Office of Inspector General
Corporation for National and Community Service

AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE MASSACHUSETTS SERVICE ALLIANCE

OIG REPORT NUMBER 06-23

Prepared by:

Kearney & Company
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This report was issued to Corporation management on June 29, 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 29, 2006, and complete its corrective actions by June 29, 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

Audit of the Corporation for National and Community Service Grants Awarded to the Massachusetts Service Alliance Audit Report 06-23

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Kearney & Company (Kearney) to perform an audit of grants awarded to the Massachusetts Service Alliance (MSA). The audit generally covered the latest two years of performance of eight grants initially awarded during the period June 1, 2000, to January 1, 2005. This report is a revision of the report we issued on April 27, 2006, and deletes Finding 5 to correct factual information.

Funding authorized for these grants totaled about $21.5 million, with costs claimed totaling about $10.1 million from April 1, 2002, through March 31, 2005. The audit identified questioned grant costs, totaling $35,993, all of which relate to AmeriCorps grants: 00ASCMA022, 03ACHMA001, and 00ASFMA022. Most of these costs were questioned because documentation was lacking to show that criminal background checks had been completed for members who had contact with children or because living allowance costs were not supported by payroll registers. The auditors also questioned non-grant costs of $25,096 with regard to education awards.

The report also includes five findings (Findings 1 through 4, and Finding 6) with recommendations to improve compliance with grant requirements and to improve internal controls. MSA did not agree with all of the findings and recommendations (Appendix A), and the Corporation intends to address all findings and recommendations in its management decision (Appendix B). However, the Corporation advised that it considers the lack of a criminal background check to be a grant compliance issue, not a statutory eligibility issue, and therefore intends to allow costs questioned for lack of criminal background checks.

The OIG reviewed Kearney's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Consolidated Schedule of Awards and Claimed Costs, related exhibits and schedules, or conclusions on the effectiveness of internal controls and compliance with laws and regulations.

Kearney is responsible for its report and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with generally accepted government auditing standards.

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

AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE MASSACHUSETTS SERVICE ALLIANCE BOSTON, MASSACHUSETTS

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SUMMARY AND HIGHLIGHTS

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Office of Inspector General
Corporation for National and Community Service

This report is issued under an engagement with the Office of Inspector General (OIG) to audit the costs claimed by the Massachusetts Service Alliance (MSA) and its subgrantees, with the exception of subgrantee City Year, from April 1, 2002, through March 31, 2005, under the grants awarded by the Corporation for National and Community Service (Corporation). We conducted our audit fieldwork from July 11, through September 26, 2005, in accordance with generally accepted government auditing standards, and included such tests of internal controls as were considered necessary under the circumstances. This report summarizes the results of the audit and identifies instances of noncompliance with laws, regulations, and grant terms. In addition, the report discloses weaknesses in internal controls that were intended to ensure that grant funds were used for the purposes, and in the amounts, intended by the grants.

Our audit report expresses a qualified opinion on the Consolidated Schedule of Awards and Claimed Costs. Overall, we questioned costs totaling $61,089 ($35,993 of grant costs and $25,096 of education awards). The questioned grant costs represent .35 percent of the $10,148,130 in costs claimed by MSA during the audit period.

Background

The Corporation awards grants and cooperative agreements to state commissions such as MSA and other entities to assist in the creation of full-time and part-time national and community service programs.

MSA, a non-profit agency established in 1991, serves as the Massachusetts state commission for community service. MSA's mission is to generate an ethic of service throughout the Commonwealth of Massachusetts by creating and supporting service and volunteer opportunities for all age groups.

MSA invests funding into community-based organizations and mobilizes individuals and entities to link strategies related to community service, service learning, and volunteerism. MSA provides training to entities to help ensure the effectiveness of the programs and the volunteers within the program.

As of March 31, 2005, MSA had received funding from the Corporation for various programs within the scope of this engagement in the amount of $21,504,230. The majority of this amount was subgranted to numerous entities to carry out community service programs. A brief synopsis of the awards follows:

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MSA Grant Awards and Direct Funding

		Funding Authorized	Costs Claimed April 1, 2002, through March 31, 2005
00ASCMA022	AmeriCorps Competitive	$ 7,332,968	$ 2,852,250
03ACHMA001	AmeriCorps Competitive	5,943,575	1,834,278
Total AmeriCorps Competitive		13,276,543	4,686,528
00ASFMA022	AmeriCorps Formula	3,553,084	2,451,015
03AFHMA002	AmeriCorps Formula	2,882,848	1,840,495
Total AmeriCorps Formula		6,435,932	4,291,510
01SCSMA019	Administrative	546,406	452,605
04CAHMA001	Administrative	585,522	315,198
Total Administrative		1,131,928	767,803
02PDSMA019	Program Development Assistance and Training (PDAT)	480,827	402,289
05PTHMA001	PDAT	179,000	0
Total PDAT		659,827	402,289
Total Grants Administered by MSA		$ 21,504,230	$ 10,148,130

Grant Programs Audited

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

Program	Award Number	Award Period	Audit Period
Competitive	00ASCMA022	7/1/00 to 10/31/03	4/1/02 to 10/31/03
Competitive	03ACHMA001	8/11/03 to 6/30/07	8/11/03 to 3/31/05
Formula	00ASFMA022	6/1/00 to 1/31/04	4/1/02 to 1/31/04
Formula	03AFHMA002	9/3/03 to 8/22/06	9/3/03 to 3/31/05
Administrative	01SCSMA019	1/1/01 to 12/31/03	4/1/02 to 12/31/03
Administrative	04CAHMA001	1/1/04 to 12/31/06	1/1/04 to 3/31/05
PDAT	02PDSMA019	1/1/02 to 12/31/04	4/1/02 to 12/31/04
PDAT	05PTHMA001	1/1/05 to 12/31/07	1/1/05 to 3/31/05

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MSA subgrantees selected for detailed audit for the program years included in our audit scope include:

Subgrantee	Total Federal Costs Claimed	Percentage of Total Federal Costs Claimed
Media and Technology Charter High School (MATCH)	$ 158,847	1.57%
Reaching Out to Chelsea Adolescents (ROCA)	847,816	8.35%
Jumpstart	831,617	8.19%
Generations	736,010	7.25%
Springfield College	595,111	5.86%
YouthBuild	574,683	5.66%
Total Subgrantees	$ 3,744,084	36.89%

Summary of Results

Our audit report expresses a qualified opinion on the Consolidated Schedule of Awards and Claimed Costs. Questioned costs based on compliance and internal control issues and other compliance and internal control matters are summarized below.

We have issued a report, titled Independent Auditor's Report on Compliance and Internal Controls over Financial Reporting, which is applicable to the audit of the Consolidated Schedule of Awards and Claimed Costs. In that report, we identified findings required to be reported under *Government Auditing Standards*.

Questioned Costs Based on Compliance and Internal Control Issues

Our audit disclosed the following instances of noncompliance and internal control issues:

1. MSA did not have adequate review procedures in place to ensure that subgrantees documented member eligibility, recruitment, and selection. This resulted in $15,442 of questioned costs, $812 of applicable administrative cost, and $13,283 of education awards.

2. MSA did not adequately monitor member timesheets to ensure that subgrantees properly recorded hours in the Web-Based Reporting System (WBRS), paid living allowances according to provisions and, that the service performed was within the scope of the original grant requirements. This resulted in $11,813 of questioned education awards.

3. MSA did not have adequate financial monitoring procedures or other procedures in place to ensure that subgrantees did not claim unallowable and/or unsupported costs. This

resulted in $18,752 of questioned costs and an additional $987 of applicable administrative cost.

Other Compliance and Internal Control Matters

Our audit disclosed the following weaknesses in MSA's internal control structure and instances of noncompliance with Federal laws, applicable regulations, and award conditions:

4. MSA did not have adequate monitoring procedures in place to ensure subgrantees adequately maintained documentation of member records related to member evaluations, member contracts, and contract stipulations.

5. This finding was deleted; however, the finding number was retained for continuity with the earlier report and managements' comments.

6. MSA did not have adequate financial monitoring procedures in place to ensure that MSA and its subgrantees had adequate financial management systems.

Costs Questioned

As a result of our audit, we questioned grant costs totaling $35,993. The costs questioned comprise approximately .35 percent of the total $10,148,130 in reported costs claimed by MSA during the audit period: April 1, 2002, through March 31, 2005. A questioned cost is a potential violation of a provision, law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, a cost was not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the Corporation's National Service Trust. These award amounts are not funded by the Corporation grants and thus, are not included in claimed costs. As part of our audit, however, we determined the effect of audit findings on education award eligibility. Using the same criteria described above, we questioned education awards of $25,096.

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The following table presents the questioned Federal costs and education awards by exception:

Questioned for	Federal Costs Questioned	Education Awards Questioned
Inadequate Member Selection Monitoring		
Member background checks not documented	$ 12,387	$ 10,606
Member eligibility not documented	3,055	2,677
Inadequate Member Timesheet Monitoring		
Hardcopy timesheets do not support amounts in WBRS	0	11,813
Inadequate Financial Monitoring		
Payroll registers do not support living allowance submitted for reimbursement	14,917	0
Living allowance reimbursement greater than allowed percentage	1,854	0
Inadequate documentation to support cost	1,500	0
Excess reimbursement of member living allowance	312	0
Employer taxes charged to the incorrect Periodic Expense Report (PER) category	169	0
Subtotal	34,194	25,096
Applicable Administrative Cost	1,799	0
Total	$ 35,993	$ 25,096

Costs and education awards questioned, by grant, appear in Exhibit A and are summarized below:

Grant Number	Federal Costs Questioned	Education Awards Questioned
00ASCMA022	$ 11,243	$ 12,700
03ACHMA001	9,760	2,363
00ASFMA022	14,990	10,033
03AFHMA002	0	0
01SCSMA019	0	0
04CAHMA001	0	0
02PDSMA019	0	0
05PTHMA001	0	0
Total	$ 35,993	$ 25,096

We utilized audit sampling techniques to test the costs claimed by MSA and selected subgrantees. Based upon our sampling methodology, questioned costs in this report may not represent the total questioned, had all expenditures been tested. In addition, we have made no

attempt to project such costs to total expenditures incurred based on the relationship of costs tested to total costs.

Details on the questioned costs and education awards appear by subgrantee in Schedules B-1 through B-5.

Purpose and Scope of Audit

Our audit covered the costs claimed under the Corporation Grant Numbers 00ASCMA022 and 03ACHMA001 (AmeriCorps Competitive), 00ASFMA022 and 03AFHMA002 (AmeriCorps Formula), 01SCSMA019 and 04CAHMA001 (Administration), and 02PDSMA019 and 05PTHMA001 (PDAT), exclusive of subgrantee City Year, for the period April 1, 2002, through March 31, 2005.

The objectives of our audit were to determine whether:

- Financial management systems used by MSA presented accurate financial results of the sponsored programs
- Internal controls for financial and project systems complied with Corporation and Office of Management and Budget (OMB) requirements for administering grant funds
- MSA had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions, and that member services were appropriate to the programs
- Award costs reported to the Corporation were adequately documented and allowable in accordance with the award terms and conditions.

We performed the audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance regarding whether amounts claimed against the awards, as presented in the Consolidated Schedule of Awards and Claimed Costs, are free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Schedule of Awards and Claimed Costs. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for MSA and its subgrantees in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

The contents of this report were disclosed to and discussed with MSA officials at an exit conference on November 3, 2005. In addition, we provided a draft of this report to MSA and to the Corporation Management for comment. MSA and Corporation responses are included as Appendices A and B, respectively, in this report. As appropriate, we adjusted the findings and figures provided in our draft of this report based upon additional evidence provided by MSA.

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Follow-up on Prior Audit Findings

The most recent Pre-Audit survey of MSA was performed by KPMG, LLP (KPMG). Their report, Office of Inspector General (OIG) Audit Report Number 01-24, was dated October 27, 2000, and identified eight findings. Our audit followed-up on the status of findings and recommendations made in that report. All prior audit recommendations have been adequately implemented or otherwise resolved by the Corporation and MSA. KPMG's findings and the current state are summarized below:

- Commissioners and reviewers of potential subgrantees did not sign a required conflict of interest form, although reviewers were asked if there was a conflict of interest. MSA now requires all involved parties to sign a conflict of interest form.

- Documentation for applicants that were rejected for funding was missing. During our review, we noted that MSA maintains documentation supporting rejection.

- Documentation to support Administrative and PDAT Financial Status Reports (FSR) was unavailable. MSA provided all requested source documentation during our audit.

