Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE NOTRE DAME MISSION VOLUNTEER PROGRAM

OIG REPORT NUMBER 05-20

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

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This report was issued to Corporation management on August 2, 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 February 2, 2006, and complete its corrective actions by August 2, 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 05-20

Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program

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 Corporation National Direct Grants awarded to the Notre Dame Mission Volunteer Program (NDMV).

For the grants audited in Program Years 2001-2002, 2002-2003 and 2003-2004, NDMV claimed costs of $4,994,479, of which the auditors questioned $44,389 as unallowable costs and $55,338 of education awards. Overall, the auditors questioned approximately 1 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 four internal control findings that are considered material weaknesses.

Although NDMV disagreed with the auditor's recommendation to refund project income on its Promise Fellows grant, it generally agreed with the remaining auditors' conclusions and it has addressed many of the identified weaknesses. These comments and the NDMV'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 NDMV's Consolidated Schedule of Award Costs, internal controls or conclusions on compliance with laws and regulations. Cotton is responsible for the attached reports dated January 31, 2005, 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 NDMV 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
NOTRE DAME MISSION VOLUNTEER PROGRAM

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AUDIT SCOPE

Cotton & Company LLP was contracted by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), to perform an incurred-cost audit of the Notre Dame Mission Volunteer Program (NDMV) for Program Years (PYs) 2001-2002, 2002-2003, and 2003-2004. Our audit included costs incurred under the following grants for the periods specified below. Our audit covered financial transactions, compliance, and internal control testing of the following awards funded by the Corporation:

Program	Award No.	Award Period	Audit Period
AmeriCorps	01ADNMD006	9/1/01-9/4/04	9/1/01-3/31/04
Education Only Award	02EDNMD006	9/1/02-8/31/05	9/1/02-3/31/04
Promise Fellows	01APNMD006	9/1/01-8/31/04	9/1/01-8/31/04

Audit objectives were to determine if:

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

BACKGROUND

The Corporation supports a range of national and community service programs that provide an opportunity for individuals (members) to serve full- or part-time. National Direct non-profit organizations receive funding under specific grants for such programs as AmeriCorps, Education Award Only (EAO), and Promise Fellows. The grants are used to fund volunteers who earn living allowances and education awards. Education awards are administered by the Corporation's National Service Trust (Trust) through a database of all members that is updated by NDMV and reported to the Trust. Members submit requests to the Trust to redeem their earned awards which are paid directly to higher educational institutions or holders of members' education loans.

NDMV has been providing national and community service programs through AmeriCorps since 1995 and has operating sites located throughout the United States where the members are based. Most operating sites are run by full-time directors who are NDMV employees. One, the "I Have a Dream" Foundation (IHAD) in Boulder, Colorado, is a separate legal entity that formed an operating agreement with NDMV. The members perform their service at partnering sites, which are typically educational institutes, and the partnering sites pay NDMV a fee for members' services.

NDMV received a portion of the AmeriCorps grant to fund its operating costs. The majority of funding received from the Corporation flows through NDMV's national office to its operating sites, and NDMV manages these funds through a centralized financing system. NDMV adjusted accounting records to reflect additional incurred costs after submitting annual Financial Status Reports (FSR), and incurred

costs were greater than claimed costs. As a result, we audited NDMV's incurred costs rather than its claimed Federal and match costs.

Prior to our audit, NDMV identified internal fraudulent activities committed by a former assistant director, and the OIG conducted a fraud investigation. As a result of this investigation, NDMV made correcting adjustments to its financial records. During our audit, we identified two additional occurrences of fraudulent activities and an incorrect adjustment related to the former assistant director, as discussed in Schedule A and the Independent Auditors' Report on Compliance and Internal Control.

SUMMARY OF RESULTS

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

COMPLIANCE AND INTERNAL CONTROL FINDINGS

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

1. NDMV's financial management system did not comply with AmeriCorps Provisions.

2. NDMV did not have adequate procedures to ensure that member service hours were accurately recorded in the Corporation's Web Based Reporting System (WBRS), and that time sheets were prepared as required.

3. NDMV did not have adequate procedures to ensure documentation of member activities.

4. NDMV did not have procedures to ensure that EAO members received insurance coverage.

5. NDMV did not have adequate procedures to take proper corrective action on deficiencies noted during AmeriCorps operating site monitoring visits.

6. NDMV did not have adequate procedures to ensure that members received living allowances in accordance with applicable AmeriCorps Provisions.

7. NDMV did not adequately document or retain documentation of member eligibility under the AmeriCorps, EAO, and Promise Fellows grants.

8. NDMV member contracts did not comply with AmeriCorps Provisions.

9. NDMV drew down funds under the Promise Fellows grant before it was authorized and was incorrectly reimbursed for the full awarded amount.

10. NDMV did not comply with project income requirements under the Promise Fellows grant.

11. NDMV did not comply with employee Drug-Free Workplace Act and non-discrimination requirements.

COST FINDINGS

NDMV claimed $4,994,479 in costs in PYs 2001-2002, 2002-2003, and 2003- 2004. Of this amount, we questioned $44,389. Costs questioned are costs for which documentation shows that recorded costs were incurred in violation of laws, regulations, or specific award conditions; and those that require additional documentation to substantiate that the cost was incurred and is allowable.

AmeriCorps members 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. However, as part of our audit, we determined the effect of audit findings on education award eligibility. Using the same criteria described above, we questioned education awards of $55,338.

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

Award No.	Federal Costs Questioned	Education Awards Questioned	Schedule
01ADNMD006	$12,872	$38,800	A
02EDNMD006		7,088	B
01APNMD006	31,517	9,450	C
	$44,389	$55,338	

EXIT CONFERENCE

We held an exit conference with NDMV and Corporation representatives on April 26, 2005. In addition, we provided a draft copy of this report to each for comment. Their responses are included in this report as Appendices A and B, respectively. NDMV also provided specific comments on the compliance and internal control report findings; which we have included in this report.

COTTON & COMPANY LLP
auditors • advisors

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January 31, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs incurred by NDMV for Program Years (PYs) 2001-2002, 2002-2003, and 2003-2004 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 C), are the responsibility of NDMV 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
AmeriCorps	01ADNMD006	9/1/01-9/4/04	9/1/01-3/31/04
Education Only Award	02EDNMD006	9/1/02-8/31/05	9/1/02-3/31/04
Promise Fellows	01APNMD006	9/1/01-8/31/04	9/1/01-8/31/04

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 incurred 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 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 NDMV's revenues and expenses in conformity with generally accepted accounting principles. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined the effect of all member-eligibility issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Claimed and Questioned Costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by NDMV for PYs 2001-2002, 2002-2003, and 2003-2004, in conformity with OMB Circular A-122, other applicable OMB circulars, and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated January 31, 2005, on our consideration of NDMV's internal control 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.

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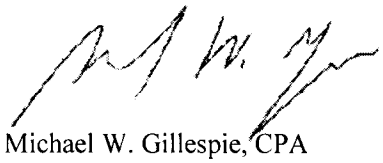
This report is intended for the information and use of the Office of Inspector General, the Corporation for National and Community Service, NDMV, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP



Michael W. Gillespie, CPA
Partner

EXHIBIT A

NOTRE DAME MISSION VOLUNTEER PROGRAM
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Questioned Federal Costs	Questioned Education Awards	Schedule
01ADNMD006	AmeriCorps	$5,855,264	$4,781,439	$12,872	$38,800	A
02EDNMD006	Education Award Only	84,000	64,240		7,088	B
01APNMD006	Promise Fellows	148,800	148,800	31,517	9,450	C
Totals		$6,088,064	$4,994,479	$44,389	$55,338	

SCHEDULE A

NOTRE DAME MISSION VOLUNTEER PROGRAM
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 01ADNMD006
AMERICORPS GRANT
SEPTEMBER 1, 2001, TO MARCH 31, 2004

	Amount	Notes
Approved Budget (Federal Funds)	$5,855,264	
Claimed Federal Costs	$4,781,439	
Questioned Federal Costs:		
Post-FSR Adjustments	$(20,167)	1
Member Eligibility, Citizenship	7,005	2
Member Eligibility, Background Check	9,660	3
Unallowable Direct Costs	340	4
Unallowable Indirect Costs	1,708	5
Unallowable Labor	2,582	6
Unallowable Living allowance	6,069	7
Unallowable Costs	830	8
Unsupported Costs	4,845	9
Total Questioned Federal Costs	$12,872	
Questioned Education Awards:		
Member Eligibility, Background Check	$5,725	3
Insufficient Service Hours Earned Award	33,075	10
Total Questioned Education Awards	$38,800	

1. NDMV made credit and debit adjustments in its accounting records after submitting its annual Financial Status Reports (FSRs), resulting in a net increase of $20,167 to claimed costs, as follows:

   a. **PY 2001-2002.** NDMV decreased costs in its accounting records by $12,660. Credit adjustments were made for unallowable costs associated with fraud by NDMV's former assistant director. Debit adjustments included booking suspense account allocations and accruals from the IHAD operating site.

   b. **PY 2002-2003.** NDMV increased costs in its accounting records by $33,169. Debit adjustments included booking suspense account allocations, accruals from the IHAD operating site, and salary from the Julie Community Center operating site.

   c. **PY 2003-2004.** NDMV decreased costs in its accounting records by $342 to reallocate equipment and workers' compensation costs.

