Office of Inspector General
Corporation for National and Community Service

AUDIT OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO YOUTHBUILD USA, INC.

OIG REPORT NUMBER 06-10
FEBRUARY 15, 2006

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

CONRAD and ASSOCIATES, LLP
2301 Dupont Drive, Suite 200
Irvine, California 92612

This report was issued to Corporation management on February 15, 2006. 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 August 15, 2006, and complete its corrective actions by February 15, 2007. 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 of Corporation for National and Community Service
Grants Awarded to YouthBuild USA, Inc.
Audit Report 06-10

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Conrad and Associates, LLP (Conrad) to perform an incurred-cost audit of grants awarded to YouthBuild USA, Inc., a National Direct Program grantee.

The auditors questioned costs of $1,254,919, consisting of $266,950 in grant costs and $987,969 in education awards. The questioned grant costs are approximately 2.6 percent of the $10,367,709 in total costs claimed by YouthBuild USA. Costs questioned for allowability represent: an alleged violation or provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, certain costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. The auditors also noted instances of noncompliance with Federal regulations and grant requirements, some of which are considered material weaknesses.

In its response to the draft audit report, YouthBuild USA took issue with some of the auditors' conclusions regarding the adequacy of documentation to support match, and the manner in which match is presented in YouthBuild USA's financial records. These issues will be resolved with the Corporation during the audit resolution phase.

The OIG reviewed Conrad's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on YouthBuild USA, Inc.'s financial statements, the effectiveness of internal controls or compliance with laws and regulations. Conrad is responsible for the attached auditor's report dated August 26, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where Conrad did not comply, in all material respects, with generally accepted government auditing standards.

The OIG provided YouthBuild USA, Inc. and the Corporation with a draft of this report for review and comment. Their responses are included as Appendices A and B, respectively.

This report is a matter of public record and its distribution is not limited.

Audit of Corporation for National and Community Service
National Direct Grants Awarded to
YouthBuild USA
Somerville, Massachusetts

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REPORT SUMMARY AND HIGHLIGHTS

CONRAD AND ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

2301 DUPONT DRIVE, SUITE 200
IRVINE, CALIFORNIA 92612
(949) 474-2020
Fax (949) 263-5520

Office of Inspector General
Corporation for National and Community Service

This report is issued under an Office of Inspector General (OIG) engagement with Conrad and Associates, L.L.P. to audit the costs claimed by YouthBuild USA (YouthBuild) and its subgrantees from July 1, 2000, through March 31, 2005, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses disclosed during the audit.

Executive Summary

We question costs of $1,254,919 ($266,950 of grant costs and $987,969 of education awards). In addition, we question $6,254,305 in match costs claimed. Some of the questioned match is claimed in excess of the minimum match required. The grant costs questioned are approximately 2.6 percent of the total $10,367,709 claimed by YouthBuild. A questioned cost is (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost was not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. Costs questioned include living allowances for which key eligibility documentation could not be located, excess living allowance charges, unsupported or inadequately documented other direct costs, and education awards for which key eligibility documentation could not be located. Details for questioned costs appear in the Independent Auditor's Report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to National Direct grantees, such as YouthBuild, and other entities to assist in the creation of full-time and part-time national and community service programs.

YouthBuild is a nonprofit agency founded in 1990 with the intention of using youth to rebuild their communities and their lives. It has a national network of more than 200 YouthBuild affiliates across the country.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES PRACTICE SECTION

YouthBuild has received approximately $13.6 million in funding and exercised $10.3 million in drawdowns from Corporation funds for the period audited, including AmeriCorps National Direct Funds and Education Award Grants. Of this amount, approximately $7.4 million was distributed to subgrantees. All of YouthBuild's subgrantees were nonprofit organizations. Authorized funding, grantee-claimed expenditures and drawdowns by grant are as follows:

	Funding Authorized	Claimed within Audit Period	Drawdowns During Audit Period
00ADNMA061 – AmeriCorps National Direct	$ 8,703,266	$ 8,073,084	$ 8,073,081
04NDHMA002 – AmeriCorps National Direct	4,606,474	2,065,091	591,292
Total AmeriCorps National Direct	13,309,740	$10,138,175	$ 8,664,373
00EDNMA006 – Education Award	229,267	169,267	169,267
04EDHMA002 – Education Award	143,832	60,267	60,267
Total Education Award	373,099	229,534	229,534
Total – Grants Administered by YouthBuild	$ 13,682,839	$10,367,709*	$ 8,893,907*

* The differences between the amount claimed and amount drawn down are generally due to timing issues.

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation grant numbers and for the grant periods detailed on page 3.

The objectives of our audit were to determine whether:

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

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the awards, as presented in the Consolidated Schedule of Award Costs

and the grant-specific Schedules of Award Costs (Exhibits A and B), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A and B. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and work papers prepared by the independent public accountants for YouthBuild and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion.

We performed our audit at YouthBuild and its subgrantees during the period of June 1, 2005 through August 26, 2005.

The contents of this report were disclosed to and discussed with YouthBuild at an exit conference on October 11, 2005. In addition, we provided a draft of this report to YouthBuild and to the Corporation for comment on December 8, 2005. Their responses are included in their entirety as Appendices A and B, respectively.

Grant Programs Audited

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

Program	Award Number	Award Period	Audit Period
AmeriCorps National Direct	00ADNMA061	07/01/00 – 02/14/04	07/01/00 – 02/14/04
AmeriCorps National Direct	04NDHMA002	08/04/04 – 08/17/07	08/04/04 – 03/31/05
Education Award	00EDNMA006	09/01/00 – 09/25/04	09/01/00 – 09/25/04
Education Award	04EDHMA002	06/01/04 – 05/31/07	06/01/04 – 03/31/05

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

Description	Amount	Percentage of Budget/Claimed
Award Budget	$ 13,682,839	-
Claimed Costs	10,367,709	75.8
Questioned Grant Costs	266,950	2.6
Questioned Education Awards	987,969	-
Questioned Match Costs	6,254,305	-

Costs Questioned

The following summarizes the costs questioned on these awards:

AmeriCorps National Direct Grants	
Cost with no supporting documentation	$ 135,388
Costs inadequately documented to determine allowability	55,002
Salary costs with no supporting documentation	22,137
Living allowances lacking eligibility documentation	49,007
Living allowances exceeding the AmeriCorps limit	5,416
Total Grant Costs Questioned	266,950
Education Awards	
Education Awards Grants	180,771
AmeriCorps National Direct Grants	807,198
Total Education Awards Questioned	$ 987,969

In most cases, we used a random sampling method to test the costs claimed. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures incurred, based on the relationship of costs tested to total costs. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

Compliance

Our audit disclosed the following instances of noncompliance with Federal laws, applicable regulations and award conditions:

1. AmeriCorps member living allowances and fringe benefits were paid to some members found to be ineligible or whose files did not contain adequate documentation to support proper enrollment and participation in the AmeriCorps program.

2. Education awards earned by AmeriCorps members who were found to be ineligible because of the lack of adequate documentation to support earning the award.

3. Unsupported or inadequately documented other direct costs claimed were identified at several subgrantees.

4. Member support, operation, and/or administrative match costs were claimed for ineligible AmeriCorps members or could not be adequately documented.

5. Match costs were inadequately tracked and reviewed prior to the compilation and submission of the aggregate Financial Status Report (FSR).

6. Errors on submitted aggregate Financial Status Reports (FSR) were not identified and corrected in a timely manner.

7. Internal controls were inadequate to sufficiently monitor subgrantees administering the Education Award Program.

8. Internal controls at one subgrantee location were not adequate to ensure the safeguarding of AmeriCorps funds.

9. Required AmeriCorps documents were not being submitted within the established timeframes.

10. As a result of questioned match costs, minimum match requirements were not satisfied at YouthBuild Los Angeles and YouthBuild Philadelphia.

11. Two subgrantees claimed administrative costs that exceeded the maximum percentage allowed by AmeriCorps Provisions.

12. Some member living allowances were not paid on an incremental basis.

13. Aggregate training hours exceeded the maximum allowable at several subgrantees.

Internal Controls

Compliance findings numbered 1 through 8 are also considered material internal control weaknesses.[1]

Report Release

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, YouthBuild and its subgrantees, and the U.S. Congress.

1 A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts, which would be material to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

CONRAD AND ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

2301 DUPONT DRIVE, SUITE 200
IRVINE, CALIFORNIA 92612
(949) 474-2020
Fax (949) 263-5520

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We audited the costs incurred by YouthBuild USA (YouthBuild) for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A and B) are the responsibility of YouthBuild's management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs and Exhibits A and B based on our audit.

Program	Award Number	Award Period	Audit Period
AmeriCorps National Direct	00ADNMA061	07/01/00 – 02/14/04	07/01/00 – 02/14/04
AmeriCorps National Direct	04NDHMA002	08/04/04 – 08/17/07	08/04/04 – 03/31/05
Education Award	00EDNMA006	09/01/00 – 09/25/04	09/01/00 – 09/25/04
Education Award	04EDHMA002	06/01/04 – 05/31/07	06/01/04 – 03/31/05

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

In our opinion, except for the issues related to the $ 266,950 in grant questioned costs discussed above, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through B and related Schedules) referred to above present fairly, in all material respects, the costs claimed for the period July 1, 2000, to March 31, 2005, in conformity with generally accepted accounting standards in the United States of America.

In accordance with the *Government Auditing Standards,* we have also issued our report, dated August 26, 2005, on our consideration of YouthBuild's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES PRACTICE SECTION

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service, YouthBuild and its subgrantees, and the U.S. Congress.

Conrad and Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
August 26, 2005

Corporation for National and Community Service Awards
YouthBuild USA

Consolidated Schedule of Award Costs

July 1, 2000, to March 31, 2005

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
00ADNMA061	AmeriCorps	$ 8,703,266	$ 8,073,084	$ 266,950	$ 804,835	
04NDHMA002	AmeriCorps	4,606,474	2,065,091	-	2,363	
	Total AmeriCorps	13,309,740	10,138,175	266,950	807,198	Exhibit A
00EDNMA006	Education Award	229,267	169,267	-	175,371	
04EDHMA002	Education Award	143,832	60,267	-	5,400	
	Total Education Award	373,099	229,534	-	180,771	Exhibit B
	Totals	$ 13,682,839	$ 10,367,709	$ 266,950	$ 987,969	

Corporation for National and Community Service Awards
YouthBuild USA

Notes to Consolidated Schedule of Award Costs

July 1, 2000, to March 31, 2005

Reporting Entity

The accompanying consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps National Direct and Education Award Program grants awarded to YouthBuild by the Corporation for the period from July 1, 2000, to March 31, 2005.

YouthBuild awards its AmeriCorps grant funds to subgrantees that administer AmeriCorps programs and report financial and programmatic results to YouthBuild.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and YouthBuild. The information presented in the Schedule has been prepared from the reports submitted by YouthBuild to the Corporation. The basis of accounting used in preparation of these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

Equipment
Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment acquired is owned by YouthBuild while used in the program for which it was purchased or in other future authorized programs. However, the Corporation has a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to Federal regulations.

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

EXHIBIT A

SCHEDULE OF AWARD COSTS:
AMERICORPS NATIONAL DIRECT

Exhibit A

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
(AmeriCorps)
July 1, 2000, to March 31, 2005

Detail Audits of AmeriCorps	Claimed Costs	Questioned Claimed Costs	Questioned Education Awards	Reference
YouthBuild (parent)	$ 2,702,637	$ -	$ -	Schedule A-1
Subgrantees				
YouthBuild Los Angeles	333,203	63,856	84,279	Schedule A-2
YouthBuild Philadelphia	784,785	52,960	538,650	Schedule A-3
YouthBuild St. Louis	789,709	-	11,813	Schedule A-4
YouthBuild Portland	611,084	-	7,088	Schedule A-5
YouthBuild Portland DD	283,067	-	2,363	Schedule A-6
YouthBuild York	695,142	12,704	163,005	Schedule A-7
YouthBuild Atlantic City	135,388	135,388	-	Schedule A-8
YouthBuild Columbia Heights	2,042	2,042	-	Schedule A-8
Total – Detailed Audits	$ 6,337,057	$ 266,950	$ 807,198	Note 1

Notes

1. The total claimed costs reported do not include costs claimed by subgrantees that were not tested as part of this audit. We used a judgmental sampling approach at the selected subgrantee sites to test the costs claimed for Program Years 2000-01 to 2002-03. YouthBuild had the following number of subgrantees for the AmeriCorps National Direct Program:

	Program Year				
	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	14	12	12	-	38
04NDHMA002	-	-	-	23	23

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild
(Somerville, Massachusetts)

			Reference
Approved Budget (Federal Funds)		$ 3,008,183	Note 1
Claimed Costs		$ 2,702,637	Note 2
Questioned Match Costs			
Unsupported match costs - parent	243,292		Note 3
Total Questioned Match Costs		$ 665,900	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild's total budget is $3,008,183 ($2,007,113 for Award 00ADNMA061 and $1,001,070 for Award 04NDHMA002).

2. Claimed costs represent YouthBuild's reported expenditures for both AmeriCorps Awards.

	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	$ 805,457	$ 645,981	$ 871,849	$ -	$2,323,287
04NDHMA002	-	-	-	379,350	379,350
Total	$ 805,457	$ 645,981	$ 871,849	$ 379,350	$2,702,637

3. YouthBuild's financial management system is not adequate to provide a clear audit trail for the match costs claimed on the aggregate FSR. YouthBuild booked match costs for the AmeriCorps program into various funds/cost centers based on the funding source of the expensed item. However, there were no specific account codes to distinguish expenses for AmeriCorps versus other programs booked in the same fund/cost center. As such, YouthBuild was unable to identify which transactions in the various funds/cost centers were claimed as match on the aggregate FSR. In addition, YouthBuild personnel were unable to determine the methodology of calculating the claim amount from each fund/cost center. From reconstructed records, we were only able to substantiate part of the match costs. The remaining portion has been questioned as follows: (Also see Compliance Finding #4)

$ 1,107,220	Match cost claimed
(863,928)	Amount substantiated during audit
$ 243,292	Unsupported match costs

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild Los Angeles
(Pacific Asian Consortium in Employment – PACE)

		Reference
Approved Budget (Federal Funds)	$ 472,591	Note 1
Claimed Costs	$ 333,203	Note 2
Questioned Costs		
Living Allowances	$ 63,856	Notes 3, 4, 5
Education Awards	84,279	Notes 3, 6, 7, 8, 9, 10
Match Costs	201,901	Notes 3, 5, 6, 11, 12
Total Questioned Costs	$ 350,036	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild Los Angeles' total budget is $472,591 (YouthBuild Los Angeles was a subgrantee for award 00ADNMA061 only).

