Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE ILLINOIS COMMISSION ON VOLUNTEERISM AND COMMUNITY SERVICE

OIG REPORT NUMBER 06-25
FEBRUARY 22, 2006

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

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This report was issued to Corporation management on February 22, 2006. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than August 22, 2006, and complete its corrective actions by February 22, 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 Corporation for National and Community Service
Grants Awarded to Illinois Commission on Volunteerism and Community Service
Audit Report 06-25

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), retained Leonard G. Birnbaum and Company, LLP (Birnbaum) to perform an incurred-cost audit of grants awarded to the Illinois Commission on Volunteerism and Community Service (Commission).

The auditors questioned $1,672,068 in grant costs, and $892,349 in education awards. The questioned grant costs are approximately 10.3 percent of the $16,263,960 in total costs claimed by the Commission. Costs questioned for allowability represent: an alleged violation or provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, certain costs were not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable. The auditors also identified $7,532 in lost interest income, and found instances of noncompliance with Federal regulations and grant requirements, some of which are considered material weaknesses.

In its response to the draft audit report, the Commission disagreed with some of the costs questioned by the auditors that are related to match and compliance issues. These issues will be resolved with the Corporation during the audit resolution phase.

The OIG reviewed Birnbaum'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 Commission's financial statements, conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. Birnbaum is responsible for the attached auditor's report dated September 14, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where Birnbaum did not comply, in all material respects, with generally accepted government auditing standards.

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

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

Audit of Corporation for National and Community Service
Grants Awarded to the
Illinois Commission on Volunteerism and Community Service

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REPORT SUMMARY AND HIGHLIGHTS

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This report is issued under an engagement to audit the costs claimed by the Illinois Commission on Volunteerism and Community Service (Commission) and its subgrantees from July 1, 2001, through December 31, 2004, under the grants awarded by the Corporation for National and Community Service (Corporation). This report focuses on the audit of claimed costs, instances of noncompliance with Federal laws, applicable regulations or award conditions, and internal control weaknesses resulting from the audit of the Commission and its subgrantees.

Executive Summary

We question costs totaling $1,672,068, or approximately 10.3 percent, of the $16,263,960 in costs claimed by the Commission. In addition, we questioned $892,349 in AmeriCorps Member Education Awards. A questioned cost is (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost was not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

While these amounts are significant in relation to the dollars audited, they are the result of a relatively small number of issues. Of these questioned costs, $874,707 is for the Administration grant's matching requirement. An additional $480,719 of questioned costs resulted from a lack of member criminal background checks at various subgrantees. We also found an instance of lost interest, estimated at $7,532, and other questioned costs resulted from documentation problems.

Many of the subgrantees' findings were also noted in Commission monitoring reports. However, the monitoring reports did not monetize, where possible, the effect of the condition, and repeat conditions were not always highlighted.

Purpose and Scope of Audit

Our audit covered the costs claimed under Corporation Grant Numbers 00ASCIL014, 03ACHIL001, 00ASFIL014, 03AFHIL002, 01APSIL014, 03KCHIL002, 01DSCIL015, 04CDHIL001, 02PDSIL014, 01SCSIL014 and 04CAHIL001.

The objectives of our audit were to determine whether:

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

We performed the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed against the grants, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibits A through D. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. Our audit included reviews of audit reports and working papers prepared by the independent public accountants for the Commission and its subgrantees, in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. We believe our audit provides a reasonable basis for our opinion. We conducted our audit fieldwork between May 16 and September 14, 2005, at the Commission Office in Springfield, Illinois, the Corporation's offices in Washington, D.C., and selected Commission subgrantees.

With regard to GPRA, AmeriCorps grantees and subgrantees provide progress reports that are maintained in the Corporation's Web Based Reporting System (WBRS). In the Commission's application process, subgrantees are required to provide performance measurement objectives, which are used to rate the program's effectiveness in reaching its goals and desired outcomes. The Commission monitors the subgrantee's performance measurements through the submission

of biannual progress reports. The reports list the performance measurements outlined in the subgrantee's application and address these measurements to provide information/indicators of how well they are performing. Module E of the Commission's Program Review Instrument helps the Commission assess performance; the results of this module are provided to the subgrantee in a letter. This letter is documented in the files and lists the programs strengths and weaknesses where improvements can be made. At the end of every year, a Commission Grantee Progress Report is completed based on the progress reports submitted by all of its subgrantees. A comprehensive assessment of all Corporation-funded programs is made that addresses how each of the areas' objectives was met. The results of this comprehensive assessment are then submitted to the State Commissioners, who review the results and then submit them to the Corporation. The Commission takes corrective action on identified reporting deficiencies. In summary, the process appears to be operating as intended.

Our audit of the Commission included testing of financial transactions, compliance, and internal controls of the following program awards:

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03ACHIL001	9/1/03 to 8/31/06	9/1/03 to 9/30/04
AmeriCorps	00ASFIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03AFHIL002	9/1/03 to 8/31/06	9/1/03 to 9/30/04
Promise Fellows	01APSIL014	10/1/01 to 6/30/05	10/1/01 to 12/31/04
Learn & Serve	03KCHIL002	10/28/03 to 10/27/06	10/28/03 to 10/27/04
Disability	01DSCIL015	1/1/01 to 6/30/04	1/1/02 to 12/31/03
Disability	04CDHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04
PDAT	02PDSIL014	1/1/02 to 12/31/04	1/1/02 to 12/31/04
Administrative	01SCSIL014	1/1/01 to 12/31/03	1/1/02 to 12/31/03
Administrative	04CAHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04

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

	Amounts	Percentage of Budget/Claimed Costs
Award Budget	$ 18,708,593	N/A
Claimed Costs	$ 16,263,960	86.9 percent
Questioned Costs	$ 1,672,000	10.3 percent
Questioned Education Awards	$ 892,349	N/A

Background

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

The Commission has received approximately $18.7 million in funding and has drawn down $16.2 million from the Corporation since 2001. The Commission received funds from the AmeriCorps Formula, AmeriCorps Competitive, Promise Fellows, Learn & Serve, Disability, PDAT, and Administrative grant programs. Approximately $14.4 million was distributed to subgrantees, which are typically nonprofit organizations or educational institutions.

A brief synopsis of the programs and their financial history follows:

	Funding Authorized	FSR Amounts Claimed Within Audit Period	Drawdowns During Audit Period
00ASCIL014 – AmeriCorps (Competitive) *	$ 4,294,888	$ 3,641,408	$ 3,641,408
03ACHIL001 – AmeriCorps (Competitive)	946,668	827,668	946,668
00ASFIL014 – AmeriCorps (Formula)	7,957,803	6,690,014	6,690,014
03AFHIL002 – AmeriCorps (Formula)	2,295,073	2,081,614	2,295,073
Total AmeriCorps Funds	$15,494,432	$13,240,704	$13,573,163
01APSIL014 - Promise Fellows	$ 531,000	$ 432,288	$ 432,288
03KCHIL002 – Learn & Serve	$ 336,900	$ 225,580	$ 215,913
01DSCIL015 – Disability	$ 174,011	$ 170,385	$ 170,385
04CDHIL001 – Disability	42,000	42,000	42,000
Total Disability Funds	$ 216,011	$ 212,385	$ 212,385
02PDSIL014 – PDAT	264,190	245,536	245,536
01SCSIL014 – Administrative Funds	$ 1,357,492	$ 1,357,492	$ 1,179,834
04CAHIL001 – Administrative Funds***	508,568	549,975	317,357
Total Administrative Funds	$ 1,866,060	$ 1,907,467	$ 1,497,191
TOTAL – Grants Administered by the Commission	$18,708,593	$ 16,263,960**	$16,176,476**

* Amounts shown exclude City Year, Inc., a National Direct grant recipient whose costs will be audited separately by the Corporation's Office of Inspector General.

** The difference between the amount claimed and the amount drawn down is generally due to timing differences.

*** Amount claimed is greater than grant award. This noncompliance is discussed in the Compliance Findings section of this report.

Costs Questioned

AmeriCorps Grants		
• Missing Compliance and Eligibility Documents:		
Missing Criminal Background Checks		$ 480,719
Other Missing Eligibility (Age, Education, Citizenship)		1,144
Total Eligibility Issues		$ 481,863
• Living Allowance Payments in Excess of Limits		9,106
• Miscellaneous Reclassifications		4,457
Total Costs Questioned - AmeriCorps (excluding Education Awards)		$ 495,426
Promise Fellows Program		
• Missing Eligibility Documents – Criminal Background Checks		$ 182,512
Total AmeriCorps Programs		$ 677,938
Administrative Grants		
Matching Costs	$ 874,707	
Financial Status Report Error	41,407	
		$ 916,114
Program Development and Training Grant		
• Miscellaneous Unsupported/Unallowable Items		$ 78,016
Total Questioned – Claimed Costs		$ 1,672,068

Education Awards:

• AmeriCorps Subgrantees	$ 840,374	
• AmeriCorps Promise Fellows	51,975	
Questioned Education Awards		$ 892,349
Total Questioned Costs – Claimed and Education Awards		$ 2,564,417

We also found an instance of lost interest, calculated at $7,532, on advance funding. This amount is not included in the above questioned costs since there was no corresponding grants' claimed amount. However, this represents lost income to the government.

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

Compliance

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

1. The Commission did not have adequate monitoring procedures in place to ensure that subgrantees maintained required member records documentation in compliance with AmeriCorps Provisions. We identified the following deficiencies:

    a. Five subgrantees, Literacy Volunteers of America - Illinois (LVA), Southern Illinois University at Edwardsville, the University of Chicago, American Red Cross and Illinois Coalition for Community Service (ICCS), did not perform criminal background checks as required by AmeriCorps Special Provision Number 6, h. As part of the AmeriCorps member screening process, criminal background checks should be performed on applicants who are expected to have substantial direct contact with children or other vulnerable individuals.

    b. Southern Illinois University at Edwardsville (SIUE) destroyed member files earlier than the date established in AmeriCorps General Provisions.

    c. Subgrantee member files did not contain required documents and member documents were not submitted to the Commission on a timely basis.

2. The Commission's financial management system did not have adequate controls to document and support all costs claimed. We identified the following deficiencies:

    a. An amount reported on Financial Status Reports (FSRs) for Administration grant 04CAHIL001 was in error. The amount claimed on the FSR was greater than the Administrative grant award.

    b. Significant Administration grant matching costs may not have been necessary and reasonable for the Illinois AmeriCorps program to achieve its objectives.

3. The Commission did not follow requirements in the performance of the Program Development and Training (PDAT) grant. The following deficiencies were noted:

    a. The Commission did not receive prior written approval from the Corporation for PDAT subgrants issued to Public Allies and the Illinois Public Health Association.

    b. The PDAT subgrant to the Illinois Public Health Association was pre-funded, which resulted in a violation of State regulations and incorrect FSR reporting of program year expenditures.

4. The Commission and subgrantees did not submit FSRs on a timely basis.

5. The Commission did not ensure that an advance of Federal grant funds to LVA was deposited in an interest bearing account.

6. The Commission did not have adequate monitoring or other procedures in place over AmeriCorps member living allowance payments or service hour reporting.

    a. An individual at SIUE received living allowance payments under the AmeriCorps grant although this person had never been formally enrolled as a member during the program year.

    b. The University of Chicago reported service hours that were performed by an individual before that person was enrolled as an AmeriCorps member.

7. The Commission's monitoring procedures did not detect that the subgrantees had not complied with all required grant documentation and reporting provisions. We identified the following deficiencies:

    a. A consultant was paid by Rend Lake College in excess of the maximum daily amount allowed by AmeriCorps provisions.

b. The University of Chicago and Rend Lake College did not have adequate documentation for some donated office space, office supplies, telephone and fax services claimed for matching purposes.

c. Rend Lake College incorrectly claimed a portion of audit costs required by Office of Management and Budget (OMB) Circular A-133 as a direct grant cost under the Internal Evaluation category.