- An adequate process to review and assess the timeliness of subgrantee FSR submissions was not established. During our review, we found that MSA had implemented a process to review and assess the timeliness of subgrantee report submissions. While several submitted late reports, MSA was able to produce documentation explaining the late submissions or follow-up letters to the subgrantee.

- Accountable property was not tagged. During our review of internal controls, we noted that MSA was tagging property in order to safeguard assets.

- There was no formal policy to ensure MSA's computer system was backed up on a daily basis. During our review, we found that MSA has implemented a formal back-up policy. The policy states that the Office Manager (Executive Director (ED)) is responsible for ensuring that the computer system is backed up on a daily basis. In the ED's absence, two other individuals within the organization are designated to ensure this function has been completed. Once a month, a duplicate back-up tape is transferred from MSA's fire safe to the safety deposit box at a bank.

- Fiscal monitoring of subgrantees did not include any archived documentation. MSA represented that it now performs a fiscal review of subgrantees at least once every three years. We selected a sample of five subgrantees and confirmed that, of those that had been selected for a fiscal review, two received a fiscal review and had documentation verifying that the review had been completed.

- The standard monitoring tool needed refining to document the adequacy of the sample size and document which items were selected for review. During our review of the

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monitoring process, we found that monitoring tools contained the refinements suggested in the Pre-Audit Survey. The sample size is standardized as 25 percent of all member files, and increases to 100 percent if problems are found. When members are selected for review, their names are placed at the top of the monitoring tool. At the completion of the review, a summary list of all members tested is provided to the subgrantee.

Edward F. Kearney
September 26, 2005

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Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

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

Program	Award Number	Award Period	Audit Period
Competitive	00ASCMA022	7/1/00 to 10/31/03	4/1/02 to 10/31/03
Competitive	03ACHMA001	8/11/03 to 6/30/07	8/11/03 to 3/31/05
Formula	00ASFMA022	6/1/00 to 1/31/04	4/1/02 to 1/31/04
Formula	03AFHMA002	9/3/03 to 8/22/06	9/3/03 to 3/31/05
Administrative	01SCSMA019	1/1/01 to 12/31/03	4/1/02 to 12/31/03
Administrative	04CAHMA001	1/1/04 to 12/31/06	1/1/04 to 3/31/05
PDAT[1]	02PDSMA019	1/1/02 to 12/31/04	4/1/02 to 12/31/04
PDAT	05PTHMA001	1/1/05 to 12/31/07	1/1/05 to 3/31/05

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

In our opinion, except for the omission of the supporting source documentation related to the $35,993 in questioned costs discussed in the Supplemental Financial Schedules, the Consolidated Schedule of Awards and Claimed Costs presents fairly, in all material respects, the costs claimed for the period April 1, 2002, through March 31, 2005, in conformity with the terms of MSA's grant agreements with the Corporation.

[1] Program Development Assistance and Training

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In accordance with *Government Auditing Standards*, we have also issued our report, dated September 26, 2005, on compliance and internal controls over financial reporting.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation, MSA and its subgrantees, and the United States Congress.

Kearney & Company

September 26, 2005
Alexandria, Virginia

MASSACHUSETTS SERVICE ALLIANCE
CONSOLIDATED SCHEDULE OF AWARDS AND CLAIMED COSTS
For the Period April 1, 2002, through March 31, 2005

Corporation for National and Community Service Grants

		Funding Authorized	Claimed April 1, 2002, through March 31, 2005
00ASCMA022	AmeriCorps Competitive	$ 7,332,968	$ 2,852,250
03ACHMA001	AmeriCorps Competitive	5,943,575	1,834,278
Total AmeriCorps Competitive		13,276,543	4,686,528
00ASFMA022	AmeriCorps Formula	3,553,084	2,451,015
03AFHMA002	AmeriCorps Formula	2,882,848	1,840,495
Total AmeriCorps Formula		6,435,932	4,291,510
01SCSMA019	Administrative	546,406	452,605
04CAHMA001	Administrative	585,522	315,198
Total Administrative		1,131,928	767,803
02PDSMA019	Program Development Assistance and Training (PDAT)	480,827	402,289
05PTHMA001	PDAT	179,000	0
Total PDAT		659,827	402,289
Total Grants Administered by MSA		$ 21,504,230	$ 10,148,130

Summary of Significant Accounting Policies

Reporting Entity

The accompanying Consolidated Schedule of Awards and Claimed Costs includes amounts budgeted and claimed under AmeriCorps Competitive, AmeriCorps Formula, PDAT, and Administrative grants awarded to MSA by the Corporation for the period from April 1, 2002, through March 31, 2005.

MSA awards its AmeriCorps Competitive and AmeriCorps Formula grants to numerous subgrantees that carry out the AmeriCorps programs and report financial and programmatic results to MSA and the Corporation.

Basis of Accounting

The accompanying Consolidated Schedule of Awards and Claimed Costs was prepared in accordance with the provisions of grant agreements.

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Office of Inspector General
Corporation for National and Community Service

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

We have audited the Consolidated Schedule of Awards and Claimed Costs of the Massachusetts Service Alliance (MSA) and have issued our report thereon, dated September 26, 2005, covering the awards listed below.

Program	Award Number	Award Period	Audit Period
Competitive	00ASCMA022	7/1/00 to 10/31/03	4/1/02 to 10/31/03
Competitive	03ACHMA001	8/11/03 to 6/30/07	8/11/03 to 3/31/05
Formula	00ASFMA022	6/1/00 to 1/31/04	4/1/02 to 1/31/04
Formula	03AFHMA002	9/3/03 to 8/22/06	9/3/03 to 3/31/05
Administrative	01SCSMA019	1/1/01 to 12/31/03	4/1/02 to 12/31/03
Administrative	04CAHMA001	1/1/04 to 12/31/06	1/1/04 to 3/31/05
PDAT[1]	02PDSMA019	1/1/02 to 12/31/04	4/1/02 to 12/31/04
PDAT	05PTHMA001	1/1/05 to 12/31/07	1/1/05 to 3/31/05

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

In planning and performing our audit of award costs as presented in the Consolidated Schedule of Awards and Claimed Costs for the period April 1, 2002, through March 31, 2005, we considered MSA's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedule, and not to provide assurance on the internal controls over financial reporting. Consequently, we do not provide an opinion on internal controls.

Our consideration of internal controls would not necessarily disclose all matters of internal control over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the entity's ability to record,

[1] Program Development Assistance and Training

process, summarize, and report financial data consistent with the assertions of management in the financial schedules. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts, which would be material in relation to the financial schedules being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The following reportable conditions were identified during our audit.

Questioned Costs Based on Compliance and Internal Control Issues

Finding Number 1 – Inadequate Documentation of Membership Eligibility, Recruitment, and Selection

Condition

MSA did not ensure that its subgrantees had an accurate and unified understanding of what constitutes acceptable criminal background check and eligibility documentation for grant compliance purposes. Also, MSA did not have adequate monitoring procedures in place to ensure that proper documentation was maintained.

- The records of 12 members (out of 165 tested) were lacking evidence of completion of a criminal background check, even though these 12 members had substantial direct contact with children while participating in the program. Not performing a criminal background check violates the terms of the grant and can put beneficiaries, staff and members in harm's way. We have questioned $12,387 in member support costs, $652 for the applicable administrative cost and an additional $10,606 in education awards.

  The following table summarizes the subgrantees that failed to maintain sufficient documentation to verify completion of criminal background checks:

Lack of Documentation for Criminal Background Checks				
Subgrantee	**Member Files Lacking Documentation**	**Program Years**	**Questioned Cost**	**Questioned Education Award**
Reaching Out to Chelsea Adolescents (ROCA)	3	2002-2003	$ 3,200	$ 0
Jumpstart	1	2003-2004	0	0
Generations	2	2001-2002, 2002-2003	5,134	5,975
YouthBuild	4	2001-2002, 2002-2003	4,053	4,631
Northeastern University	2	2002-2003, 2003-2004	N/A	N/A
MSA Total	12		12,387	$ 10,606
Related Administrative Cost			652	
MSA Total (Including Administrative Cost)			$ 13,039	

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 6. Eligibility, Recruitment, and Selection, h. Criminal Background Checks, states:

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

- The files of 6 members (out of 165 tested) did not contain adequate evidence to support the eligibility. Examples of missing items included:

  - A self certification of having received a high school diploma or an agreement to obtain a high school diploma
  - Documentation to prove the member's age (thus the member was determined to have not met the age requirement and to be lacking parental consent)
  - Proper proof of citizenship, such as a birth certificate or passport.

We have questioned $3,055 in member support costs, $160 for the applicable administrative cost, and an additional $2,677 in education awards.

The following table summarizes the subgrantees that did not maintain sufficient documentation in member files to verify members' eligibility:

Lack of Documentation for Eligibility

Subgrantee	Member Files Lacking Documentation	Program Years	Questioned Cost	Questioned Education Award
ROCA	1	2002-2003	$ 0	$ 0
Jumpstart	2	2002-2003, 2003-2004	0	2,000
Generations	1	2002-2003	2,347	0
YouthBuild	2	2001-2002, 2002-2003	708	677
MSA Total	6		3,055	$ 2,677
Related Administrative Cost			160	
MSA Total (Including Administrative Cost)			$ 3,215	

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 6. Eligibility, Recruitment, and Selection, a. Eligibility to Enroll, states:

> The Grantee may select as AmeriCorps members only those individuals who are eligible to enroll in AmeriCorps. In order to be eligible, an individual must meet the statutory requirements of the definition of a member (see Definitions). The Grantee is responsible for obtaining and maintaining adequate documentation to demonstrate the eligibility of members.

AmeriCorps Provisions, A. Definitions, 14, states:

> Member means an individual:
>
> a. Who is enrolled in an approved National service position;
> b. Who is a U.S. citizen, U.S. national or lawful permanent resident alien of the United States;
> c. Who is at least 17 years of age at the commencement of service unless the member is out of school and enrolled:
> i. In a full-time, year-round Youth Corps Program or full-time summer Program as defined in the Act (42 U.S.C. 12572 (a) (2)), in which case he or she must be between the ages of 16 and 25, inclusive, or
> ii. In a Program for economically disadvantaged youth as defined in the Act (42 U.S.C. 12572 (a)(9)), in which case he or she must be between the ages of 16 and 24, inclusive; and
> d. Has a high school diploma or an equivalency certificate (or agrees to obtain a high school diploma or its equivalent before using an education award) and who has not dropped out of elementary or secondary school in order to enroll as an AmeriCorps member (unless enrolled in an institution of higher education on an ability to benefit basis and is considered eligible for funds under section 484 of the Higher Education Act of 1965, 20 U.S.C. 1091), or

who has been determined through an independent assessment conducted by the Program to be incapable of obtaining a high school diploma or its equivalent.

Recommendation

MSA should provide its subgrantees with clear guidance regarding what constitutes acceptable documentation to support eligibility and what documentation is considered adequate to prove that a criminal background check was completed. MSA should instruct subgrantees to perform a criminal background check on all members or employees who have substantial direct contact with children and other vulnerable persons and maintain this documentation. A statement in the member's record, if state law requires that the actual criminal background check documentation be expunged, should be maintained stating that a criminal background check was completed. In addition, the Corporation should ensure that MSA monitors records to ensure proper documentation is maintained.

In addition, we recommend that MSA ensure that all subgrantees:

- Maintain documentation, in accordance with state law, to prove that a criminal background check was completed
- Maintain documentation to support all eligibility requirements.

MSA's Response

MSA does not agree with the finding regarding criminal background checks. MSA believes that its two-day AmeriCorps Program Director Training, Program Director check of understanding, and close monitoring demonstrates MSA's understanding of background check and eligibility requirements. MSA also disagrees with the 12 incidents in which background checks were not provided and asserted that for 7 members it can document the request for background check, and that the remaining 5 members did not have "sustained, direct and unmonitored contact with children."

MSA did not dispute the finding that the files of 6 members out of 165 tested were missing eligibility documentation. However, MSA noted that all but one of the six members addressed in the finding occurred before the 2003-2004 program year; thus its system is now effective.

Auditor's Comment

Subsequent to the exit conference, we allowed MSA to provide support for documentation that was not available during the audit, which resulted in the elimination of 18 background check exceptions, 17 of which were from program year 2004-2005 (6 exceptions) and program year 2003-2004 (11 exceptions). Note that nine of the 2003-2004 exceptions were the most recent year for one program. Also, 15 documentation exceptions, including 8 from program year 2003-2004 were eliminated. We maintain, since the information was not readily available during the audit, that the process is not functioning as well as MSA maintains. A dependable process

should be able to produce required documentation. We acknowledge that, subsequent to program year 2003-2004, MSA implemented procedures to aid in the prevention of missing member file documentation.