2. Claimed costs represent YouthBuild Los Angeles' reported expenditures for the program years 2000-01 through 2002-03.

3. Our review of 86 member files, which was the entire universe, disclosed 57 files not containing documentation to support that the member was a U.S. citizen or national, or a lawful permanent resident. PACE believes the documentation has been misplaced due to the moving of program sites over the years. As a result of the missing citizenship documentation, we have questioned living allowances, as well as the associated fringe benefits paid to the members, match costs, and education awards as follows: (Also see Compliance Finding #1, Finding #2, and Finding #4)

Member Exceptions	Living Allowances	Match Costs	Education Award
57	$ 38,635	$ 114,441	$ 63,017

4. Living allowances claimed under the Corporation share for seven members exceeded the 85 percent of minimum living allowance established by AmeriCorps provisions. As a result, we have questioned living allowances and fringe benefits paid to these members. However, some of these living allowances have already been questioned in Note #3. The following summarizes the questioned costs. (Also see Compliance Finding #1)

Member Exceptions	Living Allowances	Fringe Benefits	Sub-Total	Costs Questioned in Note #3	Total
7	$ 5,131	$ 393	$ 5,524	($ 108)	$ 5,416

5. During our review of payroll expenditures, we noted numerous instances where there were no time sheets available to support the payroll expense. PACE's internal controls require all payroll expenses to be supported with a completed time sheet. PACE personnel believe the time sheets were completed but probably misplaced due to moving their offices over the years. As a result, we have questioned the claimed living allowance with the associated fringe benefits and the match costs as follows: (Also see Compliance Finding #1 and Finding #4)

Number of Exceptions	Living Allowances	Match Costs
156	$ 19,805	$ 20,550

6. Our review of 86 member files disclosed 34 files where there were no time sheets or other documentation to support the total hours reported in the Corporation's Web-Based Reporting System (WBRS). PACE believes the documentation has been misplaced due to moving program sites over the years. All living allowances associated with these 34 files were claimed as match costs and as a result, we questioned living allowances and fringe benefits paid to the members. We also questioned any education award earned by these members. However, some costs associated with these members have already been questioned in Note #3. The following summarizes the questioned costs: (Also see Compliance Finding #2 and Finding #4)

Member Exceptions	Education Award	Ed Award Questioned in Note #3	Total
34	$ 23,625	($ 21,263)	$ 2,362

Member Exceptions	Match Costs	Match Costs Questioned in Note #3	Total
34	$ 75,937	($ 65,811)	$ 10,126

7. Our review of 86 member files disclosed 19 files that did not contain adequate documentation to support the member's age. Without age documentation, we were unable to determine if the member was eligible to participate in the program or if a parental consent was needed. Of those 19 members, only three earned an education award. As a result, we have questioned the education awards for those three members. However, the education awards for these members have already been questioned in Note #3. The following summarizes what would have been the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Members Earning Award	Education Award	Ed Award Questioned in Note #3	Total
19	3	$ 9,225	($ 9,225)	$ -

8. Our review of 86 member files disclosed 52 files that did not contain either documentation of the member's high school diploma or a self-certification. Of those 52 members, only five earned an education award. As a result, we have questioned the education awards for those five members. However, the education awards for the members have already been questioned in Note #3. The following summarizes what would have been the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Member Earning Award	Education Award	Ed Award Questioned in Note #3	Total
52	5	$ 11,813	($ 11,813)	$ -

9. Our review of 86 member files disclosed 15 files that did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. PACE believes there are missing time sheets that would account for the difference. As a result, we have questioned the education award earned by these 15 members. However, some of the education awards have already been questioned in Note 3. The following summarizes the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Education Award	Ed Award Questioned in Note #3	Total
15	$ 47,250	($ 28,350)	$ 18,900

10. Our review noted three members who exited the program early and received partial education awards. The reasons and/or documentation for the early exit were not in the member files. As a result, we have questioned the partial education awards of these three members. However, the education awards have already been questioned in Note 3. The following summarizes what would have been the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Education Award	Ed Award Questioned in Note #3	Total
3	$ 13,404	($ 13,404)	$ -

11. Our review of payroll expense disclosed that living allowances were paid to two members who were not enrolled in WBRS and for whom member files were not maintained. The living allowances were claimed as match costs in program year 2000-2001. As a result, we have questioned a total of $2,168 as follows: (Also see Compliance Finding #4)

Member Exceptions	Living Allowance	Fringe Benefits	Total
2	$ 2,014	$ 154	$ 2,168

12. Interviews conducted with PACE personnel and our review of the general ledger indicated that a majority of the costs claimed as match were funded from the U.S. Department of Housing and Urban Development (HUD). PACE was able to identify a portion of match costs, $19,260, donated from a private source. However, match costs questioned in Notes 3, 5, 6 and 11 exceed the $19,260 available to be claimed as match. As a result, the entire amount of $201,901 claimed as match is unallowable, however we question $54,616 to account for the remaining match costs not already questioned. (Also see Compliance Finding #4)

	Questioned Match Costs
Note 3	$ 114,441
Note 5	20,550
Note 6	10,126
Note 11	2,168
Total	$ 147,285
Less: Claimed match costs	(201,901)
Additional questioned match costs	($ 54,616)

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild Philadelphia
(Philadelphia Youth for Change)

		Reference
Approved Budget (Federal Funds)	$ 898,329	Note 1
Claimed Costs	$ 784,785	Note 2
Questioned Costs		
Other Direct Costs	$ 52,960	Note 3
Education Awards	538,650	Notes 4, 5, 6, 7
Match Costs	4,025,236	Notes 6, 8, 9, 10
Total Questioned Costs	$ 4,616,846	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild Philadelphia's total budget is $898,329 ($651,537 for Award 00ADNMA061 and $246,792 for Award 04NDHMA002).

2. Claimed costs represent YouthBuild Philadelphia's reported expenditures for both AmeriCorps Awards.

	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	$ 126,038	$ 255,811	$ 251,500	$ -	$ 633,349
04NDHMA002	-	-	-	151,436	151,436
Total	$ 126,038	$ 255,811	$ 251,500	$ 151,436	$ 784,785

3. Our review of Other Direct Costs disclosed numerous instances where adequate documentation was not provided to determine if the costs were allocable, allowable, and reasonable for the AmeriCorps grant. As a result, we have questioned Other Direct Costs as follows: (Also see Compliance Finding #3)

Number of Transactions	Questioned Costs
34	$ 52,960

4. Time sheets for all half-time members were not signed by the member. According to YouthBuild Philadelphia personnel, internal controls require that a time sheet, signed by the member, be submitted prior to paying the member's living allowance for that pay period. As a result, we have questioned the members' living allowances and education awards. Data for cumulative living allowances paid to half-time members was not available for our review. However, since the living allowances were claimed as match, the costs have already been questioned in Note 8. The following is the questioned education awards earned by the half-time members: (Also see Compliance Finding #2)

Award Number	Questioned Education Awards
00ADNMA061	$ 533,925

5. Our review of 100 member files disclosed 22 files that did not contain either documentation of the member's high school diploma or a self-certification. All of the 22 member files pertained to award number 00ADNMA061. Of those 22 members, only two earned an education award in program year 2000-01. As a result, we have questioned the education awards for those two members. However, the education award for one member has already been questioned in Note 4. The following summarizes the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Members Earning Award	Questioned Education Award	Costs Questioned in Note #4	Total
22	4	$ 7,088	($ 2,363)	$ 4,725

6. Our review of 100 member files disclosed 17 half-time member files that did not contain documentation that the member was a U.S. citizen or national, or a lawful permanent resident. All of the 17 member files were from award number 00ADNMA061. Only seven of those members earned an education award. As a result, we questioned the living allowance and education award for those seven members. All living allowances paid to half-time members have been questioned at Note 8. In addition, all education awards earned by half-time members have been questioned at Note 4. The following summarizes what would have been the questioned education awards: (Also see Compliance Finding #2 and Finding #4)

Member Exceptions	Members Earning Award	Questioned Education Award	Ed Award Questioned in Note #4	Total
17	7	$ 16,538	($ 16,538)	$ -

7. Our review of 100 member files disclosed 12 half-time member files that did not contain adequate documentation to support the members' age. Without age documentation, we were unable to determine if the member was eligible to participate in the program or if a parental consent was secured. All of the 12 half-time member files were from award number 00ADNMA061, but only four of those members earned an education award. As a result, we have questioned the education awards for those four members. However, the education awards for these members have already been questioned in Note 4. The following summarizes what would have been the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Members Earning Award	Education Award	Ed Award Questioned in Note #4	Total
12	4	$ 9,451	($ 9,451)	$ -

8. Living allowances paid to half-time members were claimed as match costs. YouthBuild Philadelphia personnel indicated the match costs were funded by HUD. YouthBuild Philadelphia was unable to provide any documentation to substantiate that a non-Federal funding source contributed to the match costs. As a result, we have questioned all living allowances claimed as match costs, totaling $699,185. (Also see Compliance Finding #4)

9. Aggregate FSR data obtained from YouthBuild indicated match costs claimed by YouthBuild Philadelphia of $5,021,561. However, upon review of the accounting records and monthly FSRs, the total match costs should be $4,932,828. The variance of $88,733 was not supported by accounting records or source documents. Subgrantee personnel speculated the error may have been caused by YouthBuild double-counting some of the member costs. As a result of the variance, we questioned $88,733 of match costs claimed on grant 00ADNMA061. Despite the questioned match costs, the subgrantee was still able to meet the minimum match requirement. (Also see Compliance Finding #4)

10. Our audit indicated that of the $4,932,828 match costs, only $1,019,125 was adequately supported. The remaining $3,913,703 was not adequately supported for us to determine if the costs were allowable, allocable, and reasonable per OMB Circulars. As a result, we have questioned $3,913,703 of match costs from award 00ADNMA061. However, some of these costs have already been questioned in Note 8. The following summarizes what would have been the questioned costs and the questioned costs that remain: (Also see Compliance Finding #4)

Questioned Match Costs	Costs Questioned in Note #8	Total
$ 3,913,703	($ 676,385)	$ 3,237,318

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild St. Louis
(Youth Education and Health in Soulard)

		Reference
Approved Budget (Federal Funds)	$ 875,220	Note 1
Claimed Costs	$ 789,709	Note 2
Questioned Costs		
Education Awards	$ 11,813	Note 3
Match Costs	1,017,191	Notes 4, 5
Total Questioned Costs	$ 1,029,004	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild St. Louis' total budget is $875,220. ($691,492 for Award 00ADNMA061 and $183,728 for Award 04NDHMA002)

2. Claimed costs represent YouthBuild St. Louis' reported expenditures for both AmeriCorps awards.

	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	$ 225,000	$ 224,176	$ 232,493	$ -	$ 681,669
04NDHMA002	-	-	-	108,040	108,040
Total	$ 225,000	$ 224,176	$ 232,493	$ 108,040	$ 789,709

3. Our review of 89 member files disclosed 5 files that did not contain adequate time sheets to support the hours reported in WBRS. In each case, cumulative time sheets were less than the total hours (training and service) reported in WBRS. We were unable to determine if the members performed the hours required to earn an award, and as a result, we have questioned the education awards earned by these five members. (Also see Compliance Finding #2)

4. Costs claimed on the FSR for award number 00ADNMA061 did not reconcile to the subgrantee's accounting records. Match costs per the subgrantee's accounting records were less than the costs claimed on the FSR. Additional documentation was not provided to support the difference. As a result, we have questioned match costs as follows: (Also see Compliance Finding #4)

$ 3,472,496	Match costs claimed on the FSR
2,630,369	Costs recorded in subgrantee's accounting records
$ 842,127	Unsupported difference

5. Living allowances paid to members were claimed as match costs. YouthBuild St. Louis personnel indicated the match costs were funded by the U.S. Department of Housing and Urban Development (HUD). No documentation was provided to substantiate that a non-Federal funding source contributed to the match costs. As a result, we have questioned $175,064, which were living allowances claimed as match costs. Despite these questioned match costs, the subgrantee had other cash match expenditures to meet the minimum match requirement. (Also see Compliance Finding #4)

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild Portland
(Portland YouthBuild)

		Reference
Approved Budget (Federal Funds)	$ 739,946	Note 1
Claimed Costs	$ 611,084	Note 2
Questioned Costs		
Education Awards	7,088	Notes 3, 4, 5, 6
Total Questioned Costs	$ 7,088	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild Portland's total budget is $739,946. ($468,231 for Award 00ADNMA061 and $271,715 for Award 04NDHMA002)

2. Claimed costs represent YouthBuild Portland's reported expenditures for both AmeriCorps Awards.

	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	$ 138,342	$ 169,946	$ 159,946	$ -	$ 468,234
04NDHMA002	-	-	-	142,850	142,850
Total	$ 138,342	$ 169,946	$ 159,946	$ 142,850	$ 611,084

3. Our review of 91 member files disclosed 11 files that did not contain documentation that the member was a U.S. citizen or national, or a lawful permanent resident. Subgrantee personnel believe the documents were misfiled. Member support costs were neither charged to the grant nor claimed as match. Of those 11 members, only two half-time members earned an education award. As a result of the missing citizenship documentation, we have questioned education awards of $4,725. (Also see Compliance Finding #2)

4. Our review of 91 member files disclosed 4 files that did not contain adequate documentation to support the member's age. Without age documentation, we were unable to determine if the member was eligible to participate in the program or if parental consent was secured. However, none of those four members earned an education award. As a result, education awards have not been questioned. (Also see Compliance Finding #2)

5. Our review of 91 member files disclosed 7 member files in program year 2000-01 that did not contain documentation of the member's high school diploma. Of the seven members noted, one earned an education award. As a result, we have questioned the education award for that member. However, the education award for the member has already been questioned in Note 3. As a result, no costs are questioned here. (Also see Compliance Finding #2)

6. Our review of 91 member files disclosed 4 member files that did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. Of the four exceptions noted, only one member earned an education award. As a result, we have questioned the education award of that member. (Also see Compliance Finding #2)

Members Earning Award	Questioned Education Award
1	$ 2,363

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild Portland DD
(Portland YouthBuild – Digital Divide)

		Reference
Approved Budget (Federal Funds)	$ 323,834	Note 1
Claimed Costs	$ 283,067	Note 2
Questioned Costs		
Education Awards	$ 2,363	Notes 4, 5, 6
Match Costs	2,714	Note 3
Total Questioned Costs	$ 5,077	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild Portland DD's total budget is $323,834. (YouthBuild Portland DD was a subgrantee for award 00ADNMA061 only.)

2. Claimed costs represent YouthBuild Portland's reported expenditures for the program years 2000-01 through 2002-03.

3. Our review of 31 member files disclosed 1 file that did not contain documentation that the member was a U.S. citizen or national, or a lawful permanent resident. All living allowances and associated fringe benefits for this member were claimed as match costs. The member did not earn an education award. As a result of the missing documentation, we have questioned match living allowance and fringe benefits of $2,714. (Also see Compliance and Finding #4)

4. Our review of the member files noted one member file that did not contain adequate documentation to support the member's age. Without age documentation, we were unable to determine if the member was eligible to participate in the program or if parental consent was secured. No costs have been questioned as the member did not earn an award. However, the subgrantee did not maintain the proper documentation, as required by AmeriCorps Provisions. (Also see Compliance Finding #2)

5. Our review of 31 member files disclosed 1 member file in program year 2000-01 that did not contain documentation of the member's high school diploma. The member did not earn an education award and, as a result, no costs have been questioned. However, the subgrantee did not maintain proper documentation, as required by AmeriCorps Provisions. (Also see Compliance Finding #2)

6. Our review of the member files disclosed three files that did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. Only one of these members earned an education award. As a result, we have questioned the education award earned by the member, of $2,363. (Also see Compliance Finding #2)

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild York
(Crispus Attucks CDC)

		Reference
Approved Budget (Federal Funds)	$ 863,465	Note 1
Claimed Costs	$ 695,142	Note 2
Questioned Costs		
Living Allowances	$ 12,704	Notes 3, 4
Education Awards	163,005	Notes 3, 5, 6, 7
Match Costs	341,363	Notes 3, 4, 8, 9
Total Questioned Costs	$ 517,072	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild York's total budget is $863,465. ($689,849 for Award 00ADNMA061 and $173,616 for Award 04NDHMA002)

2. Claimed costs represent YouthBuild York's reported expenditures for the both AmeriCorps Awards.

	2000-2001	2001-2002	2002-2003	2004-2005	Total
00ADNMA061	$ 140,594	$ 209,183	$ 232,424	$ -	$ 582,201
04NDHMA002	-	-	-	112,941	112,941
Total	$ 140,594	$ 209,183	$ 232,424	$ 112,941	$ 695,142

3. Our review of 100 member files disclosed 5 member files that did not contain documentation that the member was a U.S. citizen or national, or a lawful permanent resident. Of the five member files, four were from award number 00ADNMA061 and one was from 04NDHMA002, and all five members earned an education award. As a result, we questioned the living allowance, match, and education award for those five members as follows: (Also see Compliance Finding #1, Finding #2, and Finding #4)

Member Exceptions	Living Allowances	Match Costs	Education Award
5	$ 10,372	$ 4,407	$ 13,769

4. During our review of payroll expenditures, we noted two instances where a time sheet was not available to support the living allowance. The subgrantee's internal controls require all living allowance payments to be supported with a completed time sheet. As a result, we have questioned the living allowance and associated fringe benefits as follows: (Also see Compliance Finding #1 and Finding #4)

Number of Exceptions	Living Allowances	Match Costs
2	$ 2,332	$ 678

5. Our review of 100 member files disclosed 31 member files that did not contain either documentation of the member's high school diploma or a self certification. All 31 members earned an education award. As a result, we have questioned education awards earned in 2000-01. Education awards for 2001-02 and beyond were not questioned as AmeriCorps Provisions were changed beginning in 2001-02. Some of the education awards for the members in 2000-01 have already been questioned in Note #3. The following summarizes the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Education Award	Ed Award Questioned in Note #3	Total
31	$ 25,988	($ 2,363)	$ 23,625

6. Our review of 100 member files disclosed 15 member files that did not contain adequate documentation to support the members' age. Without age documentation, we were unable to determine if the member was eligible to participate in the program or if parental consent was secured. All of the 15 members identified earned an education award. As a result, we have questioned the education awards for those 15 members. However, some of the education awards of these members have already been questioned in Note #5. The following summarizes the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Education Award	Ed Award Questioned in Note #5	Total
15	$ 34,809	($ 2,363)	$ 32,446

7. Our review of 100 member files disclosed 57 member files that did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. As a result, we have questioned the education awards earned by those 57 members. However, some of the education awards for these members have already been questioned in Note #3, Note #5, and Note #6. The following summarizes the questioned costs: (Also see Compliance Finding #2)

Member Exceptions	Education Award	Costs Questioned in Note #3	Costs Questioned in Note #5	Costs Questioned in Note #6	Total
57	$ 136,833	($ 8,691)	($ 11,813)	($ 23,164)	$ 93,165

8. Interviews with YouthBuild York personnel, and a review of the general ledger, indicated that most of the costs claimed as match were funded by the U.S. Department of Housing and Urban Development (HUD). Some of the funds were used as match member support costs, which are not allowed per AmeriCorps Provisions. As a result, we have questioned match costs as follows: (Also see Compliance Finding #4)

Program Year	Questioned Cost
2000-2001	$ 28,272
2002-2003	173,285
Total	$ 201,557

9. Match costs claimed on the FSR did not agree with the amount per YouthBuild York's accounting records. The amount per the accounting records was less than the amount claimed on the FSR and no documentation was provided to support the difference. In addition, we noted several transactions for which source documentation was not provided. We were unable to determine if the costs claimed were allowable, allocable, and reasonable per OMB Circulars. As a result, we have questioned match costs as follows: (Also see Compliance Finding #4)

Questioned Cost	
$ 123,362	Difference between FSR and accounting records
11,359	Transactions without supporting documentation
$ 134,721	

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ADNMA061 and 04NDHMA002
July 1, 2000, to March 31, 2005

YouthBuild Atlantic City
YouthBuild Columbia Heights

		Reference
Approved Budget (Federal Funds)	$ 383,161	Note 1
Claimed Costs	$ 137,430	Note 2
Questioned Costs		
Corporation Share	$ 137,430	Note 2
Match Costs	422,608	Note 2
Total Questioned Costs	$ 560,038	

Notes

1. According to budget schedules for the AmeriCorps National Direct grants, YouthBuild Atlantic City's and Columbia Heights' total budget was $300,000 and $83,161, respectively (Both entities were subgrantee for award 00ADNMA061 only).

