Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANT AWARDED TO THE NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE

OIG REPORT NUMBER 06- 14

Corporation for NATIONAL & COMMUNITY SERVICE

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This report was issued to Corporation management on June 30, 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 December 30, 2006, and complete its corrective actions by June 30, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Corporation for NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Corporation for National and Community Service
Audit Report 06-14

Audit of Corporation for National and Community Service Grants Awarded to the New York State Office of National and Community Service

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Leon Snead & Company, P.C. (Snead) to perform an incurred-cost audit of grants awarded to the New York State Office of National and Community Service (ONCS).

The grantees claimed costs of $34,453,824 of which the auditors questioned $289,560 as unallowable grant costs and $307,125 of education awards. The majority of the questioned costs occurred at one subgrantee, the YMCA of Greater New York (YMCA). Overall, the auditors questioned less than 1 percent of claimed grant costs. Costs questioned for allowability represents: an alleged violation or provision of law, regulation, grant or other agreement 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 provisions of Federal laws, regulations and grant award provisions.

In accordance with our statutory responsibilities, we reviewed Snead's report and related audit documentation, interviewed their representatives, and performed other procedures, as we deemed appropriate in the circumstances to provide reasonable assurance that the audit was performed in accordance with generally accepted government auditing standards. Our review was not intended to enable us to express, and we do not express, opinions on the Grantee's Consolidated Schedule of Award Costs, or conclusions on internal controls and on compliance with laws and regulations. Snead is responsible for the attached reports dated November 25, 2005, and the conclusions expressed therein. However, our review disclosed no instances where Snead did not comply, in all material respects, with generally accepted government auditing standards.

The Office of Inspector General provided officials of ONCS with drafts of this report for their review and comment. The ONCS and the YMCA's written responses are included as Appendices A and B respectively. The Corporation's responses are included in Appendix C.

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

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This report is issued by Leon Snead & Company, P.C. under an engagement with the Office of Inspector General (OIG) to audit the costs incurred by the New York State Office of National and Community Service (ONCS) and its subgrantees from July 1, 2002, through March 31, 2005, under grants awarded by the Corporation for National and Community Service (Corporation). The report addresses the costs questioned as a result of the audit; instances of noncompliance with Federal laws, regulations or award conditions; and weaknesses disclosed in the internal control systems of ONCS and its subgrantees.

Results in Brief

As a result of our audit, we have questioned $289,560 in grant costs, $605,378 in matching costs, and $307,125 in education awards. The questioned claimed costs are less than one percent of the total of $34,453,824 in grant costs claimed by ONCS. A questioned cost is (1) an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. The costs were questioned for the following reasons.

- Unallowable subgrantee costs ($37,955)
- Unsupported salaries and member costs ($251,605)
- Unsupported education awards ($307,125)
- Unallowable or unsupported matching costs ($605,378)

We used non-statistical sampling to test the costs claimed by ONCS for compliance with its award agreements with the Corporation and other Federal requirements. Based on this sampling, questioned costs detailed in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we made no attempt to project such questioned costs to total costs claimed.

Compliance

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

- ONCS did not submit final financial status reports in a timely manner to close out four grants and did not submit semi-annual financial status reports for three grants as specified in the AmeriCorps Provisions.
- Ten of the AmeriCorps subgrantees reviewed had one or more member files that did not contain all required documentation to support their members' eligibility for participation or to meet other program requirements. The missing or incomplete documents included:
  - i Proof of eligibility;
  - ii. Criminal background checks;
  - iii. Position descriptions;
  - iv. Signed member contracts;
  - v. Mid-term/final evaluations; and
  - vi. Enrollment/exit/change of status forms.
- One subgrantee placed AmeriCorps members at summer and holiday camps without prior written approval of ONCS and the Corporation.

Internal Controls

Our audit disclosed three weaknesses in the internal control systems of ONCS and its subgrantees:

- ONCS did not have time distribution reports to support the salaries of three individuals charged to its administrative grants;
- ONCS had not taken timely action to address the program weaknesses observed during an independent audit of a subgrantee; and
- One subgrantee paid its members' housing costs from pre-tax living allowances.

Objectives And Scope Of Audit

The objectives of our audit were to determine whether:

- Financial status reports (FSRs) prepared by ONCS presented fairly the financial results of the awards;
- ONCS internal controls were adequate to safeguard Federal funds;
- ONCS and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions;
- Award costs reported to the Corporation by ONCS were documented and allowable in accordance with the award terms and conditions; and
- ONCS had established adequate oversight procedures and had 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 costs claimed against the awards, as presented in the Consolidated Schedule of Award Costs, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by the ONCS management, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports prepared by independent public accountants for ONCS and its subgrantees in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations.* We also followed up on the findings and recommendations that had been presented to ONCS in a pre-audit survey report dated September 28, 2004 (OIG Audit Report No. 04-19).

With regard to GPRA, AmeriCorps grantees and subgrantees provided progress reports to the Corporation that were maintained in the Web-Based Reporting System (WBRS). The Corporation developed program-reporting guidelines that were derived from its Federal reporting requirements. The ONCS does not make continuation grants available to subgrantees that do not meet program objectives, unless extenuating circumstances prevented subgrantees from meeting those objectives.

Evaluation reports and independent audits from consultants or other sources are utilized to monitor and assess program accomplishments and program operations. In summary, the monitoring process appears to be effective and operating as intended, except for program weaknesses observed at the YMCA of Greater New York (YMCA). In December 2003, an independent auditor, hired by ONCS, reported in a draft report that the YMCA had serious problems in administering its AmeriCorps grants. ONCS confirmed that the program weaknesses existed during its monitoring visit in December 2004; however, corrective actions are still needed to address the program weaknesses and questioned costs.

Grant Programs Audited

During the period of our audit, ONCS received approximately $51.4 million under 11 grant awards. About $49.3 million of this amount was distributed by ONCS to subgrantees and approximately $34.5 million was claimed on ONCS financial status reports. The majority of the ONCS subgrantees are nonprofit organizations.

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

	Amount	**Percentage of Budget/Claimed**
Award Budget	$51,428,001	-
Claimed Costs	34,453,824	66.99%
Questioned Grant Costs	289,560	.84%
Questioned Education Awards	307,125	-

A brief synopsis of programs funded by the grants is as follows:

Program	Award No.	Funding Authorized	Claimed Costs	Drawdowns
AmeriCorps Competitive	00ASCNY033	$16,857,995	$12,705,368	$12,705,368
AmeriCorps Competitive	03ACHNY001	13,028,546	7,448,438	4,730,061
AmeriCorps Formula	00ASFNY033	6,336,337	5,666,590	5,666,590
AmeriCorps Formula	03AFHNY001	9,616,246	5,411,564	4,285,273
AmeriCorps State Homeland Security	02AHHNY033	2,872,564	2,008,233	1,864,714
AmeriCorps Education Awards	00EDSNY050	260,504	126,693	126,693
AmeriCorps Education Awards	03ESHNY001	128,000	122,200	122,200
Administrative	01SCSNY034	917,090	619,462	619,462
Administrative	04CAHNY001	976,309	91,243	90,635
Program Development and Training	02PDSNY034	264,310	99,367	115,602
Disability	02DSCNY034	170,100	154,666	100,942
Totals for Grants Administered by ONCS*		$51,428,001	$34,453,824	$30,427,540

*The differences between the amounts claimed and the amounts drawn down are generally due to timing issues. Some subgrantees do not request payments from ONCS on a timely basis.

Background

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Trust Act, as amended, awards grants and cooperative agreements to State Commissions and other entities to assist in the creation of full-time and part-time national and community service programs. The Governor's Executive Order No. 179, dated December 30, 1993, established the New York State Commission on National and Community Service (now known as the New York State Office of National and Community Service or ONCS). The Commission was originally part of the State Office of the Budget. In a re-organization in 1999, it became part of the newly formed New York State Office of Children and Family Services (OCFS). ONCS receives administrative, financial and other support from OCFS and is part of the Office of Youth Development.

The contents of this report were disclosed to and discussed with ONCS at an exit conference held on January 11, 2006. In addition, we provided a draft of this report to ONCS and to the Corporation for comment on March 20, 2006, and received responses from ONCS, the Corporation, as well as, the YMCA of Greater New York. Their responses are included in the report in their entirety as Appendices A, B and C.

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the New York State Office of National and Community Service (ONCS) for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs, are the responsibility of the ONCS management. Our responsibility is to express an opinion on the Consolidated Schedule of Award Costs based on our audit.

Program	Award No.	Award Period	Audit Period*
AmeriCorps Competitive	00ASCNY033	08/01/02-03/31/04	09/01/02-03/31/04
AmeriCorps Competitive	03ACHNY001	09/03/03-09/02/06	09/03/03-03/31/05
AmeriCorps Formula	00ASFNY033	09/01/02-12/31/04	09/01/02-12/31/04
AmeriCorps Formula	03AFHNY001	09/03/03-09/02/05	09/03/03-03/31/05
AmeriCorps State Homeland Security	02AHHNY033	09/01/02-08/31/05	09/01/02-03/31/05
AmeriCorps Education Awards	00EDSNY050	02/01/01-01/12/04	07/01/02-01/12/04
AmeriCorps Education Awards	03ESHNY001	09/01/03-08/31/06	09/01/03-03/14/05
Administrative	01SCSNY034	01/01/02-02/27/04	07/01/02-02/27/04
Administrative	04CAHNY001	01/01/04-12/31/06	01/01/04-12/31/04
Program Development and Training	02PDSNY034	01/01/02-12/31/04	07/01/02-12/31/04
Disability	02DSCNY034	01/01/02-12/31/04	07/01/02-12/31/04

* The audit period ended for each award on the grant expiration date or the date of the most recent financial status report for the grant, whichever was earlier.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and in accordance with 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 supporting Schedules A-E, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Schedules were prepared to present the costs claimed by ONCS and its subgrantees between July 1, 2002, and March 31, 2005, under 11 grants awarded by the Corporation, as described in the accompanying Summary of Significant Accounting Policies. The Schedules were prepared from data ONCS submitted to the Corporation on Financial Status Reports to comply with provisions of the grant agreements. The Schedules are not intended to be a complete presentation of ONCS finances in accordance with accounting principles generally accepted in the United States of America.

As more fully described in the Schedules, we have questioned $289,560 in grant costs, $605,378 in matching costs, and $307,125 in education awards. A questioned cost is (1) an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. The terms of the grant agreement require that all specified supporting documents be retained in order to receive payment from the Corporation.

In our opinion, except for the costs we have questioned above, the Consolidated Schedule of Award Costs presents fairly, in all material respects, the costs incurred and reported on ONCS's Financial Status Reports for the period July 1, 2002, to March 31, 2005, in accordance with OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, other applicable OMB circulars and award terms and conditions.

In accordance with the generally accepted government auditing standards, we have also issued our report, dated November 25, 2005, on compliance with Federal laws, regulations, and significant provisions of grant agreements, and on internal control over financial reporting.

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

Leon Snead & Company, P.C.

