Office of Inspector General
Corporation for National and Community Service

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

OIG REPORT NUMBER 05-15

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

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This report was issued to Corporation management on April 11, 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 October 11, 2005, and complete its corrective actions by April 11, 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 05-15

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

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Kearney & Company (Kearney) to perform an incurred-cost audit of grants awarded to the Nebraska Volunteer Service Commission (Commission). The contract required that the audit be done in accordance with generally accepted government auditing standards.

For the grants audited, the Commission claimed costs of $2,984,535, of which the auditors questioned $60,450 of costs as unallowable. Overall, the auditors questioned approximately 2 percent of claimed costs. The auditors also questioned $17,875 of matching costs.

Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific award conditions, or that require an interpretation of allowability, or that require additional documentation to substantiate that the costs were incurred and are allowable. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned costs identified in the report, and the effects of any adjustments.

In accordance with our statutory responsibilities, we reviewed Kearney's report and related audit documentation, interviewed their representatives, and performed other procedures 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. Kearney is responsible for the attached reports dated November 19, 2004, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with generally accepted government auditing standards.

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

Audit of Corporation for National and Community Service
Grants Awarded to
Nebraska Volunteer Service Commission
Lincoln, Nebraska

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SUMMARY AND HIGHLIGHTS

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This report is issued under an engagement to audit the costs claimed by the Nebraska Volunteer Service Commission (NVSC) and its subrecipients from January 1, 2001 through June 30, 2004, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations, or award conditions and internal control weaknesses disclosed during the audit of NVSC and its subrecipients.

Results in Brief

As a result of our audit, we are questioning costs totaling $78,325 ($60,450 Federal share and $17,875 match). The Federal share questioned is approximately 2.0 percent of the total $2,984,535 in costs claimed by NVSC. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of Federal law, regulations or specific conditions of the award, or those costs which require additional documentary support by the grantee or require interpretation of allowability by the Corporation. Details related to questioned costs appear in the Independent Auditor's Report. The following is a summary of questioned costs:

- $59,399 of AmeriCorps Member Support Costs claimed in excess of maximum Federal Share
- $17,875 of matching expenses that were not based on a systematic allocation method for actual expenses
- $1,051 of lodging costs at training Conference for Community Action of Nebraska that were not allowable under Federal Travel Regulations.

Details for the above questioned costs appear in the Financial Schedules, Exhibit B, Schedules B-1 to B-5.

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Grant Programs Audited

Our audit of NVSC covered financial transactions, compliance, and internal controls testing of the following program awards funded by the Corporation:

Program	Award Number	Award Period	Transactions Reported on Financial Status Reports
AmeriCorps	00ASCNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	00ASFNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	03ACHNE001	09/01/03 to 08/31/06	09/01/03 to 03/31/04
AmeriCorps	03AFHNE001	09/10/03 to 09/09/06	09/10/03 to 03/31/04
PDAT	02PDSNE029	01/01/02 to 12/31/04	01/01/02 to 06/30/04
Administrative	01SCSNE029	01/01/01 to 12/31/03	01/01/01 to 06/30/04
Administrative	04CAHNE001	01/01/04 to 12/31/06	01/01/04 to 06/30/04

Our audit of the costs claimed by NVSC under these awards disclosed the following:

	Amount	Percentage of Budget/Claimed
Award Budget	$ 4,270,298	-
Claimed Costs	$ 2,984,535	69.9 percent
Questioned Federal Share	$ 60,450	2.0 percent
Questioned Match	$ 17,875	N/A

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps Grant

• AmeriCorps Member Support Costs in Excess of Maximum Federal Share (Finding No. 1)	$59,399
• Matching Costs (Finding No. 2)	17,875
• Lodging Costs at training Conference; not Allowable per Federal Travel Regulations (Finding No. 3)	1,051
Total Costs Questioned - AmeriCorps	$78,325

Our audit also disclosed certain questionable costs that we considered immaterial for NVSC and the subrecipients we selected for audit.

We utilized audit sampling techniques to test the costs claimed at NVSC and the subrecipients selected for testing, as outlined in our Risk Assessment and our Audit Approach Memorandum, dated September 29, 2004. Based upon this sampling methodology, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been

tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

Member Eligibility and Cost Allowability

Our audit disclosed the following member eligibility and cost allowability issues:

1. Two subrecipients were reimbursed for member living allowances in excess of the maximum Federal share.
2. One subrecipient did not have documentation for match.
3. One subrecipient did not have documentation for lodging costs to verify that the costs were reimbursable under Federal Travel Policies.

Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations, and award conditions. Of the 89 member files tested we found:

1. Two member files did not contain documentation for eligibility.
2. Three members' documentation to support eligibility was provided to the subrecipient more than 30 days after enrollment.
3. Documentation of the background check was not available at the beginning of our audit for six members. The subrecipient subsequently obtained the documentation during our audit.
4. Fifteen member files tested did not contain position descriptions.
5. Three member files tested did not contain member contracts.
6. Additional program requirements were not included in all five member contracts for one subrecipient.
7. Forty-seven member files did not contain both mid-term and end-of-term evaluations.
8. Nineteen member files did not contain timesheets showing both the location of service performed and the project assignment/description.
9. Fifty-six enrollment forms, change of status, and exit forms were not submitted to the National Service Trust within 30 days.

Internal Controls

Our audit disclosed several weaknesses in NVSC and its subrecipients.

1. NVSC and one subrecipient, City of Lincoln, use cash basis accounting for vacation expense, which could result in the improper allocation of costs.
2. One subrecipient did not have proper controls in place to ensure that members were not overpaid their living allowance. However, the exceptions that we identified did not result in disallowed costs.
3. One subrecipient did not have documented financial and programmatic policies.

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Nos. 00ASCNE028, 00ASFNE028, 03ACHNE001, 03AFHNE001, 02PDSNE029, 01SCSNE029, and 04CAHNEW001.

The principal objectives of our audit were to determine whether:

- Financial reports prepared by NVSC presented fairly the financial results of the awards;
- Internal controls were adequate to safeguard Federal funds;
- NVSC and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, award conditions, and that member services were appropriate to the programs;
- Award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
- NVSC had established adequate oversight and informed subrecipients of the Corporation's Government Performance and Results Act (GPRA) goals.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A, B, C, and D. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for NVSC and its subrecipients in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Our audit also followed up on the findings and recommendations in the Pre-Award Survey Report of NVSC dated September 5, 2003 (CNS OIG Report 04-06). We believe our audit provides a reasonable basis for our opinion.