However, with regard to the criminal background checks for seven members, a signed request form does not provide evidence that a criminal background check had been completed. We did not need to view the results of criminal background checks, but we did need to view documentation that would cause us to conclude that the checks had been completed. Otherwise, neither we nor the Corporation can conclude that the check was in fact completed. We further note that MSA provided no evidence that those background checks were completed, only that they had been requested. The remaining five members performed functions such as monitoring a violence youth meeting, helping with the peer leaders class, contacting youth, coaching volleyball, and providing service for an after-school program. We believe these member activities meet the substantial direct contact with children requirement of the AmeriCorps provision, and accordingly, background checks were required for these members.

Accordingly, we continue to support the recommendations.

Finding Number 2 – Inadequate Timesheet Monitoring

Condition

MSA did not have monitoring procedures in place to verify that subgrantees' member timesheets were properly reviewed to ensure the following:

- A periodic reconciliation of hours entered into the Web Based Reporting System (WBRS) with the hours recorded on the members' timesheets occurred
- Member service hours recorded on timesheets were not used as a basis for payment of the living allowance
- Member activities complied with grant intent.

Specific instances include:

- The records of 71 (out of 165 tested) members contained timesheets that did not match hours recorded in WBRS. Reasons for the discrepancies varied at the member level. Examples include:
    - A member was released from the program but continued to serve several more days, thus timesheet hours were greater than those in WBRS
    - A member served extra hours with a church group but did not record these hours on the timesheet, thus timesheet hours were less than those in WBRS
    - Timesheets were lost, thus the number of hours in WBRS was greater than the timesheets stated.

We have questioned $11,813 in education awards related to member education awards that have not previously been questioned, based on timesheets not substantiating WBRS entries.

The following table summarizes the subgrantees that did not maintain proper timesheets:

Lack of Proper Timesheet Maintenance			
Subgrantee	**Member Files Lacking Documentation**	**Program Years**	**Questioned Education Award**
Media and Technology Charter High School (MATCH)	2	2004-2005	$ 0
ROCA	1	2002-2003	0
Jumpstart	3	2002-2003, 2004-2005	0
Generations	8	2001-2002, 2002-2003, 2003-2004, 2004-2005	7,088
Springfield College	15	2001-2002, 2002-2003, 2004-2005	0
YouthBuild	23	2001-2002, 2002-2003, 2004-2005	4,725
Northeastern University	19	2001-2002, 2002-2003, 2003-2004	N/A
MSA Total	71		$ 11,813

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 14. Member Records and Confidentiality, a. Record-keeping, states:

> The Grantee must maintain records specified in (b) below that document each member's eligibility to serve pursuant to the member eligibility requirements in the definitions section of these provisions. The records must be sufficient to establish that the individual was eligible to participate in the program and that the member successfully completed the program requirements.

- Members were improperly paid the living allowance based on the number of hours they served instead of a flat rate. For program years 2001-2002 and 2002-2003, the payroll register shows allowances paid based upon the number of service hours. Member timesheets for the same period contained a statement such as "Pay for ___ hours." For program year 2004-2005, interviews with two current members were conducted and each member stated that they were paid hourly. The member living allowance was inappropriately paid on an hourly basis instead of a flat stipend, as required by the provisions.

AmeriCorps Provisions, B. AmeriCorps Special Provisions, 11. Living Allowances and Other In-Service Benefits, b. Living Allowance Disbursement, states:

> The living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given time period. Programs should pay the living allowance in increments, such as weekly or biweekly. Programs may use their organization's payroll system to process members' living allowances. However, if a payroll system cannot be altered and must show 40 hours in order to distribute a living allowance, then members' service hours should be documented separately to keep track of their progress towards the Program's total required AmeriCorps service hours.

- The records of two 2 Northeastern University members (out of 165 tested), for program years 2001-2002 and 2003-2004, showed that the majority of their service time was not spent on designated grant activities. Timesheet descriptions were compared to member position descriptions and significant variances were found. One member's position description stated she would "direct an effort to build a community-wide infrastructure ... be responsible for facilitating a Leadership Advisory Council and building a providers network ... increase the number of youth service programs." Timesheets revealed that the member spent the majority of their time working on a college tour. The second member was to "be responsible for coordinating community linkages for the ATLAS Adventures after-school program and building relationships with programs and organizations in the Dorchester community." Activities performed by this member, according to timesheets, included: swimming, art, movies, park, games, a trip to the zoo, reading, sunbathing, homework, tutoring and class with the kids." Northeastern University received its funding as a Promise Fellows grant, and the grant provisions did not require Northeastern University to submit Financial Status Reports (FSRs) and Periodic Expense Reports (PERs). We could not assess whether funds were inappropriately reimbursed. As a result of this condition, members could receive a living allowance and education award without having performed any of their required activities.

  AmeriCorps Provision 15(a) states, "Parent Organizations must obtain the prior written approval of the AmeriCorps Program Office before making the following changes in the approved Program:

  a. Changes in the scope, objectives or goals of the Program, whether or not they involve budgetary changes;
  b. Substantial changes in the level of participant supervision;
  c. 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 MSA to establish monitoring procedures to ensure that member timesheets are properly reviewed to ensure subgrantees:

- Perform a periodic reconciliation of hours entered into WBRS with the hours recorded on members' timesheets
- Distribute a living allowance that does not fluctuate with the number of service hours performed
- Monitor to ensure that member activities comply with grant intent.

MSA's Response

MSA does not agree with the finding regarding procedures to ensure the proper review of timesheets. MSA believes that its two-day AmeriCorps Program Director Training, Program Director check of understanding, and close monitoring demonstrates MSA's understanding of timesheets review. MSA disagrees with 44 of the exceptions since MSA does not require posting in WBRS the timesheets of members who have fulfilled the minimum education award hours.

MSA notes, with 2 exceptions, the remaining 27 member instances listed above occurred before the 2003-2004 Program Year. MSA believes this demonstrates the effectiveness of the improvements that were made in its monitoring systems at the time. Further, it believes this reflects human error and not a systemic weakness.

MSA also advised that hours were different for one member because the member was arrested and served two days after his arrest. Upon learning of the arrest, the member was terminated and the date of termination was effective the date of the arrest. Accordingly, the hours in those two days were not entered into WBRS.

The finding regarding payment of living allowance on an hourly rate was directed to YouthBuild. A YouthBuild weekly stipend varies for each member based on the member's start date. AmeriCorps provisions allow for the establishment of fines for tardiness and absenteeism, and YouthBuild defines these penalties in its member handbook and contract. The contract also clearly defines the payment that members receive as a stipend based on participation. Since YouthBuild's payment management system does not allow for fines to be deducted from a regular stipend entry, member payments appear to vary upon the number of hours served. AmeriCorps provisions allow for such processing and deductions, "If a payment management system cannot be altered and must show 40 hours in order to distribute a living allowance, the members' service hours should be documented separately to keep track of their progress towards the Program's total required AmeriCorps service hours." Given the complexity of this system and the opportunity it presents for misunderstanding, as of December 12, 2005, YouthBuild has removed all fines from the program and payroll.

MSA disagrees with both exceptions with regard to Northeastern University members that the majority of member activities must align with the member position description. It argues that there is nothing to prohibit programs responding to the changing needs of their community partners by altering member activities as long as the activities in which members engage align with those approved in the grant. In each of the cited exceptions, the AmeriCorps members completed the work outlined in the description and did other activities that were outside of the position description but within the approved grant activities and member service plan.

Therefore, MSA disputes 47 of the 74 specific instances, and disagrees with the main principle of Finding Number 2.

Auditor's Comment

We agree that MSA now has improved procedures in place to aid in the prevention of most occurrences of noncompliance. A total of 1,700 hours is the minimum requirement for earning an education award; however, the requirement is not a limitation on a member's service. As long as a person is serving in the AmeriCorps Program, the person is entitled to the benefits of the Program. A member's time needs to be recorded into WBRS in order to accurately depict a member's service and entitlement. The provisions do not provide for understatement of a member's actual hours.

These exceptions represent approximately two thirds of the exceptions, and they occurred throughout the audit period. MSA maintains that no new procedures are necessary since 25 exceptions occurred before their new procedures were implemented. MSA's new procedures are still permitting unacceptable timekeeping practices. We still maintain that enhanced procedures are required to eliminate the recurrence of instances similar to the 44 exceptions discussed above.

We note MSA's explanation of a member who served for two days after arrest and the subsequent termination with an effective date to coincide with the arrest. However, if the member is found not guilty, he or she is entitled to reinstatement. MSA provided no reason under Corporation policy to backdate the termination. MSA does not offer the reason for the arrest, and the Corporation may wish to review the circumstances.

In regard to YouthBuild's hourly payments, we understand that some payment management systems must show 40 hours to allow for accurate payment. However, this was not the case at YouthBuild. Thus, the 2004 AmeriCorps provisions, § 11B with regard to keeping hours separately from the payment management system is not applicable. YouthBuild member hours varied in the payroll register, in addition to having a voluntary deduction labeled as fines. Furthermore, when hours varied from 80 (bi-weekly payments), the dollar amount of the variance did not correspond to any amount listed in the fine policy. In addition, differing payments based on start date lends itself to members receiving an hourly rate, as opposed to a straight bi-weekly stipend.

In regard to Northeastern University, the position description contains the activities that members will engage in throughout their service. When these descriptions are compared to the service plan, the two position descriptions reasonably align. When these plans of service are compared with the timesheets of the members that demonstrate how time was actually spent, discrepancies are found. Thus, the actual service provided appears to be different from the original intent. Management controls provided by an accurate position description are reduced when entities allow member activities that vary substantially from approved position descriptions.

Accordingly, we continue to support the recommendations.

Finding Number 3 – Inadequate Financial Monitoring Procedures

Condition

MSA did not review the supporting documentation submitted by subgrantees with the PER to determine if the costs reimbursed were allowable, correctly categorized, and contained adequate supporting documentation. The lack of review procedures precluded MSA from preventing unallowable reimbursement of costs. In addition, MSA did not provide adequate training and specific guidance that required subgrantees to submit expenses with sufficient supporting documentation and maintain the documentation in accordance with the AmeriCorps provisions.

Specific instances include:

- Based on testing performed for five payroll periods at YouthBuild, it was determined that the amount of member living allowances being charged to the grant exceeded the amount paid to members reflected in the payroll register. We have questioned costs in the amount of $15,702 for the over-reimbursement of living allowances of $14,917 and the applicable administrative cost of $785.

- In January 2005, MATCH submitted for reimbursement $1,700 of member support costs incurred in August and September 2004. The results of our testing indicated that $312 of this submission was unallowable because this amount was previously reimbursed. This has resulted in $328 of questioned costs, including $312 of questioned costs and an additional $16 of applicable administrative cost.

  The following criteria refer to the two preceding specific instances only. OMB Circular A-122, Attachment A - General Principles, Subpart A - Basic Considerations, Factors Affecting Allowability of Costs, states:

  > To be allowable under an award, costs must meet the following general criteria:
  >
  > a. Be reasonable for the performance of the award and be allocable thereto under these principles.

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

- Generations requested reimbursement of member support costs (living allowance and Federal Insurance Contributions Act (FICA)) in excess of the Corporation's ceiling, $8,415 or 85 percent of $9,900, during budget period 2003-2004. Generations mistakenly calculated the maximum amount the Corporation would reimburse as $8,500 instead of $8,415. This led to an overpayment of $1,854 in member support costs for 27 members, and the applicable administrative cost of $98.

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

  > The living allowance match must come from non-Federal sources, unless an exception for lack of available financial resources at the local level under 42 U.S.C. 12594 (g) is specifically approved in the Special Conditions of the Award document. Programs that want to provide a living allowance in excess of the minimum amount stated in the Application Guidelines must provide a Grantee match for all funds over 85% of that minimum.

- MATCH did not maintain adequate supporting documentation for a transaction charged as a direct cost to the grant award. MATCH incurred a $3,000 cost for a training session for members for which it was unable to provide any supporting documentation. The total cost was allocated equally between the grantee and Federal portion on the PER. This resulted in questioned costs of $1,579, including $1,500 for the unsupported transaction and the applicable administrative cost of $79.

  AmeriCorps Provisions, C. General Provisions, 22. Financial Management Provisions, b. Source Documentation, states:

  > The Grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under this Grant. Costs must be shown in books or records [e.g., a disbursement ledger or journal], and must be supported by a source document, such as a receipt, travel voucher, invoice, bill, in-kind voucher, or similar document.