Finding Numbers 1, 2, and 7 are considered to be material weaknesses.[1]

Internal Controls

8. The Commission did not have controls in place to ensure that SIUE took appropriate action when information obtained from a criminal background check was inconsistent with information provided by an applicant on the enrollment form.

9. The Commission could improve its reporting on monitoring visits by monetizing findings where possible, and including a "follow-up" section to report on the current status of prior findings.

Finding Numbers 1 through 7 as set forth in the Compliance section of the report, are also considered findings on internal control.

Finding Numbers 1, 2, 3, and 4 are considered material internal control weaknesses.

Exit Conference

The contents of this report were disclosed to and discussed with the Commission and Corporation at an exit conference on November 21, 2005. In addition, we provided a draft of this report to the Commission and to the Corporation for comment. Their responses are included in their entirety at Appendices A and B, respectively.

Report Release

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

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

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Corporation for National and Community Service

INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the Illinois Commission on Volunteerism and Community Service (Commission) for the awards listed below. These costs, as presented in the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D), are the responsibility of Commission management. Our responsibility is to express an opinion on the consolidated Schedule of Award Costs, and Exhibits A through D, based on our audit.

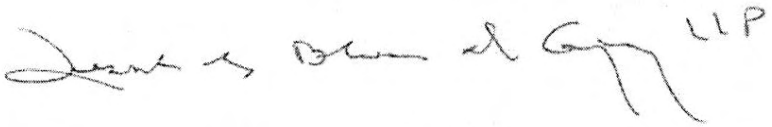
Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03ACHIL001	9/1/03 to 8/31/06	9/1/03 to 9/30/04
AmeriCorps	00ASFIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03AFHIL002	9/1/03 to 8/31/06	9/1/03 to 9/30/04
Promise Fellows	01APSIL014	10/1/01 to 6/30/05	10/1/01 to 12/31/04
Learn & Serve	03KCHIL002	10/28/03 to 10/27/06	10/28/03 to 10/27/04
Disability	01DSCIL015	1/1/01 to 6/30/04	1/1/02 to 12/31/03
Disability	04CDHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04
PDAT	02PDSIL014	1/1/02 to 12/31/04	1/1/02 to 12/31/04
Administrative	01SCSIL014	1/1/01 to 12/31/03	1/1/02 to 12/31/03
Administrative	04CAHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant management estimates, 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 omission of the supporting source documentation and other open issues related to the $1,672,068 in questioned costs, the Consolidated Schedule of Award Costs and the grant-specific Schedules of Award Costs (Exhibits A through D and related Schedules) present fairly, in all material respects, the costs claimed for the period July 1, 2001, to December 31, 2004, in conformity with generally accepted accounting standards in the United States of America.

In accordance with the *Government Auditing Standards,* we have also issued our report, dated September 14, 2005, on compliance and internal controls over financial reporting.

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



Alexandria, Virginia
September 14, 2005

Illinois Commission on Volunteerism and Community Service
Consolidated Schedule of Award Costs

Corporation for National and Community Service Awards

Award Number	Program	Approved Budget	FSR's Claimed Costs	Questioned Costs	Questioned Education Awards	Reference
00ASCIL014	AmeriCorps	$4,294,888	$3,641,408	$ 372,119	$ 566,999	
03ACHIL001	AmeriCorps	946,668	827,668	-	-	
00ASFIL014	AmeriCorps	7,957,803	6,690,014	6,362	90,450	
03AFHIL002	AmeriCorps	2,295,073	2,081,614	116,877	182,925	
Total AmeriCorps		$15,494,432	$13,240,704	$ 495,358	$ 840,374	Exhibit A
01APSIL014	Promise Fellows *	$ 531,000	$ 432,288	$ 182,512	$ 51,975	Exhibit B
03KCHIL002	Learn & Serve	$ 336,900	$ 225,580	$	$	
01DSCIL015	Disability	$ 174,011	$ 170,385	$ -	$ -	
04CDHIL001	Disability	42,000	42,000	-	-	
Total Disability		$ 216,011	$ 212,385	$ -	$ -	
02PDSIL014	PDAT	$ 264,190	$ 245,536	$ 78,016	-	Exhibit C
01SCSIL014	Administrative	$ 1,357,492	$ 1,357,492	$ 469,707	$ -	
04CAHIL001	Administrative	508,568	549,975	446,407	-	
Total Administrative		$ 1,866,060	$ 1,907,467	$ 916,114	-	Exhibit D
Total		$18,708,593	$16,263,960	$1,672,000	$ 892,349	

* FSRs are not required for the Promise Fellows Program. The amount shown represents funds drawn down.

Illinois Commission on Volunteerism and Community Service
Notes to Consolidated Schedule of Award Costs

1. Summary of Significant Accounting Policies

Reporting Entity

The consolidated Schedule of Award Costs includes amounts budgeted, claimed, and questioned under AmeriCorps, Administrative, Program Development and Training and other grants awarded to the Commission by the Corporation for the period July 1, 2001, to December 31, 2004.

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

Basis of Accounting

The consolidated Schedule of Award Costs was prepared to comply with the provisions of the grant agreements between the Corporation and the Commission. The information presented in the schedule was prepared from the reports submitted by the Commission to the Corporation. The basis of accounting used in preparing these reports differs slightly from accounting principles generally accepted in the United States of America as follows:

Equipment

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

Inventory

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

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCIL014, 03ACHIL001, 00ASFIL014, and 03AFHIL002
AmeriCorps

Detailed Audits of AmeriCorps Subgrantees	Claimed Costs Note 1	Questioned Claimed Costs Note 2	Questioned Education Awards	Reference
Literacy Volunteers of America -IL	$1,322,631	$ 50,203	$ 22,499	Schedule A-1
Rend Lake College – Land of Lincoln	1,257,936	3,457	-	Schedule A-2
Rend Lake College – Southern Seven	242,800	1,000	-	Schedule A-3
Southern Illinois University at Edwardsville (Competitive)	1,123,976	5,028	379,125	Schedule A-4
Southern Illinois University at Edwardsville – IWA (Formula)	256,998	4,010	90,450	Schedule A-5
Southern Illinois University at Edwardsville – (Formula)	363,200	-	126,225	Schedule A-6
American Red Cross (Competitive)	542,799	314,431	165,375	Schedule A-7
American Red Cross (Formula)	176,471	115,877	56,700	Schedule A-8
University of Chicago – (Formula)	478,942	1,352	-	Schedule A-9
Total – Detailed Audits	$5,765,753	$ 495,358	$ 840,374	

Notes

1. The total claimed costs include amounts charged to grants by subgrantees that were not tested as part of this audit. During the audit period, the Commission had 30 AmeriCorps subgrantees including City Year, Inc. (also a National Direct sponsor which is not part of this audit). Generally, we used a sampling approach at selected field sites to test the costs claimed for Program Years 2001-02 through 2003-04.

2. Questioned Claimed Costs do not include related claimed administrative costs of the subgrantees. These are reported as noncompliance findings only. The allowability of administrative costs will be determined on an overall basis for all awards to the Commission.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCIL014 and 03ACHIL001

Literacy Volunteers of America –Illinois (LVA)

			Reference
Approved Budget (Federal Funds)		$1,617,012	Note 1
Claimed Costs		$1,322,631	Note 2
Questioned Costs			
Member Compliance and Eligibility Issues	$ 50,084		Note 3
Error in FICA Computations	119		Note 4
Total Questioned Costs		$ 50,203	
Administrative Costs		$ 2,641	Note 5
Questioned Education Awards		$ 22,499	Note 6
Estimated Interest Lost		$ 7,532	Note 7

Notes

1. The amount shown above as Approved Budget represents the total funding to LVA for Program Years 2001-02 through 2003-04, according to the grant budgets.

2. Claimed costs represent LVA's reported expenditures for the program years tested (2001-02 through 2003-04).

3. The LVA's program had a variety of non-compliance issues. Compliance testing of AmeriCorps members' files revealed that key compliance and eligibility documentation for some members was missing. Among those missing documents were criminal background checks that apparently were never obtained. This is consistent with findings of the Commission's previous oversight reviews. LVA staff told us that the prior monitoring findings and recommendations were considered for *prospective* corrective action. There was no attempt

to go back and take retroactive actions to bring the prior findings into compliance. However, the missing background checks and other documentation deficiencies raise concerns about (i), the adequacy of the selection screening process and (ii), the eligibility of some members and their related costs. Consequently, we have questioned the members' costs where background checks and other required eligibility documentation was not obtained, as follows:

Missing Criminal Background Checks	$ 49,059
Missing Eligibility Documents	1,025
Missing Eligibility Documents and FICA Error	119
Total Compliance and Eligibility Issues Questioned	$ 50,203

Since the background checks or members' eligibility was not supported by source documentation in some cases, we questioned the related living allowances, including associated costs (FICA, health care, workers compensation, etc.). Questioned costs are summarized by Program Year as follows:

Program Year	Missing Documentation	Amount
2001-02	Support for age, citizenship, or required criminal background checks	$ 19,501
2002-03	Support for age, citizenship, or required criminal background checks	30,583
Total Compliance and Eligibility Issues Questioned (including associated costs)		$ 50,084

4. The amount questioned represents the additional effect of a posting computation error in claimed members' FICA costs in Program Year 2002-02. $ 119

5. Claimed Administrative costs related to the above questioned items are $2,641.

6. We questioned related Education Awards of $ 22,499 because of compliance and member eligibility issues, as follows:

Program Year	Amounts
2001-02	$ 8,324
2002-03	14,175
Totals	$ 22,499

7. Represents interest lost to the Commission and to the Federal government because LVA did not place advance payments into an interest bearing account while awaiting disbursement of the funds. This interest is not included with the questioned costs since it was not included in LVA's claimed amounts. However, it does represent monies that should have reverted to the government.

   The interest lost calculation is a conservative estimate based on when the funds were received from the Commission, when the funds were spent (quarterly Periodic Expense Reports) and the interest rate (1.341% annually on balances over $100,000) paid by Citibank on LVA funds. Our calculation assumes all expenditures shown on the PER occurred on the first day of the period. This assumption has the effect of lowering the amount of interest lost.

   A summary of the interest calculation is provided below. On February 27, 2003, the funds were transferred to an interest bearing account.

PER Date	Federal Funds On Hand	Days Outstanding	Estimated Interest Lost
Carryover	$ 162,705	21	$ 126
9/30/2001	617,166	32	726
12/31/2001	510,643	92	1,726
3/31/2002	394,933	90	1,306
6/30/2002	298,473	91	998
9/30/2002	260,372	92	880
12/31/2002	316,669	92	1,070
3/31/2003	328,593	58	700
			$ 7,532

Commission Response

The Commission response *(Appendix A)* did not directly address the individual line item audit adjustments in Schedule A-1 above. However, with regard to the general issue of missing criminal background checks, the Commission response refers to an Illinois Administrative Code regarding the definition of "access to children". This reference states the definition of access to children as *"... any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care ..."*.

The Commission response further states that the subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children.

There is no specific response addressed to the issues of the other missing "Eligibility" documents or to the error in the FICA computation.

The Commission response stated that the requirement to deposit Federal grant funds into interest-bearing accounts is a part of each program's contract with DHS. Literacy Volunteers of America's (LVA) failure to do so should be considered an anomaly of the State's AmeriCorps programs.

As for the audit classification of these issues as questioned costs and recommendations that the Corporation recoup questioned costs, including applicable administrative costs and education awards, the Commission suggests that, even if it is determined that background checks were required for these five programs within the guidance of AmeriCorps Provision 6-h and State statute, such funding should strictly be a matter of program compliance. Further, the Commission believes it would not be appropriate to disallow costs associated with members on the basis of missing criminal background checks.

Auditor's Comment

We believe the statement that the five subgrantees reviewed during this engagement (including LVA above) submit that their AmeriCorps members were not subject to the requirements of the criminal background provision since their members had, at no time, unsupervised access to children, is inaccurate. We do not believe the LVA, and others, made that assertion. During the course of our audit, the only subgrantee to make that assertion was the American Red Cross. Our comments relative to that subgrantee are included in Schedules A-7 and A-8.