2. In addition to performing five subgrantee field visits to verify and substantiate costs, a sample of monthly FSRs from the other subgrantees was selected and documentation was requested to support the claimed costs. Our review disclosed that one subgrantee, YouthBuild Atlantic City, was unable to provide any supporting documentation because it shut down its operations in 2002. All costs claimed by YouthBuild Atlantic City were incurred during program year 2000-2001 for award number 00ADNMA061. Our review also found that YouthBuild Columbia Heights did not provide source documentation to support some of its claimed and match costs. All costs claimed by YouthBuild Columbia Heights were incurred during program year 2000-2001 for award number 00ADNMA061. As a result, we have questioned subgrantee costs and claimed match costs as follows: (Also see Compliance Finding #3 and Finding #4)

	Subgrantee Costs	Match Costs	Total
YouthBuild Atlantic City	$ 135,388	$ 367,684	$ 503,072
YouthBuild Columbia Heights	2,042	54,924	56,966
Total	$ 137,430	$ 422,608	$ 560,038

EXHIBIT B

SCHEDULE OF AWARD COSTS: EDUCATION AWARDS

YouthBuild USA
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00EDNMA006 and 04EDHMA002
September 1, 2000, to March 31, 2005

Detail Audits of Education Awards	Approved Budget Costs	Claimed Costs	Questioned Claimed Costs	Reference
YouthBuild	$ 373,099	$ 229,534	$ -	Note 1

	Total Enrolled Members	Members Earning Awards	Member Files Reviewed	Questioned Education Awards	Reference
Subgrantees					
Unknown (A)	198	68	5	$ 11,479	Note 2
YouthBuild Kincaid	10	2	2	-	
YouthBuild Hammond	18	18	5	11,812	Note 2
YouthBuild Delta	17	14	5	11,812	Note 2
YouthBuild Florida City	52	18	11	11,812	Note 3
YouthBuild Sandtown	23	6	5	11,812	Note 4
YouthBuild Brockton	57	30	26	-	
YouthBuild Brownsville	55	30	17	-	
YouthBuild Hartford	77	23	5	11,812	Note 5
YouthBuild Baltimore	62	4	4	8,539	Note 6
YouthBuild Gardena	62	13	13	30,713	Note 7
YouthBuild Louisville	25	23	23	46,680	Note 8
YouthBuild Trenton	51	20	20	18,900	Note 9
YouthBuild Washington	10	10	10	-	
YouthBuild Moreno Valley	21	14	14	5,400	Note 10
Totals	738	293	165	$ 180,771	Note 1

(A) The location was not noted in WBRS and YouthBuild personnel were unable to determine the location of the subgrantee.

Notes

1. According to budget schedules for the education award grants, YouthBuild's total budget is $373,099 ($229,267 for Award 00EDNMA006 and $143,832 for Award 04EDHMA002). Claimed costs for both education award grants are $229,534 ($169,267 for Award 00EDNMA006 and $60,267 for Award 04EDHMA002). The list of subgrantees does not represent all subgrantees utilized by YouthBuild. Using a sampling approach, we judgmentally selected the subgrantees listed above and performed a review of files for AmeriCorps members earning an award. YouthBuild had the following number of subgrantees for the Education Award Program:

	Program Year				
	2000-2001	2002-2003	2003-2004	2004-2005	Total
00EDNMA006	9	8	10	-	27
04EDHMA002	-	-	-	23	23

2. We selected a sample of members and requested their files. By the end of fieldwork, YouthBuild had not provided all the requested files. Without documentation, we were unable to determine if some members were eligible and had served the required hours. As a result, we have questioned the education award for those members as follows:

SubGrantee	Award Number	Program Year	Members Lacking Files	Education Award
Unknown	00EDNMA006	2002-2003	5	$ 11,479
YouthBuild Hammond	00EDNMA006	2000-2001	5	11,812
YouthBuild Delta	00EDNMA006	2000-2001	5	11,812
		Totals	15	$ 35,103

Unknown SubGrantee

A review of the Education Award program data in WBRS indicated numerous members with no specific site locations assigned. YouthBuild personnel were unable to determine the site location for these members. The following summarizes those members' questioned education awards:

3. YouthBuild Florida City

This subgrantee certified that 18 members had earned an education award and we selected 11 of those members for our review. From our review we noted the following deficiencies in the member files:

- Five of the 11 members did not have documentation of criminal background checks;
- Five of the 11 files were missing job descriptions;
- Five of the 11 files were missing member evaluations;
- Four of the 11 files were missing time sheets to support the hours reported in WBRS; and
- Five of the 11 files did not document the assigned work site location.

As a result of the missing documentation noted above, we have questioned education awards of $11,812.

4. YouthBuild Sandtown

This subgrantee certified six members who had earned an education award and we selected five of those members for our review. We noted the following deficiencies in the member files:

- One of the five files did not have documentation of the member's age;
- Three of the five files lacked documentation of the members' high school diploma;
- Two of the five members were under the age of 18, but the files did not have any documentation of parental consent;
- Documentation of criminal background checks for the five members was not provided;
- All five files were missing job descriptions;
- One of the five files was missing member evaluations;
- All five files were missing time sheets to support the hours reported in WBRS; and
- All files did not document certification of an earned education award to the National Service Trust.

As a result of the missing documentation noted above, we questioned education awards of $11,812.

5. YouthBuild Hartford

This subgrantee certified that 23 members had earned an education award and we selected 5 of those members for our review. We noted the following deficiencies in the member files:

- One of the five files lacked documentation of the member's high school diploma;
- One of the five members was under the age of 18, but the files did not have any documentation of parental consent;
- All five files did not have documentation of criminal background checks for the members;
- All five files were missing job descriptions;
- All five files were missing member evaluations;
- All five files were missing time sheets to support the hours reported in WBRS; and
- All five files did not document certification of an earned education award to the National Service Trust.

As a result of the missing documentation noted above, we questioned education awards of $11,812.

6. YouthBuild Baltimore

This subgrantee certified that four members had earned an education award and we selected all of those members for our review. We noted the following deficiencies in the member files:

- All four files lacked documentation of the members' high school diploma;
- Documentation of criminal background checks for the members was not provided;
- All four files were missing job descriptions;
- All four files were missing member evaluations;
- All four files were missing time sheets to support the hours reported in WBRS;
- Two of the four members exited the program early, but the files had no documentation indicating the compelling reason for the early exit; and
- All four files did not document certification of an earned award to the National Service Trust.

As a result of the missing documentation noted above, we questioned education awards of $8,539.

7. YouthBuild Gardena

This subgrantee certified that 13 members had earned an education award and we selected all of those members for our review. We noted the following deficiencies in the member files:

- Four of the 13 files lacked documentation of the members' citizenship status;
- Four of the 13 files did not have documentation of the members' age;
- Documentation of criminal background checks for two members was not provided;
- Two of the 13 files were missing job descriptions;
- Three of the 13 files were missing member evaluations;
- All 13 files were missing time sheets to support the hours reported in WBRS; and
- Two of the 13 files did not document certification of an earned education award to the National Service Trust.

As a result of the missing documentation noted above, we questioned education awards for all 13 members. Each person was a half-time member.

8. YouthBuild Louisville

This subgrantee certified that 23 members had earned an education award and we selected all of them for our review. We noted the following deficiencies in the member files:

- One of the 23 files lacked documentation of the member's citizenship status;
- One of the 23 files did not have documentation of the member's age;
- Documentation of criminal background checks for all members was not provided;
- All 23 files were missing job descriptions;
- All 23 files were missing member evaluations;
- All 23 files were missing time sheets to support the hours reported in WBRS; and
- 16 of the 23 members exited the program early, but their files had no documentation of the compelling reason for the early exit.

As a result of the missing documentation noted above, we questioned education awards of $46,680.

9. YouthBuild Trenton

This subgrantee certified that 20 members had earned an education award and we selected all of them for our review. We noted the following deficiencies in the member files:

- One of the 20 files lacked documentation of the member's citizenship status;
- One of the 20 files lacked documentation of the member's high school diploma;
- Documentation of criminal background checks for two members was not provided;
- Two of the 20 files were missing job descriptions;
- Eight of the 20 files were missing member evaluations;
- Five of the 20 files were missing time sheets to support the hours reported in WBRS; and
- Eight of the 20 files did not document certification of an earned education award to the National Service Trust

As a result of the missing documentation noted above, we questioned education awards of $18,900.

10. YouthBuild Moreno Valley

This subgrantee certified that 14 members had earned an education award and we selected all of them for our review. We noted the following deficiencies in the member files:

- Three of the 14 files were missing time sheets to support the hours reported in WBRS

As a result of the three member files missing time sheets to support the service hours reported, we questioned education awards of $5,400.

Office of Inspector General
Corporation for National and Community Service

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROLS OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the Schedules of Award Costs, as presented in Exhibits A and B, that summarize the claimed costs of YouthBuild under the Corporation awards listed below, and have issued our report thereon, dated August 26, 2005.

Program	Award Number	Award Period	Audit Period
AmeriCorps National Direct	00ADNMA061	07/01/00 – 02/14/04	07/01/00 – 02/14/04
AmeriCorps National Direct	04NDHMA002	08/04/04 – 08/17/07	08/04/04 – 03/31/05
Education Award	00EDNMA006	09/01/00 – 09/25/04	09/01/00 – 09/25/04
Education Award	04EDHMA002	06/01/04 – 05/31/07	06/01/04 – 03/31/05

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

Compliance with laws, regulations, and the provisions of the awards is the responsibility of YouthBuild's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, and the terms and conditions of the awards, noncompliance with which could have a direct and material effect on the determination of the amounts on the financial schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Compliance Findings section of this report. Instances of noncompliance include non-adherence to requirements, or violations of prohibitions contained in statutes, regulations, and the award provisions.

Compliance Findings

The results of our tests of compliance disclosed the following instances of noncompliance:

Finding No. 1: Unallowable Living Allowances and Member Files Lacking Documentation to Support Proper Enrollment and Participation in AmeriCorps

During the audit of six subgrantees, we noted several instances where living allowances were paid to AmeriCorps members who were determined to be ineligible to participate in the program as documentation was not available to support the costs claimed. As a result, living allowances and associated fringe benefits totaling $95,727 from award number 00ADNMA061 have been questioned as follows:

Subgrantee	2000-2001	2001-2002	2002-2003	Total	Note
YouthBuild Los Angeles	$ 28,251	$ 35,605	$ -	$ 63,856	(A)
YouthBuild Portland DD	-	-	19,167	19,167	(B)
YouthBuild York	4,008	8,696	-	12,704	(C)
Total	$ 32,259	$ 44,301	$ 19,167	$ 95,727	

(A) YouthBuild Los Angeles

Exceptions:

2) Our review of 86 AmeriCorps member files disclosed 57 files that lacked documentation supporting the members' citizenship status. Of the 57, 56 members were paid living allowances (19 in program year 2000-01 and 37 in program year 2001-02). Without documentation, we were unable to determine if the members were eligible to participate in the program and earn living allowances. (Also see Schedule A-2, Note 3).

3) We noted seven members who were paid living allowances and the amount claimed as the Corporation share exceeded 85 percent of the minimum living allowance. Six of the seven members were from program year 2000-2001 and one member was from 2001-2002. The living allowance and fringe benefits of the one member in program year 2001-2002 has already been questioned in Exception #1. (Also see Schedule A-2, Note 4).

4) Our review of living allowances noted 58 instances where no time sheets were available to support the members' living allowance. The subgrantees' internal controls require all living allowance payments to be supported with a time sheet. (Also see Schedule A-2, Note 5).

(B) YouthBuild Portland DD (Digital Divide)

During our review of living allowances we noted that the payroll register for April through June 2003 was missing. Without the payroll register, we were unable to substantiate the amount of living allowance actually paid to the AmeriCorps members. (Also see Schedule A-6, Note 3).

(C) YouthBuild York

Exceptions:

1) Our review of 100 AmeriCorps member files disclosed 5 files that lacked

documentation supporting the members' citizenship status. Four of the five members were paid living allowances (one in program year 2000-01 and three in program year 2001-02). Without the documentation, we were unable to determine if the members were eligible to participate in the program and earn living allowances. (Also see Schedule A-7, Note 3)

2) Our review of living allowances noted two instances where no time sheets were available to support the members' living allowance. The subgrantees' internal controls require all living allowance payments to be supported with a time sheet. (Also see Schedule A-7, Note 4)

In addition, the audit noted numerous instances where AmeriCorps member files lacked proper documentation to support either the enrollment or participation of the member in the program. Specifically the audit noted the following exceptions:

A. Missing documentation of high school diploma or dropout date.
B. AmeriCorps contract was not signed by the enrolled member.
C. Missing mid-term and/or final evaluations.
D. Time sheets were not detailed enough to determine if training was given to the member. As such, it could not be determined if an orientation was received by the member.
E. Description of the job position was not documented in the files.
F. Assigned job location was not documented in the files.
G. Members' start/end date was not documented in the files.
H. Education Award Certification was not signed by authorized personnel.

Subgrantee	Total Members Enrolled	Member Files Reviewed	Exceptions Noted							
			A	B	C	D	E	F	G	H
Award 00ADNMA061 & 04NDHMA002										
YouthBuild Los Angeles	86	86	53	50	57	34	-	14	60	51
YouthBuild Philadelphia	646	100	-	11	-	-	-	-	-	-
YouthBuild St. Louis	176	89	-	6	-	-	-	-	-	-
YouthBuild Portland	184	91	21	6	5	-	3	-	-	-
YouthBuild Portland DD	62	31	-	1	-	-	-	-	-	-
YouthBuild York	237	100	-	75	73	32	75	-	-	-
Award 00EDNMA006 & 04EDHMA002										
YouthBuild Florida City	52	11	-	-	5	-	5	5	-	-
YouthBuild Sandtown	23	5	-	-	1	-	5	5	-	5
YouthBuild Hartford	77	5	-	-	5	-	5	-	-	5
YouthBuild Baltimore	62	4	-	-	4	-	4	-	-	5
YouthBuild Gardena	62	13	-	-	3	-	2	-	-	2
YouthBuild Louisville	25	23	-	-	23	-	23	-	-	-
YouthBuild Trenton	51	20	-	-	8	-	2	-	-	8

AmeriCorps Provisions, A. Definitions, Number 9 – *Member* states:

> "Member means an individual: … b. Who is a U.S. Citizen, U.S. national or lawful permanent resident alien of the United States."

AmeriCorps Provisions, B. Special Provisions, Number 11 – *Living Allowances, Other In-Service Benefits and Taxes* states:

> a. Living allowances... The Corporation will only fund up to 85 percent of the minimum living allowance. A minimum of 15 percent must be matched by non-federal sources. A program that wants to provide a living allowance in excess of the stated minimum must provide a Grantee match for all funds over 85% of that stated amount. If the program is permitted to provide a living allowance that is less than the stated minimum, the Corporation will only fund 85 percent of the actual amount.