With regard to GPRA, AmeriCorps grantees and subrecipients provide progress reports that are maintained in the Web-Based Reporting System (WBRS). The Corporation develops program reporting guidelines that cascade from its Federal reporting requirements. NVSC does not make continuation grants available to subrecipients that do not meet program objectives, unless extenuating circumstances prevented the subrecipient from meeting its objectives. NVSC takes corrective action on identified reporting deficiencies. In summary, the process appears to be operating as intended.

The contents of this report were disclosed to, and discussed with, NVSC at an exit conference on December 20, 2004. In addition, we provided a draft of this report to NVSC and to the Corporation for comment. Responses from both NVSC and the Corporation are included as Appendices A and B, respectively.

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Background

The Corporation, pursuant to the authority of the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions such as NVSC and other entities to assist in the creation of full-time and part-time national and community service programs.

NVSC is a state agency under Nebraska Health and Human Services, established by Governor Executive Order in 1994 to promote, mobilize, and support efforts of Nebraskans who are united in strengthening their communities, state, and nation through community service. NVSC is headquartered in Lincoln, Nebraska.

As of June 30, 2004, NVSC had received funding from the Corporation for various programs within the scope of this engagement in the amount of $4,270,298. The majority of this amount has been subgranted to numerous entities to carry out community service programs. A brief synopsis of the programs is provided on Page 9.

Edward F. Kearney
April 4, 2005

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying Consolidated Schedule of Awards and Claimed Costs of the Nebraska Volunteer Service Commission for the award numbers listed below under the terms of the respective agreements between the Corporation for National and Community Services and the Nebraska Volunteer Service Commission. The costs, as presented in this schedule, are the responsibility of the Nebraska Volunteer Service Commission's management. Our responsibility is to express an opinion on this schedule based on our audit.

Program	Award Number	Award Period	Transactions Reported on Financial Status Reports
AmeriCorps	00ASCNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	00ASFNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	03ACHNE001	09/01/03 to 08/31/06	09/01/03 to 03/31/04
AmeriCorps	03AFHNE001	09/10/03 to 09/09/06	09/10/03 to 03/31/04
PDAT	02PDSNE029	01/01/02 to 12/31/04	01/01/02 to 06/30/04
Administrative	01SCSNE029	01/01/01 to 12/31/03	01/01/01 to 06/30/04
Administrative	04CAHNE001	01/01/04 to 12/31/06	01/01/04 to 06/30/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those 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 the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, except for the omission of the supporting source documentation related to the $78,325 in questioned costs discussed above, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award, present fairly, in all material respects, the costs claimed for the period July 1, 2000, to December 31, 2003, in conformity with the terms of the Nebraska Volunteer Service Commission's grant agreements with the Nebraska Volunteer Service Commission's grant agreements with the Corporation for National and Community Service.

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In accordance with the *Government Auditing Standards,* we have also issued our report, dated November 19, 2004, on compliance and on internal controls over financial reporting.

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

Kearney & Company

November 19, 2004
Alexandria, Virginia

Nebraska Volunteer Service Commission
Consolidated Schedule of Awards and Claimed Costs
January 1, 2001, to June 30, 2004

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs
00ASCNE028	AmeriCorps (2001-02, 2002-03)	$1,943,869	$1,451,912
00ASFNE028	AmeriCorps (2001-02, 2002-03)	869,097	716,416
03ACHNE001	AmeriCorps (2003-04)	353,886	128,855
03AFHNE001	AmeriCorps (2003-04)	332,421	149,113
	Total AmeriCorp	3,499,273	2,446,297
02PDSNE029	PDAT (2002, 2003, 2004)	291,923	173,658
01 SCSNE029	Administrative (2002,2003)	309,781	291,404
04CAHNE001	Administrative (2004)	169,321	73,177
	Total Administrative	479,102	364,581
TOTALS – Grants Administered by NVSC		$4,270,298	$2,984, 535
Total Claimed/Total Approved Budget		69.9%	
Total Federal Share Questioned/Total Claimed		2.0%	

The cost details provided above are explained in the supporting Exhibits A through D and Schedule B-1 through B-5 that follow in this report.

Nebraska Volunteer Service Commission
Notes to Consolidated Schedule of Award Costs
January 1, 2001, to June 30, 2004

1. Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Audited Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, Program Development and Training grants awarded to the Nebraska Volunteer Service Commission (NVSC) by the Corporation for National and Community Service (Corporation) for the period from January 1, 2000, to June 30, 2004.

NVSC awards its AmeriCorps grant funds to numerous subrecipients that administer the AmeriCorps program and report financial and programmatic results to NVSC and the Corporation.

Basis of Accounting

The Schedule of Award Costs by Grantee and Subrecipients (Exhibit A, B, C, and D), and the accompanying Schedule of Award Costs, Schedules B-1 to B-5, have been prepared to document claimed and questioned costs as a result of our audit procedures performed. The information presented in the Schedules has been prepared from the reports submitted by NVSC to the Corporation. The basis of accounting used in preparation of these reports does not differ from accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

We have audited the Consolidated Schedule of Awards and Claimed Costs of the Nebraska Volunteer Service Commission and have issued our report thereon, dated November 19, 2004. Our audit included the Schedule of Award Costs, Exhibit B-D, that summarize the claimed costs of the Nebraska Volunteer Service Commission and its sub-recipients under the Corporation awards listed below:

Program	Award Number	Award Period	Transactions Reported on Financial Status Reports
AmeriCorps	00ASCNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	00ASFNE028	08/01/00 to 12/31/03	08/01/01 to 12/31/03
AmeriCorps	03ACHNE001	09/01/03 to 08/31/06	09/01/03 to 03/31/04
AmeriCorps	03AFHNE001	09/10/03 to 09/09/06	09/10/03 to 03/31/04
PDAT	02PDSNE029	01/01/02 to 12/31/04	01/01/02 to 06/30/04
Administrative	01SCSNE029	01/01/01 to 12/31/03	01/01/01 to 06/30/04
Administrative	04CAHNE001	01/01/04 to 12/31/06	01/01/04 to 06/30/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Awards and Claimed Costs for the period January 1, 2001 to June 30, 2004, we considered the Nebraska Volunteer Service Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules, and not to provide assurance on the internal controls over financial reporting.

The Nebraska Volunteer Service Commission's management is responsible for establishing and maintaining internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control

policies and procedures. The objective of internal controls is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Internal controls also help to ensure that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial schedules in accordance with generally accepted accounting principles of the United States of America. Due to inherent limitations in any internal controls, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal controls would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which 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.

The following reportable conditions were identified during our audit.