The LVA did attempt to obtain criminal background checks on its members throughout the grants' performance periods, and the Commission oversight reviews also tested periodically for this requirement. There was obviously a common understanding that these checks were a requirement of the AmeriCorps Provisions at LVA. Costs questioned relate to those criminal background checks that were missing from member files and were either never obtained, or could not otherwise be located. AmeriCorps Provisions require that criminal background check "...documentation must be maintained consistent with state law." [AmeriCorps Special Provision No. 6-h (July 2003)].

Our recommendations in Compliance Finding No. 1 included suggestions that the Commission attempt to identify the applicable Illinois State Law governing the requirement for obtaining criminal background checks, and to disseminate such information to the subgrantees for guidance. We believe the referenced Illinois Act in the Commission response is the result of the Commission's attempt to comply with the audit recommendation. However, this language would not cover other vulnerable populations, e.g., seniors, handicapped, etc., which likewise

might require the solicitation of criminal background checks. Moreover, when we discussed the State's policies during the audit, we were advised that, even in the case of schools, day care centers and similar institutions, the organizations tend to get criminal background checks as a precautionary measure anyway, since it is virtually impossible to monitor the activities of employees on a 100 percent basis. Likewise, we also would not be in a position to verify the accuracy of any such assertion on an after-the-fact audit.

However, as previously stated, we do not believe the LVA made such an assertion that its members "… had, at no time, unsupervised access to children …"

The Commission did not comment on the FICA error or lost interest. Accordingly, our recommendation with respect to these items remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 00ASCIL014, and 03AFHIL002

Rend Lake College - Land of Lincoln Program
Competitive and Formula Funds

			Reference
Approved Budget (Federal Funds)		$1,386,400	Note 1
(Competitive – 2 Years; Formula -1 Year)			
Claimed Costs		$1,257,936	Note 2
Questioned Costs			
Excess Consultant Charges	$ 357		Note 3
Misclassified Audit Costs Included in the Evaluation Category	3,100		Note 4
Total Questioned Costs		$ 3,457	

Notes

1. The approved budget amount of $1,386,400 represents total funding to Rend Lake College for Program Years 2001-02 through 2003-04, per the grant budgets.

2. The claimed costs of $1,257,936 represent the amount of reported expenditures of Rend Lake College for the years tested (2001-02 through 2003-04).

3. Costs questioned represent payment to a consultant for a one-day workshop that exceeded the $443 daily maximum allowed by AmeriCorps Provision No. 22e, Financial Management Provisions, Consultant Services, July 2003. The cost paid for the workshop, excluding travel costs, was $800. The difference between the $800 and the $443, or $357, is questioned.

4. During the audit period, Rend Lake College charged a portion of the annual audit costs to the Evaluation category. In accordance with AmeriCorps Provisions (No. 23a. Administrative Costs, Definitions, July 2003 Edition), annual audit costs are administration costs and should be charged to the Administration category. Accordingly, we questioned $3,100 of misclassified audit costs.

Commission Response

The Commission response (Appendix A) did not directly address the individual line item audit adjustments above in this Schedule A-2. However, with regard to the general issue of consultants' costs in the compliance report, the Commission stated the following:

"Program Officers will emphasize the maximum allowable consultant fees in the AmeriCorps program during both monitoring visits and the Program Director Training. Reference will be made to the consultant fee limit applying to all fees paid, both for AmeriCorps billed services and for consultant fees used as matching funds. Programs will be advised to document appropriate preparation costs and other expenses and not simply to bill for total consultant expenditures."

There are no comments related to the reclassification of claimed costs in the "Evaluation" category.

Auditor's Comment

Since the Commission did not dispute the questioned costs, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award Numbers 00ASFIL014

Rend Lake College – Southern Seven Program
Formula Funds

			Reference
Approved Budget (Federal Funds – Formula)		$ 269,500	Note 1
Claimed Costs		$ 242,800	Note 2
Questioned Costs			
Misclassified Audit Costs Included In the Evaluation Category	$ 1,000		Note 3
Total Questioned Costs		$ 1,000	
Administrative Costs		$ 51	Note 4

Notes

1. The approved budget amount represents total funding to Rend Lake College, Southern Seven Program for Program Years 2001-02 through 2002-03, per the grant budgets.

2. The claimed costs represent the amount of reported expenditures of Rend Lake College, Southern Seven Program for the years tested (2001-02 through 2002-03).

3. During the two-year length of this program, Rend Lake College charged a portion of the annual audit costs to the Evaluation category. In accordance with AmeriCorps Provisions (No. 23a. Administrative Costs, Definitions, July 2003 Edition), annual audit costs are administration costs and should be charged to the Administration category. Accordingly, we questioned $1,000 of misclassified audit costs.

4. Claimed Administrative costs related to the above questioned items are $51. This adjustment includes the effect of the reclassification shown in Note 3 above.

Commission Response

There are no comments related to the reclassification of claimed costs in the "Evaluation" category.

Auditor's Comment

Since the Commission has not commented on the questioned costs, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award No. 00ASCIL014

Southern Illinois University at Edwardsville
Competitive Funds

			Reference
Approved Budget (Competitive Federal Funds)		$ 1,204,820	Note 1
Claimed Costs – "AmeriCorps / East St. Louis Program"		$ 1,123,976	Note 2
Questioned Costs			
Living Allowances	$ 5,028		Note 3
Total Questioned Costs		$ 5,028	
Administrative Costs		$ 265	Note 4
Questioned Education Awards		$ 379,125	Note 5

Notes

1. The approved budget amount represents total funding to Southern Illinois University at Edwardsville (SIUE) for Program Years 2001-02 and 2002-03 for the Competitive Federal funds.

2. The claimed costs represent the amount of reported expenditures of SIUE under the Competitive grant for the years tested (2001-02 and 2002-03).

3. The amount shown represents the Living Allowance and related fringe benefit costs of an individual AmeriCorps member whose selection screening was inadequate. This individual filed an application that was found to be incorrect with respect to disclosure of prior felony or misdemeanor convictions. The discrepancy was noted during our review of the individual's criminal background check. Since the information provided at the time of the application was erroneous, we have questioned the member's Living Allowance and associated costs.

4. Claimed Administrative costs related to the above questioned items are $265.

5. During our planning for this subgrantee testing, we were informed that the members' files had been destroyed. After the last oversight review, the subgrantee's program office destroyed all of the members' files in an effort to conserve space. This was in violation of applicable records retention requirements and made compliance testing more difficult. We questioned Education Awards of $379,125 because of the absence of time sheets to support the service hours reported in WBRS, and/or the inability to locate criminal background check documentation, as follows:

Program Year	Amounts
2001-02	$191,025
2002-03	188,100
Totals	$379,125

Many of the questioned Education Awards pertain to members categorized as "Reduced Part Time". Payments made to these individuals were not claimed under the Federal funds portion of the grant. Rather, they were included as matching costs. However, these individuals were entitled to reduced amounts of Education Awards if they met the minimum required service hours for their category. Consequently, there may appear to be an imbalance between the amounts of member costs questioned above and the amounts of Education Awards questioned, but the adjustment above is considered appropriate.

Commission Response

The Commission response did not specifically address the questioned costs for the living allowance and applicable fringe benefit costs of an individual AmeriCorps member whose selection screening was inadequate.

With regard to questioned education awards due to the destruction of member files at SIUE, the Commission offered the following comments:

"Southern Illinois University at Edwardsville (SIUE) is aware that they inappropriately destroyed member files and the program is aware that their procedures must change to ensure future compliance. The requirement to maintain member files for seven years is contained in the program's contract with the Department of Human Services (DHS) and DHS will formally notify SIUE of this requirement and of the AmeriCorps General Provision Number 27, Retention of Records. Furthermore, the retention of records will be reinforced during training conducted for all program directors and during visits conducted by the Commission's AmeriCorps Program Officers."

Auditor's Comment

Since the Commission did not dispute the destruction of member files or address the other questioned costs, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award Numbers 00ASFIL014

Southern Illinois University at Edwardsville – IWA
Formula Funds

		Reference
Approved Budget (Formula Federal Funds)	$ 269,477	Note 1
Claimed Costs – IWA Program	$ 256,998	Note 2
Questioned Costs		
Excess Living Allowances	$ 4,010	Note 3
Total Questioned Costs	$ 4,010	
Administrative Costs	$ 211	Note 4
Questioned Education Awards	$ 90,450	Note 5

Notes

1. The approved budget amount represents total funding to Southern Illinois University at Edwardsville (SIUE) – IWA Formula funds for Program Years 2001-02 and 2002-03, per the grant budget.

2. The claimed costs represent the amount of reported expenditures of SIUE – IWA Program for the years tested (2001-02 and 2002-03).

3. The amount shown represents the Excess Living Allowance and related fringe benefit costs of an individual who received living allowance payments during periods when the individual was not officially enrolled as an AmeriCorps member.

4. Claimed Administrative costs related to the above questioned items are $211.

5. During our planning for this subgrantee testing, we were informed that the member files had been destroyed. After the last oversight review, the subgrantee's program office destroyed all the member files in an effort to conserve space. This was in violation of applicable records retention requirements and made compliance testing more difficult. We questioned Education Awards of $90,450 because of the absence of member time sheets to support the service hours reported in WBRS, and/or the inability to locate criminal background check documentation, as follows:

Program Year	Amounts
2001-02	$ 57,375
2002-03	33,075
Totals	$ 90,450

Many of the questioned Education Awards pertain to members categorized as "Reduced Part Time". Payments made to these individuals were not claimed under the Federal funds portion of the grant. Rather, they were included as matching costs. However, these individuals were entitled to reduced amounts of Education Awards if they met the minimum required service hours for their category. Consequently, there may appear to be an imbalance between the amounts of member costs questioned above and the amounts of Education Awards questioned, but the adjustment above is considered appropriate.

Commission Response and Auditor's Comment

Refer to the Commission Response and Auditor's Comment on Pages 25 and 26.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award Numbers 00ASFIL014

Southern Illinois University at Edwardsville
Formula Funds

		Reference
Approved Budget (Formula Federal Funds)	$ 363,200	Note 1
Claimed Costs – AmeriCorps / East St. Louis Program	$ 363,200	Note 2
Questioned Costs	$ -	Note 3
Total Questioned Costs	$ -	
Questioned Education Awards	$ 126,225	Note 4

Notes

1. The approved budget amount represents total funding to SIUE – Formula funds for Program Year 2003-04, per the grant budget.

2. The claimed costs represent the amount of reported expenditures of SIUE – IWA program for the year tested (2003-04).

3. There were no questioned costs on this grant for the period tested.

4. During our planning for this subgrantee testing, we were informed that the members' records files had been destroyed. After the last oversight review, the subgrantee's program office destroyed all member files in an effort to conserve space. This was in violation of applicable records retention requirements and made compliance testing more difficult. We questioned Education Awards of $126,225 because of the absence of supporting member time sheets to support the service hours reported in WBRS, and/or the inability to locate criminal background check documentation, as follows:

Program Year	Amount
2003-04	$126,225

Many of the questioned Education Awards are for members categorized as "Reduced Part Time". Payments made to these individuals were not claimed under the Federal funds portion of the grant. Rather, they were included as matching costs. However, these individuals were entitled to reduced amounts of education awards if they met the minimum required service hours for their category. Consequently, there may appear to be an imbalance between the amounts of member costs questioned and the amounts of education awards questioned, but the adjustment above is considered appropriate.

Commission Response and Auditor's Comment

Refer to the Commission Response and Auditor's Comment on Pages 25 and 26.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award No. 00ASCIL014

American Red Cross
Competitive Funds

			Reference
Approved Budget (Competitive Federal Funds)		$ 704,400	Note 1
Claimed Costs		$ 542,799	Note 2
Questioned Costs			
Living Allowances	$ 314,431		Note 3
Total Questioned Costs		$ 314,431	
Administrative Costs		$ 14,247	Note 4
Questioned Education Awards		$ 165,375	Note 5

Notes

1. The approved budget amount represents total Competitive funding to the American Red Cross for Program Years 2001-02 and 2002-03, per the grant budgets.

