- Training subrecipients on match and time sheet allocation.
- Strengthening its written policies and procedures.
- Developing a training plan for subrecipients.
- Instructing subrecipients not to miss reporting deadlines, and requiring written approval for any extenuating circumstances.

Auditors' Additional Comments

The Commission's corrective actions, as described, are responsive to our recommendations. No additional comments are necessary.

2. The Commission claimed unallowable and unsupported costs.

The Summary of Results section identified questioned costs, which are described in detail in the notes to Schedules A through D. These questioned costs consist of costs claimed by the Commission and subrecipients for which documentation shows that recorded costs were not expended in accordance with laws, regulations, or specific conditions of awards; costs that require interpretation of allowability by the Corporation; and costs that require additional documentation to support allowability.

Because costs incurred by subrecipients exceeded reimbursable grant amounts, there were many additional unallowable amounts that did not result in questioned costs, and therefore the cost exceptions in our exhibits do not reflect the extent of noncompliance with applicable cost provisions. In addition to amounts identified in Schedules A through D, additional unallowable and unsupported costs were identified that did not result in questioned costs because they were either match costs or program costs that exceeded claimed amounts. Those additional unallowable costs included:

- GBPC, Parasol, and GBI claimed staff labor costs based on budgeted amounts rather than actual effort expended. Additionally, U.S. Vets claimed staff labor costs that had been claimed under another Federal program. Time sheets for these employees did not identify the programs worked for, or any distribution between programs. These entities also did not have adequate labor distribution systems in place to support actual effort expended, such as time sheets or periodic certifications of effort. Subrecipients are required to follow OMB Circular A-122, Attachment B, Paragraph 8 (m), *Compensation for Personal Services, Support of salaries and wages*, which requires that claimed labor costs be supported by reports that:

    - Reflect an after-the-fact determination of employee activity.
    - Account for the total activity for which an employee is compensated.
    - Are signed by the employee or a supervisor having knowledge of the activities that were performed.
    - Are prepared at least monthly and coincide with the subrecipient's pay period.

These requirements are the same for costs claimed as reimbursed costs, or used as match.

- The Commission claimed staff labor under the Administrative, PDAT, and Disability grants for which adequate supporting documentation was not available. It allocated certain labor costs among its grants, but did not make the allocations based on actual effort expended. Based on a requirement from the Corporation's Administrative Standards review, the Commission required employees to keep activity-based time sheets, as required by OMB Circular A-122, Attachment B, Paragraph 8 (m), *Compensation for Personal Services, Support of salaries and wages*. However, the labor effort reported on the time sheets were ultimately not used to allocate wages between the final cost objectives. All labor costs incurred by the Commission were allocable to one of the Corporation grants and as a result, no net questioned costs were related to this finding.

- U.S. Vets and Parasol claimed several costs for which they had no supporting documentation. Certain sampled expenses could not be supported with receipts or other documentation to determine the nature of the expense. In the majority of these instances, U.S. Vets and Parasol had misplaced the supporting documentation. Additionally, U.S. Vets claimed costs that were later credited from the program. However, the credit adjustment was not applied to its financial reports.

- GBPC claimed unallowable member unemployment insurance. AmeriCorps Provisions, Section B (11), *Living Allowances, Other In-Service Benefits and Taxes*, state that grantees cannot charge unemployment insurance taxes to the grant unless mandated by state law. The Nevada Department of Employment, Training, and Rehabilitation determined that payments to AmeriCorps participants are not subject to unemployment insurance taxes.

- Parasol claimed Federal Insurance Compensation Act (FICA) costs that exceeded the maximum FICA rate incurred for member living allowances and employee salaries. Parasol claimed excessive FICA costs for member living allowances and employee salaries.

- Parasol claimed rent, telephone, and program evaluation costs based on the award budget. While Parasol had documentation to support total costs incurred on these items, it could not provide support for amounts allocated to this program.

- Parasol claimed costs paid to its program director for a bonus in PY 2001-2002. OMB Circular A-122, Attachment B, Paragraph 8 (j), *Compensation for personal services, Incentive Compensation*, requires that, for such costs to be allowable, they must be paid "pursuant to an agreement entered into in good faith between the organization and the employees before the services were rendered, or pursuant to an established plan followed by the organization so consistently as to imply, in effect, an agreement to make such payment." Parasol could not provide an advance agreement document or a documented bonus plan.

- Parasol claimed costs that were not necessary for the operation of the program. Costs incurred included expenses for a going-away party for a program director, ski lift tickets, phone cards and airline miles. While certain of these costs were in-kind contributions and therefore claimed as match, all such costs allocated to the program must be necessary, reasonable and adequately supported.

- Parasol claimed vehicle costs based on the current market value. A third party, however, retained title to these vehicles, and therefore the vehicles were loaned and not donated. The contributed amount claimed should have been based on the fair rental rate for the period claimed, not the full

market value of the vehicle.

This high number of identified unallowable cost items reflects a lack of subrecipient awareness of applicable cost principles. Additionally, it indicates that the Commission was not performing adequate subrecipient monitoring regarding the assurance of cost allowability.

Recommendation: We recommend that the Corporation:

- Follow up with the Commission to determine if questioned and unsupported amounts should be allowed, or disallowed and recovered.

- Ensure that the Commission better train, its subrecipients on determining the allowability of costs and documentation required to support claimed costs.

We recommend that the Commission:

- Implement review procedures to test the allowability of costs.

- Ensure that costs incurred directly by the Commission meet all OMB circular requirements for allowability.

Commission Response

The Commission commented on each of the issues above:

- *Several subrecipients claimed staff labor costs based on budgeted amounts rather than actual effort expended.* The Commission has revised its program review instrument to include more emphasis on reviewing the proper allocation and recording of staff labor costs. The Commission is developing a pre-service training manual with emphasis on this subject, and also training for its subrecipients on applying OMB Circular principles.

- *The Commission did not allocate labor costs among its grants based on actual effort expended.* The Commission has implemented a quarterly, after-the-fact reconciliation that compares actual effort to allocations and to grant draws.

- *Several subrecipients claimed costs for which they had no supporting documentation.* The Commission stated that it relies on sample testing in its financial monitoring process, and it has not detected as many instances of unsupported amounts as the auditors found. The Commission will require all subrecipients to attend training on the OMB Circular principles.

The Commission stated that a number of the unallowable cost issues relate to one small community-based subrecipient that doesn't have the systems necessary to avoid these mistakes. The Commission further noted that none of the Commission costs claimed were questioned for allowability.

The Commission stated that it has revised its program review instrument to document testing of the allowability of costs. This subject will also be covered in the Commission's training for subrecipients on OMB Circular principles.