- From December 2004, through March 2005, MATCH included the Program Director's employer portion of FICA expense in the Member Cost section of the PER instead of the Program Operating Cost section. This resulted in MATCH receiving FICA expenses being reimbursed at 75 percent, as opposed to the allowed 67 percent for Program Operating Costs. We have questioned costs related to the overpayment of fringe benefits in the amount of $178, including $169 for reimbursed FICA expenses and the applicable administrative cost of $9.

  AmeriCorps Provisions, B. AmeriCorps Special Provisions, 13. Matching Requirements, a. Matching Obligation, states:

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

Recommendation

The Corporation should require that MSA improve its review of financial documentation submitted by subgrantees with the PER. The Corporation should determine the allowability of the costs questioned, $18,752, and recover costs that are not allowable or allocable to the grant, including administrative costs, $987, applied to the disallowed costs. In addition, we recommend that MSA ensure that subgrantees:

- Adhere to the Corporation's member support cost reimbursement ceiling (85 percent of maximum allowed amount)
- Categorize all expenses properly
- Maintain adequate supporting documentation of claimed costs
- Review PER support documentation to ensure the proper amount is submitted for reimbursement
- Submit expenses for reimbursement not more than once.

MSA's Response

MSA disagrees with this finding. MSA has a system in place to train and monitor subgrantees on their fiscal reporting requirements.

YouthBuild lost AmeriCorps grant funding and did not retain records previously reviewed by MSA staff. YouthBuild now recognizes the need to retain records regardless of future AmeriCorps funding. Since its refunding in 2004, YouthBuild Boston has provided a copy of its general ledger to substantiate each reimbursement request.

In transferring the budget to the fiscal system, Generations staff made an error resulting in the above finding. Generations has adjusted a reimbursement request to reflect the substitution of $1,854 in allowable costs and has moved the questioned costs to match, since the program pays a higher stipend to members than the required minimum.

The MATCH program was a first-time subgrantee in 2004 and was learning how to navigate AmeriCorps reporting. Due to MSA fiscal monitoring practices, the member reimbursement and FICA filing in question were caught by MSA program officers in January 2005, prior to this audit, and were in the process of being addressed. The $312 over-reimbursement was subtracted from the June 2005 program reimbursement, as were the administrative costs.

The MATCH Program Director's FICA expense was corrected in the PER but was not returned since it is an allowable cost. Under the AmeriCorps grant provisions, the 33 percent match is an aggregate and does not apply to individual line items.

Finally, regarding the lack of supporting documentation for $1,500 for member training, MSA disagrees that the program lacks adequate documentation for this expense.

Therefore, MSA disputes 3 of the 5 specific instances, and disagrees with the main principle of Finding Number 3.

Auditor's Comment

We agree that MSA now has procedures in place to aid in the prevention of the occurrences of noncompliance.

With regard to YouthBuild, record retention to support grant expenditures is mandatory regardless of whether funding is provided on a continuing basis. AmeriCorps Provision 27 requires recipients to maintain written documentation for three years. OMB Circular A-110, now 2 CFR Part 215, also imposes a comparable record retention requirement on entities receiving Federal funds. MSA has stated that YouthBuild now recognizes retention requirements, which should preclude recurrence of the condition.

With regard to Generations, we are pleased the error has been corrected along with the underlying cause.

With regard to MATCH's member over-reimbursement, MATCH and MSA offered no evidence during the audit that MATCH had identified and was in the process of correcting the error. With regard to MATCH's FICA expense, the Program Director's employer portion of FICA expense was reported in the Member Cost section of the PER instead of the Program Operating Cost

section. This resulted in MATCH receiving reimbursement for FICA expenses at 75 percent, as opposed to the allowed 67 percent for program operating costs. Thus, we maintain the position that MATCH was over-reimbursed for these expenses, as the costs were included in the 85 percent reimbursement category, not the 67 percent category.

We maintain that MATCH had inadequate documentation for the $1,500 of training costs. The information provided did not conclusively demonstrate that training was held and the associated cost incurred; it only provided circumstantial evidence related to planned activities. Such information included portions of the payroll register. This information demonstrates that the school paid these teachers. The list of teachers detailing the time they spent training and the information provided for them was made after the fact and lists total costs at $1,560, $1,440 short of the total costs incurred. The training outline, which does not provide any information of the costs associated with the training, and the final documents provided, are portions of the member contracts which state that the teachers have opportunity to provide training and receive additional compensation. This information does not provide the costs associated with the training. In addition, contracts do not state that teachers will receive compensation of $125; instead it provides for $20 (or no specific hourly amount) for curriculum/training, thus creating an additional discrepancy.

Accordingly, we continue to support the recommendations.

Other Compliance and Internal Control Matters

Finding Number 4 – Inadequate Member Records Maintenance

Condition

MSA did not adequately monitor subgrantees to ensure that all documentation, such as member evaluations, contract stipulations (position descriptions and Drug-Free Workplace Policy) and member contracts were maintained and that subgrantees received guidance on standard sections contained in member contracts. As a result, subgrantees did not consistently maintain such member documentation.

Specific instances include:

- The records of 16 (out of 165 tested) members were lacking a mid-term evaluation. One subgrantee was unaware that evaluations were to be written and stated that they were conducted orally. Other subgrantees could not locate documentation of evaluations. The records of 20 members (out of 165 tested) were lacking an end-of-term evaluation. Several members left the program early, leaving the subgrantee unable to complete an evaluation. As a result, members who had not received a positive evaluation could be accepted as an AmeriCorps member for additional terms.

  The following table summarizes the subgrantees that did not maintain sufficient documentation in its member files to verify mid-term evaluations:

Lack of Mid-Term Evaluation

Subgrantee	Member Files Lacking Documentation	Program Years
ROCA	1	2002-2003
Jumpstart	2	2001-2002, 2003-2004
Generations	9	2001-2002, 2002-2003, 2003-2004
YouthBuild	2	2002-2003
Northeastern University	2	2001-2002

The following table documents the subgrantees that did not maintain sufficient documentation in member files to verify end-of-term evaluations:

Lack of End-of-Term Evaluation

Subgrantee	Member Files Lacking Documentation	Program Years
Jumpstart	2	2002-2003, 2003-2004
Generations	11	2001-2002, 2002-2003, 2003-2004
Springfield College	3	2002-2003, 2003-2004
YouthBuild	3	2001-2002, 2002-2003
Northeastern University	1	2002-2003

AmeriCorps provision Section B.7 g., Performance Reviews, states:

> The Grantee must conduct and keep a record of at least a mid-term and end-of-term written evaluation of each member's performance, focusing on such factors as:
>
> i. Whether the member has completed the required number of hours;
> ii. Whether the member has satisfactorily completed assignments; and
> iii. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

- The contracts of 60 members (out of 165 tested) did not contain all of the required attributes of a member contract before the signature such as:

  - ROCA did not have position descriptions contained in its member contract
  - YouthBuild and Northeastern University did not have position descriptions or a Drug-Free Workplace Policy in, or referenced to, the member contracts.

The following table summarizes the subgrantees that did not include all required attributes in member contracts:

Contract Stipulations		
Subgrantee	**Member Files Lacking Documentation**	**Program Years**
ROCA	10	2002-2003
YouthBuild	18	2001-2002, 2002-2003
Northeastern University	32	2001-2002, 2002-2003, 2003-2004

Position descriptions will enhance MSA's ability to ensure member activities are allowed by grant provisions. Not having a Drug-Free Workplace Policy in, or referenced to, the member contract is a violation of Federal requirements.

- The records of 4 members (out of 165 tested) did not contain any member contracts. This could result in members not being legally enrolled in the program and not being aware of their commitment. Also, missing contracts and lack of information could have led to members being unaware of Corporation policies.

The following table summarizes the subgrantees that did not maintain member contracts for all members' files:

Lack of Member Contracts		
Subgrantee	**Member Files Lacking Documentation**	**Program Years**
Generations	2	2001-2002, 2003-2004
YouthBuild	2	2002-2003

The following criteria refer to the two preceding specific instances only. AmeriCorps Provisions, B. AmeriCorps Special Provisions, 7. Training, Supervision and Support, b. Member Contracts, states:

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

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

Recommendation

The Corporation should work with MSA to ensure that requirements for maintenance of documentation are established for subgrantees and that guidance on standard sections of the member contracts is conveyed by MSA to subgrantees.

In addition, we recommend that MSA ensure that subgrantees:

- Complete both a mid-term and an end-of-term evaluation and that these documents are maintained in each member's file
- Include position descriptions and a Drug-Free Workplace Policy in all member contracts and retain this information in each member's file
- Maintain a signed member contract that is kept in each member's file.

MSA's Response

MSA disagrees with this finding. MSA has a system in place to train and monitor subgrantees on their required member documentation and evaluations.

With three exceptions, the mid-term evaluation member findings listed above occurred before the 2003-2004 program year. The change from oral to written evaluations demonstrates the effectiveness of the improvements that were made in our monitoring systems at that time. Regarding the end-of-term evaluations, with four exceptions the end-of-term evaluations findings occurred before 2003-2004. MSA believes that the above exceptions reflect human error and not a systemic weakness. Finally, in three instances (one post 2003-2004) the program has alternative documentation for members leaving the program.

Regarding member contracts, prior to 2003-2004, ROCA included a signed position description in the member application which was in some member files, but not all, because members would frequently retain the description for their own reference. When this problem was noted in 2003, the member contract was rewritten to include an embedded position description, in addition to a separate take-away position description for the member.

Northeastern University has always included a position description and Drug-Free Workplace Policy in its member contract; however the signature page accepting the contents is located before this information. In the spirit of continuous improvement, Northeastern University has amended its current contract to include a space for members to initial that they have read and agreed to the position description and program policies before the signatures in the text of the contract.

YouthBuild Boston had position descriptions as a separate attachment in 2001-2002 and 2002-2003. In those years, it also required the separate submission of a signed copy of the Drug-Free

Workplace Policy and the policy was also part of the member handbook. Since 2004-2005, its contracts have included a position description and separate signed Drug Free Workplace Policy.

Of the four member contract findings, three occurred before 2003-2004. MSA believes that this demonstrates the effectiveness of the improvements that were made in its monitoring systems at that time and that the single remaining finding reflects human error and not a systemic weakness. Finally, a verbal contract is binding in the Commonwealth of Massachusetts. By reporting for service and receiving their stipends, members are legally enrolled in the program. They also attended member training where Corporation policies were communicated.

Therefore MSA disputes 35 of the 100 specific findings, and disagrees with the general Finding Number 4.

Auditor's Comment

We agree that MSA now has procedures in place to aid in the prevention of the occurrences of noncompliance. We do acknowledge that the exception rate has decreased in recent years and that MSA's revised procedures are a positive change. However, we still identified exceptions after the implementation of the new procedures. For both mid-term and end-of-term evaluations, the exceptions which occurred after the new procedures approximated 20 percent of the total. We maintain our position that MSA needs to emphasize the importance of completing mid-term and end-of-term evaluations.

With regard to evaluations, while it is best that an evaluation be completed with the members present, the provisions only require an evaluation be completed. If the member is unavailable, an evaluation can still be completed. Please note that we have removed from the finding instances where we received documentation describing a member's poor performance and prohibition of future service.

In regard to ROCA's position descriptions for members, AmeriCorps requires the description be maintained in the member contract, not the member application. MSA advised that ROCA had corrected this exception as a result of MSA's monitoring in 2003, and now ROCA "embeds" the position description in the member contract.

With regard to Northeastern University and YouthBuild, it is our position that any information contained after the member signature is not included in the contract unless it was specifically referred to prior to the signature. The amendments to the contracts that have been made by Northeastern University and YouthBuild correct this error.

MSA maintains that verbal contracts are legally binding in Massachusetts and implies that the legal interpretation mitigates the member contract finding. AmeriCorps provisions specifically require written contracts. MSA, YouthBuild, and Generations were not in compliance with AmeriCorps provisions regarding the missing contracts. While MSA maintains that its new procedures reduced exceptions, the exceptions are still occurring at approximately the same annual rate before and after the implementation of the new procedures.

Accordingly, we continue to support our recommendations.

Finding Number 5

This finding was deleted; however, the finding number was retained for continuity with the earlier report and managements' comments.

Finding Number 6 – Inadequate Monitoring of Financial Management System

Condition

MSA did not perform a self-evaluation and an evaluation of its subgrantees' internal controls over the financial management system including written policies and procedures, payroll processing and payments, and disbursements.