2. The claimed costs represent the amount of reported expenditures of the American Red Cross for the years tested (2001-02 and 2002-03).

3. During our audit, we found that no criminal background checks had been obtained by the American Red Cross–Chicago for any AmeriCorps members, even though the program involved contact with vulnerable populations. American Red Cross staff advised us that the members were supervised and were not alone with children or other vulnerable individuals. They indicated that background checks were not required in such cases. We could not verify the statement made by Red Cross staff, nor could we find an exemption to the compliance requirements of AmeriCorps Provision Number 6, h, "Criminal Record Checks" that would eliminate the need for such checks. The amount questioned represents the claimed Living Allowance and related fringe benefit costs of members during the periods under audit, as follows:

Program Year	Amounts
2001-02	$141,674
2002-03	172,757
Total	$314,431

4. Claimed administrative costs related to the above questioned items are $14,247.

5. We questioned related Education Awards of $165,375 because of the absence of criminal background checks, as follows:

Program Year	Amounts
2001-02	$ 73,237
2002-03	92,138
Total	$165,375

Commission Response

With regard to the general issue of missing criminal background checks, the Commission response refers to an Illinois Administrative Code regarding the definition of "access to children". This reference states the definition of access to children as *"... any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care ..."*.

The Commission response further states that the subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children.

Auditor's Comment

The above referenced definition refers to children only, not to other populations considered to be "vulnerable". The American Red Cross staff did advise us that the members were supervised and were not alone with children or other vulnerable individuals. They indicated that background checks were not required in such cases. However, we could not verify the statement made by Red Cross staff, nor could we find any request for, or exemption to, the compliance requirements of AmeriCorps Provision Number 6, h, "Criminal Record Checks" that would eliminate the need for such checks.

We noted that the grant programs at the American Red Cross were generally labeled "Safe Families" programs and the scope of work for these grants included a high percentage of recipients who were children, seniors, or other groups considered to be vulnerable. The tasks on these grants included providing certification and non-certification classroom training and other types of presentations to these groups on subjects such as First Aid / CPR, Babysitting, Basic Aid, Fire Safety, and HIV/AIDS. In reviewing the Satisfaction Surveys of AmeriCorps members, we noted that some of the most frequently cited aspects of their experience were "Working with Kids" and some relatively high percentages of dissatisfaction with supervisors.

Again, we could not verify on an after-the-fact basis the American Red Cross' assertion that members had, ***at no time, unsupervised access to children or other vulnerable groups*** (emphasis added). However, in view of some of the comments noted in the Satisfaction Surveys, including comments regarding contacts with children and seniors and some dissatisfaction with the supervision provided, we felt that such an assertion was at least questionable. Further, the issue could be avoided by simply obtaining the checks required by the AmeriCorps Provision.

Accordingly, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award No. 03AFHIL002

American Red Cross
Formula Funds

		Reference
Approved Budget (Formula Federal Funds)	$ 191,858	Note 1
Claimed Costs – "Safe Families Program"	$ 176,471	Note 2
Questioned Costs Living Allowances	$ 115,877	Note 3
Total Questioned Costs	$ 115,877	
Questioned Education Awards	$ 56,700	Note 4

Notes

1. The approved budget amount represents total Formula funding to the American Red Cross for Program Year 2003-04, per the grant budget.

2. The claimed costs represent the amount of reported expenditures of the American Red Cross for the year tested (2003-04).

3. During our audit, we found that no criminal background checks had been obtained by the American Red Cross–Chicago for any AmeriCorps members, even though the program involved contact with vulnerable populations. American Red Cross staff advised us that the members were supervised and were not alone with children or other vulnerable individuals. They indicated that background checks were not required in such cases. We could not verify the statement made by the Red Cross staff, nor could we find an exemption to the compliance requirements of AmeriCorps Provision Number 6, h, "Criminal Record Checks" that would eliminate the need for such checks.

   The $115,877 amount shown above as questioned costs represents the claimed Living Allowance and related fringe benefit costs of members during the periods under audit due to missing criminal background checks. There were no administrative costs claimed under

Federal funds, only matching costs.

4. We questioned Education Awards of $56,700 because of missing criminal background checks.

Commission Response and Auditor's Comment

Refer to the Commission Response and Auditor's Comment on Pages 32 and 33.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Award Numbers 00ASFIL014 and 03AFHIL002

University of Chicago
Formula Funds

		Reference
Approved Budget (Federal Funds)	$ 516,100	Note 1
Claimed Costs	$ 478,942	Note 2
Questioned Costs		
Excess Living Allowances	$ 1,352	Note 3
Total Questioned Costs	$ 1,352	
Administrative Costs	$ 71	Note 4

Notes

1. The approved budget amount represents total funding to the University of Chicago for Program Years 2001-02 through 2003-04, per the budget schedules.

2. The claimed costs represent the amount of reported expenditures of the University of Chicago for the years tested (2001-02 through 2003-04).

3. Costs Questioned represent the booked amount of member payments to one individual whose required criminal background check had not been obtained. In addition, the claimed hours used to support this member's service time went back as far as eight months prior to the individual's enrollment in the program.

4. Claimed administrative costs related to the above questioned items are $71.

Commission Response

The Commission response *(Appendix A)* did not directly address the individual line item audit adjustments in Schedule A-10 above. However, with regard to the general issue of missing criminal background checks, the Commission response refers to an Illinois Administrative Code regarding the definition of "access to children". This reference states the definition of

access to children as *"... any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care ... "*.

The Commission response further states that the subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children.

There is no specific response addressed to the issue of the member's service dates.

Auditor's Comment

We believe the statement that the five subgrantees reviewed during this engagement (including the University of Chicago above) submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children, is inaccurate. We do not believe the University of Chicago, and others, made that assertion. During the course of our audit, the only subgrantee to make that assertion was the American Red Cross, and our comments relative to that subgrantee are included in Schedules A-7 and A-8.

The University of Chicago did attempt to obtain criminal background checks on its members throughout the grants' performance periods, and the Commission oversight reviews also tested periodically for this requirement. There was obviously a common understanding that these checks were a requirement of the AmeriCorps Provisions at the University of Chicago. Costs questioned relate to those criminal background checks that were missing and were either never obtained, or could not otherwise be located. AmeriCorps Provisions require that criminal background check "...documentation must be maintained consistent with state law." [AmeriCorps Special Provision No. 6-h (July 2003)].

Accordingly, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 01APSIL014

Promise Fellows – Illinois Coalition for Community Service (ICCS)

		Reference
Approved Budget (Federal Funds)	$ 531,000	Note 1
Claimed Costs	$ 432,288	Note 2
Questioned Costs	$ 182,512	Note 3
Questioned Education Award	$ 51,975	Note 4

Notes

1. The approved budget amount represents total funding to ICCS for Program Years 2001-02 through 2003-04, per the budget schedules. The Promise Fellows Program is not subject to Federal Cost Principles. Amounts awarded are based on the approved number of Fellows specified in the grant. Reimbursement is made on a formula basis consistent with grant terms and AmeriCorps Provisions.

2. Claimed costs represent the funds paid to ICCS based on the number of Promise Fellows and the number of hours served by each Fellow, consistent with the grant formula computations.

3. The formula used for reimbursement is predicated on calculations based on the number of Fellows enrolled and retained during the period, at staggered (first five, second five, etc.) reimbursement rates.

   In performing the compliance portion of the audit, we found that there was a significant number of missing criminal background checks in the sample tested. Consequently, we expanded our review to cover all enrolled Fellows.

   A calculated 42.22 percent of the enrolled Fellows' files lacked a criminal background check. Since this element is considered to be a key factor of an adequate "screening process", as indicated in AmeriCorps Special Provision Number 6, h, "*Criminal Background Checks*", the amounts claimed for those individuals are considered to be questioned costs.

To quantify the impact of this condition, we applied the 42.22 percent noncompliance factor to the amount claimed and drawn down by the Commission and paid to the ICCS (42.22 percent of $432,288 = $182,512).

3. We questioned Education Awards of $51,975 because of missing criminal background checks.

Commission Response

The Commission response *(Appendix A)* did not directly address the individual line item audit adjustments in Exhibit B above. However, with regard to the general issue of missing criminal background checks, the Commission response refers to an Illinois Administrative Code regarding the definition of "access to children". This reference states the definition of access to children as *"... any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care ... "*.

The Commission response further states that the subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children.

Auditor's Comment

We believe the statement that the five subgrantees reviewed during this engagement (including ICCS above) submit that their AmeriCorps members/fellows were not subject to the requirements of the criminal background check provision since their members/fellows had, at no time, unsupervised access to children, is inaccurate. We do not believe the ICCS, and others, made that assertion. During the course of our audit, the only subgrantee that made that assertion was the American Red Cross, and our comments relative to that subgrantee are included in Schedules A-7 and A-8.

The Promise Fellows program is subject to the AmeriCorps Provisions, including the requirement to obtain criminal background checks (Special Provision Number 6, h). The ICCS did attempt to obtain criminal background checks on its fellows throughout the grants' performance periods and the Commission oversight reviews also tested periodically for this requirement. There was obviously a common understanding that these checks were a requirement of the AmeriCorps Provisions at the ICCS. Costs questioned relate to those criminal background check documentations that were missing and were either never obtained, or could not otherwise be located. AmeriCorps Provisions require that criminal background check "...documentation must be maintained consistent with state law." [AmeriCorps Special Provision No. 6-h (July 2003)].

Accordingly, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Number 02PDSIL014
January 1, 2002, to December 31, 2004

Program Development and Training (PDAT)

		Reference
Approved Budget (Federal Funds)	$ 264,190	Note 1
Claimed Costs	$ 245,536	Note 2
Questioned Costs	$ 78,016	Note 3

Notes

1. The approved budget amount represents total funding to the Commission for Program Years 2001-02 through 2003-04, per the budget schedules.

2. Claimed costs represent the amount of reported expenditures on the PDAT grant.

3. Costs questioned consist of the following amounts:

AmeriCorps Opening Day - Late fee (Two Percent)	$ 150
Opening Day Ceremonies – Public Allies - No Support	10,718
Illinois Public Health Association (IPHA) Admin Fee - Limit five percent of expenses - Excess over five percent	976
Amount Paid IPHA in Excess of Actual Expenses (See Compliance Finding Number 3)	66,172
Total	$ 78,016

No labor charges were applied to the PDAT Grant. However, subgrants given to Public Allies and IPHA probably did contain labor cost elements.

No Commission indirect costs or administrative costs are allocated to the PDAT Grant. However, IPHA was allowed to charge an administrative fee of five percent of expenses.

Commission Response

Comments in the Commission response regarding these issues were as follows:

"The Commission will establish controls to ensure that all required approvals are obtained prior to the initiation of subawards associated with the PDAT grant."

"The Commission will ensure that if subgrantee prepayments are necessary, the guidelines contained in the AmeriCorps Provisions Nos. 12 and 15 (November 2003), and/or any revisions to those Provisions, are followed. The Commission believes that all funds advanced to the Illinois Public Health Association (IPHA) were spent on legitimate AmeriCorps expenses and we request that these funds not be disallowed. In the future, the Commission will ensure that the subcontracts with its fiscal agents are closed out prior to the end of the program year or we will follow State regulations that require unexpended funds to be returned and reissued, if appropriate."

Auditor's Comment

We consider the Commission response to be adequate. Since the Commission has not disputed the questioned costs, our original recommendation remains unchanged.

Illinois Commission on Volunteerism and Community Service
Schedule of Award Costs
Corporation for National and Community Service
Award Numbers 01SCSIL014 and 04CAHIL001

Administrative Grants

			Reference
Approved Budget (Federal Funds)		$ 1,866,060	Note 1
Claimed Costs		$ 1,907,467	Note 2
Questioned Costs			
FSR Reporting Error	$ 41,407		Note 3
Claimed Matching Costs	874,707		Note 4
Total Questioned Costs		$ 916,114	

Notes

1. The approved budget amount represents total funding to the Commission for Program Years 2001-02 through 2003-04, per the grant budget.