2. NDMV did not provide documentation supporting U.S. citizenship or legal residency status for two members. According to AmeriCorps Provisions (2001), Section A(9)(b), *Definitions, Member,* every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. Also, NDMV accepted driver's licenses and Social Security cards, which are unacceptable forms of eligibility certification. We questioned the living allowances totaling $7,005 that were received by the two members.

3. NDMV did not provide documentation supporting criminal record checks for two members who had substantial direct contact with children. AmeriCorps Provisions (2001), Section B (6)(h), *Criminal Record Checks,* states that programs with members who have substantial direct contact with children must conduct criminal record checks on these members as part of the screening process and maintain documentation consistent with state law. We questioned living allowances of $9,660 and education awards of $5,725 received by the two members.

4. NDMV charged $340 in unallowable direct costs, as follows:

   a. We identified unauthorized credit card transactions by the former assistant director that were not discovered during the fraud investigation. NDMV claimed airfare costs of $223 for two personal trips taken by the former assistant director: $149 for a trip from Baltimore to Miami and $74 for a trip from Baltimore to Boston (PY 2001-2002).

   b. NDMV claimed airfare costs of $117 for a trip from Orlando to Washington, DC, which was taken by an individual who was not an employee or a member (FY 2002-2003). The individual was an employee of the operating site in Apopka, Florida.

   These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A (4), *Basic Considerations, Allocable Cost* and we therefore questioned $340.

5. NDMV claimed $1,708 in unsupported administrative costs for the IHAD operating site. Although IHAD based its administrative costs on 5 percent of reimbursed Federal costs as allowed in accordance with AmeriCorps Provisions (2001), Section C (22)(c), *Administrative Costs*, it did not have Corporation approval. We therefore questioned $1,708.

6. NDMV claimed $2,582 in unallowable labor, as follows:

   a. NDMV claimed labor costs from the Seattle operating site, but did not provide adequate supporting documentation, such as activity reports, as required by OMB Circular A-122, Attachment B, Paragraph 8 (m), *Compensation for personal service, Support of salaries and wages.* AmeriCorps Provisions (2001), Section C(21)(c)(i), *Financial Management Provisions, Time and Attendance Records, Staff*, also require that wages charged directly to the grant or matching funds be supported by signed time and attendance records. NDMV only provided an invoice as support for labor costs and we therefore questioned $1,750.

   b. NDMV allocated fraudulent duplicate paycheck amounts for the former assistant director between its AmeriCorps grant and its subgrants with the State of Maryland in PYs 2001-2002 and 2002-2003. When the fraudulent paychecks were discovered, NDMV credited the full amount of the duplicate paychecks to the AmeriCorps grant only, rather than crediting the Maryland subgrants for their shares, which totaled $557 for both years. We therefore increased allowable Federal costs under the AmeriCorps grant by $557.

c. NDMV claimed incorrect IHAD operating site staff labor costs during PYs 2002-2003 and 2003-2004. IHAD staff members charged to the AmeriCorps grant were salaried IHAD employees who did not work 100 percent on the AmeriCorps grant. NDMV incorrectly used the standard hourly rate to determine the value of the employee labor allocable to the AmeriCorps grant. In addition, we identified discrepancies between employee labor hours used for NDMV's labor calculation and labor hours supported by time sheets. Furthermore, NDMV made errors recording the amounts of calculated labor. NDMV erroneously claimed $12,548 for PY 2002-2003 and $5,760 for PY 2003-2004 under the Federal portion of the grant.

We recalculated IHAD staff labor costs for PYs 2002-2003 and 2003-2004 using the effective hourly rate. Allowable Federal costs where $11,276 for PY 2002-2003 and $5,643 for PY 2003-2004. We therefore questioned the difference of $1,272 ($12,548 claimed less $11,276 allowable) for PY 2002-2003 and $117 ($5,760 claimed less $5,643 allowable) for total questioned costs of $1,389.

7. NDMV claimed unallowable living allowances as follows:

a. A member serving as the California operating site "team leader" in PY 2001-2002 was paid a living allowance of $18,000 ($720 x 25 periods). NDMV allocated this $18,000 between Federal and match funds based upon a 65 percent Federal share and a 35 percent match allocation. It charged $11,700 ($18,000 x 65 percent) to the Federal portion of the grant.

AmeriCorps Provisions (2001), Section B (11)(a), *Living Allowances, other in-service benefits and taxes*, states that the Corporation will fund 85 percent of the minimum living allowance, which was $9,300 in PY 2001-2002. The maximum allowable Federal portion of the living allowance was $7,905 ($9,300 x 85 percent). We therefore questioned the $3,795 difference.

b. NDMV paid living allowances for two members who left service early, as follows:

- A member who left the program early for compelling personal circumstances in PY 2001-2002 was authorized to receive a $7,781 living allowance. NDMV, however, paid the full living allowance of $9,300. We therefore questioned the $1,291 Federal portion ($9,300 - $7,781 x 85 percent).

- A member was released for cause in PY 2002-2003, and was authorized to receive $5,760 living allowance. NDMV, however, paid the member $6,916 in living allowances. We questioned the $983 Federal portion ($6,916 - $5,760 x 85 percent).

AmeriCorps Provisions (2001), Section B (11)(b), *Living Allowance Distribution*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. We therefore questioned $2,274.

8. NDMV claimed unallowable costs as follows:

   a. NDMV claimed $310 for groceries, which are not an allowable AmeriCorps expense.

   b. IHAD claimed $350 for diversity training fees for staff members. These staff members did not spend 100 percent of their time on AmeriCorps programs, and NDMV incorrectly allocated the full $350 to the AmeriCorps grant. In addition, staff diversity training funds were not budgeted.

   c. IHAD claimed $170 for staff CPR training. IHAD staff members did not spend 100 percent of their time on AmeriCorps programs, and NDMV incorrectly allocated the full $170 to the AmeriCorps grant. In addition, CPR training funds for staff members were not budgeted.

   These costs were unallocable to the AmeriCorps grant according to OMB Circular A-122, Attachment A, Paragraph A (4) *Basic Considerations, Allocable Cost.* We questioned the $830.

9. NDMV claimed $4,845 unsupported costs as follows:

   a. NDMV provided credit card statements as support for $3,404 in expenditures. We could not determine allowability, reasonableness, or necessity of the expenses from the statements.

   b. NDMV did not maintain adequate supporting documentation for $1,441 in travel costs from the Apopka, Florida, operating site. It provided an inadequate, handwritten note as documenting support for a $382 outlay and provided no support for the $1,059 balance.

   AmeriCorps Provisions (2001), Section C (21)(b), *Source Documentation*, requires that adequate supporting documentation be maintained for all expenditures, including a receipt, travel voucher, bill, or similar document. We therefore questioned $4,845.

10. NDMV claimed member service hours in its reporting to WBRS that were unsupported by time sheets. Actual hours per time sheets did not support the required service hours for the education awards earned by seven members as follows:

Member #	WBRS Hours	Time Sheet Hours	Education Award
1	1,701	1,646	$4,725
2	1,754	1,696	4,725
3	1,711	1,427	4,725
4	1,701	1,653	4,725
5	1,728	1,697	4,725
6	1,720	1,578	4,725
7	1,723	1,390	4,725

We therefore questioned education awards of $33,075.

SCHEDULE B

NOTRE DAME MISSION VOLUNTEER PROGRAM
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 02EDNMD006
EDUCATION AWARD ONLY
SEPTEMBER 1, 2002, TO MARCH 31, 2004

	Amount	Note
Approved Budget (Federal Funds)	$84,000	
Claimed Federal Costs	$64,240	
Questioned Federal Costs		
Questioned Education Award:		
Member Eligibility, Citizenship	$7,088	Note

Note. NDMV did not provide documentation supporting U.S. citizenship or legal residency status for two members who received education awards. According to AmeriCorps Education Award Provisions (2002), Section A(8)(b), *Definitions, Member,* every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. We therefore questioned education awards of $7,088 received by the two members.