Leon Snead & Company, P.C.
Rockville, Maryland
November 25, 2005

Corporation for National and Community Service
New York State Office of National and Community Service
Consolidated Schedule of Award Costs

Award Number	Program	Approved Budget	Claimed Costs	Questioned Costs	Questioned Match	Questioned Education Awards	Schedules
00ASCNY033	AmeriCorps Competitive	$16,857,995	$12,705,368	$79,480		$125,212	A
00ASFNY033	AmeriCorps Formula	6,336,337	5,666,590				
03ACHNY001	AmeriCorps Competitive	13,028,546	7,448,438	30,881		153,563	B
03AFHNY001	AmeriCorps Formula	9,616,246	5,411,564	52,351	$495,092	28,350	C
02AHHNY033	AmeriCorps State Homeland Security	2,872,564	2,008,233	16,562			D
01SCSNY034	Administrative	917,090	619,462	70,424	70,424		E
04CAHNY001	Administrative	976,309	91,243	39,862	39,862		E
00EDSNY050	AmeriCorps Education Awards	260,504	126,693				
03ESHNY001	AmeriCorps Education Awards	128,000	122,200				
02PDSNY034	Program Development and Training	264,310	99,367				
02DSCNY034	Disability	170,100	154,666				
Total		$51,428,001	$34,453,824	$289,560	$605,378	$307,125	

Schedule A

New York State Office of National and Community Service
Schedule of Claimed and Questioned Costs
Award No. 00ASCNY033 (AmeriCorps Competitive)
August 1, 2002, through March 31, 2004

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Questioned Education Awards	Notes
New York Corps Collaboration	$2,792,527	$2,364,712	0	0	
Town of West Seneca Youth Bureau	1,138,905	1,015,487	0	0	
Phoenix House Foundation	1,053,358	877,720	0	0	
Monroe Community College	1,240,001	1,199,148	0	0	
YMCA of Greater New York	875,564	866,682	$58,477	$122,850	1, 2 & 3
Fund for the City of New York	620,000	511,263	7,686		4
Harlem Children's Zone	926,325	717,201	0	0	
Oswego City/County Youth Bureau	471,200	442,480	2,928	0	5
Pace University	247,999	239,249	3,615	2,362	6
The After School Corporation	676,426	638,549	6,774	0	7
Sub-Total	$10,042,305	$8,872,491	$79,480	$125,212	
Others	6,815,690	3,832,877	0	0	
Total	$16,857,995	$12,705,368	$79,480	$125,212	

Categories of Questioned Costs

• Eligibility requirements not supported by documentation	$72,706
• Education awards not supported by documentation	125,212
• Unallowable costs (OMB Circular A-122)	6,774
Total	$204,692

NOTES:

1. AmeriCorps Provisions (2002), B(6)(a), *Eligibility, Recruitment and Selection, Eligibility to Enroll,* state that "[t]he Grantee is responsible for obtaining and maintaining adequate documentation to demonstrate the eligibility of members." In addition, AmeriCorps Provisions (2002), C(21)(c)(ii), *Time and Attendance Records, AmeriCorps Members*, state that "[t]he 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."

   A review of time sheets and payroll records at the YMCA disclosed that 40 of the 84 members who served in the program during (program year) PY 2002/2003 were

ineligible to receive all or parts of their living allowances. The members were ineligible for the living allowances for the following reasons:

- Member files were not always available to show the basis of eligibility for members to serve in the AmeriCorps program.
- Time sheets were not available to document that the members actually served on AmeriCorps projects.
- Members were paid living allowances after the termination of their services as AmeriCorps members.

As a result, we have questioned $40,551 in living allowances paid to the 40 members during PY 2002/2003.

YMCA Comments

The YMCA stated in its response that the auditors did not consider information at locations other than their administrative headquarters office. Also, the YMCA stated that member living allowances were allocated, through an internal reconciliation process, before seeking reimbursement from the Federal government. Accordingly, many of the members were paid from YMCA funds, rather than from Federal funds, after their terms of service expired.

Auditor's Comments

Prior to the audit, the Commission provided the YMCA with information on the material required to be available at the time of the audit. At the audit entrance conference, the YMCA was again advised of the material needed for the audit, including all data used to support the expenditures reported on their financial status reports. We believe the YMCA had sufficient opportunities to provide complete and accurate detailed financial information to support their financial status reports. The audit team made two site visits to the YMCA to review records and was told that the records provided by the YMCA were the correct records used to support their financial status reports. At no time did anyone state that the audit should be conducted at a different location or that the records provided were inaccurate and incomplete. All records that were made available to the audit team were reviewed either at the YMCA or at some other location, including the ones requested by the Office of Inspector General. Based on the information made available to the audit team, nothing came to our attention to indicate that the information provided by the YMCA was incomplete and/or inaccurate; therefore, we used the information provided by the YMCA to assess the adequacy of the financial reports prepared and submitted by the YMCA. The YMCA's response did not include documentation to support member payments from non-Federal funds. As a result, the questioned costs relating to living allowances remain in the report.

2. AmeriCorps Provisions (2002), B(12), *Post-Service Education Awards*, state that "[i]n order to receive a full education award, a member must perform the minimum hours of service as required by the Corporation and successfully complete the program

requirements as defined by the Program. For example, if successful completion of a full-time program requires 1,800 service hours, members in that particular program are not eligible for an education award simply upon completion of 1,700 hours." In addition, AmeriCorps Provisions (2002), C(21)(c)(ii), *Time and Attendance Records, AmeriCorps Members*, state that "[t]he 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."

A review of the records showed that 29 of the 84 members who served in the program at the YMCA during PY 2002/2003 completed the program and earned education awards. However, the review disclosed that 26 of the 29 members who earned education awards were ineligible for the awards for the following reasons.

- Time sheets did not support the number of hours reported in the Web-Based Reporting System (WBRS).
- Time sheets were changed after submission by the members to increase the number of hours served and reported in WBRS. The hours were doubled in some instances.
- Time sheets were missing for some members.
- Mathematical errors on some time sheets resulted in the overstatement of hours served.
- Some members reported on their time sheets an inordinate number of hours for lesson planning activities, primarily on weekends when the members were unsupervised. The hours were questioned because the members were unsupervised and lesson planning does not appear to be a primary responsibility for AmeriCorps members.

As a result, we have questioned the education awards totaling $122,850 earned by the 26 members.

<u>YMCA Response</u>

The YMCA acknowledged that there were inaccuracies in their recording of member service hours. They have now implemented enhanced internal audit functions and a compliance system to guard against any similar problems. However, they expressed disagreement with portions of the finding for the following reasons:

- The Web-Based Reporting System (WBRS) was unavailable to them for input of members' service hours at the end of program year 2004/2005.
- The method used by the YMCA to account for members' service hours and record them in WBRS may have led to some confusion.
- Member service hours earned in summer camp, holiday camp and for lesson planning should be allowable as credit toward education awards because they are part of the members' regular assignments.

Auditor's Comments

Although the YMCA disagreed with portions of the finding, they did not provide documentation to justify removal of the questioned costs from the report. However, we have modified the finding to question the amount of the education awards earned by members since the Corporation did suspend education awards to some members. With regard to the member's service hours, reliance was placed on the member time sheets that were provided to the Office of Inspector General and alleged to be all time sheets prepared by the members during their terms of service. In those instances where exceptions were noted, the time sheets did not show a sufficient number of creditable service hours for the member to earn an education award.

3. AmeriCorps Provisions (2002), A(9)(b), *Definitions, Member*, state that a member must be an individual "[w]ho is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;" and B(6)(a), *Eligibility, Recruitment, and Selection, Eligibility to Enroll,* state that a grantee may select as a member only those who are eligible to enroll in AmeriCorps.

   A review of 23 member files at the YMCA disclosed that three members were ineligible to serve in the program because there was no documentation in the files to show proof of U.S. citizenship or lawful permanent resident alien status. As a result, we have questioned the living allowances of $17,926 paid to the three members. These members did not earn education awards.

   YMCA Response

   The YMCA indicated that most of the missing birth certificates had been located and they expect to provide additional information on the topic during the audit resolution process.

   Auditor's Comments

   Since the YMCA did not provide documentation to show proof of eligibility for the three members, the questioned costs remain in the report.

4. AmeriCorps Provisions (2002), B(11)(b), *Living Allowances, Other In-Service Benefits, and Taxes, Living Allowance Distribution,* state that "[t]he living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps program."

   A review of the files on members who served in the program at the Fund for the City of New York disclosed that nine members were paid living allowances from the grant after the early completion of their service contracts. We have questioned living allowances totaling $7,686 paid in PY 2002/2003, because the payments were made to the nine members when they were no longer participating in the AmeriCorps program.

5. AmeriCorps Provisions, B(11)(b), *Living Allowances, Other In-Service Benefits, and Taxes, Living Allowance Distribution,* state that "[t]he living allowance is designed to

help members meet the necessary living expenses incurred while participating in the AmeriCorps program."

A review of 14 files on members who served in the program during PYs 2002-2004 at Oswego City-County Youth Bureau disclosed that four members were paid living allowances after the early completion of their service. We have questioned the living allowances totaling $2,928, because the payments were made to these members after they were no longer participating in the AmeriCorps program.

6. AmeriCorps Provisions (2002), A(14)(b), and (2003 and 2004) A(9)(b), *Definitions, Member,* state that a member must be an individual "[w]ho is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;" and B(6)(a), *Eligibility, Recruitment, and Selection, Eligibility to Enroll,* state that a grantee may select as a member only those who are eligible to enroll in AmeriCorps.

   A review of 136 member files at Pace University disclosed that one of the members was ineligible to serve in the AmeriCorps program. The subgrantee had not obtained documentation from the member to show proof of U.S. citizenship or lawful permanent resident alien status. During the course of our review, the subgrantee determined that the member was actually ineligible to serve in the program. As a result, we have questioned the living allowances of $3,615, paid to the member. Also, we have questioned the education award totaling $2,362.

7. OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* Attachment B.14, *Selected Items of Cost, Entertainment Costs,* states that costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

   The After School Corporation held a year-end celebration for its members and charged $6,774 to the grant. For PY 2002/2003, the subgrantee charged the costs as other member support costs, travel costs, and training and education costs. The entertainment costs represented 75 percent of its budget for other member support, 32 percent of the budget for travel, and less than 1 percent of the budget for training and education. These costs were charged in the following categories: Catering, $2,475; Travel, $1,672; Room Rental, $1,090; Awards and Plaques, $553; Disk Jockey, $350; Celebration Supplies, $257; Decorations, $220; Invitations, $144; and Photography, $13. We have questioned the $6,774 in costs charged to the grant because the funds were not used to further the goals of the AmeriCorps program and were not allowable under OMB Circular A-122.

Schedule B

New York State Office of National and Community Service
Schedule of Claimed and Questioned Costs
Award No. 03ACHNY001 (AmeriCorps Competitive)
September 1, 2003, through September 2, 2006

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Questioned Education Awards	Notes
Town of West Seneca Youth Bureau	$1,135,778	$568,990	0	0	
The Institute for Human Service	358,399	125,216	0	0	
Pace University	243,172	137,967	0	0	
YMCA of Greater New York	1,381,539	716,796	$20,319	$153,563	8, 9, & 10
Fund for the City of New York	640,000	184,202	3,833	0	11
Harlem Children's Zone	2,919,241	1,834,309	0	0	
The After School Corporation	2,279,723	1,634,401	6,729	0	12
Sub-Total	$8,957,852	$5,201,881	$30,881	$153,563	
Others	4,070,694	2,246,557	0	0	
Total	$13,028,546	$7,448,438	$30,881	$153,563	

Categories of Questioned Costs

• Eligibility requirements not supported by documentation	$24,152
• Education awards not supported by documentation	153,563
• Unallowable costs (OMB Circular A-122)	6,729
Total	$184,444

NOTES:

8. AmeriCorps Provisions (2004), B(6)(a), *Eligibility, Recruitment and Selection, Eligibility to Enroll*, state that "[t]he Grantee is responsible for obtaining and maintaining adequate documentation to demonstrate the eligibility of members." In addition, AmeriCorps Provisions (2004), C(22)(c)(ii), *Time and Attendance Records, AmeriCorps Members*, state that "[t]he 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 and dated both by the member and by an individual with oversight responsibilities for the member."

   A review of the files on the 119 members who served in the AmeriCorps program at the YMCA during PY 2004/2005 identified 25 members who were ineligible to receive all or parts of their living allowances. The members were ineligible to receive all or parts of their living allowances for the following reasons:

- Member files were not always available to show that the members were eligible to serve in the AmeriCorps program.
- Time sheets were not available to document that the members actually served on AmeriCorps projects.
- Members were paid living allowances after the termination of their services as AmeriCorps members.

As a result, we have questioned $14,688 in living allowances paid to the 25 members during PY 2004/2005.

YMCA Response

The YMCA response on this issue is summarized in Note 1.

Auditor's Comments

The auditor's comments are shown in Note 1.

9. AmeriCorps Provisions (2004), A(14)(b), *Definitions, Member,* state that a member must be an individual "[w]ho is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;" and B(6)(a), *Eligibility, Recruitment, and Selection, Eligibility to Enroll,* state that a grantee may select as a member only those who are eligible to enroll in AmeriCorps.

   At the YMCA, a review of 23 member files disclosed that one member was ineligible to serve in the program during PY 2004/2005 because there was no documentation in the member's file to show proof of U.S. citizenship or lawful permanent resident alien status. As a result, we have questioned the living allowance of $5,631 paid to this member. The member did not earn an education award.