MEMBER ELIGIBILITY AND COST ALLOWABILITY

Finding Number 1 – Member Support Costs in Excess of Federal Maximum Amount

Condition

We recomputed member living allowances and related FICA and Workman's Compensation costs based on Web-Based Reporting System (WBRS) membership information. By comparing the recomputed member living allowances to subrecipient records, we identified unallowable costs for Grant Years 2001-02 and 2002-03 at Lutheran Family Services (LFS) and Community Action of Nebraska (CAN). LFS claimed for reimbursement amounts that exceeded the Federal maximum amount in Grant Year 2001-02. It also claimed for reimbursement a non-member's cost and an additional month's cost for a member during Grant Year 2002-03. CAN has not been able to identify the cause of its unallowable costs.

> AmeriCorps Special Provision 11. Living Allowances, Other In-service Benefits and Taxes states that the grantee must match any living allowances over 85% of the minimum living allowance.

The maximum Federal share of the living allowance was $7,905 and $8,160 for Grant Years 2001-02 and 2002-03, respectively.

Costs questioned:

2001-02	CAN	LFS	Total
Member Living Allowances	$34,226	$ 4,577	$38,803
FICA	3,620	350	3,970
Workman's Comp	282	23	305
Subtotal	38,128	4,950	43,078
2002-03			
Member Living Allowances	4,503	8,976	13,479
FICA	1,895	900	2,795
Workman's Comp	47	-	47
Subtotal	6,445	9,876	16,321
Total	$44,573	$14,826	$59,399

Recommendation

The Corporation should request that NVSC investigate the source of CAN's unallowable costs and potentially recapture them, recapture LFS's unallowable costs, as well as applicable administrative costs, and implement policies to ensure that subrecipients are not reimbursed for more than the maximum Federal share of living allowances.

NVSC's Response

Immediately following the audit exit conference, NVSC worked with each subgrantee to investigate the source of unallowable costs and to calculate the associated administrative costs. The Commission intends to work with the Corporation throughout the audit resolution process to appropriately recapture unallowable costs.

CAN

NVSC developed a spreadsheet to assist the subgrantee, which operated at multiple sites, to determine the exact Federal amount allowable for reimbursement for each individual member based upon slot status, enrollment date, and exit date. The auditor's calculations converted each slot to a percentage of one full-time-equivalent (FTE), multiplied that by one FTE living allowance, and projected costs only for those months the member served. At first, this logic appears to be correct. However, a half-time member's living allowance is not one-half of a full-time member's, but is prorated based upon 900 hours (a half-time member serves 900 hours, while a full-time member serves 1700 hours).

The Commission and its programs relied upon AmeriCorps Provision 11.b. in determining the maximum Federal share of living allowances for each member in the program. Thus, we believe members are eligible to receive the entire living allowance based upon their slot type, even if they do not serve the planned number of months. For example, a full-time member who enrolls in month three of the program year will still receive the maximum allowable living allowance, but it will be spread over nine months rather than twelve. Thus, one full-time member might receive a different amount each month than another member. The auditor's method does not account for this. By using this new method, which we believe is more exact and accurate, the questioned costs are reduced from over $40,000 to approximately $5,000. NVSC intends to work closely with the Corporation during the audit resolution process to ensure that any recapture of unallowable costs is handled appropriately.

LFS

Lutheran Family Services has researched and determined the source of the unallowable costs in this finding. They concur with the figures presented by the auditor and have asked for direction on providing reimbursement for these claimed costs, plus applicable administrative costs. NVSC intends to work closely with the Corporation during the audit resolution process to ensure that any recapture of unallowable costs is handled appropriately.

The Commission has also:

- Developed a monitoring tool to review member living allowances claimed by subgrantees. The Commission began using this tool immediately following the audit. A copy of that tool will be forwarded to the Corporation audit resolution office as part of this response.
- Updated its Program Tracker (a tickler system to track all program monitoring) to reflect when member living allowances are monitored, and by whom. This demonstrates that the new monitoring tool was put into use immediately following its development. A copy of the Program Tracker will be forwarded to the Corporation's audit resolution office as part of this response.
- Updated its Risk-Based Monitoring Procedure to reflect the appropriate methodology to monitor, on a regular basis, member living allowances claimed by subgrantees. A copy of the Risk-Based Monitoring Procedure will be forwarded to the Corporation's audit resolution office as part of this response.
- Reviewed and updated its internal procedure for processing and paying Periodic Expense Reports (PERs). A copy of this internal procedure will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

We analyzed the revised computation and supporting material provided to us by the Commission. In addition, we reviewed AmeriCorps Provisions 11.a and b (Provision 11.a and Provision 11.b), which address living allowances, and discussed the matter with the OIG. We analyzed the calculations provided by the Commission and gained an understanding of their approach. However, we believe our finding, as written, remains accurate.

The resolution of this issue will be based on the interpretation of Provision 11.b, which 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 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 time period." Our interpretation of the provision, confirmed with the OIG, is that the living allowance could be flat pro-rata living allowance per month. We believe that this interpretation is consistent with the Provision 11.b in that the amount does not vary based on the numbers of hours served. Conversely, the Commission's methodology does, in fact, result in paying members by the hour, i.e., members receive different monthly living allowances based on their month of enrollment and the available time period in which they can complete the required hours. We do not believe that this interpretation is consistent with Provision 11.b. We recommend that the Corporation and the Commission develop a common understanding of Provision 11.a and Provision 11.b, and ensure that the interpretations are consistently applied.

We believe the procedures described in the Commission's response to correct the issue with Lutheran Family Services and the actions taken to ensure this problem does not occur again, subject to proper implementation and validation, should be sufficient to prevent the reoccurrence of this finding in future audits.

Finding Number 2- Inadequate Support for Matching Costs

Condition

We determined that $17,875 claimed by the College of St. Mary's (CSM) for Other Cost Matching expenses was not based on a systematic allocation of actual expenses. CSM based its claim on budgeted amounts. The questioned costs totaled $7,150 in Grant Year 2001-2002, $71,150 in Grant Year 2002-2003, and $3,575 in Grant Year 2003-04.

AmeriCorps Provision 13 c. Cash or In-Kind Match for Program Operating Costs states:

> Contributions, including cash and third party in-kind, will be accepted as part of the Grantee's matching share for Program Operating Costs (defined as those other than the Member Support Costs) when such contributions meet all of the following criteria:
>
> i) They are verifiable from Grantee records.

ii) They are not included as contributions for any other Federally-assisted Program.
iii) They are necessary and reasonable for the proper and efficient accomplishment of Program objectives.
iv) They are allowable under applicable cost principles.

Recommendation

The Corporation should request that NVSC demonstrate that CSM met its cost matching requirements and ensure that all subrecipients adequately document their matching costs.