SCHEDULE C

NOTRE DAME MISSION VOLUNTEER PROGRAM
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
AWARD NO. 01APNMD006
PROMISE FELLOWS
SEPTEMBER 1, 2001, TO AUGUST 31, 2004

	Amount	Notes
Approved Budget (Federal Funds)	$148,800	
Claimed Federal Costs	$148,800	
Questioned Federal Costs:		
Insufficient Member Hours	$8,517	1
Unallowable Living Allowance	23,000	2
Total Questioned Federal Costs	$31,517	
Questioned Education Awards:		
Unallowable Living Allowance	$4,725	2
Insufficient Service Hours for Earned Award	4,725	3
Questioned Education Awards	$9,450	

1. NDMV charged full grant award amounts of $69,000 and $79,800 in PYs 2001-2002 and 2002-2003, respectively. However, one member in each program year did not complete a full term of service. AmeriCorps Promise Fellow Provisions (2002), Section B (37)(c)(ii) state that, when members complete a fractional term of service, the grantee is only entitled to a prorated portion of the awarded amount. We questioned the difference between the full grant award amount drawn down by NDMV and the authorized prorated portions, or $5,361 for PY 2001-2002 and $3,156 for PY 2002-2003, for a total of $8,517.

2. NDMV could not provide documentation supporting U.S. citizenship or legal residency status for two members. According to AmeriCorps Promise Fellow Provisions (2002), Section A(9)(b), *Definitions, Member,* every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. NDMV accepted a driver's license and Social Security card for one member, which are unacceptable forms of eligibility certification according to Corporation guidelines set forth in the Federal Register. It was unable to provide a member file for the other member. We therefore questioned living allowances of $23,000 and an earned education award of $4,725.

   We also questioned the $2,050 difference between the allowable living allowance and the amount paid to one member who did not serve for a full year. AmeriCorps Promise Fellows Provisions, Section B (11)(a), *Living Allowance,* states that, if a term of service is less than 12 months, the living allowance must be prorated. We are not questioning this amount here, because it is included in the $23,000 questioned above.

3. NDMV claimed member service hours that were unsupported by time sheets. Actual hours per time sheets did not support 1,700 service hours necessary for the education award earned for one member. The member's time sheets supported 1672 of the 1709 hours recorded by NDMV in WBRS. We therefore questioned the member's education award of $4,725.

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January 31, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs incurred by Notre Dame Mission Volunteer Program for the following awards and have issued our report thereon dated January 31, 2005. 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
AmeriCorps	01ADNMD006	9/1/01-9/4/04	9/1/01-3/31/04
Education Only Award	02EDNMD006	9/1/02-8/31/05	9/1/02-3/31/04
Promise Fellows	01APNMD006	9/1/01-8/31/04	9/1/01-8/31/04

COMPLIANCE

As part of obtaining reasonable assurance about whether financial 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 findings discussed below).

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we obtained an understanding of the NDMV'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, 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 NDMV's ability to record, process, summarize, and report financial data consistent with assertions of management in the financial schedules (Findings Nos. 1-7, and 9 as discussed below)

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

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conditions that are also considered to be material weaknesses. We consider the reportable conditions in Finding Nos. 1, 6, 7, and 9 to be material weaknesses.

FINDINGS

1. NDMV's financial management system did not comply with AmeriCorps Provisions.

We noted the following with respect to NDMV's financial management system.

a. NDMV's financial management system did not provide for accurate, current, and complete disclosure of financial results, as follows:

- NDMV did not report post-FSR adjustments to the Corporation. Therefore, its FSRs did not reconcile to its accounting system. Failure to adjust FSRs for subsequent cost adjustments resulted in over- or underclaimed reimbursement costs. NDMV was unable to provide reasons why the amended FSRs were not submitted.

- NDMV claimed costs in the incorrect budget categories. NDMV mistakenly booked member support costs for one member from the San Francisco operating site and one member from the IHAD operating site as employee labor costs. Accordingly, costs reported for Category A and B-F on the FSR were incorrect.

- Notre Dame mistakenly credited the full amount of the former assistant director's fraudulent duplicate paychecks against the AmeriCorps grant. Because only a portion of the former assistant director's paychecks was originally allocated to the AmeriCorps grant, it resulted in underclaimed labor costs under the AmeriCorps grant.

45 CFR § 2543.21(b)(1), *Standards for financial management systems*, *Financial Reporting,* requires that grantee financial management systems provide for accurate, current, and complete disclosure of financial results of financially assisted activities. AmeriCorps Provisions (2001), Section C(21), *Financial Management Provisions,* incorporate this rule and further specifies that the grantees financial management systems include standard accounting practices, sufficient internal controls, as well as a clear audit trail in the form of adequate supporting documents for all expenditures made under the grant.

b. NDMV did not submit its FSRs for the AmeriCorps grant in a timely manner. AmeriCorps Provisions (2001), Section B (16)(a), *Financial Status and Progress Reports,* establishes due dates for quarterly reporting and states that grantees must submit FSRs and progress reports by these dates, which are 30 days after the end of the quarter. NDMV believed that FSRs were due 45 days after the end of the quarter. When FSRs are submitted after the due date, the Corporation does not have timely information on the financial status of the grantee. The following FSRs were submitted after the dates stipulated in the AmeriCorps Provisions:

Period	Due Date	Submission Date	Days Late
9/1/01-3/31/02	4/30/02	5/09/02	9
4/1/02-9/30/02	10/31/02	11/05/02	5
9/1/01-3/31/03	4/30/03	5/10/03	10
4/1/03-9/30/03	10/31/03	1/5/04	66
9/5/03-3/31/04	4/30/04	5/03/04	3

c. NDMV did not have adequate written procedures as follows:

- Accounting procedures to ensure the reasonableness, allowability, and allocability of costs in accordance with applicable Federal cost principles and award terms and conditions, which is required by OMB Circular A-110, SubPart C, Paragraph 21. *Standards for financial management systems.* NDMV was unaware that its written procedures were inadequate. Without written procedures, costs may not be consistently treated in NDMV's accounting system.

- NDMV's record retention policy did not comply with AmeriCorps Provisions. Its policy is to keep all program-related files for seven years from the date of the final progress report. AmeriCorps Provisions (2001), Section C (26), *Retention of Records*, requires records to be maintained for three years from the submission of the final FSR. NDMV was unaware that its record retention policy was inadequate. Without a record retention policy in accordance with AmeriCorps Provisions, records may not be retained for the required period.

d. NDMV's financial management system did not provide for adequate segregation of duties, as follows:

- The executive director is an authorized check signer and also has access to the petty cash fund. In addition, an administrative assistant is an authorized check signer and handles cash receipts. Authorized check signers should be limited to employees who do not have access to accounting records and entries, cash receipts, and petty cash.

- The finance director prepares the bank reconciliation and prepares checks. Bank reconciliations should be prepared by an employee who does not handle cash receipts and prepare and sign checks.

45 CFR § 2543.21, *Standards for financial management systems*, (b)(3), requires grantees to have effective controls over and accountability for all funds, property, and other assets; to adequately safeguard all such assets; and assure that assets are used solely for authorized purposes. NDMV does not have the necessary resources in order to properly segregate duties. Without adequate segregation of duties, NDMV does not have effective control over Corporation funds.

e. NDMV claimed labor costs that did not comply with requirements of OMB Circular A-122, as follows:

- NDMV did not have an adequate labor distribution system. It allocated staff labor at its national office between the AmeriCorps National*Direct grant and the Maryland subgrants based on the budget, not the actual effort expended. Additionally, certain

national office staff members expended effort on the EAO and Promise Fellows grants, and NDMV did not allocate a portion of their labor accordingly.

OMB Circular A-122, Attachment B, Paragraph 8 (m)(2)(a), *Compensation for Personal Services, Support of salaries and wages,* states that labor must be based on an after-the-fact determination of actual activity of each employee. AmeriCorps Provisions (2001), Section C(21)(c)(i), *Financial Management Provisions, Time and Attendance Records, Staff,* also require that wages charged directly to the grant or matching funds be supported by signed time and attendance records. Budget estimates do not qualify as support for charges to awards. NDMV was unaware that its labor distribution system was not in compliance with OMB Circular A-122 or Corporation Provisions. Labor was misallocated to the AmeriCorps, Maryland, EAO, and Promise Fellows programs.