Auditors' Additional Comments

The Commission's corrective actions, as described, are responsive to our recommendations. No additional comments are necessary.

3. The Commission did not have adequate procedures in place to ensure member eligibility.

The Commission did not adequately monitor and train subrecipients to ensure that all members were eligible to earn their living allowances and education awards. We noted that members did not always have adequate documentation of citizenship, proof of high school diplomas or GEDs, and required background checks. We also noted that subrecipients claimed unallowable member service hours as meeting education award requirements, and that one member was inappropriately awarded a partial education award. Specifically:

- Member files at several subrecipients did not contain proof of citizenship. According to 45 CFR § 2522.200, a member must provide documentation of status as a U.S. citizen or legal resident. Subrecipients did not, however, have procedures to ensure that this documentation was maintained in member files. We noted that member files did not include proof of citizenship, as follows:

Subrecipient	Files Tested	Missing Information
GBI-Promise Fellows	4	1
U.S. Vets	32	5
GBPC	8	1

- U.S. Vets member files did not always include copies of high school diplomas or equivalent records. We tested 41 member files and determined that 14 Program Year 2000 - 2002 files did not include this documentation. According to 45 CFR § 2522.200, *Participant Eligibility, Requirements, and Benefits*, members must have a high school diploma or equivalent or must agree to obtain a high school diploma or its equivalent. U.S. Vets attempted to comply with this regulation by requiring members to complete and sign a form that provided information on high school graduation. These forms did not, however, meet the AmeriCorps requirements for those program years.

- GBI did not have procedures in place to determine if background checks were necessary for Promise Fellow applicants. Parasol did not conduct required background checks on four of its members in Program Years 2001-2002 and 2002-2003. Parasol placed responsibility for performing background checks with its individual sites and did not verify that they had been conducted. Failure to perform these background checks could result in children and other vulnerable persons being placed in harm's way. AmeriCorps Provisions, Section B (6) (h), *Criminal Record Checks*, require that programs with members who have substantial direct contact with children must conduct criminal record checks on these members and maintain this documentation in member files.

- B&G Clubs counted 120 hours of leave time in Program Year 2002-2003 toward a member's 1,700-hour minimum service requirement. These hours are not allowable in accordance with AmeriCorps Promise Fellows Provisions, Section B (8), *Terms of Service*, which requires that members must serve at least 1,700 hours during a period of not less than 10 months and not more than 12 months. The program director was unaware that only actual service hours should be

counted toward the minimum service requirement.

- U.S. Vets granted a partial education award to a member who prematurely exited the program without documenting the compelling personal circumstances necessary to merit a partial education award. The member was released for violating program rules of conduct, but the exit form indicated a release for health reasons. In addition, U.S. Vets granted partial education awards to two members who left the program early, and Parasol did so for one such member, without documenting compelling personal circumstances. Subrecipients did not have procedures to ensure that the reasons for early releases were properly documented. Without such procedures, members may earn partial education awards for which they are not eligible.

45 CFR § 2522.230(a) (4) states that:

> *The program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.*

45 CFR § 2522.230(b) (3) states that:

> *A participant who is released for cause may not receive any portion of the AmeriCorps education award or any other payment from the National Service Trust.*

As part of its monitoring requirements, the Commission is responsible for ensuring that subrecipients are adequately trained in programmatic provisions and procedures to ensure that members are eligible to serve and have met all eligibility requirements for education awards.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet requirements of 45 CFR § 2543.51. Specifically, the Commission should ensure that its subrecipients are:

- Adequately documenting and ensuring member citizenship.
- Ensuring that members have either obtained a high school diploma or GED or have stated that they were working toward obtaining a diploma or GED.
- Recording member hours accurately and in accordance with program provisions.
- Maintaining adequate documentation.
- Obtaining member background checks when warranted.
- Only recording and crediting actual service hours toward the 1700-hour service requirement.
- Properly documenting compelling personal circumstances when approving partial education awards for members who leave a program early.

Commission Response

The Commission commented on each of the issues above:

- *Member files at several subrecipients did not contain proof of citizenship.* The Commission stated that it has always maintained a strict policy on citizenship documentation and has emphasized this in program director training. The Commission is now testing 100 percent of member files during its site visits.

- *U.S. Vets member files did not always include copies of high school diplomas or equivalent records.* The Commission stated that during the time period in question, programs were following the Corporation's AmeriCorps Director Handbook, which for a time did allow the method used by U.S. Vets as an alternative to high school diplomas. The Commission has routinely accepted official college transcripts as proof. The Commission asks that the Corporation rely on institutions of higher learning to verify that members have graduated with a high school diploma or GED before they use their education awards.

- *GBI and Parasol did not have procedures to ensure that all necessary background checks were conducted.* The Commission is reviewing all available information regarding fingerprinting for required populations on the state and local levels. The Commission is requiring all programs to review and report to the Commission on their procedures, and will provide ongoing training on this subject to subrecipients.

The Commission began implementing a 100 percent review of program files in its on-site reviews conducted in 2004. These reviews include verification of citizenship, high school diploma or GED, time sheets to WBRS, background checks, service hour descriptions, and documentation of compelling personal circumstances. Subrecipients are required to consult with Commission staff before they allow a member to leave the program early.

Auditors' Additional Comments

The Commission's corrective actions, as described, are responsive to our recommendations. No additional comments are necessary.

4. The Commission did not have adequate procedures to ensure that members received living allowances in accordance with AmeriCorps Provisions.

Several subrecipients did not pay member living allowances in accordance with AmeriCorps regulations, resulting in members being overpaid or underpaid. Certain subrecipients paid members hourly, while others paid members a lump sum for the program year, regardless of service time incurred. Specifically:

- Parasol paid five members lump sums when they completed the program early.

- Parasol paid two members, who started after the beginning of Program Year 2000-2001, a "catch-up" amount so that their living allowance would equal amounts paid to those members who had started their service at the beginning of the program year.

- GBPC paid its members their living allowances based on an hourly rate and also paid a Program Year 2002-2003 living allowance to a person who was not officially enrolled in the AmeriCorps program.

- U.S. Vets paid two members lump sums when they completed the program early.

- U.S. Vets paid a member a living allowance for periods outside of the service term. The member

was released for compelling personal circumstance, but received a lump sum as if the member successfully completed the program early.

Subrecipients did not understand AmeriCorps provisions on living allowances, and the Commission did not have monitoring procedures in place to ensure that members were paid appropriately. AmeriCorps Provisions, Section B (11) *Living Allowances, Other In-Service Benefits and Taxes,* states:

> *The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given period.*

Because the living allowance is designed to cover living expenses for members while participating in the program, payouts and catch-up amounts are not allowed, even if the member does not earn the maximum award available.