Specific instances include:

- At YouthBuild, our review disclosed that the amount of FICA withheld did not amount to 7.65 percent of the total taxable amount. This was true for the withholdings of 5 out of 15 employees and members tested. In all instances, the amount withheld was less than the amount required by law; thus no additional Federal funds were used. Amounts related to FICA withholdings were not in accordance with applicable law.

  AmeriCorps Provisions section B, 11. Living Allowances, Other In-Service Benefits and Taxes, d. Taxes and Insurance, ii. FICA (Social Security and Medicare taxes) states:

  > Unless 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.

- YouthBuild did not maintain a financial management system which included standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures. YouthBuild's financial management system was not capable of distinguishing expenditures attributable to the MSA grants, identifying costs by budget line item, or differentiating between direct and indirect costs. A new system was implemented on November 1, 2004. However, the scope of our testing procedures and the limited amount of time the system was operational prevented us from completing an evaluation of the new system's effectiveness. YouthBuild's former financial management system did not allow direct costs to be traced from the PER back to the original source documentation. Without the ability to easily trace general ledger transactions to costs charged to the PER, YouthBuild could allow inadmissible costs to be charged to the grants.

- MATCH did not have a written accounting policies and procedures manual. The lack of a written accounting policies and procedures manual increases the risk that similar accounting transactions may be processed in different ways instead of with standardized procedures.

- MATCH does not maintain its blank check stock in a secure location. Unsecured blank checks are therefore more susceptible to theft or loss.

- The Executive Director of MSA has access to the blank check stock and check signing authority. This lack of segregation of duties, i.e., the same person has access to and the authority to sign blank checks, weakens the internal control structure and increases the risk of loss.

The following criteria refer to the four preceding specific instances only. AmeriCorps Provisions, C. General Provisions, 22. Financial Management Provisions, A. General, states:

The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this Grant from expenditures not attributable to this Grant. This system must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative cost. For further details about the Grantee's financial management responsibilities, refer to OMB Circular A-102 and its implementing regulations (45 C.F.R. 2541), as applicable.

Recommendation

The Corporation should require MSA to monitor subgrantees' financial management systems to ensure that they include a written accounting policies and procedures manual, procedures to ensure proper payroll payment and withholding for both members and employees, and secure blank check stock storage.

The Corporation should instruct MSA to ensure that the blank check stock be locked in a secure safe and that the authorized check signer does not have access.

In addition, we recommend that MSA ensure subgrantees:

- Implement procedures that ensure compliance with FICA withholding requirements and that its payroll provider work with MSA to withhold the proper amounts
- Maintain a financial management system that complies with the requirements of the grant provisions
- Maintain a written accounting policies and procedures manual
- Maintain the blank check stock in a secure safe with limited access.

MSA's Response

MSA disagrees with this finding. MSA does have policies and procedures for ensuring proper evaluation of subgrantees fiscal controls and has a risk based fiscal monitoring strategy.

Specifically on the issue of FICA withholding for YouthBuild Boston, MSA notes the combined total of these findings is $26.25 with no individual instance greater than $8.17.

The lack of a financial management system relates to YouthBuild, an organization that has received, from an extremely reputable Boston based auditing firm, unqualified opinions on its financial statements and A-133 audits for the years ending 2002 and 2003.

In regard to MATCH, MSA agrees that it is essential to have written accounting procedures and policies. Prior to the auditors visit, MATCH had not received a site visit with the most current monitoring tool. Instead, the program and MSA Program Officer were working to address start-up challenges experienced by the program. These issues have now been resolved and MSA has created a training and technical assistance plan to put the MATCH program's fiscal policies and procedures in writing. Additionally, the blank check stock referenced above is now kept under lock and key.

Finally, MSA is a small organization with eight full-time staff. Its fiscal management policies are reviewed annually and are designed to provide maximum security with three part-time fiscal managers provided by a financial services company. As such, they have access to the accounting system and payment management system but not to blank check stock. The Chief Executive Officer, who is bonded, has access to the blank check stock and is a signatory but is not able to access the accounting system or the payment management system. As a final check on MSA's system, the MSA Treasurer reviews an unopened bank statement to check for irregularities at random intervals throughout the year.

Therefore, MSA disputes 2 of the 9 specific exceptions and disagrees with the general Finding Number 6.

Auditor's Comment

MSA offers evidence that remediation occurred after the audit for select items, but it did not offer evidence that the findings were not in existence at the time of the audit.

In regard to YouthBuild's FICA expenses, MSA addresses the dollar amount of the exceptions. Our finding was directed at a process that produced a 33 percent error rate. While the dollar amounts of the current errors were small, there is no assurance that future errors would not occur.

MSA's explanation did not address the issue of YouthBuild's financial management system and the adequacy of its audit trails. The financial management system's noncompliance is an

KEARNEY& COMPANY

occurrence regardless of whether or not an unqualified opinion was received for its A-133 audit and financial audit for the years in question.

We are pleased that MATCH has recognized the importance of a written policies and procedures manual and is working towards implementation. We are also pleased the blank check stock is now secure.

Segregation of duties is a challenge for small organizations, but that challenge does not eliminate segregation of duties as an integral component of an effective control environment. Our finding was predicated upon instituting a stronger prevent control, i.e., separating the check stock from the check signer. The weaker and less efficient detect control is an after-the-fact review. The current control structure would not prevent the fraudulent preparation of checks but would provide for identifying an inappropriate transaction after it occurred. The solution may be as simple as the Treasurer maintaining the check stock, and the Executive Director maintaining signing authority.

Accordingly, we continue to support our recommendations.

This report is intended for the information and use of the Office of Inspector General, management of the Corporation for National and Community Service (Corporation), MSA and its subgrantees, and the United States Congress.

Kearney & Company

September 26, 2005
Alexandria, Virginia

SUPPLEMENTAL FINANCIAL SCHEDULES

The following schedules were prepared by Kearney & Company.

Exhibit A

MASSACHUSETTS SERVICE ALLIANCE AND SUBGRANTEES
CONSOLIDATED SCHEDULE OF AWARDS AND CLAIMED COSTS

Corporation for National and Community Service Awards

Award Number	Program	Funding Authorized	Claimed within Audit Period	Questioned Costs*	Questioned Education Awards
00ASCMA022	AmeriCorps Competitive	$ 7,332,968	$ 2,852,250	$ 11,243	$ 12,700
03ACHMA001	AmeriCorps Competitive	5,943,575	1,834,278	9,760	2,363
Total AmeriCorps Competitive		13,276,543	4,686,528	21,003	15,063
00ASFMA022	AmeriCorps Formula	3,553,084	2,451,015	14,990	10,033
03AFHMA002	AmeriCorps Formula	2,882,848	1,840,495	0	0
Total AmeriCorps Formula		6,435,932	4,291,510	14,990	10,033
01SCSMA019	Administrative	546,406	452,605	0	0
04CAHMA001	Administrative	585,522	315,198	0	0
Total Administration		1,131,928	767,803	0	0
02PDSMA019	Program Development and Training (PDAT)	480,827	402,289	0	0
05PTHMA001	PDAT	179,000	0	0	0
Total PDAT		659,827	402,289	0	0
Total Grants Administered by MSA		$ 21,504,230	$ 10,148,130	$ 35,993	$ 25,096

* These questioned cost figures include the related unallowable administrative cost based on calculating 5.26 percent of questioned costs.

The cost details provided above are explained in Schedules B-1 through B-5 in this report.

Exhibit B

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY GRANTEE AND SUBGRANTEES
April 1, 2002, through March 31, 2005

Detailed Audits of Grants	Claimed Costs	Questioned Claimed Costs	Questioned Education Awards	Reference
	Note 1			
Grantee				
MSA – State Commission	$ 1,308,048	$ 0	$ 0	
Subgrantees				
Media and Technology Charter High School (MATCH)	158,847	2,085	0	Schedule B-1
Reaching Out to Chelsea Adolescents (ROCA)	847,816	3,369	0	Schedule B-2
Jumpstart	831,617	0	2,000	Schedule B-3
Generations	736,010	9,826	13,063	Schedule B-4
Springfield College	595,111	0	0	
YouthBuild	574,683	20,713	10,033	Schedule B-5
Total – Detailed Audits	$ 5,052,132	$ 35,993	$ 25,096	
Total Questioned Costs			$ 61,089	

Notes

1. The total claimed costs reported do not include costs claimed by subgrantees that were not selected as part of this audit. During the period covered by our audit, MSA had 28 AmeriCorps program subgrantees, including City Year. Accordingly, we used a sampling approach based on our Risk Assessment and Audit Approach Memorandum, dated July 6, 2005, at selected field sites to test the costs claimed for Program Years 2001-2002 through 2004-2005.

Schedule B-1

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY SUBGRANTEE
AWARD NUMBERS 00ASCMA022 AND 03ACHMA001 (AMERICORPS COMPETITIVE)
AND 00ASFMA022 AND 03AFHMA002 (AMERICORPS FORMULA)
April 1, 2002, through March 31, 2005

Media and Technology Charter High School (MATCH)

			Reference
Approved Budget (Federal Funds)			
03ACHMA001	$ 306,703		
Total Budget		$ 306,703	Note 1
Claimed Costs			
03ACHMA001	$ 158,847		
Total Claimed Costs		$ 158,847	Note 2
Questioned Costs			
03ACHMA001	$ 1,981		Note 3
Administrative Cost	104		Note 4
Total Questioned Costs		$ 2,085	

Notes

1. The amount shown as Approved Budget represents the total funding to MATCH for 2004-2005, according to the budget schedules for MSA grants.

2. Claimed costs represent MATCH's reported expenditures for the tested program year 2004-2005.

3. MATCH was over-reimbursed $312 for member support costs. MATCH received an additional $169 in over-reimbursement by charging a higher percentage than allowed for staff fringe benefits. The remaining portion, $1,500 of this cost, relates to a cost for which no documentation could be provided.

4. Based on the questioned cost of $1,981, we question 5.26 percent, or $104, of administrative cost applied to the questioned cost.

Schedule B-2

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY SUBGRANTEE
AWARD NUMBERS 00ASCMA022 AND 03ACHMA001 (AMERICORPS COMPETITIVE)
AND 00ASFMA022 AND 03AFHMA002 (AMERICORPS FORMULA)
April 1, 2002, through March 31, 2005

Reaching Out to Chelsea Adolescents (ROCA)

			Reference
Approved Budget (Federal Funds)			
00ASCMA022	$ 735,000		
03AFHMA002	428,400		
Total Budget		$ 1,163,400	Note 1
Claimed Costs			
00ASCMA022	$ 532,085		
03AFHMA002	315,731		
Total Claimed Costs		$ 847,816	Note 2
Questioned Costs			
00ASCMA022	$ 3,200		Note 3
Administrative Cost	169		Note 4
Total Questioned Costs		$ 3,369	

Notes

1. The amount shown as Approved Budget represents the total funding to ROCA for 2001-2002 through 2004-2005, according to the budget schedules for MSA grants.

2. Claimed costs represent ROCA's reported expenditures for the tested program years, 2001-2002, 2002-2003, 2003-2004, and 2004-2005.

3. Member support costs of $3,200 have been questioned due to lack of documentation that a criminal background check had been completed.

4. Based on the questioned cost of $3,200, we questioned 5.26 percent, or $169, of administrative cost applied to the questioned cost.

Schedule B-3

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY SUBGRANTEE
AWARD NUMBERS 00ASCMA022 AND 03ACHMA001 (AMERICORPS COMPETITIVE)
AND 00ASFMA022 AND 03AFHMA002 (AMERICORPS FORMULA)
April 1, 2002, through March 31, 2005

Jumpstart

			Reference
Approved Budget (Federal Funds)			
00ASCMA022	$ 891,300		
03AFHMA002	510,286		
Total Budget		$ 1,401,586	Note 1
Claimed Costs			
00ASCMA022	$ 540,425		
03AFHMA002	291,192		
Total Claimed Costs		$ 831,617	Note 2
Questioned Education Award			
00ASCMA022	$ 2,000		Note 3
Total Questioned Education Awards		$ 2,000	

Notes

1. The amount shown as Approved Budget represents the total funding to Jumpstart for 2001-2002 through 2004-2005, according to the budget schedules for MSA grants.

2. Claimed costs represent Jumpstart's reported expenditures for the tested program years, 2001-2002, 2002-2003, 2003-2004, and 2004-2005.

3. Education awards of $2,000 have been questioned due to member files not containing documentation proving the member is a United States (U.S.) citizen, U.S. national or lawful permanent resident alien of the U.S.