2. Claimed costs represent the amount of reported expenditures of the Administrative Grant. Note that the amount claimed is greater than the Grant Award. This noncompliance is discussed in the Compliance Findings section of this report and results in questioned costs as discussed in Note 3 below.

3. The amount of funding authorized for this first year of operation under Grant Number 04 CAHIL001 was $508,568. The amount claimed on the year end FSR was $549,975. The difference between authorized and claimed amounts of $41,407 is questioned. Corrections were subsequently made to FSR balances during the audit. However, for the period covered by this report, the claimed amounts were in error by $41,407.

4. The Administrative Grant requires a Commission to provide a "one to one" dollar match to claimed Federal expenditures. To meet this requirement, the Commission has included, among other items, portions of Illinois state grants to outside organizations. One of these grants was to

the Youth Network Council. Amounts claimed as Administrative Match for this organization during the audit period were $874,707.

The Illinois State grant to the Youth Network Council does not meet the OMB Circular A-87 requirement that a cost is allowable if it is "...necessary and reasonable for proper and efficient performance and administration of Federal awards", and is "...allocable to Federal awards under the provisions of this Circular."

From the information provided by the Commission, it appears that the portions of the costs of the Illinois State grants to the Youth Network Council being used for Administrative Grant match were not "necessary and reasonable for proper and efficient performance" of Commission programs. We believe the programs could have been successfully completed without the efforts of the Youth Network Council.

The Commission's rationale for the inclusion of these costs as acceptable match is as follows:

"This is a grant made by DHS to fund training and support activities for the Division of Community Health and Prevention (the division which houses the AmeriCorps family of programs). As this is a rather large contract, only a small portion of the funds was claimed as match. These were the funds that supported the training and support activities of community-based agencies providing services to at-risk youth. Through this contract, the following services were made available to all AmeriCorps providers:

- *Coordinate and/or conduct regional direct service and management training workshops for providers & direct service staff that address identified needs*
- *Coordinate and/or conduct workshops focusing on administrative, service delivery, and evaluation issues*
- *Develop and maintain a library and media resource center accessible statewide*
- *Provide immediate legislative and news updates – electronically*
- *Retention of the services of an attorney-at-law who will make available no more than 45 minutes per of service-related legal consultation at the request of the youth service agency*
- *Conduct general provider meetings for youth service providers*
- *Publish quarterly newsletters*

As is evident in the annual plans of the various AmeriCorps programs, providing services to youth at risk is a main focus of service provision. These activities are intended to supplement the program support and training activities provided directly by the Commission. Participation in these activities are encouraged but not required by the Commission."

The Commission's justifications for the use of the Youth Network Council award as appropriate for meeting matching requirements are not totally convincing in light of the following:

- The Youth Network Council was performing state requested work for some time before the establishment of AmeriCorps.
- When we accessed the Youth Network Council website there was no mention of AmeriCorps.
- The Youth Network Council contracts with the state made no reference to AmeriCorps.
- The former Acting Director of the Illinois Commission stated that he had never heard of the Youth Network Council prior to our inquiry, and could provide no information on their contribution to the grant.
- The Youth Network Council costs may have been a convenient group of State costs that have a relationship to AmeriCorps objectives. Therefore, these costs were claimed as matching without directly identifying the "necessary and reasonable" criteria in the OMB Circular.

We question whether these costs were necessary and reasonable for the Illinois AmeriCorps program to achieve its objectives. Accordingly, we have questioned the matching costs claimed. Since there is a corresponding one-to-one relationship between the matching and Federal funds on the Administration Grant, $874,707 is shown as questioned Federal funds.

Commission Response

Regarding the FSR error, the Commission reply is as follows:

"The amount of Federal expenditures was overstated on the Financial Status Report (FSR) for the quarter ending December 31, 2004. However, the Federal draw did not exceed the grant award available of $508,568, so the Commission believes this does not represent a misuse of AmeriCorps funds. Administrative costs are now allocated to the AmeriCorps program based on the Public Assistance Cost Allocation Plan (PACAP). Costs identified through PACAP include expenditure of both AmeriCorps funds and State of Illinois funds. The AmeriCorps costs identified through PACAP are greater than the expenditures associated with the AmeriCorps funds. The costs reported on the December 31, 2004, FSR were overstated due to the fact that the PACAP costs were used. Department of Human Services program and fiscal staff have developed an improved method for completing

the FSR. Actual expenditures of AmeriCorps funds are now being reported on the FSR, rather than the total as determined by the PACAP, since those expenditures are also used to determine the Federal draw of funds. AmeriCorps program staff will review the FSR before it is submitted."

In response to the issue of questioned matching costs, the Commission responded as follows:

"The Commission requests that the use of the Youth Network Council (YNC) funding for training associated with the delivery of youth service programs be considered an approved match source given that a similar request to use such funding as match was previously approved by the Corporation. Please see the attached letter dated March 7, 2001 from Mr. James E. Phipps, CNCS Senior Grants Officer, which states that similar funds used for evaluation and training by the State's TEEN Reach program meet the criteria as match for the administrative award. The Commission subsequently used this basis for establishing a matching funds source. As the use of such funding was previously approved as a match source by the Corporation, and as no subsequent notice has been issued stating that the use of such expenditures as a match source is not allowed, the Commission requests that the funds paid to YNC be allowed as the program's match."

Auditor's Comment

We believe the Commission response regarding the FSR error is adequate. However, we recommend that the Corporation review the Commission's new method for completing FSRs to ensure that it appropriately records the actual expenditures incurred.

With respect to the matching issue, and as stated in our comments in Exhibit D above, we believe that the Illinois State grant to the Youth Network Council does not meet the OMB Circular A-87 requirement that a cost is allowable if it is "…necessary and reasonable for proper and efficient performance and administration of Federal awards", and is "…allocable to Federal awards under the provisions of this Circular."

From the information provided by the Commission, it appears that the portions of the costs of the Illinois State grants to the Youth Network Council being used for Administrative Grant match were not "necessary and reasonable for proper and efficient performance" of Commission programs. We believe the programs could have been successfully completed without the efforts of the Youth Network Council.

The referenced letter from Mr. Phipps in the Commission response deals with requests for approval to use "TEEN Reach" funds as matching costs for the Administrative Grant for the Program Year 2001-02. Similar language was in the Commission's proposal submissions for subsequent years. The questioned matching amounts for the Youth Network Council (YNC) pertain to Program Years 2002-03 and 2003-04. We found no approval of YNC funds for matching purposes in those years, nor do we believe that the two programs are compatible. We do not believe this letter pertains to the issues in question regarding the Youth Network Council.

As stated previously, the Commission's justifications for the use of the YNC award as appropriate for meeting matching requirements are not totally convincing in light of the following:

- The Youth Network Council was performing State requested work for some time before the establishment of AmeriCorps.
- When we accessed the YNC website, there was no mention of AmeriCorps.
- The Youth Network Council contracts with the State made no reference to AmeriCorps.
- In contacts with representatives of the various AmeriCorps subgrantees visited, we could find no involvement of the YNC with any of the AmeriCorps programs. Most of the subgrantees had no knowledge of the YNC or its organization, nor was there any participation by the subgrantees in YNC activities.
- We believe the Commission may have viewed the YNC costs as a convenient group of State costs that had a general relationship to AmeriCorps objectives. Therefore, these costs were claimed as matching without directly identifying the *"necessary and reasonable"* criteria in the OMB Circulars.

In light of these factors, it is difficult to rationalize how the use of YNC funds for matching purposes meets the OMB Circular A-87 or AmeriCorps Provision requirements that a cost is allowable if it is "...*necessary and reasonable* for proper and efficient performance and administration of Federal awards", and is "...allocable to Federal awards under the provisions of this Circular [Provision]."

Accordingly, our original recommendation remains unchanged.

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

We have audited the Schedules of Award Costs, as presented in Exhibits A through D, that summarize the claimed costs of the Commission under the Corporation awards listed below, and have issued our report thereon dated September 14, 2005.

Program	Award Number	Award Period	Audit Period
AmeriCorps	00ASCIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03ACHIL001	9/1/03 to 8/31/06	9/1/03 to 9/30/04
AmeriCorps	00ASFIL014	7/1/00 to 12/31/03	7/1/01 to 12/31/03
AmeriCorps	03AFHIL002	9/1/03 to 8/31/06	9/1/03 to 9/30/04
Promise Fellows	01APSIL014	10/1/01 to 6/30/05	10/1/01 to 12/31/04
Learn & Serve	03KCHIL002	10/28/03 to 10/27/06	10/28/03 to 10/27/04
Disability	01DSCIL015	1/1/01 to 6/30/04	1/1/02 to 12/31/03
Disability	04CDHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04
PDAT	02PDSIL014	1/1/02 to 12/31/04	1/1/02 to 12/31/04
Administrative	01SCSIL014	1/1/01 to 12/31/03	1/1/02 to 12/31/03
Administrative	04CAHIL001	1/1/04 to 12/31/06	1/1/04 to 12/31/04

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement.

Compliance

Compliance with laws, regulations, and award provisions is the responsibility of the Commission management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of compliance with certain provisions of Federal laws, regulations, and award terms and conditions. However, our objective was not to provide an opinion on overall compliance with such provisions.

Instances of noncompliance involve not following requirements or violating prohibitions contained in statutes, regulations and award provisions.

Compliance Findings

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

Finding No. 1

The Commission did not have adequate monitoring procedures in place to ensure that subgrantees obtained and maintained required documentation in compliance with AmeriCorps Provisions. We identified the following deficiencies:

a. Criminal background checks were not performed as required by the governing AmeriCorps Provision. Five subgrantees, Literacy Volunteers of America - Illinois (LVA), Southern Illinois University at Edwardsville (SIUE), The University of Chicago, American Red Cross and Illinois Coalition for Community Service (ICCS), did not comply with the Provision, as follows:

		Files Lacking Documentation	
Missing Documentation	No. Files Tested	No. Files Missing Documentation	Percentage of Files Missing Documentation
Criminal Background Checks:			
Illinois Coalition for Community Service	45	19	42
Literacy Volunteers of America	20	3	15
American Red Cross	14	14	100
Southern Illinois University	33	16	48
University of Chicago	12	1	8

As part of the AmeriCorps screening process, criminal background checks should be performed on applicants who are expected to have substantial direct contact with children or other vulnerable individuals. (Provision Reference: *AmeriCorps*

Special Provision Number 6, h, July 2003, Eligibility, Recruitment and Selection, Criminal Record Checks).

Commission Response

"The audit found that five of the Commission's subgrantee programs did not comply [with, sic] *the background check requirements of AmeriCorps Special Provision No. 6-h (July 2003). This Provision states, "AmeriCorps 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, (including the frail, elderly, and disabled) 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."*

State of Illinois statutory language specific to volunteer workers or employees of not-for-profit organizations and relative to the AmeriCorps Provision was not found. However, several references to criminal background check requirements for employees working in licensed child care institutions, day care centers, and schools were found and these references all contained the generally the same following definition of the phrase "access to children":

> *"...any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care..." (See attached 89 Ill. Adm. Code 385.20.)*

The subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children. However, the Commission wishes to convey to the Corporation that it will advise all future subgrantees that even programs that do not anticipate members having "unsupervised access" to children must consider the locations in which programs will operate and, for those programs where unsupervised access to children is a possibility, background checks need to be conducted as a safeguard of the program.

As for the recommendation that the Corporation recoup questioned costs, including applicable administrative costs and education awards, the Commission respectfully suggests that, even if it is determined that background checks were required for these five programs within the guidance of AmeriCorps Provision 6-h and State statute, such funding should strictly be a matter of program compliance, and the Commission believes it would not be appropriate to disallow costs associated with members on the basis of missing criminal background checks."