NVSC's Response

The College of St. Mary (CSM) has responded to a Commission request for a systematic allocation of matching costs claimed for the grant years named in this finding. The Commission finds CSM's response adequate and believes that this finding is resolved. A copy of CSM's response to all audit findings will be forwarded to the Corporation's audit resolution office as part of this response.

The lack of a systematic allocation of matching costs was identified by the Commission as a "continuous improvement" item for CSM during its most recent site visit (February 2004). However, the Commission has determined that a similar finding in the future will result in a finding of "non-compliance" and has modified its policy accordingly. The revised policy will be approved by the full Commission on March 17, 2005 and will allow the Commission to withhold reimbursement until the subgrantee is compliant in documenting the allocation of matching costs. A copy of that revised policy will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 3- Inadequate Support for Lodging Expense

Condition

CAN claimed for reimbursement $1,051 of lodging expense at an August 2001 training conference, but could not support the allowability of this cost. Grant provisions require that travel expenditures must comply with Federal Travel Regulation documentation requirements.

CAN was unable to provide documentation on which persons utilized the lodging and whether these persons qualified for reimbursement, based on distance traveled, as outlined in the Federal Travel Regulations.

Recommendation

The Corporation should request that NVSC recapture the unallowable travel expenses, and applicable administrative costs, and ensure that all subrecipients maintain adequate supporting documentation to verify claimed costs.

NVSC's Response

CAN responded to the Commission's request for resolution of this issue. CAN has surveyed agencies to review documentation associated with additional travel costs (mileage, per diem, etc.) and cannot determine the members who traveled to Lincoln for training in August 2001. The $1,051 lodging expense remains unsupported. NVSC intends to work closely with the Corporation during the audit resolution process to ensure that any recapture of unallowable costs is handled appropriately.

In addition, the Commission will place even more emphasis on the importance of maintaining adequate supporting documentation to verify claimed costs during its training of subgrantees. This emphasis will occur in new, mandatory, pre-award programmatic & fiscal training, through site visits and in regular communication from the Commission. The training and technical assistance methodology the Commission will use is reflected in an updated Risk-Based Monitoring Procedure, a copy of which will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

COMPLIANCE WITH GRANT PROVISIONS

Finding Number 4 – Membership Eligibility and Documentation

Condition

We reviewed 89 member files at five NVSC subrecipients for verification and documentation. During our review, we identified the following exceptions:

- Two of 50 Lincoln Action Program (LAP) member files did not contain proof of citizenship. One member was enrolled in Youthbuild, which is an education award-only program. That member did not receive a living allowance and did not qualify for an education award. The other member worked only eight hours and received no living allowance. Therefore, no costs are questioned.

- In three of 50 LAP member files, proof of eligibility documentation was obtained 30 days after enrollment. In all three cases, the members were ultimately found eligible. However, without timely verification, an ineligible member could erroneously receive a

living allowance. According to AmeriCorp provisions section A, Definition of a Member, members must be "a U.S. citizen, U.S. national, or lawful permanent resident alien of the United States."

Recommendation

The Corporation should require NVSC to ensure that member files contain required documentation for eligibility and that this documentation be obtained prior to enrollment.

NVSC's Response

The Commission believes this finding has been successfully addressed.

The recruitment procedures of the current Lincoln Action Program 2004-2005 CommUNITY team required eligibility documentation to be submitted along with members' applications. Applications did not move forward for consideration until the documentation was obtained. This is now program procedure for future recruitment of members.

The Commission recognizes the importance of complete member files, including appropriate documentation of member eligibility, and addresses this issue aggressively with its subgrantees. Beginning immediately, NVSC will no longer sample member files, but will review 100 percent of member files for compliance. Site visits for the 2004-2005 program year began in December 2004, and results were documented in site visit reports. Any member eligibility issues noted during site visits have been successfully resolved by the due date in the site visit feedback letter.

The Commission will stress the necessity of programs getting all eligibility documentation from a given member prior to enrollment. To that end, new grant year training will begin *prior* to the start of the new grant year. Initial site visits will be scheduled within the first third of a given program year to assure understanding and compliance. This is reflected in the Commission's Risk-Based Monitoring Procedure, a copy of which will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 5 – Missing Documentation of Criminal Background Checks

Condition

For the 89 member files selected for review, we requested documentation of criminal background checks. We found no documentation verifying that background checks had been completed for 6 out of 50 LAP members. These six members' position descriptions indicated they would be working with children. LAP officials maintained that they had performed the background checks but had lost the documentation. LAP, subsequent to our audit finding, performed new background checks, and provided us with supporting documentation.

AmeriCorps provision 6 h. Criminal Record Checks states:

> Programs with members or employees who have substantial direct contact with children (as defined by state law) or who perform service in the homes of children or individuals considered vulnerable by the program, shall, to the extent permitted by state and local law, conduct criminal record checks on these members or employees as part of the screening process. This documentation must be maintained consistent with state law.

Recommendation

The Corporation should require that NVSC, as part of its onsite reviews of subrecipients, test to determine that required documentation for criminal record checks is kept.

NVSC's Response

The Commission believes this finding has been successfully addressed.

The Commission recognizes the importance of complete member files, including appropriate criminal background checks, and addresses this issue aggressively with its subgrantees. Beginning immediately, NVSC will no longer sample member files, but will review 100 percent of member files for compliance. Site visits for the 2004-2005 program year began in December 2004, and results are documented in site visit reports. No criminal background check issues were identified.

The Commission will stress the necessity of programs maintaining evidence of criminal background checks on members who will serve vulnerable populations. To that end, new grant year training will begin *prior* to the start of the new grant year. Initial site visits will be scheduled within the first third of a given program year to assure understanding and compliance. This is reflected in the Commission's Risk-Based Monitoring Procedure, a copy of which will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 6 –Lack of Required Information in Member Contracts

Condition

We reviewed 89 member files at the five subrecipients for required information in member contracts. We identified the following exceptions:

- Fifteen members whose member contract or file did not contain a position description.
  - LAP – 3 out 50 members
  - CAN – 5 out of 15 members
  - City of Lincoln – 5 out of 5 members
  - College of Saint Mary's – 2 out of 5 members
- Three members who did not have contracts.
  - LAP – 2 out of 50 members
  - CAN – 1 out of 15 members
- The College of Saint Mary's, which requires that members complete at least 60 credit hours at the school, did not include this requirement in its member contract.