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet requirements of 45 CFR § 2543.51 *Monitoring and reporting program performance*. Specifically, the Commission should ensure that subrecipients are calculating and paying living allowances in accordance with program and grant provisions. We also recommend that the Corporation clarify this grant provision.

Commission Response

The Commission commented on each of the issues above:

- *Parasol and U.S. Vets paid several members lump sums when they completed the program early.* The Commission disagrees with the auditors' interpretation of the AmeriCorps provisions. Programs contract to pay the stated living allowance for the stated number of hours. If members who complete their hours early do not receive the remaining living allowance, they are being penalized by not receiving the full amount of their contract. Additionally, members who are slow to complete their hours and receive the entire living allowance would appear to be unfairly rewarded.

- *Parasol paid two members, who started after the beginning of Program Year 2000-2001, a "catch-up" amount.* The Commission noted that Parasol eliminated this procedure after its first year as a program.

- *GBPC paid a Program Year 2002-2003 living allowance to a person who was not officially enrolled in the AmeriCorps program.* The Commission stated that it discovered and reconciled this item, and GPBC was ultimately not reimbursed for any costs associated with member overpayments.

The Commission stated that, during its site visits, it reviews payroll schedules and general ledger detail to verify that living allowances are evenly distributed.

Auditors' Additional Comments

The AmeriCorps Provisions state that the intent of the member living allowance is to provide subsistence while the member is participating in the program, not to compensate members for services rendered.

Member payments made subsequent to a member completing service are not within the scope of the AmeriCorps grant.

The Commission's corrective action, as described, is partially responsive to our recommendations. In conjunction with its review of the financial records, the Commission also needs to review program records to ensure that living allowance payments are not being made to persons not currently participating in the AmeriCorps program.

5. The Commission did not have procedures to ensure that subrecipients adequately documented member activities.

Several subrecipients did not adequately document member activities in accordance with AmeriCorps Provisions. Certain subrecipients did not maintain or complete member evaluations, enrollment forms, exit forms, or completed those forms improperly or in an untimely manner. Certain subrecipients did not adequately document member attendance at orientation sessions and required training. Finally, certain subrecipients could not support the number of claimed member hours in WBRS with member time sheets. Specifically:

- Member files for six programs at five subrecipients were missing documentation on mid-term and/or final evaluations. AmeriCorps Provisions, Section B (7) (g), *Performance Reviews*, require that grantees conduct at least mid-term and end-of-term evaluations of each member's performance, documenting that the member has:

    - Completed the required number of hours.
    - Satisfactorily completed assignments.
    - Met other performance criteria that were clearly communicated at the beginning of the service term.

  We noted that evaluations were missing from subrecipient files, were unsigned, or did not comply with AmeriCorps requirements because they did not indicate if the member had completed the required number of service hours. Subrecipients did not have procedures in place to ensure that all evaluations were properly completed and maintained in member files.

  Evaluations are necessary to ensure that members are eligible for another term of service. According to 45 CFR § 2522.220 (c), *Eligibility for second term*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps educational award without undergoing mid-term and final evaluations. Following is a summary of evaluations tested:

		Number of Evaluations		
Subrecipient	**Tested**	**Missing**	**Unsigned**	**Did Not Comply**
GBI	22	4	16	8
U.S. Vets	38	18	2	-
Parasol	32	7	13	10
GBPC	16	3	1	5
B&G Club-Promise Fellows	1	-	-	1
GBI-Promise Fellows	8	2	4	2

- GBPC did not report to the Corporation the enrollment and release from service for one member, because it was unable to access WBRS. In addition, member files at several subrecipients lacked sufficient information to document member enrollment and exit. AmeriCorps Provisions, Section B (16) (b), *AmeriCorps Member-Related Forms*, require that member enrollment forms be submitted to the Corporation no later than 30 days after a member has enrolled, and that member exit/end-of-term-of-service forms be submitted no later than 15 days after a member exits the program.

  We noted that enrollment and end-of-term-of-service forms were missing, were submitted late, or lacked member signatures when entered in WBRS as follows:

		Number of Forms		
Subrecipient	**Tested**	**Missing**	**Late**	**Unsigned**
GBI	22	-	7	-
U.S. Vets	38	5	-	2
Parasol	32	1	2	1
GBPC	16	1	1	4

  Subrecipients did not have procedures in place to ensure that these forms were completed and submitted in a timely manner and were retained in member files. Subrecipient failure to promptly obtain and submit this information can result in inaccurate Corporation member enrollment records.

- Member files at several subrecipients lacked sufficient information to document member attendance of orientation. Specifically:

  - U.S. Vets could not provide agendas or sign-in sheets or any other documentation to support that member orientations were held during the three program years we reviewed.

  - GBI could not provide orientation information and documentation for its Program Year 2001-2002 Promise Fellow members and 14 of its AmeriCorps members.

  - Parasol could not provide documentation that 4 of the 16 members tested received an orientation.

  - GBPC could not provide documentation that one of the eight members tested received an orientation.

  AmeriCorps Provisions, Section (B) (7), *Training, Supervision and Support*, require that grantees conduct orientations for members covering member rights and responsibilities, including the code of conduct, prohibited activities, Drug-Free Workplace Act requirements, grants for suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary.

- Hours recorded by subrecipients in WBRS were not always properly supported by member time sheets. AmeriCorps Provisions, Section C (21) (c) *Time and Attendance Records*, require that grantees keep time-and-attendance records on all AmeriCorps members to document eligibility for in-service and post-service benefits. The Corporation uses this information in WBRS to track member status, and these hours are the basis for the issuance of education awards. Subrecipient program personnel, however, made data-entry errors when recording member hours in WBRS. We noted that total hours supported by time sheets varied from total hours on WBRS for members as follows:

Subrecipient	Files Tested	Files with Discrepancies
U.S. Vets	27	11
Parasol	25	14
GBPC	24	12
B&G Club-Promise Fellows	1	1
GBI-Promise Fellows	4	3

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet AmeriCorps Provision requirements regarding member activities including:

- Being aware of, and complying with, grant requirements for conducting and retaining member evaluations.

- Documenting member enrollments and exits promptly and submitting this information to the Corporation on a timely basis.

- Maintaining orientation and training records.

- Recording member hours accurately and in accordance with program and grant provisions.

Commission Response

The Commission stated that it agrees with the recommendations and has already implemented changes. The Commission also commented:

- *Member files for six programs at five subrecipients were missing documentation on mid-term and/or final evaluations.* The Commission stated that it has been providing guidance and emphasizing the importance of member evaluations via conversations, e-mail reminders, and during its site reviews.