Auditor's Comment

We believe the Commission's statement that the five subgrantees reviewed during this engagement submit that their AmeriCorps members were not subject to the requirements of the criminal background check provision since their members had, at no time, unsupervised access to children, is inaccurate. We do not believe that all the subgrantees made that assertion. During the course of our audit, the only subgrantee to make that assertion was the

American Red Cross, and our comments relative to that subgrantee are included in Schedules A-7 and A-8. Accordingly, our original recommendation remains unchanged.

b. During our planning for the SIUE subgrantee testing, we were informed that the member files had been destroyed. After the last Commission oversight review, the subgrantee's program office destroyed all member files in an effort to conserve space. This is in violation of governing records retention directives (*AmeriCorps General Provision Number 27,* (July 2003), *Retention of Records*, which requires grant records to be maintained for three years after submission of the final Financial Status Report), and the subgrantee's grant terms and conditions.

Commission Response

Southern Illinois University at Edwardsville (SIUE) is aware that it inappropriately destroyed member files and the program is aware that its procedures must change to ensure future compliance. The requirement to maintain member files for seven years is contained in the program's contract with the Department of Human Services (DHS) and DHS will formally notify SIUE of this requirement and of the AmeriCorps General Provision Number 27, Retention of Records. Furthermore, the retention of records will be reinforced during training conducted for all program directors and during visits conducted by the Commission's AmeriCorps Program Officers.

Auditor's Comment

We consider the Commission's response to be adequate.

c. Subgrantee member files did not contain certain required documents, and member documents were not submitted on a timely basis. As part of our audit, we reviewed compliance with AmeriCorps provisions regarding the documentation that should be included in member files. The files included much of the necessary documentation. However, the schedule on the following page lists missing documentation that requires corrective action.

Missing Documentation	No. Files Tested	Files Lacking Documentation: No. Files Late / Missing Documentation	Files Lacking Documentation: Percentage of Files Late / Missing Documentation
1. Enrollment Eligibility	55	4	7
2. Member Contract Contents	33	33	100
3. Members Mid & End-of-Term Evaluations	61	40	68
4. Member Enrollment & Exit Forms Submitted on Time	170	68	40
5. Time Sheet Missing or Not Signed by Supervisor	50	39	78

The ratios of late/missing documents for Southern Illinois University at Edwardsville (SIUE) are very high. As stated elsewhere in this report, SIUE destroyed all member files. However, we were able to utilize other sources of reliance (e.g., University admission records, SIUE Payroll Department documents. etc.) to validate some SIUE compliance attributes otherwise not available due to the destroyed files. However, many others could not be traced to supporting documentation. As a result, required documentation could not be reviewed or compliance requirement validated.

The cause of these problems is the subgrantees' noncompliance with the AmeriCorps criminal background check provision and other record retention requirements.

The effect is that critical source documentation was not available to establish that basic eligibility, supervision, compliance, fiscal and other grant requirements were being met. Accordingly, many of these requirements could not be validated.

Also, the Commission was unable to determine the applicable State law pertaining to criminal background checks. This lack of guidance may have caused confusion. However, it should be noted that some subgrantees had the correct criminal record check documentation while others had incomplete or no documentation.

Inappropriate acts by AmeriCorps members could potentially harm vulnerable individuals and threaten the existence of the program at the local, state and national levels.

Commission Response

Site visits by AmeriCorps Program Officers identified the issue of missing documentation in member files, as well as the lack of timely submission of member data to the Corporation. Monitoring procedures will be refined to ensure adequate oversight of programs that have additional issues regarding member records. Program Officer staff will continue to monitor member files for completeness and will research and improve its method for holding programs accountable for timely submission of enrollment information.

Auditor's Comment

We consider the Commission's response to be adequate.

Recommendations

We recommend that the Corporation instruct the Commission to:

1. Determine the applicable Illinois criminal background check law;
2. Disseminate the Illinois law information, along with the AmeriCorps requirements, to all subgrantees;
3. Develop a procedure that all subgrantees must follow to ensure appropriate background checks are performed, including the maintenance of such record checks for documentary evidence;
4. During monitoring reviews, ensure criminal background checks are being performed in accordance with procedures;
5. Revise its monitoring program to establish which subgrantees need to have additional attention paid to member records; and
6. Recoup questioned costs, including applicable administrative costs and education awards, for members without criminal background checks.

Commission Response

Commission responses to Compliance Findings Recommendations are generally covered in the responses to Compliance Findings 1a, 1b and 1c above.

Auditor's Comment

We believe the referenced Illinois Act in the Commission response is the result of the Commission's attempt to comply with the audit recommendations 1 and 2. Auditor comments regarding individual issues are shown with the respective findings.

Finding No. 2

The Commission's financial management system did not have adequate controls to document and support all costs claimed. We identified the following deficiency:

a. Amounts reported on a Financial Status Report (FSR) for the Administration grant 04CAHIL001 were in error. The amount of funding claimed on the Program Year 2003-04 FSR ($549,975) exceeded the authorized grant amount ($508,568). The difference between authorized and claimed amounts ($41,407) is questioned. (Provision Reference: Provisions for Program Development and Training, Disability Placement and State Administrative Awards, November 2003, No. 12. Financial Management Provisions).

The causes of the condition are (i), a lapse in communication between the Commission and DHS fiscal staffs, and (ii), a breakdown in the internal control procedures for fiscal reporting.

This error represents both a noncompliance issue and a weakness in internal controls in the performance of the Administration grant, and results in incorrect amounts reported to the Corporation on FSRs.

Commission Response

"The amount of Federal expenditures was overstated on the Financial Status Report (FSR) for the quarter ending December 31, 2004. However, the Federal draw did not exceed the grant award available of $508,568, so the Commission believes this does not represent a misuse of AmeriCorps funds. Administrative costs are now allocated to the AmeriCorps program based on the Public Assistance Cost Allocation Plan (PACAP). Costs identified through PACAP include expenditure of both AmeriCorps funds and State of Illinois funds. The AmeriCorps costs identified through PACAP are greater than the expenditures associated with the AmeriCorps funds. The costs reported on the December 31, 2004, FSR were overstated due to the fact that the PACAP costs were used. Department of Human Services program and fiscal staff have developed an improved method for completing the FSR. Actual expenditures of AmeriCorps funds are now being reported on the FSR, rather than the total as determined by the PACAP since those expenditures are also used to determine the Federal draw of funds. AmeriCorps program staff will review the FSR before it is submitted.

The Commission requests that the $41,407 overstatement of costs from the December 31, 2004, FSR not be considered questioned AmeriCorps costs since they were not Federal fund expenditures."

Auditor's Comment

We consider the Commission response to be adequate to correct the noncompliance issue. However, we recommend that the Corporation coordinate with the Commission to resolve the FSR overstatement issue and ensure that controls over the preparation of FSRs are adequate.

b. Significant Administration grant matching costs claimed may not have been necessary and reasonable for the Illinois AmeriCorps program to achieve its objectives. The Administrative grant requires a Commission "one to one" dollar match to claimed Federal expenditures. To meet this requirement, the Commission included, among other items, portions of Illinois State grants to outside organizations. One of these grants was to the Youth Network Council. Amounts claimed as Administrative match during the audit period totaled $874,707.

OMB Circular A-87 – *Cost Principles for State, Local, and Indian Tribal Governments*, Section C.1.a., provides that to be acceptable match, costs must "be necessary and reasonable for proper and efficient performance and administration of Federal awards."

From the information provided by the Commission, it appears that the portions of the Illinois' State grants to the Youth Network Council used for Administrative Grant match were not "necessary and reasonable", as required in the Circular.

We question whether these costs were necessary and reasonable to meet objectives of the Illinois AmeriCorps program. Accordingly, we have questioned the matching costs claimed. Since there is a corresponding one-to-one relationship between the "matching" and "Federal" funds on the Administration grant, $874,707 is shown as questioned Federal funds.

Commission Response

"The Commission requests that the use of the Youth Network Council (YNC) funding for training associated with the delivery of youth service programs be considered an approved match source given that a similar request to use such funding as match was previously approved by the Corporation. Please see the attached letter dated March 7, 2001, from Mr. James E. Phipps, CNCS Senior Grants Officer, which states that similar funds used for evaluation and training by the State's TEEN Reach program meet the criteria as match for the administrative award. The Commission subsequently used this basis for establishing a matching funds source. As the use of such funding was previously approved as a match source by the Corporation, and as no subsequent notice has been issued stating that the use of such expenditures as a match source is not allowed, the Commission requests that the funds paid to YNC be allowed as the program's match."

Auditor's Comment

With respect to the matching issue, and as stated in our comments in Exhibit D, we believe that the Illinois State grant to the Youth Network Council does not meet the OMB Circular A-87 standard that a cost is allowable if it is "...necessary and reasonable for proper and efficient performance and administration of Federal awards", and is "...allocable to Federal awards under the provisions of this Circular."

Recommendations

1. We recommend that the Corporation instruct the Commission to establish improved communication links and controls to assure the accuracy of data reported on FSRs.

2. We recommend that the Corporation document its approval of the use of State grants or recoup the excess Federal share resulting from the match shortfall.

Commission Response

See Commission Responses to the individual findings.

Auditor's Comment

See Auditor's Comments on the individual findings.

Finding No. 3

The Commission did not follow prescribed regulatory and provisional requirements in performing the PDAT grant. We identified the following deficiencies:

a. In administering the PDAT Grant, the Commission did not obtain required prior written approval from the Corporation for two subgrants (Public Allies and Illinois Public Health Association). (Provision Reference: *Provisions for Program Development and Training, Disability Placement and State Administrative Awards, November 2003, No. 4. Budget and Programmatic Changes*). These subgrants were not in the original approved PDAT budgets.

   The Commission did not adhere to this Provision and neither the Commission nor the Illinois DHS, which provides administrative support to the Commission, detected the deviation from this requirement.

Without the Corporation's knowledge, funds were awarded to a subgrantee for an objective that may not have been considered necessary to meet the grant's purpose and conditions.

Commission Response

"The Commission will establish controls to ensure that all required approvals are obtained prior to the initiation of subawards associated with the PDAT grant."

Auditor's Comment

We consider the Commission's response to be adequate.

b. Costs claimed under the PDAT grant include payments to various subgrantees. The subgrant with the Illinois Public Health Association was pre-funded $90,746, which resulted in a violation of AmeriCorps Provisions, State regulations, and incorrect FSR reporting of program year expenditures. (Provision Reference: Provisions for Program Development and Training, Disability Placement and State Administrative Awards, November, 2003, No. 12. Financial Management Provisions and No. 15, Payments Under the Grant). The Provisions state that, *"The amount of advance payments requested by the Grantee must be based on actual and immediate cash needs in order to minimize Federal cash on hand..."*

The Provisions referenced above and the related State Regulations provide for reimbursement of allowable costs actually incurred during performance of the grants and reporting of actual costs incurred in grant performance. It appears that the Commission's intent was to get these monies obligated during the State's fiscal year in which they became available.

The effect of this condition is that monies were paid in advance of the actual performance of the service to the grant, in violation of the above referenced Provisions. In addition, FSR reporting would be misleading in light of the prepayments. Of the $90,746 provided and charged to the PDAT Grant, expenditures totaled only $24,574. Therefore the difference of $66,172 was questioned. We note that, subsequent to the period covered by the audit, this condition was reversed; i.e., expenses incurred by subgrantees exceeded amounts funded by the Commission.

Commission Response

"The Commission will ensure that if subgrantee prepayments are necessary, the guidelines contained in the AmeriCorps Provisions Nos. 12 and 15 (November 2003), and/or any revisions to those provisions, are followed. The Commission believes that all funds advanced to the Illinois Public Health Association (IPHA) were spent on legitimate AmeriCorps expenses and we request that these funds not be disallowed. In the future, the Commission will ensure that the subcontracts with its fiscal agents are closed out prior to the end of the program year or we will follow State regulations that require unexpended funds to be returned and reissued, if appropriate."

Auditor's Comment

We consider the Commission's response to be adequate.

Recommendation

We recommend that the Corporation recoup payments in excess of expenditures and instruct the Commission to:

1. Establish controls to ensure that all required approvals are obtained prior to initiating subawards.

2. Establish controls to ensure that, if subgrantee prepayments are considered necessary in the performance of the grant, the guidelines contained in the above referenced provisions are followed.