   YMCA Response

   The YMCA response on to this issue is summarized in Note 3.

   Auditor's Comments

   The auditor's comments are shown in Note 3.

10. AmeriCorps Provisions (2004), B(12), *Post-Service Education Awards*, state that "[i]n order to receive a full education award, a member must perform the minimum hours of service as required by the Corporation and successfully complete the program requirements as defined by the Program. For example, if successful completion of a full-time program requires 1,800 service hours, members in that particular program are not eligible for an education award simply upon completion of 1,700 hours." In addition, AmeriCorps Provisions, C(22)(c)(ii), *Time and Attendance Records, AmeriCorps Members,* state that "[t]he 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 and dated both by the member and by an individual with oversight responsibilities for the member."

At the YMCA, the review of records showed that 66 of the 119 members who served in the program during PY 2004/2005 had completed the program and earned education awards. However, our review disclosed that 38 of the 66 members were ineligible to receive education awards for the following reasons.

- Time sheets did not always support the number of hours reported in the Web-Based Reporting System (WBRS) as being served by members.
- Time sheets were changed after submission by the members to increase the number of hours served and to report the hours in WBRS. The hours were doubled in some instances.
- Time sheets were missing for some members.
- Mathematical errors on some time sheets resulted in the overstatement of the hours served.
- Some members reported on their time sheets an inordinate number hours on lesson planning activities, primarily on weekends when the members were unsupervised. The hours were questioned because the members were unsupervised and because lesson planning does not appear to be a primary responsibility of AmeriCorps members.

As a result, we have questioned the education awards totaling $153,563 earned by these 38 members.

YMCA Response

The YMCA response on this issue is summarized in Note 2.

Auditor's Comments

The auditor's comments are shown in Note 2.

11. AmeriCorps Provisions (2004), A(14)(b), *Definitions, Member,* state that a member must be an individual "[w]ho is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;" and B(6)(a) *Eligibility, Recruitment, and Selection, Eligibility to Enroll,* state that a grantee may select as a member only those who are eligible to enroll in AmeriCorps.

    A review of 23 member files at the Fund for the City of New York disclosed that one member was ineligible to serve in the program during PY 2004/2005 because the proof of eligibility was a Canadian passport. As a result, we have questioned the living allowance of $3,833 paid to this member. This member was terminated on March 8, 2005, and did not receive an education award.

12. OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* Attachment B.14, *Selected Items of Cost, Entertainment Costs,* states that costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

    The review disclosed that The After School Corporation held a year-end celebration for its members and charged the $6,729 cost to the grant. For PY 2003/2004, the subgrantee charged the costs as travel and member training. The entertainment costs represented 30 percent of their annual budget for travel and 26 percent of their annual budget for training. These costs were charged in the following categories: Catering, $2,500; Airfare, $1,433, Room Rental, $1,080; Plaques, $694; Lodging, $456; Disk Jockey, $400; Decorations, $79; Award Ceremony, $71; and Photography, $16. We have questioned the $6,729 in costs charged to the grant because the funds were not used to further the goals of the AmeriCorps program and were not allowable under OMB Circular A-122.

Schedule C

New York State Office of National and Community Service
Schedule of Claimed and Questioned Costs
Award No. 03AFHNY001 (AmeriCorps Formula)
September 3, 2003, through September 2, 2005

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Questioned Education Awards	Notes
New York Corps Collaboration	$913,305	$540,453	0	0	
Town of West Seneca Youth Bureau	852,663	631,264	0	0	
Phoenix House Foundation	522,557	321,962	0	0	
The Institute for Human Services	127,997	117,135	0	0	
Oswego City/County Youth Bureau	326,400	211,822	0	0	
The After School Corporation	128,000	104,916	0	0	
Research Foundation of SUNY-Oneonta	306,779	153,670	$496,268*	0	13 & 14
Monroe Community College	665,200	461,282	0	0	
YMCA of Greater New York	127,987	125,698	15,426	$28,350	15, 16 & 17
Youth Resource Development Corporation	326,395	203,229	20,593	0	18
Pace University	128,000	124,052	0	0	
Fund for the City of New York	128,000	116,376	14,342	0	19
Student Conservation Association, Inc.	537,200	286,334	814	0	20
Sub-Total	$5,090,483	$3,398,193	$547,443**	$28,350	
Others	4,525,763	2,013,371	0	0	
Total	$9,616,246	$5,411,564	$547,443**	$28,350	

* Of the questioned costs, $1,176 was charge to Federal Share and $495,092 was charged as match.

** Of the total questioned costs, $52,351was charged to Federal Share and $495,092 was charged as match.

Categories of Questioned Costs

• Eligibility requirements not supported by documentation	$ 27,899
• Education awards not supported by documentation	28,350
• Ineligible match of grant cost	495,092
• Unallowable costs	24,452
Total	$575,793

NOTES:

13. AmeriCorps Provisions (2004), B(9)(a), *Release of Participation, Compelling Circumstances,* state that "[t]he Grantee is responsible for determining whether a member's personal circumstances are sufficiently compelling to justify release on this basis. If a grantee releases a member for compelling personal circumstances, the Grantee

may elect either to authorize a prorated educational award or to suspend service for up to two years. If a term of service is temporarily suspended, the member will not accrue service hours or receive benefits during the term of suspension."

The Research Foundation of SUNY – Oneonta suspended an AmeriCorps member for compelling reasons on March 1, 2005, but did not take action to suspend the member's living allowance. Therefore, we have questioned $1,176 in living allowances paid to the member between March 1, 2005 and June 15, 2005.

14. 45C.F.R. § 2543.23, *Cost sharing or matching,* provides, in part, that "[a]ll contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.... Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching." In addition, AmeriCorps Provisions, B(13)(b), *Matching Requirements, Cash Match for Member Costs,* specifically state that "[t]he Grantee's matching contributions for Member Costs (excluding health costs) must be in non-federal monies."

    The Research Foundation of SUNY - Oneonta reported on its AmeriCorps financial reports that Federal funds were used during PYs 2002/2003, 2003/2004, and 2004/2005 for cost matching purposes. The subgrantee reported, for cost matching purposes, a total of $495,092 in Federal funds it received under the U.S. Department of Education's No Child Left Behind Program. Of the amount, $41,745 was used to match member costs and $453,347 was used to match member support costs. The Federal statute does not specifically authorize the No Child Left Behind Program funds to be used for cost matching purposes and we have questioned the $495,092 in matching costs reported by the subgrantee on its financial reports.

15. AmeriCorps Provisions (2003), B(6)(a), *Eligibility, Recruitment and Selection, Eligibility to Enroll,* state that "[t]he Grantee is responsible for obtaining and maintaining adequate documentation to demonstrate the eligibility of members." In addition, AmeriCorps Provisions (2003), C(22)(c)(ii), *Time and Attendance Records, AmeriCorps Members*, state that "[t]he 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 and dated both by the member and by an individual with oversight responsibilities for the member."

    A review of the files of 19 members who served in the AmeriCorps program at the YMCA during PY 2003/2004 identified 10 members who were ineligible to receive all or parts of their living allowances. The members were ineligible to receive all or parts of their living allowances for the following reasons:

    - Member files were not always available to show that the members were eligible to serve in the AmeriCorps program.
    - Time sheets were not available to document that the members actually served on AmeriCorps projects.

- Members were paid living allowances after the termination of their services as AmeriCorps members.

As a result, we have questioned $12,381 in living allowances paid to the 10 members during PY 2003/2004.

YMCA Response

The YMCA response on this issue is summarized in Note 1.

Auditor's Comments

The auditor's comments are shown in Note 1.

16. AmeriCorps Provisions (2003), B(12), *Post-Service Education Awards*, state that "[i]n order to receive a full education award, a member must perform the minimum hours of service as required by the Corporation and successfully complete the program requirements as defined by the Program. For example, if successful completion of a full-time program requires 1,800 service hours, members in that particular program are not eligible for an education award simply upon completion of 1,700 hours." In addition, AmeriCorps Provisions (2003), C(22)(c)(ii), *Time and Attendance Records, AmeriCorps Members*, state that "[t]he 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 and dated both by the member and by an individual with oversight responsibilities for the member."

    A review of the records showed that 13 of the 19 members who served in the program at the YMCA during PY 2003/2004 completed the program and received education awards. However, the review disclosed that 12 of the 13 members who received the education awards were ineligible for the awards for the following reasons:

    - Time sheets did not always support the number of hours reported in WBRS.
    - Time sheets were changed after submission by the members to increase the number of hours served and to report the hours in WBRS. The hours were doubled in some instances.
    - Time sheets were missing for some members.
    - Mathematical errors on some time sheets resulted in the overstatement of the hours served.
    - Some members reported on their time sheets an inordinate number of hours for lesson planning activities, primarily on weekends when the members were unsupervised. The hours are questioned because the members were unsupervised and lesson planning does not appear to be a primary responsibility for AmeriCorps members.

    As a result, we have questioned the education awards totaling $28,350 earned by the 12 members.

YMCA Response

The YMCA Response on this issue is summarized in Note 2.

Auditor's Comments

The auditor's comments are shown in Note 2.

17. AmeriCorps Provisions (2003), C(22)(a), *Financial Management Provisions*, *General,* state that "[f]inancial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant." In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,* Subpart C.21(b)(1), *Financial and Program Management, Standards for financial management systems,* requires accurate, current and complete disclosure of the financial results of each federally-sponsored project or program.

    The YMCA could not provide documentation to support $3,045 in expenditures reported on its periodic expense report in PY 2003/2004 for salaries and wages. The subgrantee was unable to explain why the documentation was not available. Therefore, we have questioned the $3,045 in claimed costs.

    YMCA Response

    The YMCA indicated in its response that the questioned costs in this note are not being challenged.

    Auditor's Comments

    Since the YMCA agreed with the questioned costs, no changes have been made to the note.

18. AmeriCorps Provisions (2004), C(22)(a), *Financial Management Provisions, General,* state that "[f]inancial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant." In addition, OMB Circular A-110, *Uniform Administrative Requirements, for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations,* Subpart C.21(b)(1), *Financial and Program Management, Standards for financial management systems,* requires accurate, current and complete disclosure of the financial results of each federally sponsored project or program.

    The Youth Resource Development Corporation could not provide documentation to support $20,593 in expenditures reported on its March 31, 2005, periodic expense report for PY 2004/2005 operations. The subgrantee had gone out of business and filed for bankruptcy; as a result, the program staff was not available to provide further information

on the expenditures reported after December 31, 2004. We have therefore questioned the $20,593 in claimed costs.

19. AmeriCorps Provisions (2003), B(11)(b), *Living Allowances, Other In-Service Benefits, and Taxes, Living Allowance Distribution,* state that "[t]he living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps program."

    A review of the files on members who served in the program at the Fund for the City of New York disclosed that eight members were paid living allowances from the grant after the early completion of their service. We have questioned living allowances totaling $14,342 paid in PY 2003/2004, because the payments were made to the eight members when they were no longer participating in the AmeriCorps program.

20. AmeriCorps Provisions, C(22)(e), *Financial Management Provisions, Consultant Services,* state that payments to individuals for consultant services under this grant will not exceed $443 per day.

    The review at the Student Conservation Association, Inc. disclosed that the subgrantee had reported expenditures for consultant services that exceeded the allowable daily rate of $443. The subgrantee had hired a consultant for two days at a cost of $850 per day. We have questioned $814 for the difference between the allowable daily rate and the claimed amount.

Schedule D

New York State Office of National and Community Service
Schedule of Claimed and Questioned Costs
Award No. 02AHHNY033 (AmeriCorps State Homeland Security)
September 1, 2002, through August 31, 2005

Subgrantees	Budgeted Costs	Claimed Costs	Questioned Costs	Questioned Education Awards	Notes
Pace University	$478,369	$385,160	0	0	
New York Corps Collaboration	907,198	525,765	0	0	
Fund for the City of New York	984,000	810,951	$16,562	0	21
Sub-Total	$2,369,567	$1,721,876	$16,562	0	
Others	502,997	286,357	0	0	
Total	$2,872,564	$2,008,233	$16,562	0	

Categories of Questioned Costs

- Eligibility requirements not supported by documentation $16,562

NOTES:

21. AmeriCorps Provisions (2004), B(11)(b), *Living Allowances, Other In-Service Benefits, and Taxes, Living Allowance Distribution,* state that "[t]he living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps program."