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions* states:

> c. Time and Attendance Records... ii. AmeriCorps Members. The Grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed both by the member and by an individual with oversight responsibilities for the member.

AmeriCorps Provisions, C. General Provisions, Number 26 – *Retention of Records* states:

> The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for 3 years from the date of the submission of the final Financial Status Report…

AmeriCorps Provisions, B. Special Provisions, Number 7, *Training, Supervision, And Support*, states:

> b. Member Contracts. The Grantee must require that members sign contracts that, at a minimum, stipulate the following:
>
> i. The minimum number of service hours and other requirements (as developed by the Program) necessary to successfully complete the term of service and to be eligible for the education award;
> ii. Acceptable conduct;
> iii. Prohibited activities;
> iv. Requirements under the Drug-Free Workplace Act;
> v. Suspensions and termination rules;
> vi. The specific circumstances under which a member may be released for cause;
> vii. The position description;

viii. Grievance procedures; and
ix. Other requirements as established by the Program.

c. Training. Consistent with the approved budget, the Grantee must provide members with the training, skills, knowledge and supervision necessary to perform the tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation.

* * *

g. Performance Reviews. The Grantee must conduct at least a mid-term and end-of-term written evaluation of each member's performance.

AmeriCorps Provisions, B. Special Provisions, Number 14 *Member Records And Confidentiality*, states:

a. Record-Keeping. The Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of education attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment. The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed the Program requirements with a minimum of 1700 hours of participation as a full-time member, 900 hours of participation as a part-time member, or 300-900 hours of participation as a reduced part-time member. The signed member contract must also be maintained in grantee files.

b. No High School Diploma. If a member does not have a high school diploma or its equivalent at the time of enrollment, the Grantee must maintain a record of the member's elementary or high school drop-out date, the member's written agreement to obtain a high school diploma or its equivalent before using the education award, and if applicable, verification of the member's enrollment at an institution of higher education on an ability to benefit basis and eligibility for funds under section 484 of the Higher Education Act. If the member has been determined to be incapable of obtaining a high school diploma or its equivalent, the Grantee must retain a copy of the supporting independent evaluation.

AmeriCorps Provisions, B. Special Provisions, Number 12 *Post-Service Education Awards*, states:

In order for a member to receive a post-service education award from the National Service Trust, the Grantee must certify to the National Service Trust that the member is eligible to receive the education benefit. The Grantee must notify the National Service Trust on a form provided by the Corporation…when it enrolls a member for a term of

service.

YouthBuild did not ensure that its subgrantees had an adequate system for record retention. Not maintaining the appropriate documentation to support either the enrollment or participation of members in the program limits YouthBuild's and the subgrantee's ability to ensure that AmeriCorps members are eligible to participate in the program. In addition, the lack of documentation may lead to the Corporation funding living allowances and education awards to ineligible individuals.

This finding is also considered to be an internal control weakness.

Recommendations

1A. We recommend that the Corporation determine the allowability of the costs questioned and recoup costs from subgrantees that are not allowable and allocable to the grants, including administrative costs applied to the questioned costs.

1B. Because the subgrantees' staff was not fully aware of AmeriCorps provisions with respect to living allowances, we recommend that the Corporation instruct YouthBuild to develop training programs and monitor subgrantees to ensure the following:

1. Living allowances are only paid to eligible members;
2. Documentation of the members' citizenship status is maintained in the files;
3. The Corporation's share of living allowance is within the 85 percent limitation; and
4. Financial records are adequately maintained to support the amounts claimed.

YouthBuild's Response

YouthBuild USA indicated that it monitors and trains subgrantees through bi-monthly individual site and group conference calls. These calls provide an additional check-in point for subgrantees to ask questions and for YouthBuild USA to provide updates, reminders, and clarifications. YouthBuild USA also implemented a desktop monitoring tool that includes reviews of required documents from member files and time sheets. This tool allows it to monitor subgrantees' compliance with AmeriCorps Provisions. Further, YouthBuild USA has had a full-time AmeriCorps Financial Manager for the past two years who reviews all AmeriCorps information. The addition of this employee has resulted in no questioned costs for this finding in the most recent grant year.

In addition, YouthBuild USA initiated a protocol to help subgrantees manage staff transitions and train new staff. When YouthBuild management learns about a staffing change, it holds a conference call with the site to introduce themselves to the new staff member, to provide appropriate training for the new staff person based on their role in the subgrantee's organization, and to answer questions. YouthBuild USA has also established document maintenance and storage requirements that are included in the subgrantee contract. In this contract, subgrantees agree to "retain and make available all financial reports, supporting documentation, statistical

records, evaluation and program performance data, member information and personnel records for three years from the date of the submission of the final FSR by YouthBuild USA."

Auditor's Comment

We recognize and concur with the changes implemented by YouthBuild to review and retain all pertinent documentation. However, we still recommend the Corporation determine the allowability of the costs questioned and recoup any costs deemed not allowable and/or allocable to the grants.

Finding No. 2: Questioned Education Awards

During the audit of six subgrantees, documentation was not available to substantiate that education award requirements were met. As such, we have questioned $987,969 of education awards as follows:

National Direct AmeriCorps (00ADNMA061 & 04NDHMA002)	$ 807,198
Education Award Program (00EDNMA006 & 04EDHMA002)	180,771
	$ 987,969

National Direct AmeriCorps Program

Subgrantee	2000-2001	2001-2002	2002-2003	Total	Note
Award 00ADNMA061					
YouthBuild Los Angeles	$ 35,437	$ 39,392	$ 9,450	$ 84,279	(A)
YouthBuild Philadelphia	184,275	134,663	219,712	538,650	(B)
YouthBuild St. Louis	7,088	4,725	-	11,813	(C)
YouthBuild Portland	7,088	-	-	7,088	(D)
YouthBuild Portland DD	2,363	-	-	2,363	(E)
YouthBuild York	54,311	52,779	53,552	160,642	(F)
Sub-Total	$ 290,562	$ 231,559	$ 282,714	$ 804,835	

Award 04NDHMA002	2004-2005	
YouthBuild York	2,363	(F)
Sub-Total	$ 2,363	
Total	$ 807,198	

Education Award Program

Subgrantee	2000-2001	2002-2003	2003-2004	Total	Note
Award 00EDNMA006					
YouthBuild Unknown	$ -	$ 11,479	$ -	$ 11,479	
YouthBuild Hammond	11,812	-	-	11,812	
YouthBuild Delta	11,812	-	-	11,812	
YouthBuild Florida City	11,812	-	-	11,812	
YouthBuild Sandtown	11,812	-	-	11,812	
YouthBuild Hartford	-	11,812	-	11,812	
YouthBuild Baltimore	-	-	8,539	8,539	
YouthBuild Gardena	-	-	30,713	30,713	
YouthBuild Louisville	-	-	46,680	46,680	
YouthBuild Trenton	-	-	18,900	18,900	
Sub-Total	$ 47,248	$ 23,291	$ 104,832	$ 175,371	

Award 04EDHMA002	2004-2005
YouthBuild Moreno Valley	5,400
Sub-Total	$ 5,400

Total	$ 180,771	(G)

(A) YouthBuild Los Angeles

Exceptions:

1) Our review of 86 AmeriCorps member files disclosed 57 files that lacked documentation supporting the members' citizenship status. (Also see Schedule A-2, Note 3)

2) We noted 34 member files where no time sheets or other documentation was available to support the total service hours reported in WBRS. (Also see Schedule A-2, Note 6)

3) During our review of member files, we noted 19 member files that did not contain adequate documentation to support the member's age. (Also see Schedule A-2, Note 7)

4) During our review of member files, we noted 52 member files that did not contain documentation of the members' high school diploma or a self-certification for program year 2001-02 and beyond. (Also see Schedule A-2, Note 8)

5) We noted 15 instances where the members' files did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. (Also see Schedule A-2, Note 9)

6) A review of the member files disclosed three members that exited the AmeriCorps program early and earned a prorated education award. However, the files did not indicate a compelling circumstance for the early exit. (Also see Schedule A-2, Note 10)

(B) YouthBuild Philadelphia

Exceptions:

1) Time sheets for all 463 half-time members were not signed by the members. (Also see Schedule A-3, Note 4)

2) During our review of member files, we noted 22 member files that did not contain documentation of the members' high school diploma or a self-certification for program year 2001-02 and beyond. (Also see Schedule A-3, Note 5)

3) Our review of 100 AmeriCorps member files disclosed 17 files that lacked documentation supporting the member's citizenship status. (Also see Schedule A-3, Note 6)

4) During our review of 100 member files, we noted 12 member files that did not contain adequate documentation to support the member's age. (Also see Schedule A-3, Note 7)

(C) YouthBuild St. Louis

We noted five instances where the members' files did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. (Also see Schedule A-4, Note 3)

(D) YouthBuild Portland

Exceptions:

1) Our review of 91 AmeriCorps member files disclosed 11 files lacked documentation supporting the member's citizenship status. (Also see Schedule A-5, Note 3)

2) During our review of member files, we noted four member files that did not contain adequate documentation to support the member's age. (Also see Schedule A-5, Note 4)

3) During our review of member files, we noted seven member files that did not contain documentation of the member's high school diploma or a self-certification for program year 2001-02 and beyond. (Also see Schedule A-5, Note 5)

4) We noted four instances where the member's files did not contain adequate time

sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. (Also see Schedule A-5, Note 6)

(E) YouthBuild Portland DD

Exceptions:

1) During our review of member files, we noted one file that did not contain adequate documentation to support the member's age. (Also see Schedule A-6, Note 4)

2) During our review of member files, we noted one member file that did not contain documentation of the member's high school diploma for program year 2000-01. (Also see Schedule A-6, Note 5)

3) We noted three instances where the member's files did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. (Also see Schedule A-6, Note 6)

(F) YouthBuild York

Exceptions:

1) Our review of 100 AmeriCorps member files disclosed 5 files lacking documentation to support the member's citizenship status. (Also see Schedule A-7, Note 3)

2) During our review of member files, we noted 31 member files that did not contain documentation of the member's high school diploma or a self-certification for program year 2001-02 and beyond. (Also see Schedule A-7, Note 5)

3) During our review of member files, we noted 15 member files that did not contain adequate documentation to support the member's age. (Also see Schedule A-7, Note 6)

4) We noted 57 instances where the member's files did not contain adequate time sheets to support the hours reported in WBRS. In each case, the cumulative time sheets provided were less than the total hours (training and service) reported in WBRS. (Also see Schedule A-7, Note 7)

(G) Education Award Program

Our review of 165 Education Award member files noted either missing member files or files that did not contain all the necessary documents to support the member's eligibility and satisfactory completion of the Education Award program. Specifically, we noted the following exceptions:

1) Unable to locate 15 member files;

2) Documentation of criminal background checks for members was not provided for 46 members;
3) 62 files were missing time sheets to support the hours reported in WBRS;
4) Six files lacked documentation of the members' citizenship status;
5) Nine files lacked documentation of the members' high school diploma;
6) Six files did not have documentation of the member's age;
7) Three members were under the age of 18, but the files did not have any documentation of parental consent;
8) 25 files did not document certification of earning award to the National Service Trust;
9) 18 members exited early, but the files had no documentation of the compelling reason for the early exit;
10) 49 files were missing member evaluations;
11) 46 files were missing job descriptions; and
12) Five files did not document the assigned work location.

(Also see Exhibit B, Note 2 through Note 10)

AmeriCorps Provisions, A. Definitions, Number 9 – *Member* states:

> Member means an individual: … b. Who is a U.S. Citizen, U.S. national or lawful permanent resident alien of the United States. c. Who is at least 17 years of age at the commencement of service. d. Has a high school diploma or an equivalency certificate.

AmeriCorps Provisions, B. Special Provisions, Number 14 – *Member Records and Confidentiality* states:

> a. Record-Keeping. The Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of education attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment. The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed the Program requirements with a minimum of 1700 hours of participation as a full-time member, 900 hours of participation as a part-time member, or 300-900 hours of participation as a reduced part-time member. The signed member contract must also be maintained in grantee files.
>
> b. No High School Diploma. If a member does not have a high school diploma or its equivalent at the time of enrollment, the Grantee must maintain a record of the member's elementary or high school drop-out date, the member's written agreement to obtain a high school diploma or its equivalent before using the education award, and if applicable, verification of the member's enrollment at an institution of higher education on an ability to benefit basis and eligibility for funds under section 484 of the Higher Education Act. If the member has been determined to be incapable of obtaining a high school diploma or

its equivalent, the Grantee must retain a copy of the supporting independent evaluation.

AmeriCorps Provisions, C. General Provisions, Number 21c – *Financial Management Provisions*:

> ii. AmeriCorps Members. The Grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed both by the member and by an individual with oversight responsibilities for the member.

AmeriCorps Provisions, B. Special Provisions, Number 9 – *Release From Participation*:

> a. Compelling Circumstances… If the member resigns for any of these reasons or other reasons that are within his or her control, the individual should receive no portion of the AmeriCorps education award. Grantees must make these determinations based on these criteria and indicate the reasons for early termination on the End-of-Term-of-Service forms.

AmeriCorps Provisions, B. Special Provisions, Number 6 – *Eligibility, Recruitment, and Selection* states:

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

AmeriCorps Provisions, B. Special Provisions, Number 16 – *Reporting Requirements* states:

> b. AmeriCorps Member-Related Forms. … iii. Exit/End-of-Term-of-Service Forms. Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term or service.

YouthBuild did not ensure that its subgrantees understood AmeriCorps eligibility requirements and the requirements to earn an education award. In addition, subgrantees did not have an adequate system to retain records as required by the Provisions. As a result, education awards have been granted to members whose eligibility status was not properly documented and/or to members whose time sheets did not match the hours required to earn the award.

This finding is also considered to be an internal control weakness.

<u>Recommendations</u>

2A. We recommend that the Corporation determine the allowability of the questioned education awards and recoup costs and applicable administrative costs that are not allowable or allocable to the grant award.

2B. Because subgrantee staff was apparently not fully aware of the AmeriCorps Provisions

with respect to eligibility and earning an education award, we recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure only eligible members with properly documented files and the necessary hours completed are granted education awards.

YouthBuild's Response

In addition to the annual conference, YouthBuild USA indicated it conducts monitoring and training through bi-monthly individual site and group conference calls that provide updates, reminders, and clarifications. YouthBuild USA has also implemented a desktop monitoring tool that includes reviews of required documents from member files and time sheets. Finally, YouthBuild USA's updated site visit protocol also requires that the site's WBRS data be analyzed thoroughly prior to the visit and that one-third of the past year's member files, plus one-third of current member files, be reviewed during the visit. Service hours from the time logs in the member files are checked to ensure that they match the service hours recorded in WBRS.

Auditor's Comment

We recognize and concur with the changes implemented by YouthBuild to review WBRS data and member files for completeness and accuracy. However, we still recommend the Corporation determine the allowability of the costs questioned and recoup any costs deemed not allowable and/or allocable to the grants.

Finding No. 3: – Unsupported or Inadequately Documented Other Direct Costs

During our audit we noted other direct costs charged to the AmeriCorps grants that were either not supported with any source documentation or inadequately documented. Without adequate source documentation, we were unable to determine if the costs were allowable, allocable, and reasonable per AmeriCorps Provisions. As such, we have questioned $190,390 of other direct costs charged to award 00ADNMA061 as follows:

Grantee/Subgrantee	2000-2001	2001-2002	2002-2003	Total	Note
YouthBuild Atlantic City	$ 135,388	$ -	$ -	$ 135,388	(A)
YouthBuild Columbia Heights	2,042	-	-	2,042	(A)
YouthBuild Philadelphia	17,642	14,648	20,670	52,960	(B)
Total	$ 155,072	$ 14,648	$ 20,670	$ 190,390	

(A) YouthBuild (parent)

In addition to performing five subgrantee field visits to verify and substantiate costs, a sample of monthly FSRs from the other subgrantees was selected and documentation was requested to support the claimed costs. Our review disclosed one subgrantee, YouthBuild Atlantic City, was unable to provide any support because it shut down its operations in 2002, and YouthBuild Columbia Heights did not provide source documentation to support some of the claimed costs. (Also see Schedule A-8, Note 3)

(B) YouthBuild Philadelphia

Our review of Other Direct Costs disclosed 34 instances where adequate documentation was not provided to support the costs claimed. (Also see Schedule A-3, Note 3)

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions*:

> a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant…
>
> b. Source documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

AmeriCorps Provisions, C. General Provisions, Number 26 – *Retention of Records*:

> The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for 3 years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

YouthBuild subgrantees did not have an adequate system to retain records as required by the AmeriCorps Provisions. As a result, Corporation funds may have been used to pay for other direct costs that were not adequately documented to determine if the costs claimed were allowable, allocable, and reasonable under the AmeriCorps Provisions.