AmeriCorps provision 7 b. Member Contracts states:

> The Grantee must require that members sign contracts that, at a minimum, stipulate the following:
>
> i. The minimum number of service hours and other requirements (as developed by the Program) necessary to successfully complete the term of service and to be eligible for the education award;
> ii. Acceptable conduct;
> iii. Prohibited activities, including those specified in these grant provisions;
> iv. Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.);
> v. Suspension and termination rules;
> vi. The specific circumstances under which a member may be released for cause;
> vii. The position description;
> viii. Grievance procedures; and
> ix. Other requirements as established by the Program.

Recommendation

The Corporation should require NVSC to perform testing during subrecipient reviews to ensure that position descriptions are included in all member contracts and retained in the members'

files. Also, the Corporation should require NVSC to ensure that each member has signed a member contract and that it is kept in the member's file. We further recommend that the Corporation request NVSC to have the College of St. Mary document its additional member requirements in its member contracts.

NVSC's Response

The Commission believes that this finding has been successfully addressed.

The Commission recognizes the importance of complete member files, including signed member contracts and position descriptions, and addresses this issue aggressively with its subgrantees. Beginning immediately, NVSC will no longer sample member files, but will review 100 percent of member files for compliance. Site visits for the 2004-2005 program year began in December 2004, and results are documented in site visit reports. Any issues of non-compliance are either resolved, or expected to be resolved, by the deadline given to the program.

The Commission has requested, and the College of St. Mary has provided, signed member contract addenda to its 2004-2005 program year member contracts that document its additional member requirements. Copies of these addenda will be forwarded to the Corporation's audit resolution office as part of this response.

A pre-award review of member contracts is required by the Commission's Risk-Based Monitoring Procedure, a copy of which will be forwarded to the Corporation's audit resolution office as part of this response.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 7 – Mid- and End-of-Term Evaluations

Condition

Out of the 89 member files tested at the five subrecipients, we disclosed 47 members who had not received both mid-term and end-of-term evaluations. The exceptions were identified at the following subrecipients:

LAP – 28 out of 50 members
CAN – 5 out of 15 members
LFS – 10 out of 14 members
College of Saint Mary's – 2 out of 5 members
City of Lincoln – 2 out of 5 members.

AmeriCorps provision 7 g. Performance Reviews states:

The Grantee must conduct and keep a record of at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as:

i. Whether the member has completed the required number of hours;
ii. Whether the member has satisfactorily completed assignments; and
iii. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

Recommendation

The Corporation requires NVSC, as part of its monitoring, to determine that mid-term and end-of-term member evaluations are being conducted and that the documentation is in each member's file.

NVSC's Response

The Commission believes that this finding has been successfully resolved.

The Commission recognizes the necessity of addressing this issue at a number of different times and on a number of different levels. This issue has been addressed with each of its subgrantees during the 2004-2005 program year site visits, which began in early December 2004. The Commission's program officer has sent notices to programs reminding them of mid-term member evaluations and asking them to provide the Commission a status update. This reminder notice is now documented in the Commission's program year Program Tracker (a copy of which will be forwarded to the Corporation's audit resolution office as part of this response). Additionally, this issue will be addressed during pre-award technical assistance with all grantees. The Commission will conduct an additional, mid-year review to ascertain that mid-year reviews are complete and in member files and that the prior year's members have end-of-term evaluations.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 8 – Time sheets do not Contain Sufficient Location Detail

Condition

Of the 89 member files tested at the five sub-recipients, we found 19 members' time sheets that did not contain information on the location of service performed and the project assignment/description including:

- LAP – 3 out of 50 members' time sheets did not list the location of service performed; 2 members' timesheets did not include the project assignment/description.
- CAN – 1 out of 15 member time sheets did not contain daily hours, location of service performed, and project description.
- LFS – 7 out of 14 member time sheets did not include the location of service performed and 1 out of 14 member time sheets did not have project assignment.
- City of Lincoln – 5 out of 5 members' time sheets did not include the location of service performed.

AmeriCorps provisions 14a. Record Keeping states:

> The records must be sufficient to establish that the individual was eligible to participate in the program and that the member successfully completed program requirements.

Recommendation

The Corporation should require NVSC to work with all subrecipients to ensure that time sheets contain information on the location of service, project assignments/descriptions, and hours worked.

NVSC's Response

The Commission believes that this finding has been successfully resolved.

Testing to ensure that member time sheets reflect the location of service, project assignments/descriptions, and the hours worked began for the 2004-2005 program year through site visits in early December 2004. The new, mandatory pre-award training will include a discussion of required elements for member time sheets. Additionally, the Commission's Risk-Based Monitoring Procedure requires programs to submit templates of member time sheets for review and approval prior to their use.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 9 - Enrollment and Change of Status Forms

Condition

Out of 89 member files tested at the five subrecipients, we found 56 instances in which subrecipients did not submit enrollment, change-of-status, and exit/end-of-term forms within 30 days. The exceptions existed at the following subrecipients:

- LAP - 20 out of 50 enrollment forms
  1 out of 50 change-of-status forms
  6 out of 50 exit/end-of-term forms
- CAN - 15 out 15 enrollment forms
  6 out 15 exit/end-of-term forms
- LFS - 4 out 14 enrollment forms
  1 out of 14 exit/end-of-term forms
- College of Saint Mary's - 3 out of 5 enrollment forms

AmeriCorps grant provision 16 b. AmeriCorp Member-Related Forms states:

> The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Sub-Grantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms:
>
> i. Enrollment Forms. Enrollment forms must be submitted no later than 30 days after a member is enrolled.
> ii. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.
> iii. Exit/End-of-Term-of-Service Forms. Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

Recommendation

The Corporation should require that NVSC implement policies to ensure that enrollment forms, change of status forms, and exit/end-of-term-of-service forms are submitted to the National Service Trust within the 30-day requirement.

NVSC's Response

The Commission recognizes that the challenge of assuring that any change in status be documented, and approved in WBRS within 30 days, must be addressed by a multi-faceted approach. The importance of this 30-day deadline will receive increased emphasis in upcoming trainings (including the mandatory pre-award training for programs). Program Directors will be trained in the use of WBRS monitoring tools so that they can self-monitor their program's compliance. Additionally, the Commission will develop a visual reminder for programs that will remind them of the necessity of complying with the 30-day rule.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

INTERNAL CONTROL FINDINGS

Finding Number 10 – Cash Basis Accounting for Vacation Expense

Condition

NVSC and one subrecipient, the City of Lincoln, claim employee vacation expense for reimbursement as employees use it, rather than as they earn it. This protocol could result in unallowable costs if an employee transferred into a reimbursable position with large available vacation balances and subsequently used vacation. If this occurred, the program would be charged for vacation that was actually earned prior to the grant-related employment.