- *GBPC did not report to the Corporation the enrollment and release from service for one member and member files at several subrecipients lacked sufficient information to document member enrollment and exit.* The Commission stated that it monitors all member forms in its site visits, and that it monitors compliance with the 30-day enrollment timeframe on WBRS. The Commission stated that it also covers this issue in its program director training.

- *Member files at several subrecipients lacked sufficient information to document member attendance of orientation.* The Commission stated that it has instructed all programs in the proper

documentation of training events, and accompanying member sign-in sheets. The Commission requires agendas and sign-in sheets as documentation for all training meetings.

- *Hours recorded by subrecipients in WBRS were not always properly supported by member time sheets.* The Commission stated that it has instructed all program directors to conduct random desk audits comparing time sheets to WBRS. In addition, the Commission will be conducting quarterly desk audits of all programs to randomly sample proof of eligibility, time sheets, performance measurements data, and other items.

Auditors' Additional Comments

The Commission's corrective actions, as described, are responsive to our recommendations. No additional comments are necessary.

6. The Commission did not have procedures to ensure that subrecipients complied with all grant compliance provisions.

Several subrecipients did not adequately document compliance with all grant provisions, including nondiscrimination requirements, progress reporting requirements, establishment of grievance procedures, adequate member contracts, and record retention requirements. Specifically:

- U.S. Vets, Parasol, and GBPC did not obtain and maintain racial and ethnic data for program staff, because they were unaware that this data were required. AmeriCorps Provisions Section C (30), *Non-Discrimination,* requires that Commissions have racial, ethnic, sex, and disability data available for program staff as well as for applicants.

- U.S. Vets did not submit all required progress reports and, for those it did submit, did not always submit the reports to the Commission by the required dates. U.S. Vets' grant agreement required that quarterly progress reports be submitted and established due dates for these reports. For the three program years in our audit, U.S. Vets submitted seven progress reports after the stipulated due date and did not submit two reports in Program Year 2001-2002.

- U.S. Vets, Parasol, and GBPC did not establish procedures for handling grievances from outside parties because they were unaware that this was required. According to 45 CFR § 2540.230, *What grievance procedures must recipients of Corporation assistance establish?*, subrecipients must "establish and maintain a procedure for the filing and adjudication of grievances from participants, labor organizations, and other interested individuals concerning programs that receive assistance from the Corporation".

- U.S. Vets, GBPC, GBI, and B&G Clubs did not include all required provisions in member contracts. AmeriCorps Provisions Section B (7), *Training, Supervision, and Support*, requires members to sign contracts that stipulate prohibited activities, Drug-Free Workplace Act requirements, and position descriptions. These subrecipients' member contracts did not identify prohibited activities. In addition, GBPC and B&G Clubs member contracts did not include position descriptions. The B&G Clubs member contracts also did not include Drug-Free Workplace Act requirements. Subrecipients did not have procedures to ensure that member contracts included all required provisions.

- GBPC did not have a documented record-retention policy, although its stated policy is to retain records for five years. This policy does not conform with AmeriCorps Provisions, Section C

(26), *Retention of Records*, which require that grantees retain financial and program records for three years from the date of submission of the final FSR. GBPC was unaware of this requirement.

According to 45 CFR § 2543.51, *recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.*

Recommendation: We recommend that the Commission strengthen its program monitoring procedures to ensure that subrecipients meet requirements of 45 CFR § 2543.51. Specifically, the Commission should ensure that its subrecipients are:

- Obtaining and maintaining racial/ethnic data for all personnel.
- Submitting progress reports in a timely manner.
- Establishing procedures for handling grievances from outside parties.
- Utilizing member contracts that include all required information.
- Maintaining a documented record-retention policy.

Commission Response

The Commission stated that it agrees with the recommendations and has already implemented them. The Commission also commented:

- *U.S. Vets, Parasol, and GBPC did not obtain and maintain racial and ethnic data for program staff.* The Commission stated that it has notified programs to maintain this data, and that programs are to use the Corporation's member application form as an example in gathering this data from program staff.

- *U.S. Vets did not submit, or did not submit timely, all required progress reports.* The Commission stated that all programs are aware that the Commission requires strict adherence to progress report due dates, and programs must obtain permission is order to submit a late report.

- *U.S. Vets, Parasol, and GBPC did not establish procedures for handling grievances from outside parties.* The Commission created one standard grievance policy and procedure, and instructed its programs to use this starting in early 2004. This insures that the form includes all applicable requirements, and there is uniformity on the issue.

- *U.S. Vets, GBPC, GBI, and B&G Clubs did not include all required provisions in member contracts.* The Commission has revamped member contracts, and all are reviewed for these compliance issues.

- *GBPC did not have a documented record-retention policy, although its stated policy is to retain records for five years.* The Commission stated that, although GBPC did not have this policy, its stated requirement exceeded the required minimum.

Auditors' Additional Comments

The Commission did not describe its corrective actions to address the record-retention policy issue. We do not agree that GBPC's stated record-retention policy exceeded the required minimum, because it does not provide for situations where there is a delay in submitting the final FSR. Conceivably, in accordance with its stated policy, GBPC could destroy program records which should be retained because the final

FSR was submitted less than three years before. The Commission needs to ensure that all of its subrecipients have documented records retention policies that comply with AmeriCorps provisions.

The Commission's other corrective actions, as described, are responsive to our recommendations.

7. The Commission did not adequately document its consideration of relevant past performance by subrecipients in its subgrant award process.

The Commission did not include information regarding results of past OMB Circular A-133 audits and, in Program Year 2003, did not include program accomplishments for renewal applicants in its subgrant award process. The form used by peer reviewers during subrecipient selections did not include sections to document OMB Circular A-133 audit results. In Program Year 2003, the peer reviewers did not document review of progress reports as evidence of past program accomplishments.

According to 45 CFR § 2522.410 (b), *Program Criteria*, criteria used in competitively identifying subrecipients must include past performance of the organization or program. Failure to evaluate past experience could result in awards being made to subrecipients that are unable to satisfactorily carry out program goals.

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

Commission Response

The Commission stated that it agrees with this recommendation and began implementing it during peer review in 2005. It has revised the peer review forms so that discussions regarding financial reviews (including audits) as well as progress reports are now documented.

Auditors' Additional Comments

The Commission's corrective action, as described, is responsive to our recommendation. No additional comments are necessary.

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

COTTON & COMPANY LLP

Sam A. Hadley, CPA, CGFM
Partner

ATTACHMENT A

STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF THE NEVADA COMMISSION FOR NATIONAL AND COMMUNITY SERVICE OFFICE OF INSPECTOR GENERAL REPORT NO. 01-17

The findings listed below were included in Office of Inspector General Report No. 01-17 dated October 27, 2000. A number of these findings address issues involving the Nevada Department of Employment, Training, and Rehabilitation (DETR). The Commission was part of DETR until May 15, 1998, when it became an independent not-for-profit organization. The status of each finding is addressed below.