This finding is also considered to be an internal control weakness.

Recommendations

3A. We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable or allocable to the grant award including applied administrative costs.

3B. Because grantee and subgrantee staff was apparently not fully aware of the AmeriCorps Provisions with respect to other direct costs charged to the grant, we also recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure that other direct costs claimed are allocable to the AmeriCorps program and adequately supported with source documents.

YouthBuild's Response

YouthBuild Atlantic City ceased operations and closed in 2002. It was last funded more than five years ago. Since YouthBuild USA did not require source documentation from its subgrantees at that time, it did not have any information on file and has no way of acquiring it

from the defunct program. YouthBuild Columbia Heights experienced significant staff turnover during the time period in question. In the future, YouthBuild USA will ask subgrantees that close to turn over all AmeriCorps-related financial and member files to YouthBuild USA at the time of closing.

YouthBuild USA disagreed with some of the questioned costs for YouthBuild Philadelphia. It stated that the AmeriCorps Provisions do not require the subgrantee to provide a sign-in sheet for the use of bus/subway tokens. The Provisions refer to source documentation only, which was provided by YouthBuild Philadelphia. The subgrantee's program policy did not state that sign-in sheets were needed to furnish the member with transportation tokens. This expense totals $31,123 of the program's $52,960 of questioned costs. YouthBuild USA argued that this finding was unreasonable and that the program should not be held responsible for policies established by the auditors and not by the Corporation. Also, it acknowledged that American Express bills are not source documents, but argued that detailed American Express bills of $14,300 adequately reflected where the charges were spent and, therefore, should be considered sufficient documentation.

Auditor's Comment

We agree the AmeriCorps Provisions do not specify a requirement for sign-in sheets for the use of bus/subway tokens. However, the only documentation provided was the receipt indicating the purchase of the tokens. No other documentation was provided to indicate who took the tokens and how they were spent, thus we were unable to determine if the expense was allocable to the AmeriCorps grants. In addition, detailed American Express statements were not provided to the auditors and, as such, we were unable to determine if the costs were allocable to the AmeriCorps grants. As a result, the finding and questioned costs remain unchanged. Therefore, we will continue to recommend training of subgrantee personnel to ensure claimed expenditures are adequately supported with documentation.

We recognize and concur with the changes implemented by YouthBuild to retain financial and member files from subgrantees when they cease operations. However, we still recommend the Corporation determine the allowability of the costs questioned and recoup any costs deemed not allowable and/or allocable to the grants.

Finding No. 4: – Unallowable and Unallocable Match Costs

During the audit we noted match member support costs that were claimed for AmeriCorps members determined to be ineligible. In addition, we also noted some match costs that were either unsupported or inadequately supported with source documentation. As a result, we have questioned match costs as follows:

Grantee/Subgrantee	2000-2001	2001-2002	2002-2003	Total	Note
Award 00ADNMA061					
YouthBuild	$ -	$ -	$ 243,292	$ 243,292	(A)
YouthBuild Atlantic City	367,684	-	-	367,684	(G)
YouthBuild Columbia Heights	54,924	-	-	54,924	(G)
YouthBuild Los Angeles	80,646	65,811	55,444	201,901	(B)
YouthBuild Philadelphia	1,644,430	1,573,087	784,919	4,002,436	(C)
YouthBuild St. Louis	-	-	1,017,191	1,017,191	(D)
YouthBuild Portland DD	-	2,714	-	2,714	(E)
YouthBuild York	164,581	3,497	173,285	341,363	(F)
Sub-Total	$ 2,312,265	$ 1,645,109	$ 2,274,131	$ 6,231,505	

Award 04NDHMA002	2004-2005	
YouthBuild Philadelphia	$ 22,800	(C)
Sub-Total	$ 22,800	
Total	$ 6,254,305	

(A) YouthBuild

YouthBuild's financial management system is not adequate to provide a clear audit trail for the match costs claimed on the aggregate FSR. YouthBuild booked match costs for the AmeriCorps program into various funds/cost centers based on the funding source of the expensed item. However, there were no specific account codes to distinguish expenses related to the AmeriCorps versus other programs booked in the same fund/cost center. As such, YouthBuild was unable to identify which transactions in the various funds/cost centers were claimed as match on the aggregate FSR. In addition, YouthBuild personnel were unable to determine the methodology of calculating the claim amount from each fund/cost center. From reconstructed records, we were only able to substantiate part of the match costs. (Also see Schedule A-1, Note 4)

(B) YouthBuild Los Angeles (PACE)

Exceptions:

1) Our review of 86 AmeriCorps member files disclosed 57 files lacked documentation supporting the members' citizenship status. (Also see Schedule A-2, Note 3)

2) We noted 34 member files where no time sheets or other documentation was available to support the total service hours reported in WBRS. (Also see Schedule A-2, Note 6)

3) Our review of payroll expense noted 58 instances where no time sheets were available to support the members' living allowance. The subgrantee's internal controls require all living allowance payments to be supported with a time sheet. (Also see Schedule A-2, Note 5)

4) Our review of payroll expense disclosed living allowances paid to members who were not enrolled in WBRS and for whom member files were not maintained. (Also see Schedule A-2, Note 11)

5) Interviews conducted with PACE personnel and our review of the general ledger indicated that a majority of the costs claimed as match was funded from HUD. PACE was able to identify a small portion of match costs, $19,260, which was donated by a private source. (Also see Schedule A-2, Note 12)

(C) YouthBuild Philadelphia

Exceptions:

1) All living allowances paid to half-time members were claimed as match costs. Our review of match costs disclosed that the match costs were funded by HUD. No other documentation was provided to substantiate that a non-Federal source funded the match costs. (Also see Schedule A-3, Note 8)

2) Aggregate FSR data obtained from YouthBuild indicated match costs claimed by YouthBuild Philadelphia of $5,021,561. However, review of accounting records and monthly FSRs, the total match costs should be $4,932,828. The variance of $88,733 was not supported with accounting records or source documents. Personnel at Philadelphia speculate the error may have been caused by YouthBuild double-counting some of the member costs. (Also see Schedule A-3, Note 9)

3) During our substantive testing of the match costs, we noted that the subgrantee was having difficulty locating the source documents to support match costs. (Also see Schedule A-3, Note 10)

4) Our review of 100 member files disclosed 17 files lacked documentation supporting the members' citizenship status. (Also see Schedule A-3, Note 6)

(D) YouthBuild St. Louis

Exceptions:

1) Costs claimed on the FSR for award number 00ADNMA061 did not reconcile to the subgrantee's accounting records and documentation was not provided to support the difference. (Also see Schedule A-4, Note 4)

2) Living allowances paid to members were claimed as match costs. Discussions with personnel at St. Louis indicated the match costs were funded by HUD. No

documentation was provided to substantiate that a non-Federal funding source contributed to the match costs. (Also see Schedule A-4, Note 5)

(E) YouthBuild Portland DD

Our review of 31 member files disclosed one member file in Program Year 2001-02 that did not contain documentation to support that the member was a U.S. citizen or national, or a lawful permanent resident. (Also see Schedule A-6, Note 3)

(F) YouthBuild York

Exceptions:

1) Our review of 100 member files disclosed five member files not containing documentation to support that the member was a U.S. citizen or national, or a lawful permanent resident. (Also see Schedule A-7, Note 3)

2) A review of the general ledger and discussions with subgrantee personnel disclosed that most of the costs claimed as match were funded from HUD. Some of the HUD funds were used as match member support costs. (Also see Schedule A-7, Note 8)

3) Match costs claimed on the FSR did not agree with the amount per YouthBuild York's accounting records and no documentation was provided to support the difference. We also noted several transactions in which source documentation was not provided to support the costs. (Also see Schedule A-7, Note 9)

4) During our review of living allowances, we noted two instances where a time sheet was not available to support payment. The subgrantee's internal controls require all living allowance payments to be supported with a completed time sheet. (Also see Schedule A-7, Note 4)

(G) YouthBuild Atlantic City and Columbia Heights

YouthBuild Atlantic City was unable to provide any support because they shut down their operations, and YouthBuild Columbia Heights did not provide source documentation to support some of the claimed match costs. (Also see Schedule A-8, Note 3)

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions*:

a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant…

b. Source documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such

as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

AmeriCorps Provisions, C. General Provisions, Number 26 – *Retention of Records*:

> The Grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for 3 years from the date of the submission of the final Financial Status Report (SF 269A). If an audit is started prior to the expiration of the 3-year period, the records must be retained until the audit findings involving the records have been resolved and final action taken.

AmeriCorps Provisions, A. Definitions, Number 9 – *Member* states:

> Member means an individual: … b. Who is a U.S. Citizen, U.S. national or lawful permanent resident alien of the United States…

AmeriCorps Provisions, B. Special Provisions, Number 14 – *Member Records and Confidentiality* states:

> a. Record-Keeping. The Grantee must maintain verifiable records which document each member's eligibility to serve based upon citizenship or lawful permanent residency, birth date, level of education attainment, date of high school diploma or equivalent certificate (if attained), participation start date and end date, hours of service per week, location of service activities and project assignment.

AmeriCorps Provisions, C. General Provisions, Number 21c – *Financial Management Provisions*:

> ii. AmeriCorps Members. The Grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post-service benefits. Time and attendance records must be signed both by the member and by an individual with oversight responsibilities for the member.

AmeriCorps Provisions, B. Special Provisions, Number 14 – *Member Records and Confidentiality*:

> a. Record-Keeping. The Grantee must maintain records specified in (b) below that document each member's eligibility to serve pursuant to the member eligibility requirements in the definition section (clause A9) of these provisions. The records must be sufficient to establish that the individual was eligible to participate in the Program and that the member successfully completed the Program requirements.

AmeriCorps Provisions, B. Special Provisions, Number 13 – *Matching Requirements*:

> b. Cash Match for Member Support Costs. The Grantee's matching contributions for Member Support Costs (excluding health care) must be in non-federal monies, unless otherwise authorized in accordance with AmeriCorps Special Provisions.

AmeriCorps Provisions, B. Special Provisions, Number 11 – *Living Allowance, Other In-Service Benefits and Taxes*:

> The living allowance match must come from non-federal sources, unless an

exception for lack of available financial resources at the local level under 42 U.S.C 12594(g) is specifically approved in Section VII. Special Conditions of the Award document.

YouthBuild did not ensure that its subgrantees understood the AmeriCorps Provisions regarding the use of non-Federal funds for match costs. In addition, the subgrantees did not have an adequate system of retaining records to support the match costs. As a result, funds used as match costs have been questioned as unallowable and not in compliance with AmeriCorps Provisions.

This finding is also considered to be an internal control weakness.

Recommendations

4A. We recommend that the Corporation determine the allowability of the costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

4B. Because subgrantee staff is not fully aware of the AmeriCorps Provisions with respect to the requirements for match costs, we also recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure claimed match costs are adequately documented and allocable in accordance with AmeriCorps Provisions.

YouthBuild's Response

YouthBuild USA implemented a new system of monitoring the sources of subgrantee match. At the beginning of each grant year, the subgrantee provides YouthBuild USA with the following information: Source of Support, Value, Type (Federal, State, local, or private), Use/Purpose (member costs or program operating costs) and documentation of support. YouthBuild USA reviews this information to ensure that the subgrantees are in compliance.

YouthBuild USA is able to determine the methodology of claiming match. It provided documentation of match to the auditors, who it said, declined to accept any methodology that did not identify specific accounting codes used for match purposes. YouthBuild USA has determined a method of calculating match that it intends to use consistently in the future.

YouthBuild USA noted that questioned member match costs for YouthBuild Philadelphia, YouthBuild St. Louis, and YouthBuild York (Grant Year 2002-2003) constituted more than 25 percent of the total questioned match costs. It argued that these programs did not use Corporation funds to pay living allowances to their members and thus were not required to provide any match.

It further stated that the inclusion of HUD expenditures as match for member allowances by the three organizations prior to 2004 had no material impact; they paid 100 percent of their member allowances with HUD funds, rather than Corporation funds, and thus were not required to match.

Auditor's Comment

We disagree with YouthBuild's response that we declined to review its methodology of tracking

match costs. In fact, we made many attempts to work with YouthBuild to review the documentation supporting the claimed match costs. YouthBuild's methodology of tracking match costs is to record expenditures into individual funds based on the funding sources. As such, each fund may contain expenditures that benefited several different programs, including AmeriCorps. However, there were no accounting codes or other tracking methods to isolate costs related to the AmeriCorps program. In addition, YouthBuild was unable to reconcile or recalculate the match costs claimed from its accounting records. Through reconstructed records, we were only able to substantiate, with documentation, part of the match costs claimed. As a result, the finding and questioned costs remain unchanged.

We also disagree with YouthBuild's response that members' living allowances were not paid with AmeriCorps funds. Copies of submitted Financial Status Reports were obtained from each subgrantee and reconciled to the amounts claimed by YouthBuild. On each FSR, the line item indicating the Federal portion of living allowances contained an amount. We further disagree with YouthBuild's characterization of questioned match costs having no material impact. The findings and questioned costs were based on an audit of match costs claimed. As a result, the finding and questioned costs remain unchanged.

We recognize and concur with the changes implemented by YouthBuild to monitor the source and documentation support for subgrantee match. However, we still recommend the Corporation determine the allowability of the costs questioned and recoup any costs deemed not allowable and/or allocable to the grants.

Finding No. 5: – Inadequate Controls Over Tracking and Reviewing Match Costs Prior to the Compilation of the Aggregate FSR.

YouthBuild prepares the aggregate FSR, which reports the aggregate match costs claimed for the AmeriCorps program. Total match costs are comprised of costs claimed by YouthBuild and the subgrantees.

YouthBuild Match Costs
YouthBuild's financial management system is not adequate to provide a clear audit trail for the match costs claimed on the aggregate FSR. (Also see Schedule A-1, Note 4)

Subgrantee Match Costs
YouthBuild requires its subgrantees to submit supporting documentation for the expenditures claimed under the Corporation share with their monthly Financial Status Reports. The documentation is reviewed by YouthBuild personnel prior to reimbursing the subgrantee for the incurred costs. However, this practice does not apply to the reported match costs. Match costs reported on the subgrantee's monthly FSR are added up and then reported on the aggregate FSR. YouthBuild does not have procedures in place to review the match costs reported by the subgrantees to ensure that the amounts reported are accurate, allowable, and allocable as match costs per AmeriCorps Provisions. In addition, the audit noted match member support costs were funded with HUD funds.

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions*:

> a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs…
>
> b. Source documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

AmeriCorps Provisions, B. Special Provisions, Number 13 – *Matching Requirements*:

> b. Cash Match for Member Support Costs. The Grantee's matching contributions for Member Support Costs (excluding health care) must be in non-federal monies, unless otherwise authorized in accordance with AmeriCorps Provision 11, Living Allowance.
>
> c. Cash or In-Kind Match for Program Operating Costs. Contributions, including cash and third party in-kind, will be accepted as part of the Grantee's matching share for Program Operating Costs (defined as those other than the Member Support Costs) when such contributions meet all of the following criteria: i. They are verifiable from Grantee records; ii. They are not included as contributions for any other federally-assisted Program; iii. They are necessary and reasonable for the proper and efficient accomplishment of Program objectives; and iv. They are allowable under applicable cost principles.

AmeriCorps Provisions, B. Special Provisions, Number 11 – *Living Allowance, Other In-Service Benefits and Taxes*:

> The living allowance match must come from non-federal sources, unless an exception for lack of available financial resources at the local level under 42 U.S.C 12594(g) is specifically approved in Section VII. Special Conditions of the Award document.

The inadequate financial management system and lack of controls to review subgrantees' matching costs limits YouthBuild's ability to ensure claimed match costs are in compliance with AmeriCorps provisions. As a result, some of the match costs claimed have been determined to be unallowable and unallocable to the AmeriCorps program (Compliance Finding #4).

This is also considered to be an internal control weakness.

Recommendation

5. We recommend the Corporation instruct YouthBuild to develop and implement written policies and procedures to ensure:

   1) Costs claimed as match are properly recorded in the financial management system, so that costs claimed can be specifically identified in the accounting records.
   2) Prior to the compilation of the aggregate FSR, subgrantee-claimed match costs are reviewed to determine if costs are allowable and allocable per the AmeriCorps Provisions.

YouthBuild's Response
YouthBuild USA has indicated it will develop and implement written policies and procedures to ensure that costs claimed can be specifically identified in its accounting records. It has determined a method of calculating match that it intends to use consistently in the future.

Auditor's Comment
The written policies and procedures, if implemented, should ensure that the finding is corrected.