- NDMV did not properly support labor costs, as follows:

  i. Labor activity reports for national office staff reflected total employee activity, and did not reflect the distribution of employee activity to applicable grants.

  ii. NDMV did not support labor hours for one national office employee with activity reports during PYs 2001-2002 and 2002-2003.

  iii. NDMV's full-time assistant directors and part-time site director at the Apopka, Florida, operating site did not prepare activity reports to support labor charges in PY 2001-2002.

  iv. The Seattle operating site had an agreement with NDMV that certain office labor costs would be paid by NDMV in PYs 2002-2003 and 2003-2004. These labor costs were not, however, supported by activity reports.

  OMB Circular A-122, Attachment B, Paragraph 8 (m), *Compensation for Personal Services, Support of salaries and wages,* requires activities reports that reflect the distribution of activity to support labor costs. NDMV was unaware of the activity report requirements of OMB Circular A-122. When possible, alternative procedures were performed to support the labor claimed.

- NDMV did not properly value labor from the IHAD operating site in PYs 2002-2003 and 2003-2004. This caused unallowable labor to be charged to the AmeriCorps grant. IHAD employees, claimed under the AmeriCorps grant, were salaried employees who only spent a portion of their time on AmeriCorps grant activities. Labor was improperly calculated, as follows:

  i. NDMV and IHAD used a standard hourly rate to value IHAD labor, which they mistakenly thought was the correct method to value labor.

  ii. NDMV and IHAD made errors when calculating and recording labor values.

f. NDMV claimed unallowable Federal and match costs for which no supporting documentation was provided. The notes to Schedules A describe only questioned Federal costs. Questioned match costs are not included in Schedule A because post-FSR adjustments that increased claimed match exceed questioned match costs. We noted the following:

- NDMV claimed Federal and match costs that did not have adequate supporting documentation. A majority of these costs were only supported with credit card statements. Other costs were supported by handwritten notes and checks. NDMV believed that credit card statements were adequate supporting documentation.

- NDMV erroneously claimed unallowable postage costs as match. It charged 100 percent of postage costs to the AmeriCorps grant, although postage was used for other grants as well (i.e. Promise Fellows, Maryland Subgrant, EAO). Thus, NDMV should have allocated a portion of postage costs to those grants.

- NDMV erroneously claimed unallocable rent space and utilities costs for the national office as match. In PYs 2001-2002 and 2002-2003, NDMV claimed 100 percent of rent and utility costs, rather than prorating these costs to represent actual AmeriCorps use. In PY 2003-2004, NDMV claimed rent and utility costs for a greater percentage of the building than it actually used for AmeriCorps activities.

- NDMV claimed an in-kind match rent contribution for the national office under the AmeriCorps grant. A portion of the in-kind contribution should have been allocated to the EAO grant, Promise Fellows grant, and Maryland subgrants, because those programs also utilized space in the national office.

- NDMV erroneously claimed unallowable housing costs for members against the Federal portion of the AmeriCorps grant. The member housing costs were not an allowable AmeriCorps expense.

- NDMV erroneously claimed unallowable costs from IHAD. It charged 100 percent of staff CPR and diversity training to the Federal portion of the AmeriCorps grant. In addition, NDMV claimed 100 percent of the operating site director's health insurance under the AmeriCorps grant as match. Because IHAD staff did not spend 100 percent of their efforts on AmeriCorps activities, training and healthcare costs should not have been fully allocated to the AmeriCorps grant.

- NDMV erroneously claimed both mileage and repairs for an NDMV-owned car and van as match. The mileage rate is a fixed rate that includes such costs as repairs.

- NDMV claimed $597 unallowable airfare as Federal and match costs. It claimed unallowable airfare for the former assistant director that was not discovered during the fraud investigation. NDMV also claimed airfare for an Apopka operating site employee, because its accounting staff mistakenly thought that the airfare was an allowable AmeriCorps cost.

- NDMV claimed the difference between actual costs for conducting AmeriCorps training at Trinity College and the proposed cost of conducting the training at the Bolger Center as an in-kind match contribution. 45 CFR § 2543.23, *Cost sharing or matching;* (h)(*3*), states that the value of donated space must not exceed the fair rental value of comparable space, as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality. Trinity College and the Bolger Center are not comparable spaces, and the claimed in-kind contribution is unallowable. NDMV believed that these costs were allowable match.

- NDMV claimed in-kind match for consultant services in excess of the daily maximum rate. AmeriCorps Provisions (2001), Section C (21)(e), *Consultant Services*, states that payments to individuals for consultant services must not exceed $443 per day. Claimed in-kind contributions over the maximum daily rate are unallowable. NDMV believed that these costs were allowable match.

OMB Circular A-122, Attachment A, Paragraph A (2), *Basic Considerations, Factors affecting allowability of costs,* states that to be allowable under an award, costs must meet the following general criteria:

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

Recommendation: We recommend that NDMV strengthen its financial management system to be in compliance with AmeriCorps Provisions and applicable 45 CFR requirements. Specifically, we recommend that NDMV:

- File amended FSRs with the necessary adjustments.
- Book employee labor and member support costs in the proper cost categories.
- Submit FSRs in a timely manner.
- Develop adequate written procedures for record retention and cost reasonableness, allowability, and allocability.
- Have adequate segregation of duties for employees that perform bank reconciliations and those that are authorized check signers.
- Ensure that costs incurred meet all OMB circular requirements for allowability.

NDMV Comments: Notre Dame Mission Volunteers has seen incredible growth since its inception in 1992. The organization started with volunteers in two states and a $70,000 budget, and has evolved to an organization with volunteers in 15 cities within 12 states and a $3,500,000 budget. Through the years of immense change, the financial management system evolved as well. As soon as the organization was awarded an AmeriCorps grant in 1995, part-time accounting staff and an outside auditor were hired. Today, a full-time accountant oversees grant management and reporting responsibilities. With this growth, NDMV is improving the timeliness of reporting: problems that existed in the past either have been addressed or are being addressed. In the future, reports will be submitted on time. In addition, NDMV's written procedures now indicate a requirement to follow Circular A-110.

Regarding record retention, NDMV has always had a policy to retain records for at least seven years. As a result of this audit, the revised policy is to retain records for seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

The organization's financial management system now has adequate segregation of duties. No authorized check signer has access to checks. The check preparer is not a check signer. On the rare occasion when two other check signers are not available, the person handling cash receipts acts as a second check signer. The Executive Director opens and reviews the bank statement and cancelled checks before the bank reconciliation is performed. Bank reconciliations are now reviewed by the Executive Director. In addition, the organization has closed out the petty cash bank account. NDMV never kept a petty cash box.

Ed Award Only and Promise Fellows programs each had staff assigned to them. Their hours were charged to these grants. Occasionally, administrative staff members spent time on these programs due to the structure of the organization in which the support for various programs is melded into one national office. NDMV administrative staff will submit a statement of the actual allocation of their time spent on different grants on a semi-annual percentage basis.

NDMV has improved the documentation of Federal and match costs to ensure that costs incurred meet all OMB circular requirements for allowability.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations except that:

- NDMV did not address the recommendation to file amended FSRs.
- OMB Circular A-122 requires that labor distribution reports be prepared at least monthly, not semi-annually.

2. NDMV did not have adequate procedures to ensure that member service hours were accurately recorded in WBRS, and time sheets were prepared as required.

AmeriCorps, Education Award Program, and Promise Fellow Provisions , *Financial Management Provisions, Time and Attendance Records*, require that grantees keep time-and-attendance records on all AmeriCorps members to document their eligibility for in-service and post-service benefits. NDMV program personnel made data-entry errors when recording member hours in WBRS. In addition, they neglected to enter all service hours when members left the program early without receiving an education award, or when they fulfilled the minimum service hour requirement for an award. Member hours supported by time sheets varied from hours recorded in WBRS, as follows:

Grant	Files Tested	Files with Discrepancies
AmeriCorps	100	49
Promise Fellows	6	6
Education Only Award	52	13

NDMV's national office personnel relied on the partnering and operating site directors to enter service hours in WBRS. NDMV did not have procedures to ensure the accuracy of recorded WBRS service hours. 45 CFR § 2543.51, *Monitoring and reporting program performance (a)*, states that recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award.