1. **Lack of Pre-Award Risk Assessment for PY 1999-2000.**

   For Program Year 1999-2000, the Commission had not yet established a thorough pre-award risk assessment process to fully evaluate applicants' financial and management capabilities.

   Current Status: The Commission revised its procedures relating to pre-award risk assessments to include the review of an applicant's internal control structure, accounting procedures, and any prior-year audit reports. During our testing, however, we noted that the Commission did not adequately document its review of subrecipients' past performance in its selection process (Finding No. 7).

2. **Insufficient Procedures Related to Pre-Award Risk Assessments and Grievances.**

   DETR did not have adequate pre-award procedures in place to evaluate applicants' financial and management capabilities. Also, DETR did not have written grievance procedures in place for unsuccessful grant applicants.

   Current Status: The Commission is no longer part of DETR, and its internal controls and policies and procedures have been revised. We independently evaluated the controls over pre-award risk assessments and identified a related finding (Finding No. 7).

3. **Missing Documentation Supporting the Selection Process.**

   DETR could not locate a list of applications from applicants that had been rejected for funding, copies of letters that were sent to rejected applicants, documentation supporting the reasons for funding denials, or documentation supporting the review performed for 2 of 4 accepted applicants.

   Current Status: The Commission is no longer part of DETR, and its internal controls and policies and procedures have been revised. We independently evaluated the controls over the selection process and had no related findings.

4. **Untimely and Inaccurate Financial Status Reports (FSRs)**

   DETR did not submit administrative grant FSRs in a timely manner and made a mathematical error in one FSR. Also, DETR did not follow up when a subrecipient submitted an FSR 38 days late.

   Current Status: The Commission is no longer part of DETR, and its internal controls and policies and procedures have been revised. We independently evaluated the controls over the financial reporting process and had a related finding (Finding No. 1).

5. **Missing Documentation Supporting Grant Administration.**

DETR was not able to provide adequate documentation to support payments to subrecipients, including documentation of funding requests submitted by subrecipients and Federal expenditures reported on FSRs for subrecipients and the Commission.

Current Status: The Commission is no longer part of DETR, and its internal controls and policies and procedures have been revised. We independently evaluated the controls and related documentation to support subrecipient payments and had no related findings.

6. **Insufficient Subrecipient Monitoring Procedures and Related Documentation.**

DETR did not have an adequate system in place to collect and review subrecipient OMB Circular A-133 audit reports. Also, DETR did not adequately document the procedures performed during subrecipient site visits, or the results of those visits.

Current Status: The Commission is no longer part of DETR, and its internal controls and policies and procedures have been revised. We independently evaluated the controls related to the review of subrecipient A-133 reports and had a related finding (Finding No. 1).

Appendix A

Response of the Nevada Commission for National and Community Service

Nevada Commission for National & Community Service, Inc.

137 Keddie Street
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Commissioners
Joe Cobery, Chair
Churchill County Social Services

Rich Becker, Vice-Chair
Copywrite, Ink.

Gina Polovina, Secretary
Boyd Gaming Corporation

Raelene Palmer, Treasurer
Clark County District Attorney's Office

Lacey Alderson
Youth Volunteer

Janice Ayres
Nevada Rural Counties RSVP

Lt. Larry Burns
Las Vegas Metro Police

Robyn Clayton
Southwest Gas Corporation

Charlotte Curtis
Nevada Department of Education

Chrissy Lane
IGT, Reno

Ryan Paul
Youth Volunteer

Fran Smith

Volunteer Center of Southern Nevada

Tom Warden
The Howard Hughes Corporation

Craig Warner
Corporation for National and Community Service

Janet Wright
Nevada Service Learning Partnership

Executive Director
Shawn R. Lecker-Pomaville

April 28, 2005

Ms. Carol Bates
Assistant Inspector General for Audit
Corporation for National & Community Service
Office of Inspector General
1201 New York Ave., NW, Suite 830
Washington DC 20525

RE: Audit Report No. 05-10

Dear Ms. Bates:

Thank you for the opportunity to comment on the report summarizing the incurred-cost audit of grants awarded to the Nevada Commission for National and Community Service, Inc. ("Commission"). The Commission is pleased there were no questioned costs on the commission-level. We have put many procedures and policies in place to ensure that all federally-funded programs are in compliance with federal law.

This package includes a response to all questioned costs at the subgrantee level according to Schedule, as well as a response to each of the findings in the independent auditor's report on compliance and internal control. The Commission has worked extensively with each subgrantee to resolve all audit issues.

Please feel free to contact me at (775) 423-1461 if you need additional information for the final report. We look forward to working with the Office of Grants Management to resolve all issues.

Sincerely,

SHAWN R. LECKER-POMAVILLE
Executive Director

JOSEPH COBERY
Chairman of the Board

Cc: Rosie Mauk, Director, AmeriCorps
Peg Rosenberry, Director, Office of Grants Management
Douglas Gerry, Grants/Financial Analyst

Schedule A
Award No. 01APSNV029 – Promise Fellow

1. No questioned costs.
2. Because the grant remains open and the auditors have not questioned the cost at this time, we will continue to work on this issue. Great Basin Institute (GBI), the sub-grantee, has reported that despite significant attempts to obtain the documentation, including speaking directly with the former member, she declined to provide it. An I-9 for the member is on file. The Nevada Commission for National and Community Service, Inc. has provided training with emphasis on this issue over the years. GBI is still pursing this matter.
3. a. Boys and Girls Clubs of Las Vegas, the sub-grantee, is aware that this is their error. The Promise Fellow's supervisor mistakenly applied internal personnel policies to the AmeriCorps member in allowing paid time off. The former member is currently employed at the Boys and Girls Clubs and is agreeable to serving the 120 hours in an attempt to resolve the issue.
   b. This is the same member and same response as in No. 2 above.

Schedule B-1
Award No. 98ASCNV029 – AmeriCorps Competitive:
U. S. Veterans Initiative (USVI)

1. No questioned costs.
2. a. USVI Release for Cause or Compelling Personal Circumstances: USVI states they can find the program director for that year and obtain an explanation for this discrepancy.
   b. We think it's reasonable to assume human error could account for this discrepancy between timesheet and WBRS and request that this education award not be questioned for a one-hour difference.