Finding No. 6: – Errors on Aggregate FSR Not Identified and Corrected in a Timely Manner

During our audit, we reconciled the amount of total expenditures reported on the final FSR dated April 28, 2004 for Grant Award #00ADNMA061 to the cumulative payment report from the Corporation and YouthBuild's general ledger. From our reconciliation, we noted that the amount of total expenditures on the final FSR was overstated by $285,082. However, the amount drawn down from the Payment Management System matched YouthBuild's general ledger. As a result, YouthBuild revised all semi-annual and the final FSRs originally submitted to the Corporation on June 9, 2005. YouthBuild's internal controls were not adequate to identify and correct accounting errors noted in the accounting records in a timely manner.

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions*:

> a. General. The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs…
>
> b. Source documentation. The Grantee must maintain adequate supporting documents for its expenditures (federal and non-federal) and in-kind contributions

made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

YouthBuild lacked policies and procedures to ensure changes in expenditures were reported on FSRs in a timely manner. As a result, financial data reported to the Corporation was inaccurate and prevented both the Corporation and YouthBuild from properly monitoring expenditures charged to the AmeriCorps program.

This is also considered to be an internal control weakness.

Recommendation

6. We recommend the Corporation instruct YouthBuild to review their internal control policies and procedures and revise, if necessary, controls to ensure costs claimed on the aggregate FSR are complete and in agreement with the accounting records.

YouthBuild's Response
YouthBuild USA indicated changes have been made to its internal records for the FSR and Federal Cash Transaction Report process. It modified its general ledger-based internal reports so that they include a subgrantee payment section. It will reconcile these reports (upon which the FSRs will be based) to the general ledger before preparing the aggregate FSR. If it receives a late or changed FSR from a subgrantee, it will, with the permission of the Corporation, submit a revised FSR for that period as soon as possible rather than attempt to address the situation with the next FSR. Prior to issuing the final FSR, YouthBuild will ensure that it ties to the final Federal Cash Transaction Report for the grant. In addition, YouthBuild's Controller has expanded her review to ensure that both parent and subgrantee expenditures are tied to the FSR, and she will also review the Federal Cash Transaction Report.

Auditor's Comment
We recognize and concur with the changes implemented, and to be implemented, by YouthBuild to ensure costs per the accounting records are properly reflected on the FSR and Federal Cash Transaction Report.

Finding No. 7: – Inadequate Controls to Monitor Subgrantee Activities for Education Award Program

YouthBuild has developed policies and procedures to conduct site visits and monitor each subgrantee operating the Education Award Program at least once a year. We noted from site visit schedules that not every subgrantee was monitored at least once a year. In program year 2003-2004, no site visits were performed. We also noted that YouthBuild did not maintain a log to record all deficiencies identified from the site visits. There was also no documentation of any follow-up actions for deficiencies that were noted.

AmeriCorps Provisions, C. General Provisions, Number 21 – *Financial Management Provisions*:

> d. Audits… A recipient of a Federal grant (pass-through entity) is required in accordance with paragraph 400(d) of OMB Circular A-133 to do the following with regard to its subrecipients: … (2) advise subrecipients of all requirements imposed on them; (3) monitor subrecipient activities and compliance.

AmeriCorps Provisions, C. General Provisions, Number 20 – *Responsibilities Under Grant Administration*:

> a. Accountability of the Grantee. The Grantee has full fiscal and programmatic responsibility for managing all aspects of grant and grant-supported activities, subject to the oversight of the Corporation. The Grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. It must expend grant funds in a judicious and reasonable manner.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C – Post Award Requirements, _.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 policies and procedures to monitor all subgrantee activities, YouthBuild may be unable to provide assurance that all subgrantee activities are in compliance with AmeriCorps Provisions.

This is also considered an internal control weakness.

Recommendation

7. We recommend the Corporation instruct YouthBuild to:

   1) Comply with its policies and procedures and conduct site visits for each subgrantee at least once a year;
   2) Develop and implement written policies and procedures to maintain a log of all site visits performed and any deficiencies noted; and
   3) Develop and implement written policies and procedures to ensure follow-up actions are performed for deficiencies noted during site visits.

YouthBuild's Response

YouthBuild USA stated the finding was based on an inaccurate portrayal of its policies and procedures related to education award program site visits. YouthBuild USA said it did not commit to the Corporation in any of its grant proposals that it would make a visit to each program site. It argued the auditors erroneously assumed that its education award policies and procedures were the same as its National Direct policies and procedures.

YouthBuild USA has implemented a new system of education award monitoring. A staff person is focused solely on education award issues with the goal of making site visits to as many programs as possible.

Auditor's Comment
We disagree with YouthBuild's characterization of this finding. Our finding was based on interviews conducted with the AmeriCorps National Direct Program Director and AmeriCorps Education Award Program Director. Both indicated that it was YouthBuild's policy to perform site visits of each subgrantee. Nonetheless, we recognize and concur with the changes implemented by YouthBuild to monitor subgrantees issuing education awards. However, we recommend that the new monitoring system be documented with written policies and procedures.

Finding No. 8: – Duties Not Adequately Segregated to Ensure Safeguarding of AmeriCorps Funds

YouthBuild did not ensure that all subgrantees had adequate segregation of duties. At YouthBuild Philadelphia, we found that the Fiscal Manager performs the following duties:

Receipts
- Reviews cash receipts after the receptionist opens the mail and records the amount in a log;
- Records cash receipts in the general ledgers;
- Prepares deposits;
- Takes deposits to the bank;
- Prepares bank reconciliations.

Non-Payroll Disbursements
- Prepares disbursements;
- Records disbursements transactions in the general ledger;
- Has access to blank checks;
- Has access to checks after being printed;
- Has access to checks after being signed.

Payroll Disbursements
- Prepares payroll disbursement information without supervisor review and approval;
- Records payroll transactions in the general ledger;
- Has the ability to change salary amounts; and
- Has access to signed payroll checks.

OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Subpart C – Post Award Requirements, _.21 Standards for Financial Management Systems:

(b) (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Failure to segregate disbursement and receipt functions limits the subgrantee's ability to ensure AmeriCorps funds are properly safeguarded. Effective internal controls would segregate the functions to prevent the possibility of misappropriated AmeriCorps funds. This is also considered an internal control weakness.

Recommendation

8. We recommend the Corporation instruct YouthBuild to review and modify, if necessary, controls implemented by subgrantees to ensure adequate segregation of duties for the safeguarding of AmeriCorps funds.

YouthBuild's Response

YouthBuild Philadelphia is currently updating the agency's Fiscal Manual to document all policies and procedures applicable to the Fiscal Department. Its policies will be updated to ensure effective control over accountability for all funds, property and other assets. The Fiscal Department at YouthBuild Philadelphia is committed to providing adequate internal control over the agency's assets. By segregating the receipt functions and disbursement functions and providing adequate independent reviews of the activities of the Fiscal Department, YouthBuild Philadelphia has implemented internal control mechanisms to safeguard the agency's funding and assets.

Auditor's Comment

We recognize and concur with the changes implemented, and to be implemented, by YouthBuild to segregate accounting duties at the subgrantee location.

Finding No. 9: – Late Submission of Required AmeriCorps Documents

YouthBuild did not ensure that subgrantees submitted required reports in a timely manner. We found numerous instances where subgrantees were not submitting required AmeriCorps documents within the established time frame. Among the late reports were Financial Status and Progress Reports, Member Enrollment Forms, Member Status Change Forms, and Member Exit Forms. In addition, 15 progress reports were not made available for our review. The following summarizes the instances of late submissions noted during the audit.

Subgrantee	Total Members Enrolled	Late FSR	Late Progress Reports	Unavailable Progress Reports	Late Enrollment, Change, and/or Exit Forms
YouthBuild	-	3	3	-	-
YouthBuild Los Angeles	86	4	-	6	67
YouthBuild Philadelphia	646	21	5	-	139
YouthBuild St. Louis	176	1	3	-	127
YouthBuild Portland	184	5	2	3	155
YouthBuild Portland DD	62	6	2	-	52
YouthBuild York	237	24	-	6	187

AmeriCorps Provisions, B. Special Provisions, Number 16 *Reporting Requirements*, states:

a. Financial Status and Progress Reports. . . . Grantees are required to review, analyze, and follow up on progress reports it receives from AmeriCorps subgrantees or operating sites... The Corporation expects each Grantee to set its own Subgrantee reporting requirements. Grantees are responsible for monitoring Subgrantee activities and training needs, tracking progress toward objectives, and identifying challenges. Subgrantees must adhere to the reporting requirements outlined and communicated by its Grantees for the program year.

* * *

i. Financial Status Reports. Financial Status Reports will be due April 30 for the period ending March 31 and October 31 for the period ending September 30.

* * *

ii. Progress Reports.

(b) Reporting Dates for State Commissions, Tribes, and Territories: A Grantee Progress Report ("GPR") is due in WBRS on November 30, 2002, for the period October 1, 2001, through September 30, 2002.

b. AmeriCorps Member-Related Forms. The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and subgrantees may use WBRS to submit these forms

electronically. Programs using WBRS must also maintain hard copies of the forms:

i. Enrollment Forms. Enrollment forms must be submitted no later than 30 days after a member is enrolled.

ii. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed…

iii. Exit/End-of-Term-of-Service Forms. Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

YouthBuild did not ensure that its subgrantees are fully aware of AmeriCorps Provisions requiring the timely submission of certain documents. By not submitting the documents within the established time frame, YouthBuild cannot properly review, track, and monitor the subgrantee's activities and objectives of the AmeriCorps program. In addition, YouthBuild's reports to the Corporation may not contain accurate data which, in turn, may limit the Corporation's ability to properly monitor AmeriCorps activities and adjust its member counts.

Recommendation

9. We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees as necessary to ensure all required documents are submitted in a timely manner.

YouthBuild's Response

YouthBuild USA has instituted a higher level of oversight to train and monitor subgrantees' submissions of required documents in a timely manner. Timely submission of required forms was reviewed several times during its annual training of subgrantees. YouthBuild is closely monitoring subgrantees' submission of enrollment, change of status, and exit forms in WBRS. All subgrantees submitted a "Start Date Form" at the beginning of the grant year, indicating the members' anticipated start date and end date. A portion of the first bi-monthly individual site conference call with each National Direct subgrantee was dedicated to reminding subgrantees of the 30-day submission requirement for these forms and setting up procedures to track timely submission. Education award programs now send enrollment forms to YouthBuild USA and the staff person dedicated to education awards enters the information into WBRS within the required 30-day timeframe.

Auditor's Comment

We recognize and concur with the changes implemented by YouthBuild to train and monitor subgrantees to submit all required documents in a timely manner.

Finding No. 10: – Minimum Match Requirements Not Met

Based on our reviews, all match member support costs for YouthBuild Los Angeles and YouthBuild Philadelphia have been questioned. (See Finding No. 4) As a result, both of the subgrantees did not meet the required 15 percent minimum match member support costs. This is

mainly due to the fact that the subgrantees were using funds from a Federal source, U.S. Department of Housing and Urban Development, to fund match member support costs.

AmeriCorps Provisions, B. Special Provisions, Number 13 *Matching Requirements*, states:

> a. Matching Obligation. The Corporation requires, at a minimum, the following aggregate matches: i. Member Support Costs of 15 percent including living allowance, FICA, unemployment insurance, worker's compensation and health care.

YouthBuild did not ensure that its subgrantees understood the AmeriCorps Provision preventing the use of other Federal funds as match cost for the AmeriCorps program. Failure to provide match member support costs limits YouthBuild's and the subgrantee's ability to comply with AmeriCorps Provisions.

Recommendations

10A. We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure claimed match costs are funded from a non-Federal source and that the minimum match requirement is met.

10B. We also recommend that the Corporation recoup excess Federal share, including administrative costs, for subgrantee match shortfall.

YouthBuild's Response

YouthBuild USA implemented a new system of monitoring the source of the subgrantees' match. At the beginning of each grant year, subgrantees provide YouthBuild USA with the following information: Source of support, value, type (Federal, State, local, or private), use/purpose (member costs or program operating costs) and documentation of support. YouthBuild USA reviews this information to ensure that the subgrantees are in compliance. Also, YouthBuild USA's AmeriCorps Financial Manager monitors the match on a semi-annual basis to ensure that the subgrantee is meeting minimum match requirements.

Auditor's Comment

We recognize and concur with the changes implemented by YouthBuild to monitor subgrantees' match costs and their ability to meet the minimum match requirement.

Finding No. 11: – Administrative Cost Percentage Exceeded Maximum Allowable

Based on our reviews, costs claimed as Corporation share have been questioned. As a result, we have recalculated administrative costs claimed by the subgrantees and noted that the two subgrantees had exceeded the five percent administrative cost limitation established by the AmeriCorps Provisions. Our recalculation noted the following:

	Costs Claimed	Questioned Costs	Revised Costs	Claimed Administrative Costs	Calculated Admin. Percentage
YouthBuild Los Angeles	$ 318,727	($ 63,857)	$ 254,870	$ 14,475	5.68
YouthBuild Philadelphia	633,348	(52,960)	580,388	32,318	5.57

AmeriCorps Provisions, B. Special Provisions, Number 22 *Administrative Costs*, states:

b. Limitation by Statute. Administrative costs cannot exceed 5 percent of total Corporation funds actually expended under this award.

c. Fixed 5 percent. If approved on a case-by-case basis by the Corporation, the grantee may charge, for administrative costs, a fixed 5 percent of the total of the Corporation funds expended. In order to charge this fixed 5 percent, the grantee match for administrative costs may not exceed 10 percent of all direct cost expenditures. These rates may be used without supporting documentation and are in lieu of an indirect cost rate.

Corporation funds have been used to pay for administrative costs that exceed the limitation established by AmeriCorps Provisions.

Recommendation

11. We recommend that the Corporation determine the allowability of the costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

YouthBuild's Response

It disagreed with the findings that YouthBuild Los Angeles and YouthBuild Philadelphia exceeded the maximum allowable administrative costs. It stated the programs met this requirement prior to direct costs being disallowed. Once the questioned costs were deducted from the grant amount, the maximum allowable administrative costs were not in compliance. However, at the time of submission, the administration costs were in compliance with the requirements.

Auditor's Comment

Prior to questioning direct costs, only YouthBuild Los Angeles was claiming administrative costs within the maximum allowable. Based on submitted FSRs, YouthBuild Philadelphia had already exceeded the maximum five percent. Until the questioned direct costs are resolved with the Corporation, this finding will remain unchanged.

Finding No. 12: – Living Allowances Not Paid on an Incremental Basis

YouthBuild did not ensure that all subgrantees were paying living allowances to AmeriCorps members on an incremental basis. Living allowances were paid like an hourly wage, as time sheets were maintained by each member to document the hours served. YouthBuild Los Angeles, YouthBuild St. Louis, and YouthBuild York all required their members to complete and sign time sheets prior to being paid for that pay period.

AmeriCorps Provisions, B. Special Provisions, Number 11 *Living Allowances, Other In-Service Benefits And Taxes*, states:

> b. Living Allowance Distribution. The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. It is not a wage and should not fluctuate based on the number of hours served in a given time period. Programs should pay the living allowances in increments, such as weekly or bi-weekly.

YouthBuild subgrantees did not fully understand the AmeriCorps Provisions relating to paying living allowances to members. Not paying living allowances in increments does not comply with AmeriCorps provisions.

Recommendation

12. We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees and provide training to subgrantees as necessary to ensure that living allowances are paid on an incremental basis, in accordance with AmeriCorps Provisions, and not on an hourly basis.

YouthBuild's Response

YouthBuild USA has a full-time AmeriCorps Financial Manager, employed for the past two years, who reviews all the AmeriCorps subgrantees' financial information. This person reviews the subgrantees' Financial Status Reports as well as backup documentation (member time sheets and member payroll) in detail, ensuring that members' living allowances do not fluctuate and are not being paid on an hourly basis.

Auditor's Comment

We recognize and concur with the changes implemented by YouthBuild to ensure subgrantees are not paying member living allowances on an hourly basis.

Finding No. 13: – Aggregate Training Hours Exceeded AmeriCorps Limit

YouthBuild did not ensure that all subgrantees complied with the 20 percent limit established by AmeriCorps Provisions. The following summarizes our findings:

Subgrantee	Training Hours	Base Hours	Calculated Training Hours Percentage (A)	Excess Training Percentage
YouthBuild Portland	27,874	105,300	26.47	6.47
YouthBuild Portland DD	11,855	55,800	21.25	1.25
YouthBuild York	53,198	165,200	32.20	12.20

(A) – Percentage based on total hours reported on WBRS divided by the base hours.
Base hours are determined by taking the aggregate member type multiplied by the contracted hours. Example – 5 full-time members and 5 half-time members: [(5 x 1,700)+(5 x 900)] = 13,000 base hours

AmeriCorps Provisions, B. Special Provisions, Number 7 *Training, Supervision, And Support*, states:

> e. Limit on Education and Training Activities. No more than 20 percent of the aggregate of all AmeriCorps member service hours in a Program may be spent in education, training, or other non-direct activities.