    A review of the files on members who served in the program at the Fund for the City of New York disclosed that 20 members were paid living allowances from the grant after the early completion of their service contracts. We have questioned living allowances totaling $16,562 paid during PYs 2002 through 2004, because the payments were made to the 20 members when they were no longer participating in the AmeriCorps program.

Schedule E

New York State Office of National and Community Service
Schedule of Claimed and Questioned Costs
Award No. 01SCSNY034 (Administrative grant)
January 1, 2002, through February 27, 2004
Award No. 04CAHNY001 (Administrative grant)
January 1, 2004, through December 31, 2006

Programs	Budgeted Costs	Claimed Costs	Questioned Costs	Notes
Administrative (01SCSNY034)	$917,090	$619,462	$140,848*	22
Administrative (04CAHNY001)	976,309	91,243	79,724**	22
Total	$1,893,399	$710,705	$220,572***	

* Of the questioned costs, $70,424 was charged to Federal Share and $70,424 was charged as match.

** Of the questioned costs, $39,862 was charged to Federal Share and $39,862 was charged as match.

*** Of the total questioned costs, $110,286 was charged to Federal Share and $110,286 was charged as match.

Categories of Questioned Costs

• Salary not supported by documentation	$110,286
• Match not supported by documentation	110,286
Total	$220,572

NOTES:

22. OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B.8.h, *Compensation for Personal Services, Support of salaries and wages,* requires that "[w]here employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation....unless a statistical sampling system....or other substitute system has been approved by the cognizant Federal agency."

    The Commission (ONCS) charged its administrative grants the entire salaries of three individuals who worked for other divisions within the New York State Office of Children and Family Services and provided administrative support to the AmeriCorps program operations on a part-time basis. These salaries were split 50/50 between the Federal share and the grantee matching share of the administrative grants, although the individuals did not work full time on the AmeriCorps program operations. Furthermore,

the administrative support was actually provided by various individuals, not necessarily the ones whose salaries were charged to the administrative grants. As a result, we have questioned the salaries for the three employees charged against the grants totaling $220,572 ($110,286 Federal and $110,286 grantee matching costs).

Corporation for National and Community Service
New York State Office of National and Community Service
Notes to Consolidated Schedule of Award Costs

Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Homeland Security Special Volunteer Program, Administrative, Program Development and Training and Disability grants awarded to the New York State Office of National and Community Service (ONCS) by the Corporation for National and Community Service (Corporation) for the period July 1, 2002 through March 31, 2005.

The ONCS awards its AmeriCorps grant funds to numerous subgrantees that administer the AmeriCorps program and report financial and programmatic results to ONCS.

Basis of Accounting

The accompanying Schedule has been prepared to comply with the provisions of the grant agreements between the Corporation and ONCS. The information presented in the Schedule has been prepared from financial reports submitted by ONCS 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 Consolidated Schedule of Award Costs include the cost of equipment purchased during the period rather than a provision for depreciation. The equipment is owned by ONCS and is 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. The disposition as well as the ownership of any proceeds therefore is subject to Federal regulations.

Inventory

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

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

We have audited the Consolidated Schedule of Award Costs that summarize the claimed costs of the New York State Office of National and Community Service (ONCS) under the Corporation awards listed below, and have issued our report thereon, dated November 25, 2005.

Program	Award No.	Award Period	Audit Period*
AmeriCorps Competitive	00ASCNY033	08/01/02-03/31/04	09/01/02-03/31/04
AmeriCorps Competitive	03ACHNY001	09/03/03-09/02/06	09/03/03-03/31/05
AmeriCorps Formula	00ASFNY033	09/01/02-12/31/04	09/01/02-12/31/04
AmeriCorps Formula	03AFHNY001	09/03/03-09/02/05	09/03/03-03/31/05
AmeriCorps State Homeland Security	02AHHNY033	09/01/02-08/31/05	09/01/02-03/31/05
AmeriCorps Education Awards	00EDSNY050	02/01/01-01/12/04	07/01/02-01/12/04
AmeriCorps Education Awards	03ESHNY001	09/01/03-08/31/06	09/01/03-03/14/05
Administrative	01SCSNY034	01/01/02-02/27/04	07/01/02-02/27/04
Administrative	04CAHNY001	01/01/04-12/31/06	01/01/04-12/31/04
Program Development and Training	02PDSNY0340	01/01/02-12/31/04	07/01/02-12/31/04
Disability	02DSCNY034	01/01/02-12/31/04	07/01/02-12/31/04

* The audit period for each award ended on either the grant expiration date or the date the last financial status report was submitted for the grant, whichever came earlier.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

COMPLIANCE

Compliance with Federal laws, regulations, and the provisions of the awards is the responsibility of ONCS's management. As a 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 determination of the financial schedule amounts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Accordingly, we do not express such an opinion. The results of our tests of compliance disclosed the following instances of noncompliance that are required to be reported under generally accepted government auditing standards.

Finding No. 1 - Subgrantee Files Were Not In Compliance With Program Requirements

We reviewed 207 member files at 14 subgrantees and found that some member files at 10 of the 14 subgrantees did not fully comply with program requirements. Of the 159 member files reviewed at the 10 subgrantees listed below, we determined that at least 86 member files contained one or more of the following types of exceptions:

Subgrantee	Member Files Reviewed	Mid-Term/Final Evaluations	Enrollment, Changed Status or Exit Forms	Timeliness of Time Sheets	Member Contracts	Position Descriptions	Education Award - Minimum Hours	Criminal Records Checks	Eligibility Documentation
		Exceptions							
New York Corps Collaboration	10	10	5						
Research Foundation of SUNY- Oneonta	10	4	6	6					
Monroe Community College	16	3	1					5	
YMCA of Greater New York	23	19	19			18	10	20	4
Fund for the City of New York	23	4	3		1				1
Harlem Children's Zone	20	2	2		4	4		20	
Youth Resource Development Corp.	10							6	
Pace University	14	3	7						1
Student Conservation Association, Inc.	13	4							
The After School Corporation	20							4	
TOTALS	159	49	43	6	5	22	10	55	6

- Mid-Term/Final Evaluations - Program/site supervisors had not prepared mid-term and/or end-of-term performance evaluations for 49 members. As a result, the members may not have been aware of deficiencies in their performance, areas in need of improvement, or the

number of hours needed to complete their assignments. This condition existed because proper attention was not given to performing evaluations by site supervisors and management did not provide adequate oversight. AmeriCorps Provisions, B(7)(g), *Training, Supervision and Support*, *Performance Reviews,* require mid-term and end-of-year performance evaluations of members focusing on whether the member has (1) completed the required number of service hours, (2) satisfactorily completed assignments, and (3) met other performance criteria that were communicated at the beginning of the term of service.

- Enrollment, Change of Status or Exit Forms - Enrollment, change of status, and/or exit forms for 43 members were either not filed in a timely manner, were missing, or were not signed and dated. As a result, management officials did not have accurate up-to-date information on the number of members enrolled and the amount of education awards earned. This condition was generally attributed to short time frames for reporting, late submission of information by subgrantees, and lack of proper oversight. AmeriCorps Provisions (2004), B(8)(c), *Terms of Service*, *Notice to the Corporation's National Service Trust,* require that the grantee notify the Corporation within 30-days of a member's enrollment, suspension, and completion of service. Also, AmeriCorps Provisions, B(16)(b)(iii), *AmeriCorps Member-Related Forms, Exit/End-of-Term-of-Service Forms,* state that exit and end-of-term-of-service forms must be submitted no later than 30 days after a member exits the program or finishes his or her term of service. Hard copies of these forms must be maintained after they have been entered into WBRS.

- Timeliness of Time Sheets - The time sheets for six members at the Research Foundation of SUNY- Oneonta were either not turned in to the supervisors in a timely manner or the supervisors did not approve them timely. For three of the members, the supervisors approved the time sheets before the pay period ended and before the members had served all the hours claimed. As a result, these time sheets become more vulnerable to improper reporting of service Hours. AmeriCorps Provisions, C(22)(c)(ii), *Financial Management Provisions, Time and Attendance Records, AmeriCorps Members,* require time and attendance records on all members in order to document their eligibility for benefits.

- Member Contracts - One member contract was missing at the Fund for the City of New York and four member contracts were missing at the Harlem Children's Zone. Also, at the Harlem Children's Zone, the contracts for three other members were signed months after their service periods began. As a result, members may have served without a complete understanding of their responsibilities and rights. This condition was attributed to lack of oversight. AmeriCorps Provisions, B(7)(b), *Training, Supervision and Support, Member Contracts,* require members to sign contracts that stipulate their responsibilities and rights.

- Position Descriptions - Position descriptions were not on file for 22 members. As a result, there was no assurance that the members were fully aware of their responsibilities. This condition was attributed to lack of oversight. AmeriCorps Provisions, B(7)(b), *Training, Supervision and Support, Member Contracts,* require members to sign contracts that stipulate, among other things, a position description.

- Education Award (Minimum Hours) - At the YMCA, for program years 2002 through 2005, we determined that 10 members had received education awards even though they had not served the required number of hours. As a result, these 10 members earned education awards that they were not entitle to receive. In most cases, the awards were based on an inflated number of hours served. Time sheets were altered after the members and/or site supervisor signed them. There was a notation in some files that members' time was being doubled because they worked on weekends. AmeriCorps Provisions, B(12), *Post-Service Education Awards,* require members to perform a minimum of 1,700 hours of service within a year in order to receive a full-time education award amount, and a minimum of 900 hours of service in order to receive a half-time award.

- Criminal Records Checks – Documentation of a criminal records check was either not provided or was of limited coverage for 55 members. For eight of the members, the criminal records checks were performed, but were limited to the local area or data in the New York State Office of Children and Family Services' database. The member files indicated that all 55 members had substantial contact with children. As a result, children served by members without a criminal records check and by those with a limited record check, were at potential risk. This condition occurred in some cases because subgrantees felt a need to start the program before the criminal records check could be completed. With regard to the limited records checks, ONCS believed that the guidance was unclear as to what constituted an acceptable criminal records check and had considered all completed criminal records checks as being acceptable. AmeriCorps Provisions, B(6)(h), *Eligibility, Recruitment and Selection, Criminal Record Checks,* state that "[p]rograms 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 provision also states that documentation of criminal record checks must be maintained consistent with State law.

- Eligibility Documentation - Six members did not provide acceptable documentation of citizenship or permanent resident status that is a requirement for participation in the program. In five cases, documentation was not available and, in one case, a Canadian passport was accepted as proof of eligibility. As a result, six ineligible members participated in the AmeriCorps program. This condition was generally attributed to a lack of oversight. AmeriCorps Provisions, B(14)(b), *Member Records and Confidentiality, Verification,* require that the subgrantee maintain verifiable records that document each member's eligibility to serve pursuant to the member eligibility requirement.

As a result of the conditions described above, ONCS could not always verify that member eligibility requirements were met. In order to ensure that grant funds are used for the purpose intended, it is important to verify that only qualified members have been allowed to serve. Also, having members in service who have not had a criminal records check, and who have substantial contact with children (as defined by State law), puts these children at risk.

These conditions occurred because: (1) program managers did not always adequately document members' eligibility; (2) subgrantees were not provided with clear guidance on the requirements for timely and thorough criminal record checks; and (3) members did not always provide the information promised during the enrollment process. As part of its monitoring requirements, ONCS is responsible for ensuring that subgrantees are adequately trained in programmatic provisions and procedures to ensure that members are eligible to serve, are paid support costs in accordance with AmeriCorps provisions, and have met all eligibility requirements for education awards.

Recommendation

The Corporation should provide assistance as necessary to assure that ONCS:

1. Continue to train and monitor its subgrantees on obtaining complete documentation of member eligibility before enrollment and on maintaining all required documentation in individual member's files. Specifically, we recommend that ONCS ensure that subgrantees:

    - Complete, sign, date and include in the member files copies of the member contract and the position description.

    - Adequately document and ensure member citizenship and/or legal residency.

    - Comply with grant requirements for conducting member evaluations and retaining documentation.