Schedule C-1
Award No. 01ASCNV029 – AmeriCorps Competitive:
Great Basin Institute (GBI)

1. The claim for administrative expenses in excess of 5% of grants expended was discovered in the Commission's own internal audit for 2003 and funds were returned prior to the Inspector General's field work. The difference between the $340 and the $380 is based on 5.26% as opposed to 5%. The $340 has already been repaid to the federal government. It is the Commission's position that an additional $40 is not due back.

Schedule C-2
Award No. 01ASCNV029 – AmeriCorps Competitive:
U. S. Veteran's Initiative (USVI)

1. a. Facility Rent and Related Party Transaction
This is still an open issue with USVI's cognizant agency audit, the United States Veteran's Administration. The sub-grantee claims there is no relationship between the two entities based on federal regulation. As the audit points out, even if there were a related-party transaction, rental costs are still allowable but under a different computation. As of 04-22-05, the Commission was informed by the executive director for USVI that they've obtained the services of a consultant who has prepared the calculations by the two different methods for submission to the VA's general council.

$379 for Hotel Costs: USVI has provided us a copy of the hotel receipt for this charge.

$250 for Points of Light Event: documentation also included a copy of the registration form. The Commission may be able to provide a copy of the original receipt from its own records and can provide certification of attendance.

$380 for telephone charge: USVI maintains the backup for this has been misplaced after having been pulled several times for several audits.

b. Labor costs: USVI states that they did utilize supervision provided by its own employees as match contribution during a one-year time period. They state they did this based upon their interpretation of training received by Walker & Co. and word received from the Commission that in-kind could be matched with federal funds. They ceased booking this type of in-kind after it was identified. However, we think the interpretation of 45 CFR as quoted is incorrect. Section 2521.30 (2) (ii) states that "...in providing for the remaining share of other AmeriCorps program costs, the program may provide for its share through State sources, local sources, or other Federal sources (other than funds made available by the Corporation)." Further, USVI may be able to offer a reasonable allocation for the supervision time in the form of timesheets, planners, minutes, etc.

c. Un-allowed allocable costs: USVI has its accounting centrally located in Los Angeles. Sine they have sites across the country, they have the invoices coded in the field and then sent to Los Angeles for input. Often times it is determined by the approving individual in Los Angeles that a reclassification is necessary. Typically, the invoice would be sent back to the original approving individual to initial the change, but in this circumstance the change was not initialed. It was entered using just a verbal approval. USVI feels that the cots are allowable under the AmeriCorps grant even though the invoice notes that it should be charged to HUD.

The $321 cost for a Houston site visit was a miscoding.

d. USVI travel policy states that if circumstances force you to pay more than the maximum allowance for lodging it must be authorized by the Executive Director. Most of the travel related to this cost was done by either the Executive Director or Site Director, who would have her travel approved by the E.D. USVI requests further support of the $78 deemed unallowable to determine if the Executive Director did authorize the reimbursement of costs above per diem.

   USVI requires support for all travel related expenses. Travel dates are required on a request for reimbursement. In lieu of the travel dates, an alternative method would include examination of the proof of travel support. USVI requests further support of the $132 deemed unallowable to determine if the travel dates can be verified.

e. Adjustments were made at the end of USVI annual audit which has historically been the full 9 or more months after fiscal year end and more than once, the agency has applied for late filing of their audit. The time elapsed was often a year or more and related solely to the approved Indirect Cost Rate to reflect actual costs. Currently USVI is adjusting the IDCR pool on a monthly basis which eliminates this issue going forward.

2. a. USVI maintains they can find the program director for that year and obtain an explanation for this discrepancy.

   b. A hallmark of the USVI program at it's beginning was the rehabilitation of homeless veterans who then could compete to be selected to serve through AmeriCorps after completing a spectrum of services. Documentation for the homeless is a complex and challenging issue. USVI reports that these members were formerly homeless veterans, individuals who served in the Armed Forces, which increases the likelihood that they are citizens or legal aliens.

   c. USVI states that this is either an error or that since the former member is now an employee, she is willing to serve the additional time. Also, they've implemented an additional system of checks and balances to ensure this does not occur. The system includes dividing the labor so the payroll department in Los Angeles enters time from site managers into WBRS and the program directors verify WBRS data against their copies of the timesheets.

Schedule D
Award No. 00ASFNV029, AmeriCorps – Formula: Family Resource Centers of Northeastern Nevada (FRC-NEN)

As in the note under Schedule C-1, the difference is the amount allowed by using 5.26 % as opposed to 5%. $645 has already been repaid to the federal government.

Schedule D-1
Award No. 00ASFNV029, AmeriCorps – Formula:
Great Basin Primary Care (GBPC)

1. a. We have been informed that GBPC was asked by Cotton and Company in January of 2005 to provide signed affidavits regarding the distribution of time and attendance for the program director to address the question of her time being charged to both a VISTA and an AmeriCorps*State grant. The sub-grantee has not replied.

   The Corporation should be aware that GBPC declined to accept their AmeriCorps*State award for program year 2004-2005 and also did not respond to phone calls and e-mails from the Commission regarding the subsequent closing of that grant. The Commission will close this subgrantee in non-compliance. The Corporation was put on notice via a copy of the letter to GBPC that the subgrantee was being closed in non-compliance. The questioned costs concern the funding under the federal VISTA*AmeriCorps Corporation grant and the Commission maintains the Corporation should look into this issue.

   b. The Commission thinks GBPC could come up with a reasonable allocation plan that would result in less questioned costs. However, the sub-grantee informed us via e-mail on Aug. 1, 2004 that all inquiries from us regarding their I. G. audit should be addressed to their attorney. Representatives from Cotton and Co. verified for us that they had ongoing conversations as necessary with the GBPC staff in order to address audit summary findings and this item appears to still be at issue.

   c. See answer above. We have no further information to dispute this.

   d. Verbal conversations were recorded in our running records with the sub-grantee about this subject prior to grant award, although no formal request was made. It is felt these costs would have been allowable after-the-fact.

2. These funds have been repaid. See Schedule C-1, 1-a. $2,234 has already been remitted back to the federal government.

3. We feel the reasonableness argument should apply here as well. A 5-hour discrepancy between timesheets and WBRS is more than likely human error.

Schedule D-2
Award No. 00ASFNV029: Parasol Community Foundation (Parasol)

1. a. No questioned costs.

b. This was a mis-posting of allowable costs between Category A and Categories B-F. It is the net effect of moving $2,229 PY 01-02 allowable employee fringe and $500 allowable member living allowance. All the costs were allowable but misplaced.

c. Host sites were responsible for obtaining background check for members, per Parasol's site agreement. The members in question all served in the Washoe County School District (WCSD). It is the policy of the WCSD not to fingerprint volunteers serving in a classroom with a certified teacher. It is the Commission's interpretation that state law allows local school districts to make this determination. Actions taken thus far:

- The WCSD volunteer coordinator stated she would fax a copy of that policy on their letterhead to the sub-grantee.
- A copy of the school's "Volunteer Application" with an area to complete that shows whether or not fingerprinting is required has been provided to the commission.