In addition, we noted that several member time sheets were not originals, and whiteout and pencil were used to make corrections, and corrections were not initialed. When pencil and whiteout are used on time sheets, and originals are not maintained, it is difficult to determine if unauthorized alterations have been made to the time sheets. NDMV was unaware that time sheets could not contain the above deficiencies. When changes are made without being initialed, there is no audit trail to follow to determine if the changes were authorized.

Recommendation: We recommend that NDMV strengthen its controls over member time sheets and WBRS reporting. Specifically, we recommend that NDMV:

- Instruct site directors to enter all service hours into WBRS.
- Instruct site directors to review work for entry errors.
- Develop procedures to ensure the accuracy of WBRS service hours.
- Ensure that the time sheets maintained are originals, whiteout and pencil are not used for corrections, and all corrections are initialed.

NDMV Comments: WBRS is a relatively new system for reporting service hours, and a learning curve follows the start of any new system. To strengthen controls over member time sheets and WBRS, NDMV has provided thorough instruction to site directors. Site directors have been instructed to enter all service hours into WBRS after carefully reviewing member time sheets. Site directors will also carefully review their own work to avoid entry errors in WBRS. Site directors now forward member time sheets to the National Office on a monthly basis. The organization has also provided training to ensure that time sheets maintained are original, whiteout and pencil are not used, and corrections are initialed. To increase oversight of WBRS entries, the National Office will review a random sampling of time sheets on a monthly basis, comparing time sheets to entries in WBRS. These procedures will improve accuracy of WBRS service hours.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations.

3. NDMV did not have adequate procedures to ensure documentation of member activities.

NDMV did not have adequate procedures to ensure that it documented member activities in accordance with AmeriCorps Provisions. It did not maintain or complete member evaluations, enrollment forms, and exit forms. NDMV also did not complete certain forms properly or in a timely manner. In addition, NDMV did not adequately document member attendance at orientation sessions or did not ensure members received proper orientation. Specifically:

a. Member files were missing documentation on mid-term and/or final evaluations. AmeriCorps and Promise Fellow Provisions, *Performance Reviews*, require grantees to 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 service hours.
- Satisfactorily completed assignments.
- Met other performance criteria that were clearly communicated at the beginning of the service term.

Evaluations were missing from member files, were unsigned, or did not comply with AmeriCorps requirements, because they did not indicate if the member had met performance criteria. NDMV did not have procedures 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 (d), *Participant performance review*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without evidence of completed mid-term and final evaluations. A summary of evaluations tested follows:

			Number of Evaluations (Mid and Final)		
Grant	**Expected Evaluations**	**Evaluations Tested**	**Missing**	**Unsigned**	**Did Not Comply (Final)**
AmeriCorps	160	97	63	12	32
Promise Fellows	12	4	8	2	2

b. Member files lacked sufficient information to document member enrollment and exit. AmeriCorps, Education Award Program, and Promise Fellow Provisions *AmeriCorps Member Related Forms*, require that member enrollment forms be submitted to the Corporation no later than 30 days after a member is enrolled, and member exit/end-of-term-of-service forms are submitted no later than 30 days after a member exits the program. A summary of files tested follows:

		Number of Forms	
Grant	**Forms Tested**	**Missing**	**Late**
AmeriCorps	160	1	89
Promise Fellows	12	2	10
Education Only Award	40	2	20

NDMV did not have procedures to ensure that these forms were completed and submitted in a timely manner and were retained in member files. As a result, Corporation member records are inaccurate. NDMV stated that certain enrollment forms were submitted late because WBRS was down when NDMV originally tried to submit them to the Corporation.

c. NDMV did not provide agendas, sign-in sheets, or any other documentation to support orientations for 25 of the AmeriCorps members during all program years and 13 EAO members during PYs 2002-2003 and 2003-2004. Grantees are required to provide orientation at the beginning of the service year. Without evidence, the Corporation cannot be sure that NDMV has provided required member training.

AmeriCorps Provisions (2001), Section B (7), *Training, Supervision and Support*, requires grantees to conduct orientations for members covering member rights and responsibilities, including the code of conduct, prohibited activities, Drug Free Workplace Act requirements, suspension and termination from service, grievance procedures, sexual harassment, other nondiscrimination issues, and other topics as necessary.

Recommendation: We recommend that NDMV strengthen its procedures to ensure that it meets AmeriCorps Provisions requirements regarding member activities, including:

- Complying with grant requirements for conducting and retaining member evaluations.
- Documenting member enrollment and exit promptly and submitting this information to the Corporation on a timely basis.
- Maintaining orientation and training records.
- Ensuring that members who do not attend an initial orientation subsequently receive appropriate training.

NDMV Comments: Notre Dame Mission Volunteers has strengthened its procedures to ensure compliance with AmeriCorps Provisions regarding member activities. NDMV has always carefully collected members' evaluations of the program, and, at the end of the year, these evaluations are sent to the National Office in Baltimore. However, evaluations of individual members have always been completed and maintained at local sites. NDMV has changed this procedure to ensure that evaluations of individual members are sent to the National Office.

It is the policy of NDMV to document member enrollment and exit promptly and submit this information to the Corporation within 30 days. In the past, delays in grant approval notification from the Corporation led to enrollment delays. It has always been NDMV policy that all members receive appropriate and thorough training. Although we ensured that all members attended orientation, written documentation of attendance at orientation was not always maintained. Documentation of attendance will be strengthened with sign-in sheets to show that members attended the initial orientation or subsequently received appropriate training.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations.

4. NDMV did not have procedures to ensure that EAO members received insurance coverage.

NDMV did not have procedures to ensure that EAO members received Workers' Compensation (WC) Insurance (or Occupational Accidental Death and Dismemberment Insurance if WC is not required by state law). NDMV was required to obtain the applicable insurance in accordance with AmeriCorps Education Award Program Provisions (2001), Section B (11)(b)(v), *Worker'sCompensation.*

NDMV relied on the partnering sites to obtain the applicable insurance for the EAO members, and did not monitor partnering sites to ensure that members were covered under the applicable insurance. Furthermore, NDMV did not require partnering sites to provide proof of member insurance coverage to the national office. According to 45 CFR § 2543.51, *Monitoring and reporting program performance* (a), recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. Without proper insurance coverage, NDMV could be fully liable for costs associated with AmeriCorps members who are injured or die during service.

Recommendation: We recommend that NDMV develop procedures to ensure that EAO members receive applicable insurance coverage.

NDMV Comments: At the beginning of the program year, prior to enrollment, Notre Dame Mission Volunteers will verify that EAO members are covered under the applicable insurance.

Auditors' Additional Comments: NDMV's corrective action, as described in its response, is responsive to our recommendation.

5. NDMV did not have adequate procedures to take proper corrective action on deficiencies noted during AmeriCorps operating site monitoring visits.

NDMV's site visit (self-assessment) during PY 2002-2003 noted that the member evaluation process at the Apopka operating site needed improvement. We found no correspondence, however, that the evaluation process was improved during the program year, and we noted deficiencies with member evaluations during testing in PY 2003-2004.

According to 45 CFR § 2543.51 *Monitoring and reporting program performance* (a), recipients are responsible for managing and monitoring each project, program, subaward, function, or activity supported by the award. NDMV believed that its monitoring procedures were adequate. However, without adequate corrective action procedures, operating sites could have the same deficiencies for multiple years.

Recommendation: We recommend that NDMV strengthen its site visit follow-up procedures to ensure timely corrective action on noted deficiencies.

NDMV Comments: Subsequent to the site visit, the site director receives a follow-up letter, identifying any concerns that arose during the site visit. There will be appropriate follow-up contact to ensure that corrective action on noted deficiencies is taking place.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendation.

6. NDMV did not have adequate procedures to ensure that members received living allowances in accordance with applicable AmeriCorps Provisions.

NDMV paid living allowances to members for periods outside of service and did not properly terminate living allowances for members who had left before completing their minimum service hours. In addition, it paid the full living allowance to members who had completed the minimum hours of service, regardless of the length of time of their participation in the program.

Specifically:

a. NDMV did not properly terminate living allowance payments to three members who didn't complete minimum hours of service. The living allowance payments were not properly cut-off due to oversight by the NDMV staff.

- NDMV paid a living allowance for one Promise Fellows member after the member was released for cause.