We observed that the employee base was relatively static and minimal amounts of vacation expense were charged to the programs. Accordingly, we do not question the allowability of any costs in the grant years under audit. However, the Corporation should be aware of potential anomalies in the accounting system.

Recommendation

The Corporation should work with NVSC to monitor the allowability of incurred vacation costs.

NVSC's Response

The Commission recognizes this potential anomaly in the State's accounting system, and analyzed its current employee base to determine where any danger of this occurring might exist. There are only two long-term State employees who came to the Commission with vacation balances. Since being hired at the Commission, they have each used their vacation leave at a rate much slower than they are earning it. The Commission is mindful of the need to monitor this anomaly in the context of the State's negotiated labor contract and Nebraska State Employee Rules and Regulations. The Commission has encouraged its subgrantee, the City of Lincoln, to do the same.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 11 – Member Living Allowance Overpayment

Condition

We identified two instances in which Blue Valley Community Action (BVCA), a subrecipient of CAN, paid members in excess of their stated living allowances. This resulted from financial records not containing up to date payroll information when amounts were disbursed. One member was overpaid by $2,712 and another member received $173 in excess of their stated living allowance. We determined that these excess costs were not reimbursed by the Corporation, and therefore, we did not question the allowability of these costs.

Recommendation

The Corporation should request that NVSC follow up with BVAC to ensure that financial policies are in place to prevent overpayment of member living allowances.

NVSC's Response

The Commission believes this finding has been successfully resolved.

Blue Valley Community Action Partnership utilizes the GMS Fund Accounting software for its payroll system, which accounts for consistent employee compensation as salaried staff. In order to award consistent living allowances to members, the "salaried" format was utilized. Unfortunately, hours are only tabulated electronically using the "wage" format within their system. The manual reconciliation which was normally done was overlooked. Once the discovery was made, correction to the Corporation reimbursement request was made. The members were not asked to refund the spent living allowances.

Consistent and timely reconciliations are now part of BVCA's procedure and this should not occur again.

BVCA has forwarded a copy of this revised procedure, which is awaiting the approval of the BVCA Board, to the Commission. This policy delineates the appropriate separation of duties to reconcile payroll for AmeriCorps members to the agency's accounting system.

In addition, the Commission has implemented the safeguards outlined in its response to Finding Number One to ensure that there is no reimbursement claimed for payment of member living allowances higher than that allowable for Federal reimbursement.

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.

Finding Number 12 – Lack of Financial and Programmatic Policies

The College of Saint Mary's (CSM) did not maintain documented financial or programmatic policies. While we observed internal controls in existence, documented policies and procedures are necessary to ensure consistent application.

Recommendation

The Corporation should require NVSC to follow up to determine if CSM's programmatic policies were documented and provide guidance for the documentation of financial polices.

NVSC's Response

The lack of documented policies and procedures was identified by the Commission as a "continuous improvement" item for the College during its most recent site visit (February 2004). However, the Commission has determined that a similar finding in the future will result in a finding of "non-compliance" and has modified its policy accordingly. The revised policy will be approved by the full Commission on March 17, 2005, and will allow the Commission to withhold reimbursement until the subgrantee is compliant in providing documentation of written policies and procedures. A copy of that revised policy will be forwarded to the Corporation's audit resolution office as part of this response.

On Monday, December 13, 2004, the Commission conducted a site visit of the CSM program related to the 2004-2005 program year. The Program Director provided a draft copy of the programmatic policy and procedure manual at that meeting. That manual has subsequently been expanded and refined and was provided to the Commission on March 4, 2005.

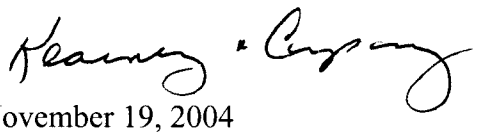
At the same time, the Commission recognized that it was highly unlikely that an organization with the scope and reach of the College of St. Mary did not have written financial policies and procedures and surmised that an issue of communication with staff at the College could be playing a role in this finding. To that end, the Commission approached both the College President and Corporate Financial Officer about the finding and asked for their involvement in resolving the issue. The Commission also provided a copy of written financial policies and procedures from another subgrantee to provide a context for what was being requested of CSM.

On Friday, March 4, 2005, Commission Staff and a Commissioner met with the CFO and other staff of the College of St. Mary to review a written financial policy and procedure manual that the College provided to the Commission. A copy of that manual will be forwarded to the Corporation's audit resolution office as part of this response. The Commission finds it to be compliant with the request and believes this finding has been resolved.

KEARNEY&
COMPANY

Auditor's Comment

The procedures described in the Commission's response, subject to implementation and validation, should be sufficient to prevent the reoccurrence of this finding in the future audits.



November 19, 2004
Alexandria, Virginia

Exhibit A

Nebraska Volunteer Service Commission
Consolidated Schedule of Audited Award Costs
January 1, 2001, to June 30, 2004

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs
00ASCNE028	AmeriCorps (2001-02, 2002-03)	$1,943,869	$1,451,912	$45,624
00ASFNE028	AmeriCorps (2001-02, 2002-03)	869,097	716,416	32,701
03ACHNE001	AmeriCorps (2003-04)	353,886	128,855	-
03AFHNE001	AmeriCorps (2003-04)	332,421	149,113	-
	Total AmeriCorp	3,499,273	2,446,297	78,325
02PDSNE029	PDAT (2002, 2003, 2004)	291,923	173,658	
01 SCSNE029	Administrative (2002, 2003)	309,781	291,404	
04CAHNE001	Administrative (2004)	169,321	73,177	
	Total Administrative	479,102	364,581	
TOTALS – Grants Administered by NVSC		$4,270,298	$2,984,535	$78,325

Total Claimed/Total Approved Budget (Federal Share)	69.9%
Total Questioned/Total Claimed (Federal Share)	2.0%

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCNE028, 00ASFNE028, 00ACHNE001 and 00AFHNE001
(AmeriCorps)
August 1, 2001, to March 31, 2004

Detailed Audits of AmeriCorps Subrecipients	Claimed Costs	Questioned Costs	Reference
00ASCNE028			
Community Action Nebraska	$ 723,190	$45,624	Schedule B-5
Lincoln Action Program	728,722	-	Schedule B-3
Total	1,451,912	45,624	
00ASFNE028			
Lutheran Family Services	205,225	14,826	Schedule B-2
City of Lincoln	119,825		Schedule B-4
College of St. Mary's	81,634	14,300	Schedule B-1
Groundwater Foundation	93,238		N/A
NE Community Foundation	142,075		N/A
NE Sustainable Agricultural Society	41,481		N/A
Blue Valley Community Action - Planning Grant	32,939	-	N/A
Total	716,416	29,126	
03ACHNE001			
Lutheran Family Services	128,855	-	Schedule B-2
03AFHNE001			
College of St. Mary's	18,158	3,575	Schedule B-1
Lincoln Action Program	104,281	-	Schedule B-3
City of Lincoln	26,674	-	Schedule B-4
Total	149,113	3,575	
Total	$2,446,297	$78,325	Note 1

Notes

1. The total claimed costs reported include costs claimed by subrecipients that were not tested as part of this audit. During the period covered by our audit, NVSC had nine AmeriCorp program subrecipients. Accordingly, we used a sampling approach based on our Risk Assessment and Audit Approach Memorandum, dated September 29, 2004, at the selected field sites to test the costs claimed for Program Years 2001-02 to 2003-04.