The Commission maintains that this is a compliance issue and that fingerprinting is not a fundamental support for eligibility in the same category as citizenship. However, the Commission has strengthened its own policy on the matter, and Parasol now routinely requires background checks for all AmeriCorps members. The members completed their service assignments, the school district did not require them to be fingerprinted, there were no problems, and so we ask that their education awards and living allowances not be questioned.

d. Parasol was made aware of the fact that unemployment was unallowable and has not charged since. It's possible this could be recouped from state funds.

e. Parasol also under claimed member living allowance in 00-01 by $934.00 and in 02-03 by $2,350.37 and requests to pay the net of $2,308.63 as opposed to $5,593.00

f. Parasol states this was caused by an internal misunderstanding where the Executive Director made a statement to a part-time member that they were eligible to receive health insurance. This was the first time in Parasol's 5 year's of operation that they had part time members.

g. The $124 in question may have been charged erroneously to the incorrect grant year. Payroll records indicate she was only paid $7,218.80. Further research is needed.

h. This occurred during the first program year. "Catch-Up" payments were discontinued after this time period. Is it possible these members had the same amount of accumulated hours by the time of termination from the program.

2. Parasol also incurred significantly more costs than claimed, which would offset any gain by exceeding Category B-F by $388. The overall grant amount was not exceeded.

3. a. This was the first year of the program 00-01. The program director herself left before the end of the members' term and while being replaced, this record-keeping fell to the agency's Development Assistant. There is a comment in WBRS that states the members left for compelling personal circumstances that included personal problems and transportation challenges. Attempts to contact all parties involved to obtain more details have not been fruitful. The member's phone number and the original program director's are not working.

b. Same response as in 1. c above. It should be noted that the Commission thinks that the state of Nevada leaves the determination for requiring background checks for volunteers working in schools up to the local school district.

c. The hours for the three AmeriCorps members in question have been recalculated by the program director and conflict with the results of the Cotton and Co. auditor. Also, we feel the reasonableness test applies here as well:

Rebecca Jones:	1710 WBRS;	1697 C&C;	1722.5 Program
Elena Dicus:	1702 WBRS;	1695.5 C&C;	1716.5 Program
Adam Popkin:	1700 WBRS;	1671 C&C;	1695 Program

RESPONSE TO INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL

The Nevada Commission for National and Community Service, Inc. approaches its responsibility for monitoring sub-grantees as a process of continuous improvement. While we agree that there were areas of weaknesses that we have addressed since they came to light during the audit in the summer of 2004, we disagree that Findings Nos. 1 and 2 constitute material weakness. In particular, we point out that questioned costs amounted to only 2.4% of total costs in the three year period that was audited and that there were no questioned costs at the Grantee level.

Finding No. 1

Bullet Point 1: The Commission found this discrepancy on it's own during their annual internal audit proving that we have the internal control systems in place to reduce to a relatively low level, any risk that misstatements in amounts that

would be material would occur without detection within a timely period and in the normal course of performing assigned functions.

Bullet Point 2: Parasol staff attended training by Walker and Co. in which they were exposed to federal cost principles so the claim of not being familiar with federal cost principles is incorrect.

Bullet Point 3: These two formula programs experienced more challenges than others due to their size. As small community-based organizations, they did not have the financial sophistication necessary to consistently allocate and segregate. However, they were both provided financial training opportunities, both had independent audits and one had an A-133 audit. The Commission will no longer provide financial training as an option but rather as a requirement.

Bullet Point 4: Again, this is a case of a small non-profit lacking capacity. While we are addressing this for the future, we also wish to point out that it is a priority of this administration to emphasize grants to small community and faith based organizations, who are the very ones where the capacity to manage federal grants is usually less developed. We encourage government to allocate training funds that will systematize federal grants management capacity for small community based and faith based organizations.

Bullet Point 5: All Commission AmeriCorps programs have been instructed to place more emphasis on correctly maintaining time sheets and our program monitoring instrument has been changed to reflect tighter monitoring of this issue. The Comission is also in the process of developing an AmeriCorps Program training manual for both programmatic and financial staff of subgrantees that will include topics to address all the findings in this audit.

Bullet Point 6: The Commission regularly reviews sub-grantee audit reports. There was only one instance when this issue was overlooked and that is because it came to light at such a late point in time due to the discrepancy in program year and audit due dates. The Commission uses A-133 as a tool required by the CFR. The AmeriCorps grant is not always audited in the A-133's of our subgrantees. We follow up on findings that apply to us. We also reconcile the subgrantee Schedule of Award to their Financial Status Reports, both on a quarterly and year-end basis. We do not think we're required to re-audit subgrantees.

Bullet Point 7: There is a note in the GBPC files that the Program Officer observed that the first report mentioned was late. She also noted the second report was late and made a note to the file that she issued a verbal warning and that further late reports would result in a fine. There were no further late reports from GBPC. In the case of the Parasol Foundation, although there are no notes in the files for 00-01 and 01-02, we note they have not been late thereafter. None of the reports were late to the Corporation. These subgrantees failed to

meet the Commission's deadline but the Commission did not fail to meet the Corporation's deadline as a result.

Recommendation:
The Commission agrees that its program monitoring procedures needed to be improved. Our program review instrument was already changed to allow space to reflect the reconciliation of claimed costs to accounting records. We have already strengthened our financial monitoring by making changes to our program review instrument, requiring regular financial statements from subgrantees upon submission of invoices between financial site visits, verifying match more often, training on match and timesheet allocation, and strengthening our written policies and procedures. Furthermore, the Assistant Director is now in the process of devising the training plan mentioned in Bullet Point No. 5 above. Subgrantees are under strict instruction not to miss reporting deadlines and must have our written approval for any extenuating circumstances.

Finding No. 2

Bullet Point 1: Staff Labor costs and the proper recording thereof, including allocation between programs and certification of effort, are receiving greater attention in our program review instrument. This topic has also received emphasis in ongoing contact with the subgrantees and will become an important part of our pre-service training manual. The importance of the application of the OMB Circular principles, and training in these principles for our subgrantees, is being devised in consultation with Walker & Co.

Bullet Point 2: The Commission has implemented a quarterly, after-the-fact reconciliation that compares actual effort to allocations to grant draws. This situation at the Commission level did not result in questioned costs because all labor costs incurred were allocable.