    - Document member enrollment, change of status, and exit promptly and submit this information to the Corporation on a timely basis.

    - Record member hours timely, accurately and in accordance with program provisions.

2. Provide additional guidance to subgrantees on the need to conduct thorough and timely criminal record checks, as part of the screening process, on those members who have substantial contact with children (as defined by State law).

ONCS' Response

ONCS stated that with the exception of the YMCA, most of the findings were minor and that checklists and other tools are provided to assist programs in maintaining required documentation. Also, ONCS stated that it provides continuous training and monitoring of subgrantees and that questioned costs will be reviewed and recovered, as appropriate.

Auditor's Comments

ONCS stated in its response that most of the compliance issues were minor and did not indicate questioned costs. It also implied that the issues would be addressed during ongoing training and monitoring of subgrantees.

Finding No. 2 - Grants Were Not Closed In A Timely Manner and FSRs Were Not Submitted Timely

ONCS needs to improve its financial management controls to ensure that financial status reports (FSRs) are submitted to the Corporation in accordance with the timeframes required by the AmeriCorps Provisions. During our audit period, seven FSRs were not submitted to the Corporation by their due date. Four of the FSRs represented final reports needed by the Corporation to close out expired grants, and three were the grantee's semi-annual submissions. The grants with late submissions are listed below.

		Date Due	Date Submitted
01SCSNY034	Administrative	05/28/04	04/28/05 - Final
02PDSNY034	PDAT	04/01/05	04/28/05 - Final
00ASCNY033	AmeriCorps Competitive	06/29/04	10/19/04 - Final
00ASFNY033	AmeriCorps Formula	04/01/05	08/04/05 - Final
04CAHNY001	Administrative	07/31/05	08/29/05
05PTHNY001	PDAT	07/31/05	08/29/05
05CDHNY001	Disability	07/31/05	08/29/05

Financial accountability controls and grant monitoring at the Corporation level are weakened when final financial reports are not submitted in a timely manner. To ensure that grant funds are being spent for the intended purposes, and in accordance with grant conditions, timely accounting is necessary. When accounting controls are weakened, it becomes easier to circumvent established processes.

AmeriCorps Provisions, B(16), *Financial Status and Progress Reports, Final Financial Status Reports,* state that a grantee completing the final year of its grant must submit, in lieu of the last semi-annual Financial Status Report (FSR), a final FSR that is cumulative over the entire project period. It must be submitted within 90 days after the end of the grant. For the Administrative, PDAT and Disability grants, the Provisions for Program Development and Training, Disability Placement and State Administrative Awards, B(5)(a), *Reporting Requirements, Financial Status Reports,* state that the grantee shall submit semi-annual cumulative financial reports on July 31 and January 31 summarizing expenditures during the reporting period.

We were told that, as a result of an OIG pre-audit survey conducted in calendar year 2004, the Commission became aware of the need to reconcile its financial records with those of the New York State Office of the Comptroller and with the records of drawdowns from the U.S. Department of Health and Human Services. Development of new procedures to accomplish these reconciliations and closeouts resulted in delays in the filings of final FSR reports. However, the Commission has now developed new procedures and re-assigned responsibility for reconciling FSRs to provide for timely reporting in the future.

Recommendation

The Corporation should ensure that ONCS places a high priority on reconciling and submitting FSRs within the stipulated time periods and request written time extensions for their grants when formal closeout cannot be completed within the required time periods.

ONCS' Response

ONCS acknowledged that financial reports were not submitted in a timely manner. It has hired an accountant to handle the financial reporting aspects of the AmeriCorps program and has implemented new grant closeout procedures. The most recent submissions were timely. However, ONCS still expects to encounter problems meeting timeframes for semi-annual submissions because of its number of subgrantees and their varied internal processing requirements. Based on these factors, ONCS stated that time extensions will be requested as needed on a case-by-case basis.

Auditor's Comments

The procedures described in the ONCS response should be sufficient to prevent the recurrence of the finding in the future.

Finding No. 3 - Subgrantee Was Not In Compliance With Terms of Contract and AmeriCorps Provisions

The YMCA did not have prior approval to place AmeriCorps members at summer and holiday camps during PYs 2002/2003 through 2004/2005. Although the YMCA believed that its grant proposals allowed it to place AmeriCorps members at its summer and holiday camps, these placements were not specifically included in its contract or grant proposals, nor were any programmatic changes requested and approved by ONCS. As a result, the YMCA AmeriCorps program was not in compliance with the stated terms and conditions of its contract with ONCS and the AmeriCorps provisions.

Corporation grants require that when a grantee accepts Federal funds they agree to operate the program in accordance with the approved grant application and budget. Also, AmeriCorps Provisions (2004), B(15)(a), *Budget and Programmatic Changes, Programmatic Changes*, state that "[p]arent Organizations must obtain the prior written approval of the AmeriCorps program Office before making the following changes in the approved Program:

i. changes in the scope, objectives or goals of the Program, whether or not they involve budgetary changes;
ii. substantial changes in the level of participant supervision;
iii. entering into additional sub-grants or contracts for AmeriCorps activities funded by the Grant but not identified or included in the approved application and grant budget."

Recommendation

The Corporation should work with ONCS to: (1) determine whether the awarded grants should be terminated for noncompliance with the approved grant agreements, and (2) determine whether the living allowances, plus applicable administrative fees, and education awards paid for members who served at the summer and holiday camps should be questioned.

YMCA Response

The YMCA contends that the program objectives and learning experiences associated with summer and holiday camps are consistent with after-school activities and with the objectives of its YMCA School Success AmeriCorps proposals and resulting grants.

ONCS' Response

ONCS stated that the issue pertains to only one subgrantee (YMCA) and that it will be addressed during audit resolution.

Auditor's Comments

Since no additional documentation was provided by the YMCA to show that summer and holiday camps were specifically mentioned in approved grant documents as planned activities, the finding and recommendation remain unchanged.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Award Costs for the period July 1, 2002 through March 31, 2005, we considered ONCS's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control. Accordingly, we do not express such an opinion.

ONCS's management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. Internal control also provides assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial schedules in accordance with accounting principles generally accepted in the United States of America. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Under standards established by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control. In our judgment, the significant deficiencies could adversely affect ONCS's ability to record, process, summarize and report financial data consistent with the assertions made by management in the financial schedules. We noted the following matters that we considered to be reportable conditions.

Finding No. 4 - Lack of Time Distribution Reports to Support Charges to the Administrative Grants

ONCS charged to its administrative grants the entire salaries of three individuals who worked for other divisions within the New York State Office of Children and Family Services and provided administrative support to the AmeriCorps program operations on a part-time basis. These salaries were split evenly between the Federal share and the grantee cost matching share of the administrative grants, but the individuals did not work full time on the AmeriCorps program operations. The administrative support was actually provided by various individuals, not necessarily the ones whose salaries were charged to the administrative grants. Salary charges for the individuals providing support to the AmeriCorps program operations were not supported by time sheets showing the actual level of effort being provided.

This condition occurred because management of the support units did not wish to place additional burdens on their employees to maintain the required personnel activity reports. As a result, we have questioned $220,572 ($110,286 Federal and $110,286 grantee matching costs) in salaries for three employees that were charged against the administrative grants during the audit period.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B.8.h, *Compensation for Personal Services, Support of salaries and wages,* requires that "[w]here employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation....unless a statistical sampling system....or other substitute system has been approved by the cognizant Federal agency."

Recommendation

1. The Corporation should ensure that ONCS develop procedures to require employees that provide administrative support to the AmeriCorps program staff on a part-time basis to document their time charges by maintaining personnel activity reports or equivalent documentation.

2. The Corporation should also determine the allowability of the questioned grant costs, plus the applied administrative rates. Finally, the Corporation should determine if additional Federal share should be questioned due to lack of allowable match provided.

ONCS' Response

ONCS agreed that the salaries of three individuals who worked for other divisions and provided administrative support to the AmeriCorps program on a part-time basis were charged to the administrative grants. ONCS stated that it would be review the current practice and then institute a process consistent with OMB Circular A-87 requirements. ONCS also stated that it has $247,000 in unclaimed administrative costs and that the questioned costs would be analyzed and adjusted, if appropriate.

Auditor's Comments

ONCS agreed with the finding and recommendation and has outlined a plan of action. This plan of action should be coordinated with the Corporation.

Finding No. 5 - Timely Action Not Taken on Independent Auditor's Reports

On December 15, 2003, a draft independent auditor's report was issued on the YMCA AmeriCorps program operations for the period September 1, 2000 to December 31, 2001, which was prior to the period covered by our audit. The report was still in draft format on November 25, 2005. Initially, the draft report noted nine weaknesses relating to the internal control structure at the YMCA and questioned costs totaling $299,191, of which, $148,623 was AmeriCorps funds. The majority of these costs were questioned because the YMCA could not provide time sheets to support the expenditures reported for AmeriCorps members and the staff. On July 27, 2005, a revised draft report was issued and the questioned costs were reduced to $133,908, of which $36,853 was

AmeriCorps funds. The revised draft report was issued after the YMCA provided the auditors with documentation to support some of the claimed costs. The revised draft report noted that the YMCA still had some of the internal control weaknesses reported in the first draft report. As of November 25, 2005, ONCS was still awaiting a response from the YMCA on the revised draft report.

According to ONCS, this condition occurred because (1) the person responsible for tracking the draft report left the agency and the report was not tracked for a long period of time, and (2) the independent auditors and ONCS had been unable to schedule timely meetings with the YMCA to discuss the audit issues. The delay in completing the report and addressing the audit issues in a timely manner allowed the YMCA to continue its operations without improving its internal controls over member time sheets. ONCS observed similar program weaknesses during its monitoring reviews in December 2004 and informed the Office of Inspector General in April 2005. The same internal control weaknesses were found during our audit of the YMCA. Also, the delay in addressing the weaknesses has prevented the timely recovery of the questioned costs.

45C.F.R. § 2541.260(b)(3), *Non-Federal Audit, Subgrantees,* requires that appropriate action be taken within six months after receipt of the audit report in instances of noncompliance with Federal laws and regulations. Also, AmeriCorps Provisions (2004), C(22)(d), *Financial Management Provisions, Audits*, state that "[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: ...(5) issue decisions and ensure follow-up on audit findings in a timely way."

Recommendation

The Corporation should ensure that ONCS take immediate action to: (1) obtain the final report, (2) correct the identified deficiencies, and (3) initiate collection of the AmeriCorps grant funds questioned in the report.

ONCS' Response

ONCS stated that a final report was never received from its audit firm despite numerous efforts to obtain it. ONCS has terminated its contract with that audit firm.

Auditor's Comments

ONCS should consult with the Corporation on the cost benefits of contracting for another audit of the YMCA's activities for PY 2000-2001 since it is questionable whether ONCS can take meaningful action based only on a draft audit report.

Finding No. 6 - Subgrantee Paid the Housing Costs for Members from Pre-Tax Living Allowances

The Student Conservation Association, Inc. gave its "in-residence" members the option of having their rent paid for them with pre-tax money from their living allowances. The members' W-2 forms did not reflect total earnings, taxes payable by the members were not deducted on the amounts diverted for rental payments, and the employer's share of fringe benefits was understated. During

the period October 2003 through March 2005, the subgrantee deducted a total of $75,641 from its members' living allowances and made payments directly to their landlords. This condition occurred because the subgrantee believed that it was proper to allow members who were required to be in-residence to make rent payments with pre-tax earnings. The policy of using pre-tax living allowances to pay for members' housing costs could expose members to future liability to the Social Security Administration and the Internal Revenue Service. However, the subgrantee stated that it had discontinued the practice because of problems encountered when members and landlords had disagreements or the members moved out of the rental property early.

AmeriCorps Provisions (2004), B(11)(d)(ii), *Taxes and Insurance, FICA (Social Security and Medicare Taxes)*, state that "[u]nless the Grantee obtains a ruling from the Social Security Administration or the Internal Revenue Service that specifically exempts its AmeriCorps members from FICA requirements, the Grantee must pay FICA for any member receiving a living allowance. The Grantee also must withhold 7.65 percent from the member's living allowance." In addition, AmeriCorps Provisions, B(11)(d)(iii), *Taxes and Insurance, Income Taxes,* state that "[t]he Grantee must withhold Federal personal income taxes from member living allowances, requiring each member to complete a W-4 form at the beginning of the term of service and providing a W-2 form at the close of the tax year. The Grantee must comply with any applicable state or local tax requirements."