Schedule B-1

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASFNE028 and 03AFHNE001(AmeriCorps)
August 1, 2001, to March 31, 2004

College of Saint Mary's

				Reference
Approved Budget (Federal Funds)				
00ASFNE028	2001-2002	$55,548		
00ASFNE028	2002-2003	49,597	105,145	
03AFHNE001	2003-2004		38,024	
			$143,169	Note 1
Claimed Costs (Federal Funds)				Note 2
00ASFNE028	2001-02, 2002-03	81,634		
03AFHNE001	2003-04	18,158	$ 99,792	
Questioned Costs				
00ASFNE028	Matching		$ 14,300	Note 3
03AFHNE001	Matching		3,575	Note 3
Total Questioned Costs			$ 17,875	

Notes

1. Approved Budget represents the total funding to the College of Saint Mary's (CSM) for Program Years 2001-02 to 2003-04.

2. Claimed costs for 2004 represent CSM's reported expenditures, as of March 31, 2004.

3. During cost testing at CSM, we determined that amounts used for other cost matching (i.e., utilities, space rental, telephone, and internet access) were not supported by a systematic allocation of actual costs. The amounts reported represented the proportionate monthly share of the annual budget.

Schedule B-2

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASFNE028 and 03ACHNE001 (AmeriCorps)
August 1, 2001, to March 31, 2004

Lutheran Family Services

Approved Budget (Federal Funds)				Reference
00ASFNE028	2001-2002	$123,756		
00ASFNE028	2002-2003	155,277	279,033	
03ACHNE001	2003-2004		353,886	
			$632,919	Note 1
Claimed Costs (Federal Funds)				
00ASFNE028	2001-02,2002-03	$205,225		
03ACHNE001	2003-04	128,855		
			$334,080	Note 2
Questioned Costs				
00ASFNE028				
	Member Living Allowance	$ 13,553		Note 3
	FICA	1,250		Note 4
	Workman's Compensation	23		Note 4
Total Questioned Costs			$ 14,826	

Notes

1. Approved budget amount of $632,919 represents total funding to Lutheran Family Services (LFS) for Program Years 2001-02 through 2003-04.

2. Claimed costs for 2004 represent LFS's reported expenditures as of March 31, 2004.

3. AmeriCorps Special Provision 11. Living Allowances, Other In-Service Benefits and Taxes states that the grantee must match any living allowances over 85% of the minimum living allowance. We found variances of $4,577 and $8,976 for program years 2001-02 and 2002-03, respectively. The 2001-02 variance resulted from a claimed living allowance that exceeded the Federal maximum, and the 2002-03 variance resulted from a claimed allowance for a non-member and a one-month overpayment.

4. The amounts for FICA and Workman' Compensation were questioned because they were related to the questioned living allowance.

Schedule B-3

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCNE028 and 03AFHNE001 (AmeriCorps)
August 1, 2001, to March 31, 2004

Lincoln Action Program

				Reference
Approved Budget (Federal Funds)				
00ASCNE028	2001-2002	$423,500		
00ASCNE028	2002-2003	433,934	857,434	
03AFHNE001	2003-2004		243,198	
			$1,100,632	Note 1
Claimed Costs (Federal Funds)				
00ASCNE028	2001-02,2002-03	$728,722		
03AFHNE001	2003-04	104,281		Note 2
			$ 833,003	
Questioned Costs			$ -	

Notes

1. Approved budget amount of $1,100,632 represents total funding to the Lincoln Action Program (LAP) for Program Years 2001-02 through 2003-04.

2. Claimed costs for 2004 represent LAP's reported expenditures as of March 31, 2004.

Schedule B-4

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCNE028 and 03AFHNE001 (AmeriCorps)
August 1, 2001, to March 31, 2004

City of Lincoln

				Reference
Approved Budget (Federal Funds)				
00ASFNE028	2001-2002	$ 35,000		
00ASFNE028	2002-2003	111,600	146,600	
03AFHNE001	2003-2004		51,199	
			$197,799	Note 1
Claimed Costs (Federal Funds)				
00ASFNE028	2001-03		119,825	
03AFHNE001	2003-04		26,674	Note 2
			$146,499	
Total Questioned Costs			$ -	

Notes

1. Approved budget amount of $197,799 represents total funding to the City of Lincoln (CL) for Program Years 2001-02 through 2003-04.

2. Claimed costs for 2004 represent CL's reported expenditures as of March 31, 2004.

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Number 00ASCNE028 (AmeriCorps)
August 1, 2001, to March 31, 2004

Community Action Nebraska

				Reference
Approved Budget (Federal Funds)				
00ASCNE028	2001-2002	$689,634		
00ASCNE028	2002-2003	396,801		
			$1,086,435	Note 1
Claimed Costs (Federal Funds)			$ 723,190	Note 2
Questioned Costs				
00ASCNE028				
	Member Living Allowance	$ 38,729		Note 3
	FICA	5,515		Note 4
	Workman's Comp	329		Note 4
	Other Direct Costs	1,051		Note 5
Total Questioned Costs			$ 45,624	

Notes

1. Approved budget amount of $1,086,435 represents total funding to Community Action of Nebraska (CAN) for Program Years 2001-02 through 2002-03. CAN was not a subrecipient during Program Year 2003-04.

2. Claimed costs represent CAN's reported expenditures for Program Years 2001-02 through 2002-03.

3. AmeriCorps Special Provision 11. Living Allowances, Other In-service Benefits and Taxes, states that the grantee must match any living allowances over 85 percent of the minimum living allowance. We found a variance of $34,226 and $4,503 for Program Years 2001-02 and 2002-03, respectively. The subrecipient has not been able to identify the cause of these variances.

4. The amounts for FICA and Workman's Compensation were questioned because they were related the questioned living allowance.