YouthBuild did not have policies or procedures in place to properly monitor and control training hour limits. Exceeding the training limit results in less direct service hours spent in the program.

Recommendation

13. We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees as necessary to ensure aggregate training hours for members are within the 20 percent limitation established by AmeriCorps Provisions.

YouthBuild's Response

It was YouthBuild USA's understanding that the 20 percent limitation on training applied to the aggregate of all YouthBuild AmeriCorps subgrantees and not to individual subgrantees. Based on AmeriCorps definitions and given that subgrantees are not specifically named in Provision 7E (Limit on Education and Training Activities), YouthBuild USA interpreted the Provisions to mean that the 20 percent training limitation applies to the aggregate of all YouthBuild AmeriCorps programs and is not based on individual subgrantees. YouthBuild USA has requested guidance on this issue from the Corporation.

Auditor's Comment

Our scope and methodology were based on the Corporation's interpretation of the rules and guidance from the Office of Inspector General. That interpretation was to review aggregate training hours and apply the 20 percent limitation at the subgrantee level. Since the issue is subject to interpretation, we recommend YouthBuild work with the Corporation to fully understand the intentions of the education and training provision.

Internal Controls Over Financial Reporting

In planning and performing our audit of award costs as presented in Exhibits A and B for the period July 1, 2000, to March 31, 2005, we considered YouthBuild's internal controls over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal controls over financial reporting. However, we noted certain matters involving the 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 the internal control over financial reporting that, in our judgment, could adversely affect YouthBuild's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Compliance findings numbered 1 through 8, as set forth in the Compliance Section of this report, are also considered to be internal control reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud 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 over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe all of the reportable conditions identified above represent material weaknesses.

Conrad and Associates, L.L.P.

Conrad and Associates, L.L.P.
Irvine, California
August 26, 2005

Appendix A

Response of YouthBuild USA, Inc.

YouthBuild U.S.A.
58 Day Street, 3rd Floor • P.O. Box 440322 •
Somerville, MA • 02144
Tel. (617) 623-9900 • Fax. (617) 623-4331
www.youthbuild.org

January 11, 2006

Ms. Carol Bates
Inspector General
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Ms. Bates:

Thank you for the opportunity to respond to the audit report dated December 6, 2005.

YouthBuild USA has enjoyed more than a decade of partnership with the Corporation for National and Community Service in providing community service opportunities to low-income young people who build low-income housing and refurbish computers while transforming their lives. We are proud to have been chosen to work in these communities and likewise proud of our staff and members for making a difference in their lives, their families' lives, and their communities through their service to America.

The YouthBuild programs that are AmeriCorps subgrantees are primarily community- and faith-based, grassroots organizations. They are deeply grounded in the low-income communities they serve. They often have limited resources with which to provide excellent service. Building their capacity to manage complex financial and managerial tasks is part of our goal and responsibility.

We have over the years worked to do this, with progressively better results. The record of the audit shows no questioned costs or match and fewer questioned Education Awards at the sub-grantee level in the most recent period audited (2004-05). Nonetheless, the experience of the Inspector General's audit brought to our attention particular areas in which we must be extremely diligent in maintaining the compliance of our sub-grantees, especially in relation to ensuring that they have obtained and preserved all items related to documentation of eligibility for every Education Award granted. We will do so, seeking to reach the point where there would be virtually no questioned Education Awards, in addition to no questioned costs and match.

We are concerned that the audit misrepresents the over-all picture in certain ways that we would like to see corrected, to show the following:

- **YouthBuild USA had no questioned costs at the level of the parent organization.** The audit indicates that YouthBuild USA has unsupported or inadequately documented direct costs in its expenditures at the level of the parent organization. This is not true. The auditors have reflected the questioned costs from two subgrantees, YouthBuild Atlantic City and YouthBuild Columbia Heights, as YouthBuild USA costs in the audit findings report. These subgrantees are separate 501(c) 3 organizations and should therefore be treated as all other subgrantees have been in the report.

- **Less than 1% of total grant costs would be questioned if the auditors had not included a sub-grantee that closed four years ago.** The auditor counted as questioned costs the entire grant ($135,388) made to one sub-grantee (YouthBuild Atlantic City) that was funded more than five years ago, closed four years ago, and for which no records were available. YouthBuild Atlantic City was a separate 501(c) 3 organization. If this is omitted the questioned grant costs would become $131,562, the details of which we discuss below as allowable expenses.

- **Questioned match costs were primarily in match that exceeded the required match.** In the executive summary the auditor shows $6,254,305 in questioned match and then states that "Some of the questioned match is claimed in excess of the minimum match required." In fact, of the $6,254,305 in questioned match costs, $5,906,451 is match that was provided by YouthBuild USA and its subgrantees **above the required minimum match**. Therefore we would like the record to show in the OIG's executive summary as well as the body of the report that the level of **required match costs that were questioned is $347,854, not $6,254,305.**

- **Clear Improvement over time:** The audit revealed improvement in all aspects of management where it was needed: direct cost management and member documentation at the sub-grantee level; and match documentation and tracking. There were no questioned grant or match costs for YouthBuild USA and its subgrantees for the 2004-05 National Direct AmeriCorps grant. In addition, 99% of the questioned Education Awards were in the first three years audited. This reflects management improvements already made. We would like the record to note improvement over time.

Following are responses to each finding in detail.

Compliance Finding #1: Unallowable Living Allowances and Member Files Lacking Documentation to Support Proper Enrollment and Participation in AmeriCorps.

Auditors' Recommendation:
We recommend that the Corporation determine the allowability of the costs questioned and recoup costs from subgrantees that are not allowable and allocable to the grants, including administrative costs applied to the questioned costs.

In addition, because the subgrantees' staff was not fully aware of AmeriCorps Provisions with respect to living allowances, we recommend that the Corporation instruct YouthBuild to develop training programs and monitor subgrantees to ensure the following:

1. Living allowances are only paid to eligible members;
2. Documentation of the members' citizenship status is maintained in the files;
3. The Corporation's share of living allowance is within the 85 percent limitation; and
4. Financial records are adequately maintained to support the amounts claimed.

YouthBuild USA Response:
YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the AmeriCorps Provisions. Each year of the audited grants, YouthBuild USA has provided an annual training for our subgrantees that included a detailed assessment and review of the updated Provisions and a review of previous Provisions. The agendas for these conferences and attendee lists, which demonstrate YouthBuild USA's thorough training of subgrantees, were provided to the auditors. Additional training and updates were provided via email communication with subgrantees. Our annual training was modified this year to further improve the preparation that subgrantees receive. In addition to reviewing the AmeriCorps Provisions, we presented the key audit findings and strategies to ensure compliance moving forward. YouthBuild USA provided a CD to all conference attendees containing AmeriCorps documents and templates of required forms. This CD included an entire folder dedicated to sample forms for member files, and an exhaustive member file checklist to assist subgrantees in monitoring their own compliance with required forms. We provided all of the conference presentations and hand-outs on a follow-up CD that was sent to attendees within two weeks of the conference.

In addition to the annual conference, YouthBuild USA monitors and trains sites through bi-monthly individual site and group conference calls. These calls provide an additional check-in point for subgrantees to ask questions and for YouthBuild USA to provide updates, reminders, and clarification. YouthBuild USA has also implemented a desktop monitoring tool which includes reviews of required documents from member files and member timesheets among other things. This tool further allows us to monitor subgrantees' compliance with the AmeriCorps Provisions. Further, YouthBuild USA now has a full-time AmeriCorps Financial Manager who has been an employee with us for the past two years and reviews all AmeriCorps information. Her consistency and accuracy have resulted in no questioned costs for this finding in the most recent grant year.

Two of the subgrantees who had questioned costs related to this finding also experienced challenges that directly impacted their consistency in maintaining member documentation. YouthBuild Los Angeles moved their offices twice in two years, and member files were moved five times in one year. In addition, both YouthBuild Los Angeles and YouthBuild York experienced significant staff turnover during the time in question. The moves and the staff turnover resulted in the loss of essential AmeriCorps information. These two subgrantees comprise 80 percent of the total questioned costs related to this finding.

To address these issues in future situations, YouthBuild USA has initiated a protocol to help subgrantees manage staff transitions and to train new staff. When YouthBuild USA learns about a staff transition, we hold a conference call with the site to introduce ourselves to the new staff member, to provide appropriate training for the new staff person based on her or his role in the subgrantee's organization, and to answer questions. YouthBuild USA has also established a document maintenance and storage policy for both YouthBuild USA and our subgrantees. In addition, the document maintenance and storage requirements are included in the subgrantee contract. In this contract, subgrantees agree to "retain and make available all financial reports, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records for three years from the date of the submission of the final FSR by YouthBuild USA."

Compliance Finding #2: Questioned Education Awards

Auditors' Recommendation:
We recommend that the Corporation determine the allowability of the questioned education awards and recoup costs and applicable administrative costs that are not allowable or allocable to the grant award.

In addition, because subgrantee staff was apparently not fully aware of the AmeriCorps Provisions with respect to eligibility and earning an education award, we recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure only eligible members with properly documented member files and the necessary hours completed are granted education awards.

YouthBuild USA Response:
YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the AmeriCorps Provisions. As was stated above, during each of the grant years YouthBuild USA provided annual trainings on the Provisions and regular electronic communication to support subgrantee compliance. Most recently, YouthBuild USA also provided subgrantees with CD's containing forms and checklists to assist subgrantees in monitoring their own compliance. All of the above methods were used to consistently review member eligibility and ensure that member documentation needed to earn an education award is provided.

In addition to the annual conference, YouthBuild USA monitors and trains sites through bi-monthly individual site and group conference calls that provide an opportunity for YouthBuild USA to provide updates, reminders, and clarification. YouthBuild USA has also implemented a desktop monitoring tool which includes reviews of required documents from member files and member timesheets among other things. Finally, YouthBuild USA's updated site visit protocol also requires that the site's WBRS data be analyzed thoroughly prior to the visit and that one-third of the past year's member files plus one-third of current member files be reviewed during the visit. Service hours from the time logs in the member file are checked to ensure that they match the service hours recorded in WBRS.

Compliance Finding #3: Unsupported or Inadequately Documented Other Direct Costs

Auditors' Recommendation:
We recommend that the Corporation determine the allowability of the costs questioned and recoup costs that are not allowable and allocable to the grant award including applied administrative costs.

In addition, because the subgrantee staff was apparently not fully aware of AmeriCorps Provisions with respect to other direct costs charged to the grant, we recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure that other direct costs claimed are allocable to the AmeriCorps program and adequately supported with source documents.

YouthBuild USA Response:
YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the AmeriCorps Provisions. During YouthBuild USA's annual trainings a review of financial procedures and allowable costs is provided. The agendas for these conferences and attendee lists were provided to the auditors. Additional training and updates were provided via email communication with subgrantees.

The auditor has inaccurately attributed to YouthBuild USA, the parent agency, questioned costs at two sub-grantees. There were no questioned costs at YouthBuild USA. The auditors have inaccurately reflected the questioned costs from two subgrantees, YouthBuild Atlantic City and YouthBuild Columbia Heights, as YouthBuild USA costs in the audit findings report. These subgrantees are separate 501(c) 3 organizations and should therefore be treated as all other subgrantees have been in the report. These two organizations each had challenges which prevented them from submitting the required documentation. YouthBuild Atlantic City ceased operations and closed in 2002 and was funded more than five years ago. Since YouthBuild USA did not require source documentation at that time from its subgrantees, we did not have any information on file and have no way of acquiring it from the program. Therefore, we find it unreasonable that YouthBuild Atlantic City's questioned costs of $135,388 be attributed to the parent agency. YouthBuild Columbia Heights experienced significant staff turnover during the time in question. The staff turnover resulted in the loss of essential AmeriCorps information. As with the other subgrantees audited, findings related to YouthBuild Columbia

Heights should be attributed to the sub-grantee. For future protection, we will ask any future grantee that closes to turn over all its AmeriCorps-related financial and member files to YouthBuild USA at the time of closing.

In addition, we disagree with some of the questioned direct costs for YouthBuild Philadelphia. The AmeriCorps Provisions do not require that the subgrantee provide a sign-in sheet concerning members utilizing bus/subway tokens. The Provisions refer to source documentation only, which was provided by YouthBuild Philadelphia. The subgrantee's program policy did not state that sign-in sheets were needed to provide the members with transportation tokens. This expense totals $31,123.05 of the program's $52,960 of questioned costs. We argue that this finding is unreasonable and that the program should not be held responsible for policies established by the auditors and not the Corporation for National and Community Service. Also, we acknowledge that American Express bills are not source documents; on the other hand, we would argue that detailed American Express bills of $14,300 adequately reflect where the charges were spent; and therefore should be considered sufficient documentation. Since the 2000-2003 grant period, YouthBuild Philadelphia has hired a new Financial Manager and has since implemented better systems to track AmeriCorps expenses. There are no questioned costs for YouthBuild Philadelphia after 2003.

There were no questioned costs for YouthBuild USA or any subgrantee resulting from this finding for the 2004-2005 grant year. YouthBuild USA's full-time AmeriCorps Financial Manager reviews all the AmeriCorps subgrantees' financial information. This includes the subgrantees' Financial Status Report as well as backup documentation (general ledger and invoices to support expenses) in detail, ensuring that the expenses are allowable under the AmeriCorps Provisions and that the subgrantee has adequate source documentation on file.

Compliance Finding #4: Unallowable and Unallocable Match Costs

Auditors' Recommendation:
We recommend that the Corporation determine the allowability of the costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

In addition, because subgrantee staff was apparently not fully aware of the AmeriCorps Provisions with respect to the requirements for match costs, we recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure claimed match costs are adequately documented and allocable in accordance with AmeriCorps provisions.

YouthBuild USA Response:
Of the $6,254,305 in questioned match costs, $5,906,451 was excess match above the required minimum match. YouthBuild USA, YouthBuild St. Louis, YouthBuild Portland, YouthBuild Portland DD, and YouthBuild York all met the required minimum match. Therefore the questioned match costs are $347,854.

YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the

AmeriCorps Provisions. During YouthBuild USA's annual trainings, it is specifically stated that federal funds cannot be used as match for member costs. The agendas for these conferences and attendee lists were provided to the auditors. Further, YouthBuild USA provided subgrantees a CD at the conference and a follow up CD containing AmeriCorps documents and templates of required forms. Additional training and updates were provided via email communication with subgrantees. Finally, YouthBuild USA monitors and trains sites through bi-monthly individual site and group conference calls and utilizes a desk-top monitoring tool which includes the review of required documents for match costs. This tool further allows us to monitor subgrantees' compliance with the AmeriCorps Provisions.

YouthBuild USA has also implemented a new system of monitoring the source of the subgrantees' match. At the beginning of each grant year, the subgrantee provides YouthBuild USA with the following information: Source of Support, Value, Type (Federal, State, Local, or Private), Use/Purpose (Member Costs or Program Operating Costs) and Documentation of Support. YouthBuild USA reviews this information to ensure that the subgrantees are in compliance.

YouthBuild USA is able to determine the methodology of claiming match. We provided documentation of our match to the auditors, but they declined to review it as they would not accept any methodology that did not involve having a segment of the accounting code used for match purpose. We have now determined a method of calculating match which we intend to utilize consistently for the future.

The auditors have again inaccurately reflected the questioned costs from two subgrantees, YouthBuild Atlantic City and YouthBuild Columbia Heights, as YouthBuild USA costs in the audit findings report. These subgrantees are separate 501(c) 3 organizations and thus, should be treated as all other subgrantees have been in the report. YouthBuild Atlantic City ceased operations and closed in 2002. Since YouthBuild USA did not require source documentation at that time from its subgrantees, we did not have any information on file and have no way of acquiring it from the program. We find it unreasonable that YouthBuild Atlantic City's questioned match of $367,684 is attributed to YouthBuild USA in this report.

YouthBuild Columbia Heights experienced significant staff turnover during the time in question. The staff turnover resulted in the loss of essential AmeriCorps information. As with the other subgrantees audited, findings related to YouthBuild Columbia Heights should be attributed to that organization.

YouthBuild USA does inform its subgrantees of the AmeriCorps requirements, which includes the requirement that federal funds can not be used as match for member costs. YouthBuild Los Angeles does understand that Housing and Urban Development (HUD) can not be used match; however, the program is no longer a YouthBuild USA AmeriCorps program.

The questioned member match costs for YouthBuild Philadelphia, YouthBuild St. Louis, and YouthBuild York (grant year 2002-2003) constitute more than 25% of the total questioned match costs. These programs did not use Corporation for National and Community Service

funds to pay living allowances to their members and thus were not required to provide any match.