Commission Response

Commission responses related to the recommendations are incorporated in the comments on individual findings.

Auditor's Comment

We consider the Commission's response to be adequate.

Finding No. 4

The Commission and subgrantees did not submit FSRs on a timely basis.

As part of our compliance review, we tested the timeliness of all subgrantees' FSR submissions. We found that the Commission's subgrantees were not submitting FSRs on a

timely basis, as required by AmeriCorps Special Provisions 16(a), *Financial Status and Progress Reports (July 2003).* In accordance with that Provision, two FSRs are required annually and the final annual FSR should be submitted within 90 days of the close of the program year.

At the Commission, we examined 26 FSRs and found 12 late, or 46 percent of the submitted FSRs. At the subgrantee level, we examined 232 FSRs and found 78 late, or 34 percent of the submitted FSRs.

We believe the cause of this condition is that the Commission has not placed sufficient emphasis on the importance of submitting timely FSR information.

As a result of this condition, the Commission was not able to submit its consolidated FSRs on a timely basis. This is a violation of the grant terms and might result in, or fail to disclose on a timely basis, potential funding misapplications.

Recommendation

We recommend that the Corporation instruct the Commission to reemphasize to its subgrantees the importance of submitting timely and accurate financial reports.

Commission Response

"The Commission acknowledges that several vacancies within its staff created some historical workload pressures and caused problems with the timely submission of required documentation. The Department of Human Services has recently authorized the hiring of additional staff to the Commission, including an Executive Director, an AmeriCorps Program Manager, and an additional Program Officer. The timely submission of all documentation required by the Corporation will continue to be a priority and the ***[sic]*** *we will re-emphasize to our subgrantees the importance of submitting timely and accurate financial reports."*

Auditor's Comment

We consider the Commission's response to be adequate.

Finding No. 5

The Commission did not ensure that an advance of grant funds to Literacy Volunteers of America (LVA) was deposited in an interest bearing account, as required by AmeriCorps Provisions (Provision Reference: *AmeriCorps General Provisions, No. 26d, July 2003, Payments Under the Grant, Interest-Bearing Accounts).*

The Commission did provide guidance to subgrantees regarding advance payments including interest-bearing accounts. One subgrantee, Rend Lake College, followed the guidance and returned interest of $6,354; LVA did not.

The opportunity to earn interest was not recognized by LVA until a new treasurer was appointed more than 18 months after the advance funds were received. As a result, we calculated that $7,532 of interest was lost. The calculation is shown on Schedule A-1, Note 7, of this report.

Recommendation

Although the Commission has revised its funding procedures, which should preclude a subgrantee from receiving significant over-funding in the future, we recommend that the Corporation recoup the lost interest amount from the Commission.

Commission Response

"The requirement to deposit Federal grant funds into interest bearing accounts is a part of each program's contract with DHS. Literacy Volunteers of America's (LVA) failure to do so should be considered an anomaly of the State's AmeriCorps programs. However, Program Officers will work to ensure that grant recipients are aware that federal funds must be deposited in interest bearing accounts and special attention to this requirement will be given during the Program Director's Training and meetings with new program directors."

Auditor's Comment

We consider the Commission's response to be adequate. Our recommendation with respect to lost interest, however, remains unchanged.

Finding No. 6

The Commission did not have adequate monitoring or other procedures in place for AmeriCorps members' living allowance payments or service hour reporting.

a. At SIUE, an individual received $13,440 in living allowance payments that exceeded the maximum allowable payment by $3,840. The excess payments were for service under the AmeriCorps grant for a prior year's service, although this person had never been formally enrolled as a member during the Program Year.

It appears that this individual may have been brought in to fill a vacant member space near the end of Program Year 2001-02. However, the person was never formally enrolled in the Program as a Member in that year (2001-02). Enrollment of the individual was made in the subsequent year (2002-03) and payments were charged to that grant year. The basic cause of this condition is that there was no control ceiling established for the SIUE Payroll Department to limit the amount of total member payments. The SIUE Payroll Department continued to pay the individual an incremental Living allowance amount until advised by the Program Office.

The living allowance ceiling for the 2002-03 year was $9,600. At equal incremental payments of $480 per pay period, that would come to 20 payments to meet the full $9,600 Living allowance. The individual received 28 payments, for a total of $13,440, or $3,840 in excess of the living allowance ceiling for the year. The Federal share of that is $3,264 (85 percent of $3,840). With the addition of related FICA and health care costs, the total overpayment on the grant is $4,010.

The effect of this condition results in an overpayment of living allowances and other member costs on the grant, and indicates a breakdown in communications and internal controls.

Commission Response

"AmeriCorps Program Officers became aware of this issue during their monitoring visits of the Southern Illinois University at Edwardsville. Special emphasis will be made to ensure that all Illinois AmeriCorps programs are aware of the uncompromising importance placed by the Corporation on enrolling members into the Web-Based Reporting System (WBRS) prior to issuing living allowances. Program staff will emphasize the 30-day policy on enrollment of members at the Program Director Training."

Auditor's Comment

We consider the Commission's response to be adequate to correct the noncompliance issue. However, we still recommend that the Corporation recoup the living allowance overpayments.

b. The University of Chicago reported incorrect monthly service hours for a member. The member was not enrolled until May 1, 2002, but the service hours claimed started in October, 2001. It appears that WBRS input was not accurate. Service hours claimed in the months after enrollment included hours from earlier months.

AmeriCorps Provisions require subgrantees to keep track of each member's progress toward the hours required for an education award. (Provision Reference: *AmeriCorps Special Provisions, No. 11, July 2003, Living Allowances, Other In-Service Benefits*

and Taxes).

We did not receive an explanation from the subgrantee as to the cause of this noncompliance. As a result, a member received credit for service hours that were not earned during the member's service period.

Commission Response

"The Commission shares the belief that accurate WRBS reporting is a basic and necessary requirement of its subgrantees. The Commission will highlight the importance placed on accurate WBRS reporting to its subgrantees during future Program Director Training."

Auditor's Comment

We consider the Commission's response to be adequate.

Recommendations

1. We recommend that the Corporation attempt to recover the overpayment and emphasize to subgrantees the need for controls to limit living allowances to the maximum amount imposed by regulation.

2. Until the cause of this condition is known, it is difficult to recommend a corrective action. However, the Corporation should at least emphasize to the Commission the importance of accurate WBRS reporting.

Commission Response

Commission responses related to the recommendations are incorporated in the comments on individual findings.

Auditor's Comment

Refer to Auditor's Comments for each finding.

Finding No. 7

The Commission's monitoring procedures did not detect that the subgrantee had not complied with all required grant documentation and reporting provisions. We identified the following deficiencies:

a. A consultant was paid by Rend Lake College in excess of the maximum daily amount allowed by AmeriCorps provisions. Rend Lake College paid a consultant $800 plus travel expenses for a one-day workshop. This expenditure exceeded the $443 maximum allowed under AmeriCorps Provisions. (Provision Reference: AmeriCorps General Provisions, No. 22e, July 2003, *Financial Management Provisions*, *Consultant Services*).

The subgrantee was aware of the consultant limit, but believed the $800 charge included costs for items such as preparation time and handout materials. In the future, consultants will be requested to prepare an itemized bill listing all costs.

This condition resulted in unallowable costs of $357 being charged to the AmeriCorps grant.

Commission Response

"Program Officers will emphasize the maximum allowable consultant fees in the AmeriCorps program during both monitoring visits and the Program Director Training. Reference will be made to the consultant fee limit applying to all fees paid, both for AmeriCorps billed services and for consultant fees used as matching funds. Programs will be advised to document appropriate preparation costs and other expenses and not simply to bill for total consultant expenditures."

Auditor's Comment

We consider the Commission response to be adequate with respect to correcting the weakness. However, we continue to recommend that the Corporation seek to recoup unallowable costs.

b. The University of Chicago and Rend Lake College did not have adequate documentation for some donated office space, office supplies, telephone and fax services claimed for in-kind matching purposes. Support included statements such as $2,000 market price for office space, supplies, telephone and fax services. No information to validate the accuracy of the claimed donation, such as the square footage price, type of supplies, number of phone calls, etc., was provided.

Commission Response

"The Commission will impose stricter requirements for documentation of in-kind matching funds upon its programs. Programs will be required to detail the value of any donated space or equipment used as in-kind matching funds. Programs will be asked to detail and break-out any shared office space, equipment, or communication expenditures and document the AmeriCorps portion for Program Officers to monitor."

Auditor's Comment

We consider the Commission response to be adequate.

c. Rend Lake College incorrectly claimed a portion of audit costs required by Office of Management and Budget (OMB) Circular A-133 as a direct grant cost under the Internal Evaluation category.

The AmeriCorps Provision on administrative costs states:

> "[A]dministrative costs include costs for financial, accounting, auditing, contracting or general legal services except in unusual cases where they are specifically approved in writing by the Corporation as program costs." (Provision Reference: *AmeriCorps General Provisions, No. 23a, (July 2003), Administrative Costs, Definitions*).

Since the Corporation did not provide written approval to Rend Lake College to charge the audit cost directly to the grant, this practice does not comply with the AmeriCorps Provision.

The cause of this mischarging of audit costs appears to be a misunderstanding of the Internal Evaluation cost category. As required by the AmeriCorps Provisions, the grantee must track progress toward program objectives and monitor the quality of the program's service activities. The costs of these actions should be included under the Internal Evaluations category.

The result of this condition was an improper charge to the grant of $4,100 over the three years covered by this audit. These costs should be reclassified as administrative costs.

Commission Response

"The Commission will reinforce the allowable expenses associated with the administrative costs during the Program Director Training."

Auditor's Comment

We consider the Commission response to be adequate. However, our recommendation with respect to the questioned cost remains unchanged.

Recommendation

We recommend that the Corporation recoup unallowable costs plus administrative costs, and instruct the Commission to provide its subgrantees with additional guidance and training on the requirements of the above-referenced provisions.

Commission Response

Commission responses related to the recommendations are incorporated in the comments on individual findings.

Auditor's Comment

Refer to Auditor's Comments for each finding.

Internal Controls Over Financial Reporting

In planning and performing our audit of the award costs presented in Exhibits A through D for the period July 1, 2001, through December 31, 2004, we considered the Commission's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal controls over financial reporting.

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

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

Our audit disclosed the following internal control weaknesses:

Finding No. 8

The Commission did not have controls in place to ensure that SIUE took appropriate action when information obtained from a criminal background check was inconsistent with information provided by an applicant on the enrollment form.

Results of a criminal background check on an AmeriCorps applicant were inconsistent with information provided by the applicant on the SIUE application. There is no documentation or other evidential matter available to indicate that this inconsistency, and apparent erroneous information, was adequately considered by the subgrantee's Program Office in the evaluation of the applicant's submission.

The process for applicant submission reviews, as described to us during the audit, is to have the applicant complete the SIUE (University) application information form, including information regarding prior misdemeanor or felony convictions. The applicant certifies to the accuracy of the information provided. A request for a criminal background check is made and, upon receipt, the results of the check are conveyed to and discussed with (usually telephonically) the Program Director. To our knowledge, there is no control procedure to match the information on the background check with the information which the applicant certified on the application.

The effect of this condition is that it brings into question the adequate screening of the member due to the erroneous information on the application. The applicant may well have been accepted into the program regardless of the conviction history, if the Program Office had full knowledge and documented its consideration for the decision. However, we have questioned this member's costs claimed based on the erroneous application response and the fact that the Program Office was unaware of the inconsistency.

The amount questioned is $5,028, including living allowance and other member support costs.

Recommendation

We recommend that the Corporation recoup unallowable costs plus applicable administrative costs, and require that the Commission emphasize to its subgrantees the need for close controls over the member application review and approval processes.