Schedule B-4

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY SUBGRANTEE
AWARD NUMBERS 00ASCMA022 AND 03ACHMA001 (AMERICORPS COMPETITIVE)
AND 00ASFMA022 AND 03AFHMA002 (AMERICORPS FORMULA)
April 1, 2002, through March 31, 2005

Generations

			Reference
Approved Budget (Federal Funds)			
00ASCMA022	$ 538,400		
03ACHMA001	642,800		
Total Budget		$ 1,181,200	Note 1
Claimed Costs			
00ASCMA022	$ 253,998		
03ACHMA001	482,012		
Total Claimed Costs		$ 736,010	Note 2
Questioned Costs			
00ASCMA022	$ 7,481		Note 3
03ACHMA001	1,854		Note 4
Administrative Cost	491		Note 5
Total Questioned Costs		$ 9,826	
Questioned Education Award			
00ASCMA022	$ 10,700		Note 6
03ACHMA001	2,363		Note 7
Total Questioned Education Awards		$ 13,063	

Notes

1. The amount shown as Approved Budget represents the total funding to Generations for 2001-2002 through 2004-2005, according to the budget schedules for MSA grants.

2. Claimed costs represent Generations' reported expenditures for the tested program years, 2001-2002, 2002-2003, 2003-2004, and 2004-2005.

3. Member support costs of $7,481 have been questioned. Member support costs of $5,134 have been questioned for members that did not have evidence of a criminal background check. An additional $2,347 of member support costs have been questioned due to member files not containing documentation proving the member is a U.S. citizen, U.S. national or lawful permanent resident alien of the U.S.

4. Member support costs of $1,854 have been questioned because these costs were reimbursed in excess of the allowable 85 percent limit.

5. Based on the questioned cost of $9,335, 5.26 percent, or $491, of administrative cost applied to the questioned cost.

6. Education awards of $10,700 have been questioned. Of this amount, $5,975 has been questioned due to a member not having evidence of a criminal background check. The additional $4,725 has been questioned for members that did not have documentation of completion of service hours needed to earn an education award.

7. An education award of $2,363 has been questioned for members that did have documentation of service hours needed to earn an education award.

Schedule B-5

MASSACHUSETTS SERVICE ALLIANCE
SCHEDULE OF AUDITED COSTS BY SUBGRANTEE
AWARD NUMBERS 00ASCMA022 AND 03ACHMA001 (AMERICORPS COMPETITIVE)
AND 00ASFMA022 AND 03AFHMA002 (AMERICORPS FORMULA)
April 1, 2002, through March 31, 2005

YouthBuild

			Reference
Approved Budget (Federal Funds)			
00ASFMA022	$ 508,690		
03ACHMA001	310,002		
Total Budget		$ 818,692	Note 1
Claimed Costs			
00ASFMA022	$ 370,404		
03ACHMA001	204,279		
Total Claimed Costs		$ 574,683	Note 2
Questioned Costs			
00ASFMA022	$ 14,241		Note 3
03ACHMA001	5,437		Note 4
Administrative Cost	1,035		Note 5
Total Questioned Costs		$ 20,713	
Questioned Education Award			
00ASFMA022	$ 10,033		Note 6
Total Questioned Education Awards		$ 10,033	

Notes

1. The amount shown as Approved Budget represents the total funding to YouthBuild for 2001-2002 through 2004-2005, according to the budget schedules for MSA grants.

2. Claimed costs represent YouthBuild's reported expenditures for the tested program years, 2001-2002, 2002-2003, and 2004-2005.

3. Member support costs of $14,241 have been questioned. Of this amount, $708 has been questioned because member files did not contain documentation proving the member is a U.S. citizen, U.S. national or lawful permanent resident alien of the U.S. An additional $4,053 has been questioned because there was no proof that a criminal background check had been completed. The final $9,480 was the amount of over-reimbursement for amounts in excess of the amount paid to members, according to the payroll register.

4. Member support costs of $5,437 have been questioned. This amount was over-reimbursement for amounts in excess of the amount paid to members according to the payroll register.

5. Based on the questioned cost of $19,678, 5.26 percent, or $1,035, of administrative costs applied to the questioned cost.

6. Education awards of $10,033 have been questioned. Of this amount, $677 has been questioned because member files did not contain documentation proving the member is a U.S. citizen, U.S. national or lawful permanent resident alien of the U.S. An additional $4,631 of education awards has been questioned because there was no proof that a criminal background check had been completed. The remaining $4,725 has been questioned for members that did not have documentation of the hours needed to earn an education award.

APPENDICES

Appendix A

Massachusetts Service Alliance's Response to Report

February 17, 2006

Ms. Carol Bates
Acting Inspector General
1201 New York Avenue, NW Suite 830
Washington, DC 20525

Dear Ms. Bates;

Following is our response to the *Audit of Corporation for National and Community Service Grants Awarded to the Massachusetts Service Alliance*. We agree that it is extremely important for all grantees and subgrantees of the Corporation to be held accountable for the governmental funds that they disburse. As such MSA staff spend the vast majority of their time working with subgrantees to ensure that they are providing high quality, compliant service to communities across the Commonwealth.

Given this belief and our commitment to continuous improvement as demonstrated by the improvement of our monitoring systems over time, we respectfully disagree with the majority of findings in this report. Should you have any need for additional documentation to support our position, we would be happy to provide it to you.

RESPONSE TO FINDINGS

Finding Number 1 – Inadequate Documentation of Membership Eligibility, Recruitment, and Selection

MSA did not ensure that its subgrantees had an accurate and unified understanding of what constitutes acceptable criminal background check and eligibility documentation for grant compliance purposes. Also, MSA did not have adequate monitoring procedures in place to ensure that proper documentation was maintained.

The records of 12 members (out of 165 tested) were lacking evidence of completion of a criminal background check, even though these 12 members had substantial direct contact with children while participating in the program. Not performing a criminal background check violates the terms of the grant and can put beneficiaries, staff and members in harm's way.

The files of 8 members (out of 165 tested) did not contain adequate evidence to support the eligibility of the members. Examples of items missing in the files included:

- **A self certification of having received a high school diploma or an agreement to obtain a high school diploma**

- **Documentation to prove the member's age (thus the member was determined to have not met the age requirement and to be lacking parental consent)**
- **Proper proof of eligibility, such as a birth certificate or passport**

MSA Response
MSA disagrees that our subgrantees don't have an accurate and unified understanding of what constitutes acceptable criminal background check and eligibility documentation. Each year MSA hosts a mandatory two-day program director training in August for all current subgrantees. This training covers all aspects of AmeriCorps including, but not limited to the following: programmatic reporting, program compliance, reimbursement requests and the AmeriCorps provisions. In order to document comprehension of this training, since 2003 program directors must sign off that they have been trained and understand their obligations on a multitude of requirements including the performance of background checks and the proper documentation for eligibility. If Program Directors do not check that they have a full understanding, MSA program officers follow up and provide additional individual technical assistance.

On the issue of background checks specifically, MSA agrees that it is critical to protect service beneficiaries, staff and members. As such we closely monitor programs to ensure that they are performing criminal background checks (CORI). However, in MA it is illegal for anyone other than the individual checked or the authorized individual at the requesting agency to view the completed CORI form. On site visits, MSA program officers check to ensure that evidence of a CORI check is present. Our procedures for site visits therefore have been limited to viewing the request for CORI form signed by each individual and speaking with the authorized individual responsible for reviewing CORIs; confirming that they were completed, reviewed, and filed.

Of the 12 incidents listed above, seven have the required request for CORI document on file and two can produce checklists to show that the CORI was performed. The other five (corps members placed at ROCA and at the Mayor's office in the City of Brockton and the Public Defenders Office with the MA Promise Fellows program) complied with MA state law requiring CORIs and did not complete CORIs on their members since they did not have sustained, direct and unmonitored contact with children. Further, when the service activities at ROCA changed in 2003, the program began CORI testing all members and continues to do so to this day. Therefore MSA disagrees with all 12 CORI findings.

Finally, MSA feels that this finding creates policy where it does not exist. Prior to September 2005, there was no requirement that programs document their review procedures for background checks. MSA now requires programs to document the request, receipt and review of CORI checks by authorized program staff.

On the issue of eligibility, as noted above, programs receive training on an annual basis detailing required and acceptable eligibility documentation. In addition to assist programs in maintaining compliance and continuity during staff turnover since the 2003-2004

program year, each subgrantee is annually required to document their systems for completing the 15 essential functions of an AmeriCorps program. In the Member Files and Data Collection System, each subgrantee must detail their process for collecting and storing the required member documentation as well as who is responsible and the timeline for completion. This system is reviewed and monitored by the appropriate MSA program officer. On site visits, the system is tested when MSA program officers review 25% or 25 member files. If a program is out of compliance the MSA program officers return to check 100% of the files at a mutually agreed upon date and time.

Since the writing of report by Kearney and Company, Northeastern University has produced the required eligibility documentation for its disputed member. Finally, the member lacking proof of parental consent has an application for the program that is duly signed by her and her mother. This finding was disclosed after the exit conference. Due to miscommunication with subgrantee program staff, it was not addressed before the draft report was issued.

With one exception, the member findings listed above occurred before the 2003-2004 program year. We believe that this demonstrates the effectiveness of the improvements that were made in our monitoring systems at that time.

Therefore, MSA disputes 14 of the 20 specific findings, and disagrees with the main principle of finding number 1.

Finding Number 2 – Inadequate Timesheet Monitoring

MSA did not have monitoring procedures in place to verify that subgrantees' member timesheets were properly reviewed to ensure the following:

- **A periodic reconciliation of hours entered into the Web Based Reporting System (WBRS) with the hours recorded on the members' timesheets occurred**
- **Member service hours recorded on timesheets were not used as a basis for payment of the living allowance**
- **Member activities complied with grant intent.**

Specific examples include:

- **The records of 71 (out of 165 tested) members contained timesheets that did not match hours accumulated in WBRS. Reasons for the discrepancies varied at the member level. Examples include:**

- **A member was released from the program but continued to serve several more days, thus timesheet hours were greater than those in WBRS**
- **A member served extra hours with a church group but failed to record these hours on the timesheet, thus timesheet hours were less than those in WBRS**

- **Timesheets were lost, thus the number of hours in WBRS was greater than the timesheets stated.**

- **Members were improperly paid the living allowance based on the number of service hours they served instead of a flat rate. For program years 2001-2002 and 2002-2003, the payroll register shows wages paid based upon the number of service hours. Member timesheets for the same period contained a statement such as "Pay for ___ hours." For program year 2004-2005, interviews with two current members were conducted and each member stated that they were paid hourly. The member living allowance was inappropriately paid on an hourly basis instead of a flat stipend, as required by the provisions.**

- **The records of two Northeastern University members (out of 165 tested), for program years 2001-2002 and 2003-2004, showed that the majority of their service time was not spent toward the original intent of the grant activities described. Timesheet descriptions were compared to member position descriptions and significant variances between the two were found....**

MSA Response

MSA disagrees that we do not have adequate monitoring procedures in place to ensure the proper review of timesheets. Another of the 15 essential functions of AmeriCorps programs is processing timesheets. The Processing Timesheets System requires subgrantees to detail their process for collecting timesheets, entering them into WBRS, and reconciling the two documents as well as to identify the person responsible for data entry and the timeline for completion. This system is reviewed and monitored by the appropriate MSA program officer. On site visits, the system is tested when MSA program officers review 25% or 25 member files. If a program is out of compliance the MSA program officers return to check 100% of the files at a mutually agreed upon date and time.

We disagree that 44 of the instances referenced above are issues of noncompliance. They reference instances where the number of hours reflected on timesheets was greater than the number recorded in WBRS. These are also instances where the member served more hours than was necessary to receive an education award. Many members serve more hours than required for an education award due to the nature of their service and the calendar time commitment that they have made. For example, a member serving in a school based setting my very well reach the required 1700 hours in March or April. However, the member made a commitment to the children and school that they serve for an entire academic year. To decrease the administrative burden on programs, once a member has reached the required number of hours for an education award, MSA does not require that additional timesheets be reflected in WBRS.

With two exceptions, the remaining 27 member findings listed above occurred before the 2003-2004 program year. We believe that this demonstrates the effectiveness of the

improvements that were made in our monitoring systems at that time. Further, MSA believes that this reflects human error and not a systemic weakness.

Finally, in reference to the member who "was released from the program but continued to serve several more days, thus timesheet hours were greater than those in WBRS;" in fact, MSA believes this is an example of member systems working. This member was arrested and served two additional days before the information around his arrest was fully disclosed to the program. In an effort to maintain the integrity of the AmeriCorps funding, the subgrantee terminated him from the date of his arrest. The remaining hours accumulated when the subgrantee was unaware of the arrest were not documented in the AmeriCorps system or paid for with AmeriCorps funds.