Recommendation

The Corporation should work with ONCS to assure that subgrantees are properly informed of the tax provisions as related to member living allowances. Also, the subgrantee should retroactively comply with AmeriCorps provisions and make the required payments to the IRS and Social Security Administration.

ONCS' Response

ONCS agreed with the finding and stated that action was being taken by the subgrantee to resolve the matter. Also, ONCS stated that the area will be addressed with subgrantees in training sessions and monitoring reviews.

Auditor' Comments

The Corporation should obtain assurance from ONCS that the retroactive payments were made for the affected members in accordance with the AmeriCorps provisions.

Finding No. 7 - ONCS Claimed Unallowable and Unsupported Costs

The Summary of Results section identified questioned costs, which are described in detail in the notes to Schedules A through E. These questioned costs consist of costs claimed by the ONCS and subgrantees for alleged violations of provisions of law, regulation, or grant, or other agreement or document governing the expenditure of funds; findings that, at the time of the audit, such costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

Recommendation

We recommend that the Corporation:

- Follow up with ONCS to determine if questioned amounts and education awards should be allowed, or disallowed and recovered. Also, the Corporation should apply the five percent administrative rate to any costs deemed unallowable and recover these costs as well.
- Make certain that ONCS better train its subgrantees on determining the allowability of costs and documentation required to support claimed costs.
- Require that ONCS implement review procedures to test the allowability of Commission and subgrantee costs.
- Make certain that costs incurred and reported directly by ONCS meet all OMB circular requirements for allowability.

ONCS' Response

ONCS contends that the issues relating to questioned costs were the results of individual human error and not a lack of systems or understanding of requirements of the AmeriCorps program.

Auditor's Comments

Although the ONCS response provides additional information on the issues relating to the identified questioned costs, the Corporation still needs to make a determination as to whether the questioned costs and education awards should be allowed, or disallowed and recovered.

New York State Office of National and Community Service
Follow-Up on Pre-Audit Survey Report Findings
OIG Report No. 04-19

Cotton & Company LLP, conducted a pre-audit survey of ONCS and issued a report to the Corporation on September 28, 2004. A final management decision was proposed on the pre-audit survey report on March 30, 2005. We reviewed the findings and recommendations from the pre-audit survey and determined what ONCS had taken action to address the weaknesses disclosed in the pre-audit survey report.

Here is a summary of the actions taken to address the issues in the pre-audit survey report.

Finding No. 1 and Recommendation. The pre-audit survey concluded that ONCS's monitoring visit results were not being formally considered in the evaluation process for re-competing applicants. The auditors recommended that ONCS develop procedures to formally consider past performance by re-competing applicants in the peer review process. This includes consideration of information on the applicant's progress toward its goals, timeliness of programmatic reporting and financial data, accuracy of reporting, attendance at events and meetings, issues raised during site visits, and any other known issues.

Proposed Management Decision: Both the Corporation and ONCS agreed with the recommendation and ONCS developed written policies and procedures in accordance with the auditor's recommendations. ONCS also requires subgrantees to complete a Vendor Responsibility Questionnaire, which states that previous performance is a factor considered in making a determination that the applicant is a responsible contractor (subgrantee).

Current Status: Our review found that ONCS had developed and implemented procedures to consider past performance by re-competing applicants in the peer review process.

Finding No. 2 and Recommendation. The pre-audit survey concluded that ONCS maintained limited documentation to support the procedures it performed to review OMB Circular A-133 reports. The auditor recommended that ONCS create a standardized OMB Circular A-133 review checklist to provide an efficient way to document review procedures performed, ensure that current reports are evaluated using online resources where possible, and ensure that information provided to program administrators is complete.

Proposed Management Decisions: Both the Corporation and ONCS agreed with the recommendation and ONCS has implemented a new tracking chart to review and evaluate audit reports and revised its policies and procedures.

Current Status: Our review found that ONCS has implemented a new tracking system to document its reviews of OMB Circular A-133 audits reports. We concluded that the new report tracking system provides the documentation needed to show the work performed during the report review process.

Finding No. 3 and Recommendation. The pre-audit survey concluded that ONCS did not have adequate procedures to ensure that subgrantees submit FSRs in a timely manner. The auditor recommended that ONCS strengthen its procedures to actively follow up with subgrantees on late FSR submissions.

Proposed Management Decision: Both the Corporation and ONCS agreed with the recommendation and ONCS revised the language in its contracts with AmeriCorps subgrantees to emphasize the importance of timely reporting and to clarify when programs are out of compliance. ONCS will also impose financial penalties for significant and frequent late reporting by withholding funds until desired reports are received.

Current Status: Our review found that ONCS has revised the language in its contracts with AmeriCorps subgrantees. Also, we determined that most subgrantees are now submitting their semiannual FSRS on a timely basis.

Finding No. 4 and Recommendation. The pre-audit survey report concluded that ONCS did not periodically reconcile FSRs to grant drawdown amounts. The auditor recommended that ONCS develop a formal policy to provide for the reconciliation of cumulative claimed amounts reported on FSRs to cumulative drawdown amounts at least annually. The policy should include procedures requiring differences to be investigated and resolved, with explanations documented.

Proposed Management Decision: The Corporation and ONCS agreed with the recommendation and ONCS developed a written policy that incorporates the auditor's recommendation.

Current Status: Our review determined that ONCS has developed a written policy regarding the reconciliation of FSRs amounts with grant drawdown amounts and has reconciled all of the older grants. Work was in process to reconcile current grants at the time of our audit.

Finding No. 5 and Recommendation. The pre-audit survey report concluded that ONCS did not adequately monitor subgrantees, performed only limited programmatic monitoring, and conducted no fiscal monitoring of tested subgrantees. The auditor recommended that ONCS comply with its established policies for monitoring subgrantees, continue to conduct a risk assessment of each subgrantee, and conduct monitoring appropriate for each risk level. Also, the auditor recommended that that key controls, such as validating costs and member testing, be performed for all subgrantees. Such tests could be conducted on-site or off-site.

Proposed Management Decision: The Corporation and ONCS agreed with the recommendations. ONCS has hired independent auditing firms to conduct independent audits, and ONCS agreed to place greater emphasis on following its established policies for monitoring subgrantees.

Current Status: Our review found that ONCS is using independent auditing firms to perform financial audits and the program administrators are performing monitoring site visits that followed

prescribed monitoring procedures and practices. We determined that ONCS had taken action to monitor its subgrantees in accordance with its established policies.

Leon Snead & Company, P.C.
Rockville, Maryland
November 25, 2005

APPENDIX A

NEW YORK STATE OFFICE OF NATIONAL AND COMMUNITY SERVICE RESPONSE

New York State
Office of
Children &
Family
Services

George E. Pataki
Governor

John A. Johnson
Commissioner

Capital View Office Park

52 Washington Street
Rensselaer, NY 12144-2796

May 23, 2006

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

Dear Ms. Bates:

Thank you for the opportunity to respond to the draft audit report of the Corporation for National and Community Service (Corporation) concerning the New York State Office of National and Community Service (NYS ONCS) dated March 20, 2006. The audit was a constructive experience and will help assist staff in strengthening the policies, procedures and internal controls of the program, where necessary. The audit also validates that the administrative, training and monitoring systems that are in place, both at the NYS ONCS and at the majority of AmeriCorps programs funded in New York State, are working to accomplish the goals of the program.

The New York State Commission on National and Community Service (Commission) is the governor-appointed body charged with fostering volunteerism and community service activities that meet the needs of New Yorkers. Although the audit document and our response consistently refer to the NYS ONCS, it should be understood that the NYS ONCS serves as the administrative arm of the Commission. Any reference to the NYS ONCS is also inclusive of the Commission, and the policy and strategic roles the Commission plays.

Since 1999, the NYS ONCS has been housed in the New York State Office of Children and Family Services (OCFS), a state agency that provides substantial contract management, fiscal and other administrative support to the NYS ONCS staff. Policies and procedures are in place at the NYS ONCS that adhere to New York State contracting requirements as well as the requirements of the Corporation for National and Community Service.

Audit Response

As a result of the audit, the Office of the Inspector General (OIG) is questioning approximately six-tenths of one percent of the $34,453,824 in

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claimed costs audited. Based on the audit response and through the audit resolution process, NYS ONCS' staff expects to be able to justify a large portion of the questioned costs.

The OIG currently has an independent investigation pending with one subgrantee reviewed through this audit, the YMCA of Greater New York, Inc. (YMCA). At this time, the investigation outcome and any subsequent legal action have yet to be determined by the OIG. The NYS ONCS is requesting that the findings related to the YMCA be kept separate from this report and addressed as part of the investigation and held in abeyance until the investigation is complete. Due to this pending matter, the NYS ONCS will not comment on issues specifically related to the YMCA in the draft audit report. The NYS ONCS will address such issues specifically related to the YMCA in the audit resolution process for that matter.

As you are aware, NYS ONCS requested an extension of time to permit the YMCA to comment on excerpts of the draft audit report pertaining to the YMCA. A letter of May 3, 2006 from the attorney for the YMCA (YMCA letter) commenting on the draft audit report has been sent to you under separate cover. The YMCA letter does not necessarily represent the views of the NYS ONCS regarding the OIG audit process or the content of the draft audit report.

The OIG also is aware that the YMCA is not currently operating an AmeriCorps program. NYS ONCS placed the agency on "fiscal hold", which means that no vouchers for the 2004-05 program year are being processed until the other matter is complete and all expenses of the YMCA have been justified. The Corporation, in consultation with NYS ONCS, suspended the YMCA's 2005-06 AmeriCorps grant dependent upon the result of the other matter.

Below are the comments regarding the recommendations in the audit report.

Recommendation--Finding 1

The Corporation should ensure that NYS ONCS places a high priority on reconciling and submitting FSRs within the stipulated time periods and request written time extensions for their grants when formal closeout cannot be completed within the required time periods.

Response: As a result of the Pre-Audit Survey, NYS ONCS was in the process of implementing a system to reconcile financial records with the records of drawdowns from the U.S. Department of Health and Human Services (HHS). This required coordination across agency bureaus, as well as coordination with other state agencies. Because the audit occurred

during the development of the new reporting procedures, closeout reports were not completed by the submission date. The new procedures are now in place and the more recent closeouts have been more timely.

The NYS ONCS has also hired an accountant who is responsible for all financial reporting aspects of the AmeriCorps program. This includes the reconciliation of expenditures within the various state accounting systems and HHS reports through the Financial Status Report (FSR). The timely and accurate submission of all documentation required by the Corporation will continue to be a priority and we will reemphasize to our subgrantees the importance of submitting timely and accurate financial reports.

While the corrective actions implemented will improve the timeliness of the submissions, the 30-day reporting requirement for the FSRs is unreasonable considering the process required for NYS ONCS. Before NYS ONCS can submit an aggregate FSR to the Corporation, it must allow upwards of 50 subgrantees sufficient time to complete their financial records and submit Periodic Expense Reports and FSRs through the electronic system in place, either WBRS or eGrants. NYS ONCS staff provides subgrantees 20 days to file their claims, leaving ten days to prepare the reports. NYS ONCS' staff must aggregate information from the NYS Office of the State Comptroller reports and the electronic program reports for all programs, and then complete an internal review and reconciliation process. There are also time restrictions for when information on the drawdown amounts are available from the Office of the State Comptroller to OCFS. Based on these time factors, time extensions will be requested, on a case-by-case basis.

Recommendations--Finding 2:

1. Continue to train and monitor its subgrantees on obtaining complete documentation of member eligibility before enrollment and on maintaining all required documentation in individual member's files.

2. Provide additional guidance to subgrantees on the need to conduct thorough and timely criminal record checks, as part of the screening process, on those members who have substantial contact with children (as defined by state law).

3. The Corporation should resolve the questioned grant costs and education awards. The Corporation should also recover administrative costs applied to disallowed costs.

Response: This finding regarding the review of member files at 14 subgrantees must be put in the appropriate context. Four of the 14 subgrantees reviewed had no compliance issues. For the compliance

issues cited in the remaining ten subgrantees, 45 percent existed at the YMCA. Regarding the compliance issues for the nine other subgrantees, most were minor and did not indicate questioned costs.