As was pointed out to the auditors, YouthBuild Philadelphia did not use Corporation for National and Community Service funds to pay its part-time members' living allowances. Therefore, the program was not required to provide any match for its part-time members for the grant years in question. The auditors state that "no documentation was provided to substantiate that a non-Federal funding source contributed to match costs." In fact, the program did provide the auditors with additional non-federal source match, but the auditors refused to review it.

Once again, as was pointed out to the auditors, YouthBuild St. Louis did not use Corporation for National and Community Service funds to pay its members' living allowances. Therefore, the program was not required to provide any match for its members for the grant years in question. YouthBuild St. Louis does understand that HUD cannot be used as match for member costs. The auditors state that "no documentation was provided to substantiate that a non-Federal funding source contributed to match costs." In fact, the program did try to provide the auditors with additional non-federal source match in the form of commitment letters, but the auditors did not find the commitment letters acceptable.

Finally, as was pointed out to the auditors, YouthBuild York did not use Corporation for National and Community Service funds to pay its members' living allowances for the grant year 2002-2003. Therefore, the program was not required to provide any match for its members for the grant year 2002-2003. YouthBuild York does understand that HUD cannot be used as match for member costs.

Thus, inclusion of HUD expenditures as match for member allowances by these three organizations prior to 2004 has no material impact: they paid 100% of their member allowances with HUD funds rather than CNCS funds and thus were not required to match.

Compliance Finding #5: Inadequate Controls over Tracking and Reviewing Match Costs Prior to the Compilation of the Aggregate FSR.

Auditors' Recommendation:
We recommend the Corporation instruct YouthBuild to develop and implement written policies and procedures to ensure:

1) Costs claimed as match are properly recorded in the financial management system, so that costs claimed can be specifically identified in the accounting records.
2) Prior to the compilation of the aggregate FSR, subgrantee claimed match costs are reviewed to determine if costs are allowable and allocable per the AmeriCorps Provisions.

YouthBuild USA Response:
YouthBuild USA will develop and implement written policies and procedures to ensure that costs claimed can be specifically identified in the accounting records. We have determined a method of calculating match which we intend to utilize consistently for the future.

YouthBuild USA has also implemented a new system of monitoring the source of the subgrantees' match. At the beginning of each grant year, the subgrantee provides YouthBuild USA with the following information: Source of Support, Value, Type (Federal, State, Local, or Private), Use/Purpose (Member Costs or Program Operating Costs) and Documentation of Support. YouthBuild USA reviews this information to ensure that the subgrantees are in compliance. Also, YouthBuild USA has implemented a desktop monitoring tool which includes the review of required documents for match costs. This tool further allows us to monitor subgrantees' compliance with the AmeriCorps Provisions.

Please note that there are no instances of questioned match in the most recent years of 2004-05.

Compliance Finding #6: Errors on Aggregate FSR Not Identified and Corrected in a Timely Manner

Auditors' Recommendation:
We recommend the Corporation instruct YouthBuild to review their internal control policies and procedures and revise, if necessary, controls to ensure costs claimed on the aggregate FSR are complete and in agreement with the accounting records.

YouthBuild USA Response:
While the audit report is correct that the expenditures reported on the final Financial Status Report (FSR) were overstated, it should be pointed out that YouthBuild USA drew down from the Corporation the correct amount of funds. In addition, draw-downs equaled the actual expenditure amount as documented in our general ledger, and the Federal Cash Transaction Report was accurate. The only discrepancy was on the FSR.

This discrepancy was caused primarily by the late submission of FSRs by subgrantees and additional information we needed from subgrantees and/or subgrantee costs we were questioning. These issues caused delays in our ability to report some subgrantees costs in our FSRs. In the past we have dealt with such adjustments by including the data from the previously missing FSR on the next aggregate FSR and attempting to ensure that the cumulative figures were accurate. The discrepancy noted here does indicate that this adjustment was sometimes unsuccessful. Once it was brought to our attention that expenditures per the final FSR exceeded the amount of funds we had drawn down from the Corporation we elected to adjust not only the final FSR but every FSR during the award, thereby adjusting for any timing issues even if the subsequent FSR would have been correct on a cumulative basis. This effort to report everything in the correct FSR timeframe resulted in our corrections appearing to be greater than they actually were.

YouthBuild USA has now instituted a higher level of oversight to monitor subgrantees' submission of required documents in a timely manner. Timely submission of required forms was reviewed several times during our annual training with subgrantees. In preparation for the most recent semi-annual FSR and Progress Reports, YouthBuild USA spent a portion of our first bi-

monthly individual site conference call with each National Direct subgrantee reminding them of these reporting deadlines and detailing what information was needed from them.

We have also made changes to our internal controls over the FSR and Federal Cash Transaction Report process. We have modified our general ledger-based internal reports so that they include a subgrantee payment section. We will reconcile these reports (upon which the FSR will be based) to the general ledger before preparing the aggregate FSR. If the circumstance arises of a late or changed FSR from a subgrantee we will, with the permission of the Corporation, submit a revised FSR for that period as soon as possible rather than attempting to address the situation with the next FSR. Prior to issuing the final FSR we will ensure that it ties out to the final Federal Cash Transaction Report for the grant. In addition, the Controller has expanded her review to ensure that both parent and subgrantee expenditures tie to the FSR as well as reviewing the Federal Cash Transaction Report.

Compliance Finding #7: Inadequate Controls to Monitor Subgrantee Activities for Education Award Program

Auditors' Recommendation:
We recommend the Corporation instruct YouthBuild to:

1) Comply with its policies and procedures and conduct site visits for each subgrantee at least once a year;
2) Develop and implement written policies and procedures to maintain a log of all site visits performed and any deficiencies noted; and
3) Develop and implement written policies and procedures to ensure follow-up actions are performed for deficiencies noted during site visits.

YouthBuild USA Response:
This finding is based on an inaccurate portrayal of YouthBuild USA's policies and procedures related to site visits to Education Award Programs. YouthBuild USA did not commit to the Corporation in any of our Education Award grant proposals that YouthBuild USA would make a site visit to each Education Award Program. The auditors erroneously assumed that our Education Award Program policies and procedures are the same as our National Direct policies and procedures. To cover our administrative expenses for the Education Award Program, YouthBuild USA only receives $200 per half-time member. It is not possible to have the same level of engagement with Education Award Programs given the expense of running the program with this fixed award. It is not possible to make a site visit to all programs under these budget constraints; hence, we did not commit to doing so in our grant proposals.

Nonetheless, YouthBuild USA has implemented a new system of Education Award Program monitoring. There is now a staff person focused solely on the Education Award Program, with the goal of making site visits to as many programs as possible. As part of YouthBuild USA's updated site visit protocol, areas of concern and follow-up needed are tracked in a spreadsheet that indicates when follow-up action is needed and has been taken. Education Award Programs also participate in bi-monthly group conference calls. These calls provide an

additional check-in point for subgrantees to ask questions and for YouthBuild USA to provide updates, reminders, and clarification.

Compliance Finding #8: Duties Not Adequately Segregated to Ensure Safeguarding of AmeriCorps Funds

Auditors' Recommendation:
We recommend the Corporation instruct YouthBuild to review and modify, if necessary, controls implemented by subgrantees to ensure adequate segregation of duties for the safeguarding of AmeriCorps funds.

YouthBuild USA Response:
YouthBuild USA includes a review of subgrantees' internal controls as part of our site visit protocol.

Regarding the specific case of YouthBuild Philadelphia, their policy is to ensure an adequate segregation of responsibilities with regard to all aspects of the financial operations of the organization including, but not limited to, receipts, bank deposits, bank statement reconciliation, invoice approval, check preparation, check signing, and expense reimbursement approvals. Additionally, the organization will request the independent CPA firm that it retains to study staffing and recommend improvements in segregation of duties annually.

At the time of the Office of Inspector General's visit, YouthBuild Philadelphia had an unfilled position, Fiscal Assistant. The Fiscal Manager took responsibility for the entire fiscal function, resulting in inadequate segregation of duties and internal control for the department. Shortly after the OIG visit, the position was filled, and the proper separation of duties was resumed.

YouthBuild Philadelphia is currently updating the agency's Fiscal Manual to document all policies and procedures applicable to the Fiscal Department. Their policies will be updated to ensure effective control over accountability for all funds, property and other assets. The Fiscal Department at YouthBuild Philadelphia is committed to providing adequate internal control over the agency's assets. By segregating the receipt functions and disbursement functions and providing adequate independent reviews of the activities of the Fiscal Department, YB Philadelphia has now provided necessary internal control mechanisms to safeguard the agency's funding and assets.

Compliance Finding #9: Late Submission of Required AmeriCorps Documents

Auditors' Recommendation:
We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees as necessary to ensure all required documents are submitted in a timely manner.

YouthBuild USA Response:
YouthBuild USA has instituted a higher level of oversight to train and monitor subgrantees' submission of required documents in a timely manner. Timely submission of required forms

was reviewed several times during our annual training with subgrantees. YouthBuild USA is closely monitoring subgrantees' submission of enrollment, change of status, and exit forms in WBRS. All subgrantees submitted a "Start Date Form" at the beginning of the grant year, indicating the members' anticipated start date and end date. A portion of our first bi-monthly individual site conference call with each National Direct subgrantee was then dedicated to reminding them of the 30-day submission requirement for these forms and setting up procedures to track the timely submission of the forms. Education Award Programs now send enrollment forms to YouthBuild USA and the staff person dedicated to the Education Award Program enters the information into WBRS, ensuring that it is entered within the 30-day timeframe.

In preparation for the most recent semi-annual FSR and Progress Reports, YouthBuild USA spent a portion of our first bi-monthly individual site conference call with each National Direct subgrantee reminding them of these reporting deadlines and providing training that detailed what information was needed from them. Training for the completion of the subgrantee progress reports was also provided to ensure that subgrantees submitted the information correctly in WBRS.

We are pleased to report that all documentation needed from subgrantees and YouthBuild USA to complete the most recent semi-annual FSR and the Progress Report was completed and submitted to the Corporation for National and Community Service on time. We have systems in place to ensure that timely submission of these reports continues.

Compliance Finding #10: Minimum Match Requirements Not Met

Auditors' Recommendation:
We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees to ensure claimed match costs are funded from non-Federal source and that the minimum match requirement is met. We also recommend that the Corporation recoup excess Federal share, including administrative costs, for subgrantee match shortfall.

YouthBuild USA Response:
YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the AmeriCorps Provisions. During YouthBuild USA's annual trainings there is a solid review of the minimum match requirements. The agendas for these conferences and attendee lists were provided to the auditors. Additional training and updates were provided via email communication with subgrantees and through bi-monthly individual site and group conference calls. YouthBuild USA has also implemented a desk-top monitoring tool which includes the review of required documents for match costs. This tool further allows us to monitor subgrantees compliance with the AmeriCorps Provisions.

YouthBuild USA has implemented a new system of monitoring the source of the subgrantees match. At the beginning of each grant year, the subgrantee provides YouthBuild USA with the following information: Source of Support, Value, Type (Federal, State, Local, or Private),

Use/Purpose (Member Costs or Program Operating Costs) and Documentation of Support. YouthBuild USA reviews this information to ensure that the subgrantees are in compliance. Also, YouthBuild USA's AmeriCorps Financial Manager monitors the match on a semi-annual basis to ensure that the subgrantee is meeting the minimum match requirements.

All subgrantees have been told the requirements, since the programs have first received AmeriCorps funding, that federal funds can not be used as match for member costs.
As was pointed out to the auditors, YouthBuild Philadelphia did not use Corporation for National and Community Service funds to pay its part-time members' living allowances. The program did not need to provide any match for its part-time members for the grant years in question. Since no match was required, YouthBuild Philadelphia met the minimum match requirements.

Compliance Finding #11: Administrative Cost Percentage Exceeded Maximum Allowable

Auditors' Recommendation:
We recommend that the Corporation determine the allowability of the costs questioned and calculate the effect of the disallowed costs on the reimbursed Federal share.

YouthBuild USA Response:
We disagree with the audit findings that YouthBuild Los Angeles and YouthBuild Philadelphia exceeded the maximum allowable Administrative Costs. The programs met this requirement prior to direct costs being disallowed. Once the questioned costs were deducted from the grant amount, the maximum allowable Administrative Costs were not in compliance. However, at the time of submission the administration costs were in compliance with the requirements.

Compliance Finding #12: Living Allowance Not Paid on an Incremental Basis

Auditors' Recommendation
We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees and provide training to subgrantees as necessary to ensure that living allowances are paid on an incremental basis in accordance with AmeriCorps Provisions and not on an hourly basis.

YouthBuild USA Response:
YouthBuild USA is aware of the AmeriCorps Provisions, and YouthBuild USA systematically trains and monitors its subgrantees to ensure that they are also aware of and familiar with the AmeriCorps Provisions. During YouthBuild USA's annual trainings there is a solid review of all necessary financial procedures are reviewed. The agendas for these conferences and attendee lists were provided to the auditors. Additional training and updates were provided via email communication with subgrantees and through bi-monthly individual site and group conference calls. YouthBuild USA has also implemented a desk-top monitoring tool which includes the review of required documents for match costs. This tool further allows us to monitor subgrantees' compliance with the AmeriCorps Provisions.

There were no questioned costs resulting from this finding for the 2004-2005 grant year. At this time, YouthBuild USA has a full-time AmeriCorps Financial Manger, who has been an employee for the past two years, and who reviews all the AmeriCorps subgrantees' financial information. This person reviews the subgrantees' Financial Status Report as well as backup documentation (member timesheets and member payroll) in detail ensuring that the member's living allowance does not fluctuate and is not being paid on an hourly basis.

It is clear to YouthBuild USA and its subgrantees that any living allowance billed or matched to the Corporation for National and Community Service cannot be paid on an hourly or daily basis.

Compliance Finding #13: Aggregate Training Hours Exceeded AmeriCorps Limit

Auditors' Recommendation:
We recommend that the Corporation instruct YouthBuild to train and monitor subgrantees as necessary to ensure aggregate training hours for members are within the 20 percent limitation established by AmeriCorps Provisions.

YouthBuild USA Response:
YouthBuild USA interpretation of this rule differs from the auditors' interpretation. YouthBuild USA has understood that the 20 percent limitation on training applied to the aggregate of all of the YouthBuild AmeriCorps subgrantees and not to individual subgrantees. This interpretation was shared at our close-out conference with the auditors. It is based on the following AmeriCorps Provisions beginning in 2000 and continuing through 2004:

e. Limit on Education and Training Activities. No more than 20 percent of the aggregate of all AmeriCorps member service hours in a Program may be spent in education, training, or other non-direct activities.

However, the same Provisions define a Program as:

> Program means a national service Program, described in the Act (42 U.S.C. 12572(a)), carried out by the Grantee through funds awarded by the Corporation and carried out in accordance with federal requirements and the Provisions of this Grant.

A Grantee is further defined in the Provisions as:

> Grantee, for the purposes of this agreement, means the direct recipient or the subrecipient/site of this Grant. The term sub-Grantee shall be substituted for the term Grantee where appropriate...

Based on these definitions and given that the sub-Grantee is not specifically named in Provision 7e (Limit on Education and Training Activities), YouthBuild USA interprets the Provisions to mean that the 20 percent training limitation is taken over the aggregate of all our YouthBuild AmeriCorps programs and not based on individual subgrantees. YouthBuild USA has requested guidance on this issue from the Corporation for National and Community Service.

In Conclusion:

YouthBuild USA is dedicated to achieving full compliance in all areas of financial and programmatic management as we work to serve our communities through engaging low-income youth in rebuilding homes and computers and work to build the capacity of community- and faith-based organizations to manage government funds.

The audit revealed specific areas that need improvement. It also revealed the impact of steady improvements already made although these were not specifically noted by the auditors. We have made additional improvements in response to the audit.

We had a certain number of specific disagreements regarding interpretation and presentation that are noted above.

We look forward to working with the Corporation toward these goals. If further detailed information is needed regarding our procedures or responses, please contact Jennifer Bastress Tahmasebi, at 617.741.1213. I am also available at all times for further consideration of all the issues raised.

Sincerely,

Dorothy Stoneman
President

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: January 10, 2006

Sub: Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to YouthBuild USA

The Corporation had reviewed the subject draft audit report of the Corporation's grants awarded to YouthBuild USA, during the period July 1, 2000 to March 31, 2005, and the response from YouthBuild.

The auditors questioned $266,950, about 2.57% of the total federal claimed costs by YouthBuild USA in four Corporation grants. YouthBuild provided the Corporation with its preliminary response and is addressing each of the findings. Due to the limited timeframe for response, the Corporation has not yet conducted a comprehensive review nor analyzed documentation from YouthBuild USA supporting the questioned costs. The Corporation will respond to all findings and recommendations when the final audit is issued.