Bullet Point 3: The Commission does not review 100% of invoices at most of its subgrantees as part of the normal financial monitoring process. If it did there would have to be more staff and we don't think that monitoring is the same thing as auditing. We do however, rely on sample testing and in so doing, did not catch the number of unsupported documentation incidents that Cotton and Co. did. However, we have emphasized to subgrantees the necessity of abiding by federal cost principles and as a result of this audit we are certain that message has taken root. This will be an ongoing topic in the OMB training that the Commission is sponsoring and requiring all subgrantee financial personnel to attend. The Commission itself had no unsupported claimed costs. Regarding the costs at USVI that were later credited from the program, please refer to our response under 1.e, Schedule C-2 above.

Bullet Point 4: These funds were ultimately not paid by the Commission to GBPC. Final payment to the subgrantee was adjusted to account for this in November of 2004.

Bullet Point 5: Addressed in Item 1-d of Schedule D-2 above.

Bullet Points 6, 7, 8 and 9 all refer to the same subgrantee, a small community-based organization that did not have the systems necessary to avoid these allowability mistakes despite training by Walker & Co.

Recommendation: Because all of our subgrantees have provided such a substantial amount of incurred-cost match, we request these costs not be reimbursed. The Commission is committed to better training our sub-recipients on federal cost principles as detailed under the recommendation in the first finding. Testing the allowability of costs was an informal determination made by interviewing staff during site visits on costs and invoices reviewed. It has now become a documented part of the program review instrument and will also be covered as a primary training piece when we study the OMB Circulars. The Commission itself had no costs questioned for allowability.

Finding No. 3

Bullet Point 1: Addressed as the questioned costs under the corresponding Schedules above. The Commission has always maintained a strict policy as far as documentation of citizenship is concerned and emphasized both this and proof of high school diplomas and GEDs as part of Program Director training. These missing documents are a result of sampling, as opposed to testing 100% of member files for this information. 100% of files are now being tested in site visits by Commission program staff.

Bullet Point 2: We are pleased that high school diplomas are no longer a requirement and think that indicates that the issue was dealt with as best as possible. Also, during the time period in question, programs were following the AmeriCorps Director Handbook issued by the Corporation which did allow this method as an alternative to a high school diploma for awhile. Some member files contain official college transcripts as proof of high school diploma/GED and we have routinely accepted that in the past. We ask that the Corporation rely on the institution of higher learning to verify that members have graduated with a high school/GED diploma in order to use their education awards.

Bullet Point 3: Commission staff are in the process of reviewing all available information regarding fingerprinting for required populations on the state and local levels. Additionally, we have required all programs to review and report their procedures to us and will provide ongoing training to subgrantees regarding this requirement.

Bullet Point 4: This item is addressed under Schedule A, 3-a above.

Bullet Point 5: Addressed in Items 2. a, b and c of Schedule C-2 above.

Recommendation: The Commission began implementing 100% review of program files in its on-site reviews conducted in 2004. The reviews take into account citizenship, high school diploma/GED verification, reconciling timesheets to WBRS, background checks, service hour descriptions and documentation of compelling personal circumstances. No programs may exit a member early without prior consultation with Commission staff.

Finding No. 4

Bullet Point 1: Please see the expanded discussion of this under Bullet Points 4 and 5 below.

Bullet Point 2: This procedure was eliminated after their first year as a program.

Bullet Point 3: This item was discovered and reconciled by the Commission and GBPC was ultimately not reimbursed for any costs associated with overpayment of members.

Bullet Points 4 and 5: Lump sum payments and payment for periods outside of the service term: the Commission disagrees with the interpretation of the Provision quoted. Programs contract to pay a certain amount of living allowance for a certain number of hours. In the cases where a member completes hours early, if they stop receiving the stipend and a lump sum is not paid to them, then they would be penalized for completing their hours early by not receiving the full amount of their contract. Additionally, it would benefit a member who was slow to reach their hours because they would receive their entire living allowance, thus reinforcing the wrong message.

Recommendation: The Commission requires copies of payroll schedules/ general ledger detail from the subgrantee books of origin during site visits to authenticate an even distribution of living allowance.

Finding No. 5

Bullet Point 1: The Commission has been emphasizing and providing guidance on the importance of member evaluations via conversations, e-mails reminders and during the site review. The program review monitoring instrument reflects this.

Bullet Point 2: All member forms are monitored at site visits and the Assistant Director also monitors compliance with the 30 day timeframe between member

commitments and member enrollments on WBRS. This issue is also covered in great detail in our program director training.

Bullet Point 3: The Commission has instructed all programs in the proper documentation of training events and accompanying member sign-in sheets. We require agendas and sign in sheets as documentation for all training meetings.

Bullet Point 4: The Commission has instructed all programs directors to conduct their own random desk audits comparing time sheets to WBRS. The Commission will also be conducting quarterly desk audits for all programs to randomly sample proof of eligibility, timesheets, performance measurements data and a variety of other items.

Recommendation: The Commission agrees with the recommendation and has already implemented it.

Finding No. 6

Bullet Point 1: The Commission has notified programs to maintain this data. Programs have historically relied on census data for this information, as the Provisions simply state that it must be available, as opposed to documented. All programs were advised to use the member application form provided from the Corporation, as that form has a mechanism to gather this data for members. This same mechanism is recommended for use on application information for program staff.

Bullet Point 2: All programs are aware that the Commission requires strict adherence to progress report due dates and that they must request and receive permission in order to submit a report late.

Bullet Point 3: All programs were instructed to use one standard grievance policy and procedure created by the Commission starting in early 2004. This was in order to insure that all applicable requirements were included in the form and that there was uniformity on the issue.

Bullet Point 4: Member contracts have likewise received a revamping from the Commission's Assistant Director. All are reviewed for these compliance issues.

Bullet Point 5: Although they did not have this policy, their stated requirement exceeded the required minimum.

Recommendation
The Commission agrees with these recommendations and has already implemented them.

Finding No. 7

The Peer Review forms have been revised so that the discussions that took place regarding financial reviews including audit reviews, as well as progress reports, are now documented. The Commission conducted these reviews and discussed past performance, but did not adequately document that process. The Commission agrees with this recommendation and began implementing it during peer review in 2005.

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

CC: Andrew Kleine, Acting Chief Financial Officer
Rosie Mauk, Director of AmeriCorps State/National

Date: April 27, 2005

Subject: Response to OIG Draft Audit Report 05-10: Audit of Corporation for National and Community Service Grants Awarded to the Nevada Commission for National and Community Service

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We have reviewed the draft audit report of the grants awarded to the Nevada Commission for National and Community Service. Due to the limited timeframe for response, we have not analyzed documentation provided by the Nevada 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.