YouthBuild Boston

The finding specifically regarding members who were improperly paid the living allowance based on the number of hours they served instead of a flat rate, refers only to YouthBuild Boston. YouthBuild is an at-risk youth development program. A significant part of the program is teaching members job skills and etiquette including the importance of timeliness and attendance. As such the AmeriCorps provisions allow for the establishment of fines for tardiness and absenteeism. "If determined to be necessary for member performance or attendance, the Grantee may impose a reasonable fine on members for minor disciplinary problems consistent with the member contract." (2004 AmeriCorps provisions, section 10B)

In order to manage the fining process with clarity for members, staff and the payroll department, YouthBuild defines the offenses that incur fines, in their member handbook and contract. The contract also clearly defines the payment that members receive as a stipend based on participation. Each week members fill out a timesheet that shows their total stipend. This number varies by member according to their start date.

For example, a part time member who began the program at the beginning the year may have a total stipend of $211.5 per week while a member who began later has a total stipend of $250 per week. These numbers reflect the entire stipend divided over the time period required for completion by the member. However, the YouthBuild payment management system doesn't allow for fines to be deducted from a regular stipend entry. Therefore the program has entered an hourly amount for each member so that the necessary deductions may be processed. This too is allowable under the AmeriCorps provisions. "If a payment management system cannot be altered and must show 40 hours in order to distribute a living allowance, then members' service hours should be documented separately to keep track of their progress towards the Program's total required AmeriCorps service hours." (2004 AmeriCorps provisions, section 11B)

Finally given the differing stipend amount, depending on member start date, the hourly amount is also included on the time sheet so that the payroll managers have a consistent set of numbers for each individual. Given the complexity of this system and the opportunity it presents for misunderstanding, MSA has directed YouthBuild to cease its fining of members from programmatic match. As of December 12, 2005, YouthBuild has

removed all fines from the program and payroll. A contract amendment has been written to reflect the change, members have signed the amendment, and it has been placed in every member file. Fines will no longer be reflected in payroll records as deductions.

Northeastern University
On the issue of the Northeastern University findings, MSA fully agrees that member activities must align with the activities outlined in the approved grant. However we disagree with both findings where this means that the majority of member activities must align with the member position description. There is nothing to prohibit programs responding to the changing needs of their community partners by altering member activities as long as the activities in which members engage align with those approved in the grant.

For example, the MA Promise Fellowship Program has a service planning process in place that is designed to help the community host site partner and member best meet the needs of the community. Working together, the program, member and host site create a detailed service plan (using the member position description as a starting point) during the member's first month of service that serves as a blueprint for the member's service year. This process also provides an opportunity for community partners to modify the member's position description during the course of the year in order to meet the changing needs of the community. Any changes must fall within one or more of the program's performance measures and be approved by the program and member.

In each of the cases listed above, the corps members completed the work outlined in the description and did other activities that were outside of the position description but within the approved grant activities and member service plan. The MA Promise Fellows program's approved performance measures state 1) "School-to-Career Activities – Fellows will coordinate school to career activities…to connect students to workplace learning activities and career building opportunities." The first member in question completed the activities in her description and also organized a tour of historically black colleges for at risk Springfield area youth. 2) "After-School Programming – Fellows will coordinate after school programming or directly serve in at least 10 after school programs resulting in structured activities for at least 1,000 young people." The Atlas corps member cited above was actively engaged in providing structured activities for young people as demonstrated by the following age appropriate activities for young people, "swimming, art, movies, park, games, a trip to the zoo, etc."

Therefore, MSA disputes 47 of the 74 specific findings, and disagrees with the main principle of finding number 2.

<u>Finding Number 3 – Inadequate Financial Monitoring Procedures</u>

MSA failed to review the supporting documentation submitted by subgrantees with the PER to determine if the costs reimbursed were allowable, correctly categorized, and contained adequate supporting documentation. The lack of review procedures precluded MSA from preventing unallowable reimbursement of costs. In addition,

MSA did not provide adequate training and specific guidance that required subgrantees to submit expenses with sufficient supporting documentation and maintain the documentation in accordance with the AmeriCorps provisions.

- **Based on testing performed for five payroll periods at YouthBuild, it was determined that the amount of member living allowances being charged to the Corporation exceeded the amount paid to members according to the payroll register. We have questioned costs in the amount of $15,703 for the over-reimbursement of living allowances of $14,918 and the applicable administrative cost of $785.**

- **Generations requested reimbursement of member support costs (living allowance and Federal Insurance Contributions Act) in excess of the Corporations's ceiling, $8,415 or 85% of $9,900, during budget period 2003-2004. Generations mistakenly calculated the maximum amount the Corporation would reimburse as $8,500 instead of $8,415. This led to an overpayment of $1,854 in member support costs related to 27 members, and the applicable administrative cost of $98.**

- **In January 2005, MATCH submitted for reimbursement $1,700 of member support costs incurred in August and September 2004. The results of our testing indicated that $312 of this submission was unallowable because this amount was previously reimbursed. This has resulted in $328 of questioned costs, including $312 of questioned costs and an additional $16 of applicable administrative cost.**

- **MATCH did not maintain adequate supporting documentation for a transaction charged as a direct cost to the grant award. MATCH incurred a $3,000 cost for a training session for members that it was unable to provide any supporting documentation. The total cost was allocated equally between direct the grantee and Federal portion on the PER. This resulted in questioned costs of $1,579, including $1,500 for the unsupported transaction and the applicable administrative cost of $79.**

- **From December 2004 through March 2005, MATCH included the Program Director's employer portion of FICA expense in the Member Cost section of the PER instead of the Program Operating Cost section. This resulted in MATCH receiving FICA expenses being reimbursed by 75 percent, as opposed to the allowed 67 percent for Program Operating Costs. We have questioned costs related to the overpayment of fringe benefits in the amount of $178, including $169 for reimbursed FICA expenses and the applicable administrative cost of $9.**

MSA Response

We disagree with this finding. MSA has a system in place to train and monitor subgrantees on their fiscal reporting requirements. Prior to January 2004, MSA

monitored reimbursement requests on site visits and through desk audits. During monitoring visits, the backup documentation was audited for a randomly selected group of reimbursements. As part of our continuous improvements, since January 2004, MSA requires that programs submit reimbursement requests that include the PER from WBRS, the general ledger that supports the time period, a reconciliation sheet that ties out every expense in the PER to the general ledger and any other supporting documentation that is necessary. This submission is reviewed by MSA program officers to ensure compliance with approved grant activities and then again by MSA fiscal staff for accuracy. MSA also performs risk based fiscal monitoring of subgrantees. On a fiscal site visit invoices for an entire reimbursement are pulled to ensure that they match with the PER and general ledger.

YouthBuild Boston

With regard to YouthBuild Boston, this finding is from program years 2001-2002 and 2002-2003. In 2002, YouthBuild Boston received a site visit from the MSA grants coordinator. Her report demonstrates that YouthBuild had adequate backup documentation and was able to tie member costs to the PER. At that time, fines were deducted from the program's match. Unfortunately during the AmeriCorps funding crisis of 2003, YouthBuild Boston's AmeriCorps grant was not funded again. Therefore YouthBuild did not retain the records reviewed by MSA staff. YouthBuild now recognizes the need to retain records regardless of future AmeriCorps funding. Since their refunding in 2004, YouthBuild Boston has provided a copy of their general ledger to substantiate each reimbursement request. They are able to tie this general ledger to the PER for the Corporation share of funding as well as their match.

Generations Incorporated

Based on its risk assessment, Generations Incorporated received a site visit in 2002-2003 and 2004-2005. On both occasions, the program had the necessary supporting fiscal documentation and systems for a compliant site visit. As a result, in 2003-2004 the program did not receive a fiscal site visit. Instead, the budget and reimbursements were subject to review by MSA program officers. The program submitted the correct amounts for member stipends on the 2003-2004 budget and reimbursement requests for corps member expenses are in the aggregate so this discrepancy was not noted. In transferring the budget to the fiscal system, Generations staff made an error. This resulted in the above finding.

Since the error was discovered and the grant is still open, Generations has adjusted a reimbursement request to reflect the substitution of $1854 in allowable costs and has moved the questioned costs to match since the program pays a higher stipend to members than the required minimum. This substitution renders the questioned administrative costs allowable. To prevent this error in the future, on fiscal site visits MSA staff will check the member stipend distribution for each grant year not previously covered in a site visit.

MATCH

The MATCH program was a first time grantee in 2004. As such, they were just learning how to navigate the difficult world of AmeriCorps reporting. Due to MSA fiscal

monitoring practices, the member reimbursement and FICA filing listed were caught by MSA program officers in January 2005 prior to this audit and were in the process of being addressed. The $312 over reimbursement was subtracted from the June 2005 program reimbursement as were the administrative costs.

The FICA expense was corrected in the PER but was not returned since it is an allowable cost. Under the AmeriCorps grant provisions, the 33% match is an aggregate and does not apply to individual line items. The $178 questioned above was deemed within the approved budget and the program is on track to make the required 33% aggregate match by the end of their third year.

Finally, regarding the lack of supporting documentation for $1500 for corps member training, we disagree that the program lacks adequate documentation for this expense. They have a summary document which includes 24 sessions at $125 for training on effective tutoring in math, science, English and history. The document includes the names of the teachers engaged in the training and the number of sessions conducted by each. Accompanying this document is an excel spreadsheet with the names of the teacher and the training costs associated with each individual. A training calendar was provided that shows the dates and times of the training with the teacher responsible for each session broken out by date and time. Lastly, the program provided signed teacher contracts that state the teachers will be paid for curriculum development/training for the MATCH program at a rate of $125 and pay stubs for each teacher that verify payment of the stipend within the stated time frame.

Therefore, MSA disputes 3 of the 5 specific findings, and disagrees with the main principle of finding number three.

Finding Number 4 – Inadequate Member Records Maintenance

MSA did not adequately monitor subgrantees to ensure that all documentation, such as member evaluations, contract stipulations (position descriptions and Drug-Free Workplace Policy) and member contracts, were maintained and that subrecipients received guidance on standard sections contained in member contracts. As a result, subrecipients did not consistently maintain member evaluations, member contracts, and adequate contract stipulations.

Specific examples include:

- **The records of 16 (out of 165 tested) members were lacking a mid-term evaluation. One subgrantee was unaware that evaluations were to be written and stated that they were conducted orally. Other subgrantees could not locate documentation of evaluations. The records of 20 members (out of 165 tested) were lacking an end-of-term evaluation. Several members left the program, leaving the subgrantee unable to complete an evaluation. As a result of this condition, members who had not received an adequate evaluation could be accepted as an AmeriCorps member for a second term.**

- **The contracts of 60 members (out of 165 tested) did not contain all of the required attributes of a member contract such as:**

    - **ROCA did not have position descriptions contained in its member contract**
    - **YouthBuild and Northeastern University did not have position descriptions or a Drug-Free Workplace Policy in its contracts.**

- **The records of four members (out of 165 tested) did not contain any member contracts. This could result in members not being legally enrolled in the program and aware of their commitment. Also, missing contracts and lack of information could have led to members being unaware of the Corporation policy.**

MSA Response

MSA disagrees with the accuracy of this finding. On the issue of members missing mid-term and end-of-term evaluations, as noted previously in this response, programs receive training on an annual basis detailing required member documentation and evaluation. This training specifically includes mid-term and end-of-term evaluations. In addition to training, in the Member Files and Data Collection System submitted annually since 2003, each subgrantee must detail their process for collecting and storing the required member documentation as well as who is responsible and the timeline for completion. This system is reviewed and monitored by the appropriate MSA program officer. On site visits, the system is tested when MSA program officers review 25% or 25 member files. If a program is out of compliance the MSA program officers return to check 100% of the files at a mutually agreed upon date and time.

With 3 exceptions, the mid-term evaluation member findings listed above occurred before the 2003-2004 program year. We believe that this demonstrates the effectiveness of the improvements that were made in our monitoring systems at that time. Additionally, the subgrantee that "was unaware that evaluations were to be written and stated that they were conducted orally" was corrected through program monitoring in 2002 and has conducted written midterm evaluations since that time. MSA believes that the above exceptions reflect human error and not a systemic weakness.

Regarding the end-of-term evaluations, with four exceptions the end-of-term evaluations findings occurred before 2003-2004. MSA believes that the above exceptions reflect human error and not a systemic weakness. Finally, in three instances (one post 2003-2004) the program has alternative documentation for members leaving the program. For two members the documentation notes that the members did not successfully complete their commitment and would prohibit their enrollment for a second term. The third member was contacted four times to complete the form and was exited without her end of term evaluation by the Program Director when she proved unresponsive. Here again this information, documented in the file, would impact the member's ability to serve a second term.