The NYS ONCS provides checklists and other tools to assist programs in maintaining required documentation. In addition, NYS ONCS staff provides continuous training and monitoring to the subgrantees. The training highlights Corporation requirements, including the criminal background checks, which are covered in detail later in this response. NYS ONCS' staff will continue to monitor the recordkeeping systems maintained by the subgrantees to improve compliance. All questioned costs will be reviewed and recovered, as appropriate.

Recommendation--Finding 3

The Corporation should work with ONCS to (1) determine whether the awarded grants should be terminated for noncompliance with the approved grant agreements, and (2) determine whether the living allowances, plus applicable administrative fees, and education awards paid for members who served at the summer and holiday camps should be questioned.

Response: This recommendation pertains solely to the YMCA. As previously noted, the NYS ONCS will address issues specifically related to the YMCA in the audit resolution process for that subgrantee. The recommendation is the result of a finding at one subgrantee and is an isolated instance. The OIG's extensive testing did not disclose this problem at any other subgrantee in the sample.

Recommendations--Finding 4

1. The Corporation should ensure that ONCS develop procedures to require employees that provided administrative support to the AmeriCorps program staff on a part-time basis to document their time charges by maintaining personnel activity reports or equivalent documentation.

2. The Corporation should also determine the allowability of the questioned grant costs plus the applied administrative rates. Finally, the Corporation should determine if additional Federal share should be questioned due to lack of allowable match provided.

Response: The NYS ONCS charged the entire salaries of three individuals who worked for other divisions within the OCFS and provided administrative support to the AmeriCorps program operations on a part-time basis to the administrative grants.

While it may be argued that the Office of Children and Family Services did not meet the technical requirements of the Corporation or the technical requirements of A-87, the administrative services were provided by OCFS' staff to the AmeriCorps program. The OCFS Bureau of Contract Management (BCM) provides support equating to more than two full time employees to the AmeriCorps program in the areas of contract development, audit/voucher reimbursement and budget modifications. Over the period of July 1, 2002, through March 31, 2005, BCM assigned several employees to address the associated workload. The Bureau of Financial Operations also provides services equating to one staff position. Payroll and other documentation exist to support the amount of time spent and associated costs. NYS ONCS will be reviewing the current practice to institute a process consistent with A-87 requirements. In addition, there were unclaimed administrative costs of $247,000 for the audit period. The questioned costs will be analyzed and adjusted, if appropriate.

Recommendation--Finding 5

The Corporation should ensure that ONCS take immediate action to (1) obtain the final report, (2) correct the identified deficiencies and (3) initiate collection of the AmeriCorps grant funds questioned in the report.

Response: As a component of its fiscal monitoring of subgrantees, NYS ONCS contracts with independent audit firms to audit AmeriCorps programs. Audit assignments are based on a risk assessment. NYS ONCS contracted to have the YMCA audited for the 2000-01 program year and did not receive the draft audit report until September 2004. Despite numerous efforts by NYS ONCS to secure a final report, the audit firm never submitted one.

Upon receipt of the draft audit report, NYS ONCS implemented intensive monitoring of the YMCA. The OIG was notified of the findings and an action plan was developed to address the recommendations. An investigation is being conducted by the OIG and the results are pending. NYS ONCS staff will initiate collection on any questioned costs.

In addition, NYS ONCS has terminated the contract with the audit firm responsible for the YMCA audit and has hired a new firm to complete the audits in the region. The independent audits will continue to be part of the fiscal monitoring process over the subgrantees.

Recommendation--Finding 6

The Corporation should work with ONCS to assure that subgrantees are properly informed of the tax provisions as related to member living allowances. Also, the subgrantee should retroactively comply with

AmeriCorps provisions and make their required payments to the IRS and Social Security Administration.

Response: NYS ONCS includes a review of living allowances and other related costs in its monitoring of subgrantees. Ongoing training and technical assistance reinforce the issue. The recommendation is the result of a finding at one subgrantee and is an isolated instance. The OIG's extensive testing did not disclose this problem at any other subgrantee in the sample.

The audit found that one subgrantee improperly offered its "in residence" AmeriCorps members the option of having their rent paid for them with pre-tax dollars deducted from their living allowance. When the subgrantee first implemented this program, it concluded, based on its analysis of relevant guidelines that payments made directly to landlords were not subject to FICA withholdings. Upon further review of the guidelines, the subgrantee has modified its procedures for handling housing payments. Starting with the 2004 program year, housing payments to members were included as taxable payments and FICA was calculated correctly.

The subgrantee has initiated discussions with the Social Security Administration to correct any underpayments identified in the audit. They have advised the NYS ONCS that appropriate FICA contributions are made for each member impacted by the pre-2004 program year procedures. The NYS ONCS will monitor the program to verify that payments have been made.

Recommendations--Finding 7

We recommend that the Corporation:

- Follow up with ONCS to determine if questioned and unsupported amounts should be allowed, or disallowed and recovered. Also, the Corporation should apply the five percent administrative rate to any costs deemed unallowable and recover these costs as well.
- Make certain that ONCS better train its subgrantees on determining the allowability of costs and documentation required to support claimed costs.
- Require that ONCS implement review procedures to test the allowability of Commission and subgrantee costs.
- Make certain that costs incurred and reported directly by ONCS meet all OMB circular requirements for allowability.

Response: The recommendations for Finding 7 are directed to the Corporation. However, NYS ONCS has the following comments on the finding and questioned costs.

NYS ONCS does provide training to and monitoring of programs regarding record collection and other requirements of the AmeriCorps program. The issues related to Finding 7 reveal individual instances of human error, rather than a lack of systems or understanding of requirements of the AmeriCorps program.

Living allowance distribution (2 subgrantees, 33 occurrences)

The audit questions the cost of lump sum living allowances that were paid to members who completed service early. Although the current (2005-06) AmeriCorps provisions prohibit the payment of lump sum living allowances, the provisions for prior years did not expressly prohibit this practice. The NYS ONCS believes that programs cannot be held to current policies that were not in place in the program years that were audited.

Some programs in New York State had member contracts that provided the full living allowance if members fulfilled their service commitments. If members completed their hours early, they were sometimes provided with a lump sum payment of the balance of their living allowance.

The Corporation has recently issued new policies related to the payment of a member's living allowance and criminal background checks. NYS ONCS will provide training to the subgrantees on, and will monitor the implementation and adherence to, the new policies.

Missing background checks (5 subgrantees, 47 occurrences (42 percent were at the YMCA)

NYS ONCS agrees with the Corporation that background checks are an important compliance issue and are required to the extent permitted by state or local law for members who have substantial contact with children (as defined by state law) or other vulnerable populations during their term of service. New York State law does not permit criminal background checks based upon status as an AmeriCorps member. Background checks are permitted only when authorized by law for the underlying position in which an AmeriCorps member is placed. NYS ONCS is working with the Corporation and its own legal counsel to refine procedures and requirements for programs as well as training and monitoring procedures.

The Corporation is currently working to revise the background check requirement within the AmeriCorps grant provisions, the AmeriCorps Rule and the provisions of other national service programs. The requirements were vague and needed to be strengthened.

The NYS ONCS will be working with the subgrantees through the audit resolution period to obtain any documents that have been recovered and will continue to provide training and monitoring relative to documentation requirements.

Costs for event at closing of service (1 subgrantee, 2 occurrences)

The OIG's auditors cited "entertainment cost" language within OMB circular A-122 Att. B 14 to question the cost of year-end celebrations at one subgrantee. However, the NYS ONCS would like to refer to A-122, Att. B 13, "Employee morale, health and welfare costs", which states, "a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable."

The program was recognizing AmeriCorps member performance at these year-end events. Recognition events increase member morale and often facilitate members serving a second term. Family members were also included in these events, thereby supporting member service to their communities. NYS ONCS believes these costs are allowable based on the information above.

Eligibility (1 subgrantee, 1 occurrence)

One member was allowed to participate using a Canadian passport to document eligibility. NYS ONCS agrees with this finding and will work with the subgrantee to prevent future occurrences. This is an isolated occurrence, which is confirmed by the lack of additional findings in this area. Ongoing training and technical assistance to subgrantees will continue to emphasize the importance of compliance with eligibility requirements. Monitoring the subgrantees will include identification of any issues of noncompliance.

Compelling personal circumstance documentation (1 subgrantee, 1 occurrence)

NYS ONCS agrees with this finding and will work with the subgrantee to prevent future occurrences. This is an isolated occurrence, which is confirmed by the lack of additional findings in this area. Ongoing training and technical assistance for subgrantees will continue to emphasize the importance of compliance in this area and monitoring efforts will be used to identify any issues of noncompliance.

Matching requirements (1 subgrantee, 1 occurrence).

The OIG has questioned costs of $495,092 for one subgrantee that used federal funds received under the U.S. Department of Education's No Child Left Behind (NCLB) Program for matching dollars. NYS ONCS questions this finding for the following reasons:

1. NYS ONCS had questioned the use of these federal funds to match the AmeriCorps program in 2004 before the audit. In response to this question, the NYS ONCS received permission, via email, from the New York State Education Department (New York State's administrator of No Child Left Behind funds) to use those funds as match for the AmeriCorps program. The subgrantee has subsequently reconfirmed that permission with the U.S. Department of Education. There is no specific prohibition to using NCLB funds to match AmeriCorps. In fact, NCLB staff has stated that the two programs have comparable goals, and therefore should be leveraged together. Additionally, NYS ONCS has had extensive conversations with the Corporation's Office of Grants Management regarding the allowability of this match. The Office of Grants Management supports the use of NCLB funds to match this program to maximize after-school program opportunities for children.

2. The basis for this finding relies on budgeted match contributions that were more than the minimum. If the NCLB funds are not allowed as a match, the questioned costs should be the minimum required match for this program during the audited period, which was $144,870.

A memo dated April 12, 2002 from the Corporation's Office of Grants Management stated that, "at closeout grantees have the option to accept a level of match below the anticipated additional match as long as the minimum required match is met.... Programs must meet the minimum required match."

3. The only questionable use of certain federal funds to match the AmeriCorps funds relates to member costs. There is no language that expressly prohibits the use of federal funds related to the Program Operating Costs or Administration Costs portions of the AmeriCorps budget.

The 2004 AmeriCorps grant provisions include the following language:

" a. Matching Obligation. The Grantee must provide and account for the matching funds as agreed upon in the approved application and budget. All programs are encouraged to raise some funds from the private sector, i.e., non-federal funds.

The Corporation requires, at a minimum, the following aggregate matches:

Member Costs: 15 percent including Living Allowance, FICA, Unemployment Insurance, Worker's Compensation and Health Care,

Program Operating Costs: 33 percent including Other Member Costs, Staff, Operating Costs, Internal Evaluation and Administration. For further requirements, refer to OMB Circular A-102 and its implementation regulation (45 C.F.R. 2543) or A-110 (45 C.F.R. 2541), as applicable.

b. Cash Match for Member Costs. The Grantee's matching contributions for Member Costs (excluding health care) must be in non-federal monies."

Therefore, the NYS ONCS believes that the only match that could be questioned is the minimum required match for member support costs during the audit period, or $41,745. During the auditor's fieldwork, $42,105 in non-federal funds was identified as meeting the requirements of allowable matching funds. Therefore, this finding should be rectified. This documentation will be provided to the Corporation during the audit resolution process. Non-federal funds will be used to match the AmeriCorps member support costs in the future.

Documentation for expenditures (1 subgrantee, 1 occurrence)

During the audit, one subgrantee could not provide documentation to support $20,593 in expenditures reported on its final March 31, 2005 periodic expense report. The subgrantee had recently ceased operation and the records were not readily available. NYS ONCS has since received the documentation and will provide it to the Corporation during the audit resolution process. Prior to the OIG audit, NYS ONCS advised the Corporation of this issue including an update on the efforts to assist the subgrantee with the maintenance of member and fiscal files.

Computer costs used as match miscalculated (1 subgrantee, 1 occurrence)

Computer lab usage was improperly charged against the AmeriCorps grant. NYS ONCS agrees with this finding and has received documentation from the subgrantee that removes the computer costs as a match. This documentation will be provided to the Corporation during the audit resolution process.