- NDMV did not properly terminate living allowance payments for two AmeriCorps members who did not complete their service. One member left the program early for compelling personal circumstances and received a full living allowance. The other member was released for cause and continues to receive a living allowance.

b. NDMV paid full living allowances to members who had completed the minimum hours of service, regardless of the length of time they had served. NDMV representatives thought this was

a requirement of the AmeriCorps Living Allowance Provisions. Although no costs will be questioned, we noted the following:

- NDMV paid members living allowances every two weeks for 25 periods, covering a period of approximately 11.5 months. A typical member completed their service requirement in 11 months. This resulted in members receiving one or two living allowance payments for periods outside of service.

- Some members started the program late, meaning that, at the time of the final living allowance payment, they had not received the full living allowance. It was NDMV's practice to pay the full living allowance balance to members as long as they had completed their minimum service hours. This practice essentially paid living allowances for periods outside of service.

AmeriCorps Provisions (2001), Section B (11), *Living Allowances, Other In-Service Benefits and Taxes*, states that the living allowance is designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program.

Recommendation: We recommend that:

- The Corporation clarify living allowance guidance.

- NDMV:

  - Develop procedures to ensure that living allowances are properly terminated when members leave service.

  - Revise member contracts to state that the amount of living allowance received is not linked to completion of service hours, but is strictly limited to periods engaged in service.

NDMV Comments: Notre Dame Mission Volunteers complies with guidelines that require a minimum living allowance for members who complete 1,700 hours of service within a 9- to 12-month time period. To ensure proper termination of living allowances, members who are unable to serve due to illness will be placed on suspension, followed by termination if unable to return to service. NDMV does not concur with the recommendation to *revise the member contract to state that the amount of living allowance received is not tied to completion of service hours*. However, NDMV will add a clause to its member contract that allows for amendments to the contract, in concert with the member and the site, within guidelines provided by the Corporation.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are only partially responsive to our recommendations. NDMV's member contract states that the member will receive the minimum living allowance for serving 1,700 hours. Accordingly, NDMV's living allowance is tied to the number of hours, which makes the living allowance an hourly wage. We continue to recommend that NDMV revise its member contract accordingly.

7. NDMV did not adequately document or retain documentation of member eligibility under the AmeriCorps, EAO, and Promise Fellows grants.

NDMV did not ensure that all eligibility documentation was obtained and maintained for members under the AmeriCorps, EAO, and Promise Fellows grants. Member files did not always contain adequate

documentation of citizenship, proof of high school diplomas or GEDs, and required criminal background checks. AmeriCorps member eligibility documentation is to be obtained and maintained by NDMV's national office.

EAO member eligibility documentation was obtained and maintained by the partnering sites. NDMV did not properly monitor EAO partnering sites to ensure that adequate eligibility documentation was obtained and maintained, as required by 45 CFR § 2543.51 *Monitoring and reporting program performance.* We noted the following:

a. Member files did not always contain proof of citizenship. AmeriCorps, Education Award Program, and Promise Fellows Provisions, *Definitions, Member,* require that every AmeriCorps participant must be a citizen, national, or lawful permanent resident alien of the United States. AmeriCorps, Education Award and Promise Fellows Provisions *Eligibility,* require the grantee to obtain and maintain adequate documentation to demonstrate member eligibility. Member files did not include such proof as follows:

Grants	Files Tested	Missing Information
AmeriCorps	178	3
Promise Fellows	11	2
EAO	92	19

b. Member files did not always include copies of high school diplomas or equivalent records. According to AmeriCorps and Promise Fellows Provisions, *Definitions, Member*, members must have, or agree to obtain, a high school diploma or equivalent in order to earn an education award. Member files did not include this information as follows:

Grants	Files Tested	Missing Information
AmeriCorps	58	5
Promise Fellows	5	3

c. Member files at NDMV did include documentation of a criminal background check for two AmeriCorps members. According to AmeriCorps Provisions (2001), Section B(6)(h), *Criminal Record Checks,* programs whose members have substantial contact with children shall conduct criminal record checks as part of the screening process. Failure to perform these background checks could result in children or other vulnerable persons being placed in harms way.

Recommendation: We recommend that NDMV strengthen its procedures to ensure that it meets the requirements of the AmeriCorps Provisions. Specifically, it should:

- Document and ensure member citizenship.
- Ensure that members have obtained either a high school diploma or equivalent.
- Obtain background criminal checks for members when warranted.
- Strengthen partnering site monitoring of eligibility documentation for EAO members.
- Develop an adequate record retention policy for EAO eligibility documentation.

NDMV Comments: It has always been the policy of NDMV to verify member citizenship. Over the three years examined in the audit, documentation of member citizenship was not retained in the files for 5 out of 189 members. Of the five that were missing from the files, three have been recovered. Citizenship

documentation for EAO members was maintained at the local level. NDMV's current policy is to retain all citizenship documentation at the National Office, including the EAO members. The eligibility documentation retention policy will follow the NDMV record retention policy for all member documents: seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

During the years included in the audit, Notre Dame Mission Volunteers placed a high priority on acquiring background checks in order to protect the children we serve. Background checks were required for all members. In some cases, the background checks were done at the schools where our members served. In the future, evidence of all background checks will be maintained in the member files at the National Office.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations.

8. NDMV member contracts did not comply with AmeriCorps Provisions.

AmeriCorps, Promise Fellows, and EAO did not include all required provisions in member contracts. AmeriCorps, Education Award Program, and Promise Fellows Provisions, *Training, Supervision, and Support*, requires members to sign contracts that stipulate the minimum number of service hours, suspension and termination rules, circumstances to be released for cause, position description, and grievance procedures. We noted the following:

a. EAO member contracts did not contain information on all prohibited activities and Drug-Free Workplace Act requirements in PY 2002-2003, and the position descriptions were included in a separate, unsigned document. The member contracts for PY 2003-2004 contained all required elements.

b. Promise Fellows member contracts did not contain information on all prohibited activities and Drug-Free Workplace Act requirements,, and the position descriptions were included in a separate unsigned document. In addition, Promise Fellows contracts did not indicate correct member living allowances (PYs 2001-2002 and 2002-2003).

c. AmeriCorps member contracts in PYs 2001-2002 and 2002-2003 did not contain all prohibited activities and Drug-Free Workplace Act requirements, and position descriptions were included in a separate, unsigned document. Although the PY 2003-2004 contract contained all prohibited activities, it did not include all Drug-Free Workplace Act requirements, and the position description was a separate, unsigned document.

NDMV was unaware that its Drug-Free Workplace Act statement and its listing of prohibited activities in the member contract were inadequate. In addition, NDMV was unaware that the position description had to be part of the signed member contract. When the member contract contains deficiencies, the members are not informed of all provision requirements, and cannot certify their understanding of all requirements.

Recommendation: We recommend that NDMV revise member contracts to include position descriptions and all Drug-Free Workplace Act requirements.

NDMV Comments: The position description is presented to the NDMV member prior to his/her signing the member contract. The position description is kept in the member file, but in the past, it was not

attached to the member contract. In the future, NDMV will staple all position descriptions to member contracts.

NDMV insists upon compliance with the Drug-Free Workplace Act and includes Drug-Free Workplace Act requirements in the member contract. One provision of the Drug-Free Workplace Act, the requirement to immediately inform the organization of a conviction of any criminal drug statute, was missing from the member contract until the third year. The member contract was revised and updated to include all requirements of the Drug-Free Workplace Act by the third year.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations.

9. NDMV drew down funds under the Promise Fellows grant before it was authorized and was incorrectly reimbursed for the full awarded amount.

NDMV was entitled to a fixed level of support based on the specified number of members. It drew down the full amount of the Promise Fellows Awards at the beginning of PY 2001-2002 and 2002-2003. NDMV misunderstood the nature of the fixed-price award, and believed that it was authorized to receive the full-awarded amounts at the beginning of the program year.

However, one Promise Fellows member from each program year did not complete the service term. In accordance with AmeriCorps Promise Fellows Provisions (2003), Section C (37)(c)(ii), *Determination of Final Payment Amounts Payable Upon Completion,* NDMV was authorized to draw down only a portion of the funds for members that had not completed their service terms. The unauthorized drawn-down funds are unallowable.

Recommendation: We recommend that NDMV refund unauthorized drawn-down amounts to the Corporation.

NDMV Comments: This was a result of a misunderstanding of the nature of the Promise Fellows grant being a fixed-amount award. Notre Dame Mission Volunteers has refunded the amount due back to the Corporation.

Auditors' Additional Comments: NDMV's corrective action, as described in its response, is responsive to our recommendation.