ROCA
Regarding member contracts, prior to 03-04, ROCA included a position description in its Member Application. The signed position description was in some member files, but not all, because members would frequently retain the description for their own reference. When this problem was noted as part of program monitoring in 2003, the member contract was rewritten to include an embedded position description with a separate take away position description for the member. This contract remains in use to date and is fully compliant.

Northeastern University
Northeastern University has always included a position description and drug-free workplace policy in its member contract. The 15-page document has "Massachusetts Promise Fellow Member Contract" written in the footer across every page. The drug-free workplace policy is page 6 and the position description is the final page. The signature page accepting the contents of the application and its addendum, however, is located on page 5. MSA and the program have always considered the pages following the signature to be part of the member contract as have individual members. In the spirit of continuous improvement, Northeastern has amended its current contract to include a space for members to initial that they have read and agree to the position description and program policies before the signatures in the text of the contract.

YouthBuild Boston
YouthBuild Boston had position descriptions as a separate attachment in 2001-2002 and 2002-2003. In those years, they also required the separate submission of a signed copy of the drug free workplace policy and the policy was also part of the member handbook. YouthBuild was not funded due to AmeriCorps cuts in 2003-2004. Since 2004-2005, their contract has included a position description and separate signed drug free workplace. Due to our monitoring practices, these documents were combined into a fully compliant single document for the program year 2005-2006, which began July 1, 2005 prior to this audit field work but subsequent to the audit time period.

The Member Files and Data Collection system also includes the process for completing member contracts. Member contracts are monitored during site visits when MSA program officers review 25% or 25 member files. Individual issues of noncompliance must be addressed within thirty days. If a program has multiple infractions the MSA program officers return to check 100% of the files at a mutually agreed upon date and time. Of the four findings, three occurred before 2003-2004. We believe that this demonstrates the effectiveness of the improvements that were made in our monitoring systems at that time and that the single remaining finding reflects human error and not a systemic weakness. Finally a verbal contract is binding in the Commonwealth of MA. By reporting for service and receiving their stipends, members are legally enrolled in the program. They also attended member training where Corporations policies were communicated.

Therefore MSA disputes 35 of the 100 specific findings, and disagrees with the general finding number four.

Finding Number 5 – Untimely Submission of Reports

MSA did not perform adequate monitoring of the subgrantees to ensure that they submitted reports (FSRs, Progress Reports (PR), and enrollment and exit forms) in a timely manner. The ineffective monitoring may prevent MSA from achieving timely report submissions to the Corporation.

Specific examples include:

- **FSRs or PERs tested were not entered into WBRS by the due dates established by MSA. The grantee is required to review, analyze and follow-up on subgrantees fiscal and programmatic progress. Based on this information, the grantee submits a report to the Corporation as provided for by the provisions. Without timely information, the Corporation was unable to adequately monitor the status of programs.**

- **The records of 40 members (out of 165 tested) documented that member enrollment forms were submitted after the required 30-day deadline.**
  - **One subrecipient had to wait until members were approved to serve at an additional school location. Members began service at the primary location, but were not enrolled into WBRS until approval from this additional location was obtained; this was a condition of the subrecipient receiving the AmeriCorps grant. Funding would not have been granted if approval for services at this additional location was not obtained.**
  - **Other subrecipients did not have special circumstances to support the late submission of the enrollment forms.**

- **The records of nine members (out of 165 tested) documented that member exit forms were submitted after the required 30-day deadline.**

MSA Response
MSA disagrees with this finding. As noted by Kearney and Company on page seven of this audit report, MSA has a system for ensuring timely FSR and PR reporting of our subgrantees. The implementation of this system as it is written and performed by program officers is successful, demonstrated by our timely submission of every FSR and GPR to the Corporation and by the auditor's comments on page 7 in reference to our process.

As part of our system, we require subgrantees to submit quarterly FSRs. This is beyond the semiannual FSR requirement of the Corporation and allows us to ensure that subgrantees are on track to make their match and spend their grant in an allowable manner. MSA submission dates are 15 days before Corporation deadlines to allow program officers the time necessary to review each FSR and create the aggregate required

by the Corporation. Individual subgrantees are given a one-week grace period, thereafter the subgrantee is suspended until such time as the report is filed. Suspension means that no grant payments are made until the suspension is lifted. The FSRs and PR cited in this report were all submitted to MSA within that time period with the exception of one program, which took one additional day due to extenuating circumstances.

On the specific issue of enrollment forms, at the beginning of the year each program must complete a system entitled Member Files and Data Collection. This system details their internal process for enrolling members in WBRS and identifies those responsible for so doing. MSA also has a system for monitoring timely submission of the enrollments. On a monthly basis, MSA program officers check that enrollments and timelogs have been completed on WBRS. If a program is past the 30-day period, they are notified and have seven days to correct the problem. If the problem is not addressed, the program is suspended until WBRS is up to date and asked to revise the operational system that details their process for enrolling members. Finally, programs initial that WBRS is up to date on the cover sheet of every reimbursement request in order to receive payment.

In response to the finding above, in 24 instances the programs were unable to enter their enrollment forms on WBRS within the 30-day period because the Grantee Information Profile had not yet been entered by the Corporation. It is not possible to enroll members until this profile has been loaded and only the Corporation is able to do so. This issue was out of MSA and the programs' control. Once the GIPs were uploaded in WBRS, the programs submitted their enrollments within 30 days. As noted above, eight instances were due to negotiation with a placement site. The remaining eight instances of noncompliance occurred in 2001-2002 before the monitoring system described above was in place. We believe that this demonstrates the effectiveness of the improvements that were made in our monitoring systems.

MSA also requires programs to submit a system on exiting members in a timely manner. Monthly, MSA program officers check that exit documents have been completed on WBRS as necessary. If a program is past the 30-day period, they are notified and have seven days to correct the problem. If the problem is not addressed, the program is suspended until WBRS is up to date and asked to revise the operational system that details their process for exiting members. Finally, programs initial that WBRS is up to date on the cover sheet of every reimbursement request in order to receive payment. Of the nine instances of noncompliance listed above, six occurred before the monitoring system described above was in place. We believe that this demonstrates the effectiveness of the improvements that were made in our monitoring systems at that time.

The remaining three instances were members who failed to return to their program sites or were non responsive to requests from program staff. Each of these members has alternative documentation in their member file exiting them from the program.

Therefore MSA disputes 32 of the 54 specific findings, and disagrees with the general finding number five.

Finding Number 6 – Inadequate Monitoring of Financial Management System

MSA failed to perform a self evaluation and an evaluation of their subrecipients' internal controls over the financial management system including written policies and procedures, payroll processing and payments, and disbursements.

- **At YouthBuild, our review disclosed that the amount of FICA withheld did not amount to 7.65 percent of the total taxable amount. This was true for the withholdings of five out of 15 employees and members tested. In all instances, the amount withheld was less than the amount required by law; thus no additional Federal funds were used. Amounts related to FICA withholdings were not in accordance with applicable law.**

- **YouthBuild did not maintain a financial management system which included standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures. YouthBuild's financial management system was not capable of distinguishing expenditures attributable to the Corporation grants, identifying costs by budget line item, or differentiating between direct and indirect costs. A new system was implemented on November 1, 2004. However, the scope of our testing procedures and the limited amount of time the system was operational prevented us from completing an evaluation of the new system's effectiveness. YouthBuild's financial management system did not allow direct costs to be traced from the PER back to the original source documentation. Without the ability to easily trace general ledger transactions to costs charged to the PER, YouthBuild could allow inadmissible costs to be charged to the Corporation.**

- **MATCH did not have a written accounting policies and procedures manual. The lack of a written accounting policies and procedures manual increases the risk that similar accounting transactions may be processed in different ways instead of being processed following standardized procedures.**

- **MATCH does not maintain the blank check stock in a secure location. Unsecured blank checks are more susceptible to theft or loss.**

- **The Executive Director of MSA has access to the blank check stock and check signing authority. This lack of segregation of duties, i.e., the same person has access to and the authority to sign blank checks, weakens the internal control structure and increases the risk of loss.**

MSA Response

We disagree with this finding. MSA does have policies and procedures for ensuring proper evaluation of subgrantees fiscal controls and has a risk based fiscal monitoring strategy. Before selection for funding, each subgrantee's A133 audit is reviewed and assessed for risk. Subsequent to funding, program officers complete a risk assessment that includes information on prior grant experience and staff experience with grants

management. Following the rating, MSA program officers notify the program of their rating and monitoring schedule. Every program is visited at least once during the three year AmeriCorps cycle. Programs identified as high risk are visited annually.

YouthBuild Boston

Specifically on the issue of FICA withholding, this audit finding was not clarified to us until an email that was sent on February 13, a week before this response was due. As a result, we have not been able to investigate the cause. We would like to note, the combined total of these findings is $26.25 with no individual instance greater than $8.17.

Regarding the lack of a financial management system which includes standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures: this finding relates to the 2001-2002 and 2002-2003 program years. YouthBuild Boston has unqualified opinions on their A133 audits for the years ending 2002 and 2003 from an extremely reputable Boston based auditing firm. They also have an unqualified opinion on their financial statements as required by the Government Auditing Standards.

MATCH

We agree that it is essential to have written accounting procedures and policies. In addition to the fiscal oversight outlined above, MSA requires a copy of subgrantee's fiscal policies and procedures to be submitted during the onsite monitoring visit. These policies are reviewed and commented upon in the site visit report. In addition to the visit, MSA requires programs to submit three written fiscal management systems covering the following: internal financial management, reimbursement process, and financial reporting. Programs must detail in each of the three systems their internal process, the individual responsible, and the timeline for submission. These systems must be submitted before subgrantees can receive their first reimbursement.

Prior to the auditors visit, MATCH had not received a site visit with the most current monitoring tool. Instead, the program and MSA program officer were working to address start up challenges experienced by the program. These issues have now been resolved and MSA has created a training and technical assistance plan to put the MATCH program's fiscal policies and procedures in writing. Additionally, the blank check stock referenced above is now kept under lock and key.

Based on the independent auditors summary of auditors results, which were reviewed by MSA program officers prior to funding, the auditors identified no material weaknesses in internal control over financial reporting.

MSA

Finally, MSA is a small non-profit organization with eight full time staff. Our fiscal management policies are designed to provide maximum security with limited staff resources and are reviewed annually. Currently, MSA has three part time fiscal managers provided by a financial services company. As such, they have access to the accounting system and payment management system but not to blank check stock. The Chief

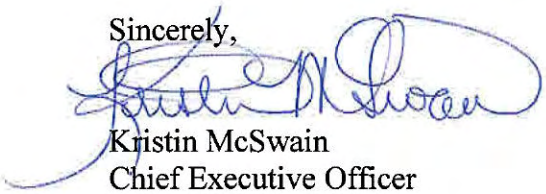
Executive Officer, who is bonded, has access to the blank check stock and is a signatory but is not able to access the accounting system or the payment management system.

Funds for subgrantee reimbursement and expenses incurred directly by MSA are requested from HHS on a reimbursement basis and checks for those expenses are immediately disbursed. This minimizes the cash available in MSA accounts. As a final check on our system, the MSA treasurer reviews an unopened bank statement to check for irregularities at random intervals throughout the year.

Therefore, MSA disputes two of the nine specific findings, and disagrees with the general finding number 6.

If you have questions or concerns, I may be reached at 617-542-2544 x228 or kmcswain@mass-service.org.

Sincerely,



Kristin McSwain
Chief Executive Officer

Appendix B

Corporation for National and Community Service's Response to Report

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: February 21, 2006

Sub: Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to the Massachusetts Service Alliance

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Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Massachusetts Service Alliance. The Corporation has also reviewed the response from the Massachusetts Service Alliance. We are addressing only one issue at this time. We will respond to all findings and recommendations in our management decision when the final audit is issued; we have reviewed the findings in detail; and worked with the Commission to resolve the audit.

As noted in the draft summary, the auditors questioned $12,387 in claimed grant costs because 12 out of 165 member records tested did not have evidence of criminal background checks on members who were providing service to children. In the Massachusetts Service Alliance's response to the draft audit, they indicated that the programs located proof that background checks were performed on seven of the 12 members. The Alliance also notes that the remaining five did not have sustained, direct and unsupervised contact with children. Therefore, background checks were not conducted on those five members. The Corporation will review this documentation during audit resolution and follow-up with MSA.

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. The Corporation is also reviewing its current guidance on background checks and expects to issue regulations in the near future.

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