Conclusion

The NYS ONCS strives to provide high quality training, technical assistance and monitoring regarding the AmeriCorps programs it administers. Staff have worked diligently to address the issues brought to their attention during the pre-audit survey and the audit process resulting in improvement to policies, procedures, and training processes. Many of these improvements were reviewed with the OIG's auditors during the audit process.

The NYS ONCS looks forward to completing the audit resolution process, including discussion of costs questioned in the audit report. We also look forward to utilizing the lessons learned from the audit to further improve the operations of NYS ONCS and to continue to improve the training and monitoring of AmeriCorps programs within New York State.

Again, thank you for the opportunity to respond to the draft audit report. If you have any questions or require additional information related to this response, please contact me at 518 473-8882.

Sincerely,

Claire Strohmeyer

Claire Strohmeyer
Executive Director
NYS Office of National and Community Service

cc: Larry Brown
Susan A. Costello
William J. Murabito, PhD
Gail H. Gordon
Sally Herrick
David C. Dorpfeld

APPENDIX B

YMCA OF GREATER NY RESPONSE

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May 17, 2006

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VIA ELECTRONIC MAIL

Ms. Claire Strohmeyer
Executive Director
NYS Office of Children & Family Services
52 Washington Street
Rensselaer, NY 12144

Re: *The AmeriCorps Program and the YMCA of Greater New York*

Dear Ms. Strohmeyer:

The YMCA of Greater New York ("YMCA") submits this response to items presented in excerpted portions of Leon Snead & Company, P.C.'s ("Snead") draft audit report concerning OCFS's management of the New York State AmeriCorps program. The audit was conducted by Snead on behalf of the Office of the Inspector General for the Corporation for National and Community Service ("CNCS").

The Excerpts are portions of the Snead's draft audit report that pertain to the YMCA's AmeriCorps program.[1] The YMCA obtained the Excerpts after it made several requests for them from OCFS. Further, it obtained some of the data underlying the Excerpts after OCFS directed it to appeal to the Office of the Inspector General of CNCS for that material.

At the outset, the YMCA wishes to state that it has established employment policies and procedures to ensure full compliance with all existing local, State and Federal laws and regulations. The YMCA is committed to guaranteeing the safety and security of all of its program participants by, among other things, conducting criminal background checks and verifying employment eligibility.

Before addressing specific statements in the Excerpts, the YMCA notes that the audit process was both difficult and unusual. For example, the YMCA was given less access to

[1] For ease of reference, and to ensure accuracy, a copy of the Excerpts are attached.

Snead, as well as to OCFS and CNCS, than is customary in an ordinary audit. The YMCA had to lobby for the opportunity to respond to the Excerpts even though they contain information pertinent to it. Indeed, the YMCA believes that its only meaningful opportunity to discuss with OCFS and CNCS regarding the AmeriCorps program will be during the audit resolution process.

In addition, the Audit focused on YMCA's administrative headquarters but not on the AmeriCorps program headquarters, YMCA branches, or program sites which were integral parts of the program. Because of the decentralized nature of the YMCA's AmeriCorps program, the YMCA had to gather information from these various locations to comply with the Audit's timeline. Despite these circumstances, Snead refused to consider relevant documents that were stored at other sites, due to requirements of local law, but which had not been centralized at the YMCA's administrative headquarters at the time Snead visited the YMCA. A further complicating factor was that the Audit occurred during the summer when many program sites were inaccessible as they were located in public schools. Accordingly, there is good reason to believe that some the information alleged in the Excerpts to be incomplete or missing was a result of the manner in which the Audit was conducted.

Notwithstanding these difficulties, the YMCA cooperated fully with the Audit. It devoted great time, energy and resources to gathering the necessary material for the Audit. It devoted the equivalent of two full-time staff members to work with Snead when they visited the YMCA. These efforts were done while the YMCA was operating over 158 contracted services with total budgets in excess of $21.8 million for the New York community.

On a separate topic, the YMCA notes that it has consistently matched more than the contract with OCFS required. For example, while the approved contract stated that the YMCA was required to contribute 34.4 percent of all non-member costs for its AmeriCorps program, the YMCA actually contributed above and beyond that share. In addition, OCFS has failed to: 1) pay the YMCA a large amount of receivables for expenses associated with the AmeriCorps program; and 2) has not provided an opportunity for final billing or program reports to be submitted. The YMCA expects that the amount it billed OCFS, the amount it properly could have billed under its AmeriCorps agreements, and program costs paid exclusively by the YMCA and reported as such, will be taken into consideration during the audit resolution process.

A. Criminal Background Checks

CNCS recently informed the YMCA that it will not question costs related to criminal background checks, *see* Items 1, 12 and 23 of the Excerpts, but that this will remain a compliance issue.[2]

The YMCA properly satisfied its duty to check for criminal backgrounds. It took all of the steps required by state and local law to screen its AmeriCorps members. These steps including fingerprinting and completing applications for criminal background information to the appropriate New York city and state authorities. Documentation verifying that the YMCA took these steps is contained in member files.

Furthermore, the YMCA has recently added additional safeguards to its employment screening process. These measures – which go far beyond the requirements of state and local law – ensure that employees and any future AmeriCorps members in the YMCA's programs are properly screened for a criminal history. The YMCA is prepared to discuss these measures during the Audit resolution process.

B. Member Living Allowances

With respect to living allowances, *see* Items 2, 13 and 24 of the Excerpts, the YMCA objects to certain portions of the findings. *First*, the Excerpts state that "Member files were not always available to show the basis of eligibility." *See* Items 2, 13, and 24. The YMCA is not certain what "not always available" means, but believes that this illustrates the difficult circumstances under which the Audit was conducted. As noted above, Snead refused to consider information that was not located at the YMCA administrative headquarters at the time of its visit. The YMCA will present information to correct and clarify the Excerpts during the audit resolution process.

Second, the Excerpts state that "[m]embers were paid living allowances after the termination of their services." *See* Items 2, 13 and 24. The YMCA believes that a large portion of those living allowances were not improperly paid by federal government funds. Rather, the YMCA allocated these costs, through an internal reconciliation of its financial ledgers, before seeking reimbursement from the federal government. Accordingly, many of the individuals who were paid after their AmeriCorps service was

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[2] Fax from Stuart Axenfeld (Audit Manager, CNCS OIG) to Eric D. Gill, dated May 10, 2006.

complete were paid with YMCA funds. Further, in some cases a bi-weekly payment convention was used to ensure that the AmeriCorps members received the monthly or total amount of the living allowance as permitted under the AmeriCorps contract provisions. The YMCA is prepared to further discuss these items during the Audit resolution process.

C. Education Awards

Concerning the education awards, *see* Items 3, 15 and 25 of the Excerpts, the YMCA acknowledges that there were inaccuracies in the recording of member service hours. The YMCA has implemented enhanced internal audit functions and a compliance system to guard against any similar problems.

The YMCA objects to certain portions of the findings. For 2004-2005, the YMCA did not have access to WBRS at the end of the program year and thus it could not complete its reporting of member hours.

There are potentially simple answers for some perceived irregularities. For example, the YMCA recorded its AmeriCorps members service hours on timesheets on a bi-weekly basis, consistent with its payroll system. The YMCA understands that some of the confusion by CNCS OIG was due to rollover of the several days at the end of each month in the WBRS program. For example, the day(s) in a month that exceeded four calendar weeks were sometimes moved into adjacent months for the WBRS report for that month. To the extent that any variance between member time sheets and WBRS is due to that reporting method, it should not be disallowed.

For the program year 2004-2005, *see* Item 15, the Excerpts state that CNCS is "questioning the education awards totaling $153,563 made to these 38 members." That statement is incorrect because the majority of members have had their education awards frozen and have not received them. As was discussed at the January 11, 2006 audit exit conference involving the YMCA, OCFS, CNCS, ONCS, and the OIG, we believe that all members should receive a *pro rata* education award that accurately reflects the hours they actually served. The YMCA looks forward to discussing this in greater detail during the Audit resolution process.

The YMCA's objections to the findings concerning lesson planning activities, *see* Items 3, 15 and 25 of the Excerpts, is set forth below.

D. Summer Camps, Holiday Camps and Lesson Planning

Member service hours earned in summer camp, holiday camp and for lesson planning should be included in the total hours credited towards education awards. It is an undeniable feature of the AmeriCorps program that Members, as part of their regular assignments, participated in extended hours of after-school service that cannot be strictly classified as "classroom activity." Members earned credit for these after-school activities. The program objectives and learning experiences associated with summer camp, holiday camp and lesson planning are consistent with after-school activities and also with objectives identified in the YMCA School Success AmeriCorps proposals and resulting funding grants.

Summer and holiday camp are a continuation of after-school programs in that they allow their participants to sustain academic and personal development from one school year to the next or over school holidays. Cultivating success in school focuses not only on academic achievement, but also upon the proven strategies of the YMCA in offering comprehensive year-round services. In addition, AmeriCorps Members involved in these programs provided the same level and quality of services, and were provided with the same support and supervision, as during AmeriCorps programs operated in the school year.

Not only were the objectives of summer camp, holiday camp and lesson planning consistent with Members' regular service, these programs were well-known to OCFS. In fact, OCFS approved members to meet additional service hour requirements during the summer. Service hours for summer camp, holiday camp and lesson planning were recorded in Members' files that were reviewed by OCFS staff during periodic site reviews. OCFS never objected to the earning of hours for these activities. Furthermore, with respect to lesson plans, the "AmeriCorps Member Service Description" states that developing lesson plans constituted a specific job activity. This document was provided to Members to indicate their service requirements and was reviewed by OCFS.

E. Evidence of Citizenship

The YMCA has undertaken a preliminary review of those members identified in Items 4 and 14 of the Excerpts. To date, three U.S. birth certificate for members were apparently overlooked by Snead. Those members are: Janet Vega, Tyrina Latoisa Bailey, and Rosa Maria Martinez. The YMCA hopes to provide additional information on this topic during the audit resolution process and any costs relating to the individuals identified should not be questioned.

F. Expenditures

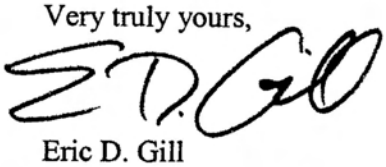
The YMCA does not challenge the statements in Item 26 of the Excerpts.

* * *

The YMCA realizes that OCFS is a critical partner for carrying out its mission to serve the New York community. The YMCA looks forward to strengthening this relationship so that their shared programs will run effectively and smoothly.

Please inform us if this response will be incorporated in OCFS's response to the draft audit report. If you have any questions, please do not hesitate to call me.

Very truly yours,



Eric D. Gill

cc: Ms. Sally Herrick
Mr. Matt Murrell
Ms. Denise Zimmer
Mr. Bernardo Velez

APPENDIX C

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE RESPONSE

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Elizabeth D. Seale, Acting Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator, Office of the CFO

Date: May 5, 2006

Subject: Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to the New York State Office of National and Community Service

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Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the New York State Office of National and Community Service (ONCS). We are addressing only two findings at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the New York Office to resolve the audit.

As noted in the draft summary, the auditors questioned $231,113 in claimed grant costs because 39 out of 159 member records tested did not have evidence of criminal background checks on members who were providing service to children or the auditors felt that the background checks were too limited in geographic area. Because the Corporation considers the lack of a criminal background check to be a grants compliance issue, not a failure to meet statutory eligibility requirements, we will allow questioned costs that result from this finding. However, while the finding may not result in disallowed costs, background checks are an important compliance issue and are required for members who have substantial contact with children and other vulnerable populations during their term of service. We are working with the ONCS to ensure background checks are completed when required. The Corporation also reviewed its current guidance on background checks and, in the near future, expects to issue regulations on criminal background checks that clearly describe the requirements.

The auditors questioned $41,519 of living allowance paid to some members who may have completed their service term early and received the full living allowance. Based on existing guidance at the time, we anticipate allowing the questioned costs. However, the Corporation recognized that programs needed additional guidance to ensure the intent of the living allowance was fully understood. We revised the grant provisions and issued a clarifying memo in September 2005 to ensure that policies for paying the living allowance are clear. In the future, programs will pay members only while serving.

The Corporation will address the remaining questioned costs and other findings during audit resolution after the audit is issued as final.