Commission Response

"The Commission will reiterate that programs must document their findings following criminal background checks of members and the procedure for doing so. During the Department's Program Director Training, Commission staff will emphasize the importance of:

- *maintaining strict procedures for addressing issues related to a member's prior criminal history;*
- *the need to follow-up and obtain a consistent record between background check findings and applicant member submission of information; and,*
- *applicant criminal history and member submission thresholds for acceptance into, and dismissal from, the AmeriCorps program."*

Auditor's Comment

We consider the Commission's response to be adequate. However, our recommendation with respect to the unallowable costs remains unchanged.

Finding No. 9

The Commission could improve its reporting on monitoring visits by monetizing findings where possible, and including a "follow-up" section to report on the current status of prior findings.

These techniques are a basic management tool to provide the reviewed entity and other interested parties with additional information regarding the relative significance of issues and progress toward correcting weaknesses noted in earlier audits.

Without this additional information significant issues may not be prioritized and repeat findings could go on for long periods without correction.

Recommendation

We recommend that the Corporation instruct the Commission to monetize findings where possible and include a follow-up section in Commission monitoring reports. The Commission has an active monitoring program that reported many of the issues included in this report. Subgrantee corrective actions resulting from the Commission monitoring were also noted.

Commission Response

"The Commission's AmeriCorps Program Officers will develop a program follow-up section to their internal monitoring reports and will notify subgrantees prior to site visits of outstanding issues that need to be addressed. Commission staff will attempt to place a monetary value on findings, where possible."

Auditor's Comment

We consider the Commission's response to be adequate.

Leonard G. Birnbaum and Company, LLP
Alexandria, Virginia
September 14, 2005

Follow-Up On Pre-Audit Survey Findings
Pre-Award Survey Report of the
Illinois Commission On Volunteerism and Community Service

We were advised that the last Pre-Award survey had been conducted several years prior to the period covered under the scope of this engagement. Since considerable time has elapsed since the issuance of the report, and there have been various changes and actions taken by the Commission, we did not place reliance on the findings of that report nor did we attempt to make any follow-up reviews on any conditions or recommendations from that report. This was consistent with the guidance from the OIG.

However, there was a *"State Administrative Standards Review"* made in 2001. We reviewed the findings of that report and considered it in our risk and planning process. On October 29, 2003, a letter was issued from the Corporation to the Commission stating that the Commission had met all the requirements of the *State Administrative Standards*.

Appendix A

Response of the Illinois Commission on Volunteerism and Community Service

Rod R. Blagojevich, *Governor*

Illinois Department of Human Services

Carol L. Adams, Ph.D., *Secretary*

535 W. Jefferson • Springfield, Illinois 62702

January 13, 2006

Mr. Ronald F. Huritz
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW., Suite 830
Washington, DC 20525

Dear Mr. Huritz:

This responds to your office's draft audit report of the Illinois Commission on Volunteerism and Community Service (Commission) which was forwarded to me under Ms. Carol Bates' December 16, 2005 cover letter. I understand that this audit addresses costs claimed by the Commission and its subgrantees from July 1, 2001 through December 31, 2004 for grants awarded by the Corporation for National and Community Services (Corporation). The Illinois Commission appreciates the work your office has done in identifying these issues and we look forward to addressing these findings in a manner that is satisfactory to your office. Our response to each finding is shown below.

1a - The audit found that five of the Commission's subgrantee programs did not comply the background check requirements of AmeriCorps Special Provision No. 6-h (July 2003). This Provision states, "AmeriCorps 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, (including the frail, elderly, and disabled) 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."

State of Illinois statutory language specific to volunteer workers or employees of not-for-profit organizations and relative to the AmeriCorps Provision was not found. However, several references to criminal background check requirements for employees working in licensed child care institutions, day care centers, and schools were found and these references all contained the generally the same following definition of the phrase "access to children":

> "...any person who is permitted to be alone outside the visual and auditory supervision of (staff) with children receiving care..." (See attached 89 Ill. Adm. Code 385.20.)

The subgrantee programs in question submit that their AmeriCorps members were not subject to the requirements of the criminal background check Provision since their members

had, at no time, unsupervised access to children. However, the Commission wishes to convey to the Corporation that it will advise all future subgrantees that even programs that do not anticipate members having "unsupervised access" to children must consider the locations in which programs will operate and, for those programs where unsupervised access to children is a possibility, background checks need to be conducted as a safeguard of the program.

As for the recommendation that the Corporation recoup questioned costs, including applicable administrative costs and education awards, the Commission respectfully suggests that even if it is determined that background checks were required for these five programs within the guidance of AmeriCorps Provision 6-h and State statute, such funding should strictly be a matter of program compliance and the Commission believes it would not be appropriate to disallow costs associated with members on the basis of missing criminal background checks.

1b - Southern Illinois University at Edwardsville (SIUE) is aware that they inappropriately destroyed member files and the program is aware that their procedures must change to ensure future compliance. The requirement to maintain member files for seven years is contained in the program's contract with the Department of Human Services (DHS) and DHS will formally notify SIUE of this requirement and of the AmeriCorps General Provision Number 27, Retention of Records. Furthermore, the retention of records will be reinforced during training conducted for all program directors and during visits conducted by the Commission's AmeriCorps Program Officers.

1c - Site visits by AmeriCorps Program Officers identified the issue of missing documentation in member files, as well as the lack of timely submission of member data to the Corporation. Monitoring procedures will be refined to ensure adequate oversight of programs that have additional issues regarding member records. Program Officer staff will continue to monitor member files for completeness and will research and improve its method for holding programs accountable for timely submission of enrollment information.

2a - The amount of federal expenditures was overstated on the Financial Status Report (FSR) for the quarter ending December 31, 2004. However, the Federal draw did not exceed the grant award available of $508,568, so the Commission believes this does not represent a misuse of AmeriCorps funds. Administrative costs are now allocated to the AmeriCorps program based on the Public Assistance Cost Allocation Plan (PACAP). Costs identified through PACAP include expenditure of both AmeriCorps funds and State of Illinois funds. The AmeriCorps costs identified through PACAP are greater than the expenditures associated with the AmeriCorps funds. The costs reported on the December 31, 2004 FSR were overstated due to the fact that the PACAP cost were used. Department of Human Services program and fiscal staff have developed an improved method for completing the FSR. Actual expenditures of AmeriCorps funds are now being reported on the FSR, rather than the total as determined by the PACAP since those expenditures are also used to determine the federal draw of funds. AmeriCorps program staff will review the FSR before it is submitted.

The Commission requests that the $41,407 overstatement of costs from the December 31, 2004 FSR not be considered questioned AmeriCorps costs since they were not federal fund expenditures.

2b - The Commission requests that the use of the Youth Network Council (YNC) funding for training associated with the delivery of youth service programs be considered an approved match source given that a similar request to use such funding as match was previously approved by the Corporation. Please see the attached letter dated March 7, 2001 from Mr. James E. Phipps, CNCS Senior Grants Officer, which states that similar funds used for evaluation and training by the State's TEEN Reach program meet the criteria as match for the administrative award. The Commission subsequently used this basis for establishing a matching funds source. As the use of such funding was previously approved as a match source by the Corporation, and as no subsequent notice has been issued stating that the use of such expenditures as a match source is not allowed, the Commission requests that the funds paid to YNC be allowed as the program's match.

3a - The Commission will establish controls to ensure that all required approvals are obtained prior to the initiation of subawards associated with the PDAT grant.

3b - The Commission will ensure that if subgrantee prepayments are necessary, the guidelines contained in the AmeriCorps Provisions Nos. 12 and 15 (November 2003), and/or any revisions to those Provisions, are followed. The Commission believes that all funds advanced to the Illinois Public Health Association (IPHA) were spent on legitimate AmeriCorps expenses and we request that these funds not be disallowed. In the future, the Commission will ensure that the subcontracts with its fiscal agents are closed out prior to the end of the program year or we will follow State regulations that require unexpended funds to be returned and reissued, if appropriate.

4 - The Commission acknowledges that several vacancies within its staff created some historical workload pressures and caused problems with the timely submission of required documentation. The Department of Human Services has recently authorized the hiring of additional staff to the Commission, including an Executive Director, an AmeriCorps Program Manager, and an additional Program Officer. The timely submission of all documentation required by the Corporation will continue to be a priority and the we will re-emphasize to our subgrantees the importance of submitting timely and accurate financial reports.

5 - The requirement to deposit federal grant funds into interest bearing accounts is a part of each program's contract with DHS. Literacy Volunteers of America's (LVA) failure to do so should be considered an anomaly of the State's AmeriCorps programs. However, Program Officers will work to ensure that grant recipients are aware that federal funds must be deposited in interest bearing accounts and special attention to this requirement will be given during the Program Director's Training and meetings with new program directors.

6a - AmeriCorps Program Officers became aware of this issue during their monitoring visits of the Southern Illinois University at Edwardsville. Special emphasis will be made to ensure

that all Illinois AmeriCorps programs are aware of the uncompromising importance placed by the Corporation on enrolling members into the Web-Based Reporting System (WBRS) prior to issuing living allowances. Program staff will emphasize the 30-day policy on enrollment of members at the Program Director Training.

6b - The Commission shares the belief that accurate WRBS reporting is a basic and necessary requirement of its subgrantees. The Commission will highlight the importance placed on accurate WBRS reporting to its subgrantees during future Program Director Training.

7a - Program Officers will emphasize the maximum allowable consultant fees in the AmeriCorps program during both monitoring visits and the Program Director Training. Reference will be made to the consultant fee limit applying to all fees paid, both for AmeriCorps billed services and for and consultant fees used as matching funds. Programs will be advised to document appropriate preparation costs and other expenses and not simply to bill for total consultant expenditures.

7b - The Commission will impose stricter requirements for documentation of in-kind matching funds upon its programs. Programs will be required to detail the value of any donated space or equipment used as in-kind matching funds. Programs will be asked to detail and break-out any shared office space, equipment, or communication expenditures and document the AmeriCorps portion for Program Officers to monitor.

7c - The Commission will reinforce the allowable expenses associated with the administrative costs during the Program Director Training.

8 - The Commission will reiterate that programs must document their findings following criminal background checks of members and the procedure for doing so. During the Department's Program Director Training, Commission staff will emphasize the importance of:

- maintaining strict procedures for addressing issues related to a member's prior criminal history;
- the need to follow-up and obtain a consistent record between background check findings and applicant member submission of information; and,
- applicant criminal history and member submission thresholds for acceptance into, and dismal from, the AmeriCorps program.

9 - The Commission's AmeriCorps Program Officers will develop a program follow-up section to their internal monitoring reports and will notify subgrantees prior to site visits of outstanding issues that need to be addressed. Commission staff will attempt to place a monetary value on findings, where possible.

Thank you very much for the opportunity to respond to the draft audit. I look forward to working with you to resolve these issues. If you have any questions, please feel free to contact me at 217/557-0193.

Sincerely,

Scott M. Kimmel
Executive Director
Illinois Commission on Volunteerism and Community Service

cc: Dan Blair, Fiscal Office
Kim Fornero, Bureau Chief

Enclosures

Appendix B

Response of the Corporation for National and Community Service

Corporation for
NATIONAL & COMMUNITY SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Director of AmeriCorps
Audit Resolution Coordinator

Date: January 17, 2006

Sub: Response to OIG Draft Audit Report: Audit of Corporation for National and Community Service Grants Awarded to the Illinois Commission on Volunteerism and Community Service

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Thank you for the opportunity to review the draft audit report of the Corporation's grants awarded to the Illinois Commission on Volunteerism and Community Service. The Corporation has also reviewed the response from the Commission. We are addressing only two issues 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 about $1,670,000 in claimed grant and match costs. They questioned $480,719 because programs did not always conduct criminal background checks on members who were providing service to children. The Commission followed Illinois state law which does not require background checks on volunteers who are always supervised as they provide service. However, the Commission agrees on the importance of background checks. As a result of the audit, it will require its AmeriCorps subgrantees to conduct background checks on all future members who have contact with children, whether supervised or not.

The auditors also questioned $874,707 in match costs claimed by the Commission. The Commission notes that it received approval from the Corporation to use a similar source of funds as match in 2001. The Corporation will review the past approvals during audit resolution and anticipates allowing the costs if the sources are similar.

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