10. NDMV did not comply with project income requirements under the Promise Fellows grant.

NDMV earned $38,366 in project income during the award period from service fees charged for members serving at partnering sites. NDMV's share of Promise Fellows expenses during the award period was $23,970. It therefore earned $14,396 in income that was not used to finance the Promise Fellows program. According to AmeriCorps Promise Fellows Provisions (2003), Section C (24), *Project Income,* income earned as a direct result of program activities during the award period must be retained by the grantee and used to finance the non-Corporation share of the program.

NDMV mistakenly thought that the excess income from the Promise Fellows program was allowable because it was used to finance the non-Corporation share of other AmeriCorps programs. In addition, NDMV did not record all its expenses associated with the Promise Fellows program, a procedure that would have offset a portion of the excess income. Project income earned in excess of expenses is not allowable.

Recommendation: We recommend that NDMV refund the $14,396 in project income to the appropriate partnering sites.

NDMV Comments: We do not concur with this recommendation. Requested contributions toward program costs were collected by NDMV to cover many needs of the members. These contributions were legitimately collected and expended for the broader needs of our Promise Fellows program.

Auditors' Additional Comments: The AmeriCorps Promise Fellows Provisions states that income earned as a direct result of the program activities during the award period must be used to finance the non-Corporation share of the program. NDMV could not provide any evidence that the $14,396 was used to finance the Promise Fellows Program. Therefore, the recommendation stands.

11. NDMV did not comply with employee Drug-Free Workplace Act and non-discrimination requirements.

NDMV did not comply with employee non-discrimination and drug-free workplace requirements. Specifically:

a. NDMV did not publish a drug-free workplace policy statement for employees working under the AmeriCorps, EAO, and Promise Fellows grants that complied with applicable provisions. Its published statement did not state that conviction under any criminal drug statute must be reported immediately to NDMV. AmeriCorps, Education Award Program, and Promise Fellows Provisions, *Drug Free Workplace, Notice to Employees and Members*, requires grantees to publish a statement stating that conviction under any criminal drug statute by any employee or member must be reported immediately to the grantee.

   NDMV was unaware that its drug-free workplace requirement was not in compliance with AmeriCorps Provisions. Without a published statement that a conviction of any criminal drug statute must be immediately reported, there is the potential that employees with drug convictions could continue to be employed without NDMV's knowledge.

b. NDMV did not have procedures to obtain and maintain racial/ethnic data for employees working under the AmeriCorps, EAO, and Promise Fellows grants. AmeriCorps, Education Award Program, and Promise Fellows Provisions, *Non Discrimination, Records and Compliance Information*, requires grantees to have racial, ethnic, sex, and disability data available for program staff.

   NDMV was unaware that the Corporation required procedures to obtain and maintain racial/ethnic data for its employees. Without proper procedures, it would be difficult for NDMV to make accurate racial/ethnic data of employees available to the Corporation in a timely manner.

Recommendation: We recommend that NDMV:

- Update the employee drug-free workplace policy statement.
- Obtain and maintain racial/ethnic data for all personnel.

NDMV Comments: NDMV insists upon employee compliance with the Drug-free Workplace Act. All provisions of the Act were included in the personnel policy, except the requirement for immediate notification of a drug-related conviction. The employee drug-free workplace policy statement will be updated to include all requirements of the Drug-Free Workplace Act.

Notre Dame Mission Volunteers strives for racial diversity, but was unaware of the requirement to maintain information on race, ethnicity, gender, and disability of its employees. In the future, we will provide an option for personnel to volunteer this information, and any information collected will be made available to our program officer.

Auditors' Additional Comments: NDMV's corrective actions, as described in its response, are responsive to our recommendations.

This report is intended for the information and use of the Office of Inspector General, the Corporation for National and Community Service, NDMV, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

COTTON & COMPANY LLP

Michael W. Gillespie, CPA
Partner

Appendix A

Response of the Notre Dame Mission Volunteer Program

July 14, 2005

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

Dear Ms. Bates:

Following is the Notre Dame Mission Volunteer Program response to the draft audit report number 05-20 on the results of the incurred-cost audit of grants awarded to the Notre Dame Mission Volunteer Program. Thank you for your careful consideration of these comments and your inclusion of these comments as an appendix to the report.

Response to *Summary of Results*:
Notre Dame Mission Volunteers (NDMV) finds the *Summary of Results (page 2 of the audit report)* to be misleading in its broad generalizations. The findings, as presented in the series of statements on page two, are so broadly stated as to imply that the organization had no system in place to monitor various requirements of compliance; when, in fact, the organization has always acted in a spirit of diligence, cooperation, and integrity in its interactions with AmeriCorps and the management of the grant. Independent auditors have concluded every A-133 audit over the past 10 years with an unqualified opinion. NDMV has always had systems to ensure compliance with AmeriCorps provisions. The systems will be enhanced with the recommendations of this audit, but in many cases the adjustments will be minor. For example, summary statement number eight: "*Notre Dame Mission Volunteers member contracts did not comply with AmeriCorps Provisions,*" implies that the member contracts did not comply with **any** AmeriCorps Provisions. In fact, the member contracts are very thorough, complying with most AmeriCorps Provisions, and were revised in June of 2003, at the request of our program officer. The member contracts were missing part of one requirement and a second item, the position description, was not stapled to the member contract. These two issues will be addressed as a result of this audit, but the member contract was quite lengthy and thorough in its compliance. The member contract, if graded for its competence and quality, would receive a 98%, but the audit summary statement implies a grade of "F". This is misleading to anyone who reads only the summary statements and does not know the detail. The summary statements unfairly misrepresent Notre Dame Mission Volunteers, because they do not reflect the organization's consistent and diligent effort to comply with AmeriCorps Provisions. Notre Dame Mission Volunteers has always interacted with AmeriCorps in a spirit of integrity and forthright cooperation, diligently working to ensure compliance with AmeriCorps Provisions.

Notre Dame-AmeriCorps • 403 Markland Avenue • Baltimore, Maryland 21212
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Response to *Claimed and Questioned Costs*:
Notre Dame Mission Volunteers would like to point out that the questioned cost findings are equivalent to less than one percent of the grant. In addition, NDMV is presently working in cooperation with the Corporation and individual partnering sites to resolve questioned costs. NDMV has worked diligently to collect missing documentation, and some has been recovered. NDMV has placed holds on education awards in cases that have not yet been resolved. NDMV has acknowledged $28,000 in questioned costs that have either been returned to the Corporation or corrected by a reduction in claimed costs.

Response to *Independent Auditor's Report on Compliance and Internal Control*:

1. Financial Management System

Recommendation: We recommend that Notre Dame Mission Volunteers strengthen its financial management system to be in compliance with AmeriCorps Provisions and applicable 45 CFR requirements. Specifically, we recommend that NDMV:

- File amended FSRs with the necessary adjustments.
- Book employee labor and member support costs in the proper cost categories.
- Submit FSRs in a timely manner.
- Develop adequate written procedures for record retention and cost reasonableness, allowability, and allocability.
- Have adequate segregation of duties for the employee that performs the bank reconciliations. In addition, have adequate segregation of duties for the employees that are authorized check signers.
- Ensure that costs incurred meet all OMB circular requirements for allowability.

Response: Notre Dame Mission Volunteers has seen incredible growth since its inception in 1992. The organization started with volunteers in two states and a $70,000 budget, and has evolved to an organization with volunteers in fifteen cities within twelve states and a $3,500,000 budget. Through the years of immense change, the financial management system evolved as well. As soon as the organization was awarded an AmeriCorps grant in 1995, part-time accounting staff and an outside auditor were hired. Today, a full-time accountant oversees grant management and reporting responsibilities. With this growth, NDMV is improving the timeliness of reporting: problems that existed in the past either have been addressed or are being addressed. In the future, reports will be submitted on time. In addition, NDMV's written procedures now indicate a requirement to follow circular A-110.

Regarding record retention, NDMV has always had a policy to retain records for at least seven years. As a result of this audit, the revised policy is to retain records for seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

The organization's financial management system now has adequate segregation of duties. No authorized check signer has access to checks. The check preparer is not a check signer. On a rare occasion, when two other check signers are not available, the person handling cash receipts acts as a second check signer. The Executive Director opens and reviews the bank statement and cancelled checks before the bank reconciliation is done. Bank reconciliations are now reviewed by the Executive Director. In addition, the organization has closed out the petty cash bank account. NDMV never kept a petty cash box.

Ed Award Only and Promise Fellows programs each had staff assigned to them. Their hours were charged to these grants. Occasionally, administrative staff spent time on these programs due to the structure of the organization, wherein the support for various programs is melded into one national office. NDMV administrative staff will submit a statement of the actual allocation of their time spent on different grants on a semi-annual percentage basis.

NDMV has improved the documentation of federal and match costs to ensure that costs incurred meet all OMB circular requirements for allowability.

2. Member service hours recorded in WBRS

Recommendation: We recommend that Notre Dame Mission Volunteers strengthen its controls over member timesheets and WBRS. Specifically, we recommend that NDMV:

- Instruct site directors to enter all service hours into WBRS.
- Instruct site directors to review work for entry errors.
- Develop procedures to ensure accuracy of WBRS service hours.
- Ensure that timesheets maintained are original, whiteout and pencil are not used, and corrections are initialed.

Response: WBRS is a relatively new system for reporting service hours, and a learning curve follows the start of any new system. To strengthen controls over member timesheets and WBRS, NDMV has provided thorough instruction to site directors. Site directors have been instructed to enter all service hours into WBRS after carefully reviewing member timesheets. Site directors will also carefully review their own work to avoid entry errors in WBRS. Site directors now forward member timesheets to the National Office on a monthly basis. The organization has also provided training to ensure that timesheets maintained are original, whiteout and pencil are not used, and corrections are initialed. To increase oversight of WBRS entries, the National Office will review a random sampling of timesheets on a monthly basis, comparing timesheets to entries in WBRS. These procedures will improve accuracy of WBRS service hours.

3. Documentation of member activities

Recommendation: We recommend that Notre Dame Mission Volunteers strengthen its procedures to ensure that they meet AmeriCorps Provisions requirements regarding member activities, including:

- Complying with grant requirements for conducting and retaining member evaluations.
- Documenting member enrollment and exit promptly and submitting this information to the Corporation on a timely basis.
- Maintaining orientation and training records.
- Ensuring that members who do not attend initial orientation subsequently receive appropriate training.

Response: Notre Dame Mission Volunteers has strengthened its procedures to ensure compliance with AmeriCorps Provisions regarding member activities. NDMV has always carefully collected members' evaluations of the program, and at the end of the year, these evaluations are sent to the National Office in Baltimore. However, evaluations of individual members have always been completed and maintained at local sites. NDMV has changed this procedure to ensure that evaluations of individual members are sent to the National Office.

It is the policy of NDMV to document member enrollment and exit promptly and submit this information to the Corporation within 30 days. In the past, delays in grant approval notification from CNCS led to enrollment delays. It has always been NDMV policy that all members receive appropriate and thorough training. Although we made sure all members attended orientation, written documentation of attendance at orientation was not always maintained. Documentation of attendance will be strengthened with sign-in sheets to show that members attended the initial orientation or subsequently received appropriate training.

4. EAO members – Worker's Compensation Insurance

Recommendation – We recommend that Notre Dame Mission Volunteers develop procedures to ensure that EAO members receive applicable insurance coverage.

Response – At the beginning of the program year, prior to enrollment, Notre Dame Mission Volunteers will verify that EAO members are covered under the applicable insurance.

5. Site Monitoring Visits

Recommendation – We recommend that Notre Dame Mission Volunteers strengthen its site visit follow-up procedures to ensure timely corrective action of noted deficiencies.

Response – Subsequent to the site visit, the site director receives a follow-up letter, identifying any concerns that arose during the site visit. There will be appropriate follow-up contact to ensure that corrective action of noted deficiencies is taking place.

6. Living Allowances

Recommendation – We recommend that:

A) The Corporation clarify living allowance guidance.

B) Notre Dame Mission Volunteers:

- develop procedures to ensure that living allowances are properly terminated when members leave service.
- revise the member contract to state that the amount of living allowance received is not tied to completion of service hours.

Response – Notre Dame Mission Volunteers complies with guidelines that require a minimum living allowance for members who complete 1700 hours of service within a nine to twelve month time period. To ensure proper termination of living allowances, members who are unable to serve due to illness will be placed on suspension, followed by termination if unable to return to service. NDMV does not concur with the recommendation to *revise the member contract to state that the amount of living allowance received is not tied to completion of service hours*. However, NDMV will add a clause to its member contract that allows for amendments to the contract, in concert with the member and the site, within guidelines provided by the Corporation.

7. Member Eligibility

Recommendation – We recommend that Notre Dame Mission Volunteers strengthen its procedures to ensure that they meet requirements of the AmeriCorps Provisions. Specifically, we recommend that NDMV:

- Adequately document and ensure member citizenship.
- Ensure that members obtain either a high school diploma or equivalent.
- Obtain member background checks when warranted.
- Review member files for required eligibility documentation.
- Strengthen operating site monitoring of eligibility documentation for EAO members.
- Develop an adequate record-retention policy for EAO eligibility documentation.

Response – It has always been the policy of NDMV to verify member citizenship. Over the three years examined in the audit, documentation of member citizenship was not retained in the files for 5 out of 189 members. Of the five that were missing from the files, three have been recovered. Citizenship documentation for EAO members was maintained at the local level. NDMV policy is now to retain all citizenship documentation at the National Office, including the EAO members. The eligibility documentation retention policy will follow the NDMV record retention policy for all member documents: seven years from the date of the final progress report or three years from the submission of the final FSR, whichever is later.

During the years included in the audit, Notre Dame Mission Volunteers placed a high priority on acquiring background checks in order to protect the children we serve. Background checks were required for all members. In some cases, the background checks were done at the schools where our members served. In the future, evidence of all background checks will be maintained in the member files at the National Office.

8. Member Contract

Recommendation – We recommend that Notre Dame Mission Volunteers revise the member contract to include position descriptions and all Drug-Free Workplace requirements.

Response – The position description is presented to the NDMV member prior to his/her signing the member contract. The position description is kept in the member file, but in the past, it was not attached to the member contract. In the future, NDMV will staple all position descriptions to member contracts.

NDMV insists upon compliance with the Drug-Free Workplace Act and includes the Drug-Free Workplace Act requirements in the member contract. One provision of the Drug-Free Workplace Act, the requirement to immediately inform the organization of a conviction of any criminal drug statute, was missing from the member contract until the third year. The member contract was revised and updated to include all requirements of the Drug-Free Workplace Act by the third year.

9. Promise Fellows Funds

Recommendation – We recommend that Notre Dame Mission Volunteers refund unauthorized funds to the Corporation.

Response – This was a result of a misunderstanding of the nature of the Promise Fellows grant being a fixed amount award. Notre Dame Mission Volunteers has refunded the amount due back to the Corporation.

10. Partnering Site Contributions – Promise Fellows Grant

Recommendation – We recommend that Notre Dame Mission Volunteers refund the $14,396 project income to the appropriate partnering sites.

Response – We do not concur with this recommendation. Requested contributions toward program costs were collected by NDMV to cover many needs of the members. These contributions were legitimately collected and expended for the broader needs of our Promise Fellows program.

11. Drug-Free Workplace Act and non-discrimination requirements.

Recommendation – We recommend that NDMV:

- Update the employee drug-free workplace policy statement.
- Obtain and maintain racial/ethnic data for all personnel.

Response – NDMV insists upon employee compliance with the Drug-free Workplace Act. All provisions of the Act were included in the personnel policy, except the requirement for immediate notification of a drug-related conviction. The employee drug-free workplace policy statement will be updated to include all requirements of the Drug-free Workplace Act.

Notre Dame Mission Volunteers strives for racial diversity, but was unaware of the requirement to maintain information on race, ethnicity, gender, and disability of its employees. In the future, we will provide an option for personnel to volunteer this information, and any information collected will be made available to our program officer.

If you have any questions or wish to discuss our comments, please contact me or my assistant, Shannon Fritz, by phone at (410) 532-6864 or by email at natloffice@ndmva.org. Our office facsimile number is (410) 532-2418.

Sincerely,

Katherine Corr, SND

Sr. Katherine Corr, SND
Executive Director

Cc: Doug Gerry

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

RECEIVED
JUL 14 2005
OFFICE OF THE INSPECTOR GENERAL

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator
Sr. Katherine Corr, Executive Director, Notre Dame Mission Volunteers

Date: July 14, 2005

Subject: Response to OIG Draft Audit Report 05-20, Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program

Thank you for the opportunity to review the draft audit report on Corporation grants awarded to the Notre Dame Mission Volunteer Program (NDMV). We do not have specific comments at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued, we have reviewed the findings in detail, and worked with the Commission to resolve the audit.

However, we note that NDMV has provided an extensive response and has begun corrective actions on the audit recommendations and questioned costs. We will review NDMV's actions and work with them on full resolution during the audit resolution process.