5. This amount was for lodging expense at a training conference held by CAN for AmeriCorp during August 2001. The OIG audit program states that "if the expenditure is for travel, the expenditure complies with the Federal Travel Regulations." CAN was unable to show documentation to support what persons used the lodging and if this cost qualified for reimbursement under Federal Travel Regulations.

Exhibit C

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 02PDSNE029 (PDAT)
January 1, 2002, to June 30, 2004

Program Development and Training

			Reference
Approved Budget (Federal Funds)			
02PDSNE029	2002	$ 99,000	
02PDSNE029	2003	91,000	
02PDSNE029	2004	101,923	Note 1
		$291,923	
Claimed Costs		$173,658	Note 2
Questioned Costs		$ -	

Notes

1. Approved budget represents the total funding to the Program Development and Training (PDAT) grant for the three-year grant period, January 2002 to December 2004.
2. Claimed costs represent the amount of reported expenditures of the PDAT grant for the program years tested (January 2001 through June 2004).

Exhibit D

Nebraska Volunteer Service Commission
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 01SCSNE029 and 04CAHNE001 (Admin)
January 1, 2002, to June 30, 2004

Administrative

Approved Budget (Federal Funds)				Reference
01SCSNE029	2002	$155,842		
01SCSNE029	2003	153,939	309,781	
04CAHNE001	2004		169,321	
			$479,102	Note 1
Claimed Costs (Federal Funds)				
01SCSNE029		$291,404		
04CAHNE001		73,177		
			$364,581	Note 2
Questioned Costs			$ -	

Notes

1. Approved budget represents the total funding to the Administrative grant for the January 2002 to December 2004.

2. Claimed costs represent the amount of reported expenditures of the Administrative grant for the program years tested (January 1, 2002 through June 30, 2004).

Follow-Up on Pre-Audit Survey Findings

OIG Audit Report No. 04-06, Pre-Award Survey Report of the Nebraska Volunteer Service Commission

Cotton & Company LLP performed a Pre-Audit Survey and issued their findings to Corporation management on September 5, 2003. Since the issuance of the report, NVSC has worked to remediate the conditions and findings cited.

A summary of the current status of the Pre-Audit Survey findings is as follows:

	Condition	Cause	Effect	Recommendation		Applied?	Resolution
Engagement: Pre-Audit Survey of the Nebraska Volunteer Service Commission [Fall 2003]							
1	The Commission did not have written policies and procedures for internal control for the pre-audit survey period [Program Years 2000-2001 and 2001-2002].	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to interview or obtain any oral information from employees with regard to the Commission's internal controls for the pre-audit survey period. Additionally, the auditors were unable to determine if the Commission had established any internal controls for the current period. As a result, the auditors were unable to determine the adequacy of internal controls or perform any procedures to determine if procedures were operating as intended.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with copies of their policies and procedures. We reviewed these documents and evaluated them as complete and adequate. NVSC maintains the policies in a central location.
2	The Commission did not have written policies and procedures for selecting sub-grantees for the pre-audit survey period [Program Years 2000-2001 and 2001-2002].	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to determine if the Commission's sub-grantee selection process was open and competitive in accordance with 45 CFR § 2550.80(b)(1). Further, there was no documentation as to whether the sub-grantees' financial systems were evaluated in the selection process.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with copies of their policies and procedures. We reviewed these documents and evaluated them as complete and adequate. NVSC maintains the policies in a central location.

	Condition	Cause	Effect	Recommendation		Applied?	Resolution
3	The Commission did not have written policies and procedures for administering grant funds for the pre-audit survey period [Program Years 2000-2001 and 2001-2002].	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to perform test procedures to determine the adequacy of grant administration.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with copies of their policies and procedures. We reviewed these documents and evaluated them as complete and adequate. NVSC maintains the policies in a central location. The Nebraska Health and Human Services System manages cash drawdowns from the US Department of Health and Human Services Payment Management System.
4	The Commission's files for administering grant funds were inadequate for Program Years 2000-2001 and 2001-2002.	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to determine what grant administration procedures were performed by the Commission during the pre-audit survey period.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with access to NVSC's 2003-2004 grant files. We reviewed these documents and observed that they are stored on a regular basis in a systematic manner consistent with reasonable business practices. Specifically, we reviewed the site visit and grant administration files for the following subgrantees: City of Lincoln (COL), Lutheran Family Services (LFS), Lincoln Action Program (LAP), College of St. Mary's (CSM), and Community Action of Nebraska (CAN).
5	The Commission did not have written policies and procedures for evaluating and monitoring sub-grantees for the pre-audit survey period [Program Years 2000-2001 and 2001-2002].	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to determine if the Commission followed procedures that adequately evaluated and monitored grants.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with copies of their policies and procedures. We reviewed these documents and evaluated them as complete and adequate. NVSC maintains the policies in a central location.
6	The Commission's files related to evaluating and monitoring sub-grantees were incomplete for Program Years 2000-2001 and 2001-2002.	The written policies and procedures did not exist; and all personnel who had worked at the Commission during that time were no longer employed by the Commission.	The auditors were unable to determine if the Commission followed any grants evaluation and monitoring procedures during the pre-audit survey period.	The Commission represented that is was in the process of developing and implementing internal control policies and procedures. The auditors recommended that the Corporation review the newly formulated policies and procedures to determine that they are properly implemented.		Yes	NVSC provided the audit staff with access to NVSC's 2003-2004 grant files. We reviewed these documents and observed that they are stored on a regular basis in a systematic manner consistent with reasonable business practices. Specifically, we reviewed the site visit and grant administration files for the following sub-grantees: City of Lincoln-URP (COL), Lutheran Family Services-SUN (LFS), Lincoln Action Program-Community (LAP), College of St. Mary's-Alternatives In Retention (CSM), and Community Action of Nebraska (CAN).

This report is intended for the information and use of the Office of Inspector General, as well as the management of the Corporation, NVSC and its subrecipients, and the U.S Congress. However, this report is a matter of public record and its distribution is not limited.

Appendix A

Nebraska Volunteer Service Commission's Response

The NVSC responded to the draft audit report in the body of the report. For the NVSC responses refer to each section titled *"NVSC's Response"*.

Appendix B

Corporation for National and Community Service's Response

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
Tory Willson, Audit Resolution Coordinator

Date: March 15, 2005

Subject: Response to OIG Draft Incurred-Cost Audit of Grants Awarded to the Nebraska Volunteer Service Commission

We have reviewed the draft incurred-cost audit of Grants awarded to the Nebraska Volunteer Service Commission. Due to the limited timeframe for response, we have not thoroughly reviewed the report nor have we discussed it with the grantee. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail.