

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES REVIEW OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANT AWARDED TO AMERICAN NATIONAL RED CROSS

OIG REPORT NUMBER 10-12



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on May 14, 2010. 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 November 14, 2010, and complete its corrective actions by May 14, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

May 14, 2010

TO: Lois Nembhard
Acting Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: *OIG Report 10-12, Agreed-Upon Procedures Review of Corporation for National and Community Service Grant Awarded to American National Red Cross*

Attached is the final report for the above-noted agreed-upon procedures review. We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton) to perform the procedures. The contract required Clifton to conduct its review in accordance with generally accepted government auditing standards.

Clifton is responsible for the attached report, dated February 24, 2010, and the conclusions expressed therein. We do not express opinions on the Consolidated Schedule of Award and Claimed Costs, or the Schedule of Award and Claimed Costs for each subgrantee, conclusions on the effectiveness of internal controls, or the grantee's compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by November 14, 2010. Notice of final action is due by May 14, 2011.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Ronald Huritz, Audit Manager, at (202) 606-9355.

Attachment

cc: Meghan Smith, Senior Program Associate, ANRC
William Anderson, Acting Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management, CNCS
Bridgette Roy, Administrative Assistant, CNCS
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS
Denise Wu, Partner, Clifton Gunderson LLP

**AGREED-UPON PROCEDURES FOR CORPORATION GRANTS
AWARDED TO THE AMERICAN NATIONAL RED CROSS**

TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	1
INDEPENDENT ACCOUNTANT’S REPORT	4
CONSOLIDATED SCHEDULE OF AWARD AND CLAIMED COSTS	5
NOTES TO CONSOLIDATED SCHEDULE OF AWARD AND CLAIMED COSTS	6
SCHEDULE A – SCHEDULE OF AWARD AND CLAIMED COSTS BY GRANTEE/SUBGRANTEE	7
SCHEDULE B – SCHEDULE OF AWARD AND CLAIMED COSTS: SAN FRANCISCO CHAPTER	8
SCHEDULE C – SCHEDULE OF AWARD AND CLAIMED COSTS: CHICAGO CHAPTER	9
SCHEDULE D – SCHEDULE OF AWARD AND CLAIMED COSTS: CHARLOTTE CHAPTER	11
SCHEDULE E – SCHEDULE OF FINDINGS	13
APPENDIX A: AMERICAN NATIONAL RED CROSS RESPONSE TO DRAFT REPORT	
APPENDIX B: CORPORATION FOR NATIONAL AND COMMUNITY SERVICE RESPONSE TO DRAFT REPORT	

Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Clifton Gunderson LLP (auditors) to perform agreed-upon procedures on the grant expenditures, terms and provisions (including compliance with applicable laws and regulations) for Corporation-funded Federal assistance provided to the American National Red Cross (ANRC).

Results

As a result of applying the procedures, the auditors questioned claimed Federal-share costs of \$45,914, match costs of \$32,594, education awards of \$14,175, and \$2,002 in interest forbearance. A questioned cost is an alleged violation or non-compliance with grant terms and/or provisions of laws and regulations governing the expenditure of funds; or a finding that, at the time of testing, adequate documentation supporting a cost item was not readily available. The results of our agreed-upon procedures are summarized in the Consolidated Schedule of Award and Claimed Costs.

ANRC claimed total Federal costs of \$1,559,135 and total match costs of \$1,198,477 from July 28, 2007, through July 27, 2009, for Grant No. 06NDHHDC001. Based on testing a judgmentally selected sample of transactions, the auditors questioned claimed costs as detailed below:

Type of Questioned Costs	Federal Share	Education Award	Interest Forbearance	Match Share
Time Sheet Exceptions	\$2,939	\$ 4,725	\$ -	\$ 2,068
National Sex Offender Search was incomplete or missing	42,704	9,450	2,002	30,421
Members did not receive consistent living allowance	271	-	-	105
Totals	\$45,914	\$14,175	\$2,002	\$32,594

Participants who successfully complete the term of service for the AmeriCorps grants are eligible for education awards and, in some cases, accrued interest awards funded by the Corporation's National Service Trust. These award amounts are not funded by the Corporation grants and thus are not included in the claimed grant costs. However, at grant award, these amounts become immediate obligations of the National Service Trust. Therefore, as part of our agreed-upon procedures (AUP), and applying the same criteria used for the grantee's claimed costs, we determined the effect of our findings on AmeriCorps members' entitlement to education and accrued interest awards.

The auditors compared the inception-to-date drawdown amounts with the amounts reported in the last Federal Financial Report (FFR) for the period tested and determined that the drawdowns were reasonable.

We questioned \$14,175 in education awards and \$2,002 in interest forbearance because the members lacked completed National Sex Offender checks or adequate support for certified hours of service. We did not verify whether the members used the education awards, as it is outside the scope of the AUP. The interest forbearance amount is generated from the National Service Participant's Award and Payment Activities report, dated January 28, 2010, that the OIG provided to address those education awards that were questioned.

Details of the questioned costs, grant awards, non-compliance with grant provisions, applicable laws and regulations are presented in the *Schedule of Findings* that follows the results of our agreed-upon procedures, which are summarized below.

- Controls not fully implemented over reporting and recording of Federal share costs;
- Lack of adequate procedures to ensure program compliance, such as late criminal background checks, incomplete National Sex Offender searches, unequal payment of living allowances, and health benefits not provided to members;
- Timesheets not signed by supervisors or the members; and late submission of Exit/End-of-Term-of-Service member form;
- Lack of documentation to support members' attendance at pre-service orientation; and
- Non-compliance with the travel policy, record retention requirements, and submission requirements for the Federal Financial Report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993 (as amended), awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through these grantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs throughout the nation. In return, eligible members may receive a living allowance and post-service education benefits.

The ANRC received its first congressional charter in 1900 and a second in 1905. ANRC is a Federally chartered instrumentality of the United States. This charter, which remains in effect today, sets forth the purpose of the organization that includes giving relief to and serving as a medium of communication between members of the armed forces and their families, and providing national and international disaster relief and mitigation. ANRC works closely with the Federal Government in the promotion of the Federal Government's objectives. However, ANRC is an independent, volunteer-led organization that is financially supported by voluntary public contributions and cost-reimbursement charges. The ANRC Board of Governors is comprised of 50 all-volunteer members. The President of the United States is the honorary chairman of the ANRC. He appoints eight governors, including the chairman of the board. The chairman nominates and the board elects the president of the ANRC, who is responsible for implementing and maintaining the policies and programs of the board. The ANRC is subject to the Single Audit Act and received unqualified opinions on its financial statements, and no findings were identified relating to AmeriCorps funding.

The mission of the ANRC's National Preparedness and Response Corps (NPRC) program is to provide vital emergency assistance to communities affected by disasters and to increase preparedness before disaster strikes. This is done by recruiting, training, and supporting young adults who will provide integrated community outreach and education through ANRC service activities that focus on Homeland Security and the role of ANRC in supporting the National Response Plan.

ANRC awarded funds to 18 subgrantees (ANRC Chapters) in Program Year (PY) 2007-2008 and 17 subgrantees in PY 2008-2009 covered in our scope. The subgrantees used the funds to support their operations and provide member support. The subgrantees maintain supporting documentation for the claimed costs and member files. ANRC submitted its monthly Periodic Expense Report (PER) to the Corporation's Web-Based Reporting System (WBRS) until the end of PY 2007 – 2008 (9/30/08). After that, WBRS was no longer used for that purpose. ANRC prepares the aggregate Federal Financial Report (FFR) for the grant by accumulating the expenses reported on subgrantees' and ANRC's PERs. ANRC submits its FFR for its AmeriCorps grant through the Corporation's online eGrants system.

ANRC monitors its subgrantees by reviewing member information, reimbursement requests, performing site visits and desk reviews, and through regular communication.

ANRC claimed Federal costs, totaling \$1,559,135, during the scope of this engagement.

Agreed-Upon-Procedures Scope

The auditors performed the agreed-upon procedures during the period September 4, 2009, through January 31, 2010. The agreed-upon procedures covered the allowability, allocability, and reasonableness of the financial transactions reported between July 28, 2007, and July 27, 2009, for grant number 06NDHDC001. The auditors also performed tests to determine compliance with certain grant terms and provisions. The procedures performed were based on the OIG's "Agreed Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated May 2009." The engagement focused on the ANRC and three of its subgrantees: San Francisco Chapter, Charlotte Chapter, and Chicago Chapter. We tested ANRC transactions totaling \$26,355. We also tested transactions totaling \$7,149 for the San Francisco Chapter, \$11,464 for the Charlotte Chapter and \$8,669 for the Chicago Chapter.

Exit Conference

We provided a draft report and discussed its contents with the Corporation, ANRC, and applicable subgrantees at an exit conference on February 24, 2010, at ANRC's offices in Washington, DC.

ANRC provided its written response, which is included in Appendix A and summarized after each recommendation. The Corporation did not respond to the individual findings and recommendations. Its response is in Appendix B.



**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Corporation for National and Community Service
Office of Inspector General

We have performed the procedures, which are agreed to by the OIG, solely to assist you in evaluating certain information reported by ANRC in accordance with its Corporation grant terms and provisions, and applicable laws and regulations, for the period from July 28, 2007, through July 27, 2009. ANRC and its subgrantees are responsible for the accuracy and completeness of the reported information. This engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose(s) enumerated or for any other purpose.

The results of our procedures are described in the Schedule of Findings.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the reported information. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the OIG, the Corporation, ANRC, and the U.S. Congress, and is not intended to be, and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Calverton, Maryland
February 24, 2010

Consolidated Schedule of Award and Claimed Costs
Award Period July 28, 2007, through July 27, 2009
American National Red Cross – 06NDHDC001

			Reference
Authorized Budget (Corporation Funds)		\$1,708,795	Note 1
Claimed Federal Costs		\$1,559,135	Note 2
Authorized Match Budget		\$ 543,454	Note 3
Claimed Match Costs		\$1,198,477	Note 4
Questioned Federal Costs:			
Timesheet exceptions	\$ 2,939		Note 5
National Sex Offender Search was incomplete or Missing	42,704		Note 6
Unequal payment of member living allowance	<u>271</u>		Note 7
Total Questioned Federal Costs		<u>\$ 45,914</u>	
Questioned Match Costs:			
Timesheet exceptions	\$ 2,068		Note 5
National Sex Offender Search was incomplete or Missing	30,421		Note 6
Unequal payment of member living allowance	<u>105</u>		Note 7
Total Questioned Match Costs		<u>\$ 32,594</u>	
Questioned Education Award:			
Timesheet exceptions	\$ 4,725		Note 5
National Sex Offender Search was incomplete or Missing	<u>9,450</u>		Note 6
Total Questioned Education Awards		<u>\$ 14,175</u>	
Interest forbearance on questioned education award		<u>\$ 2,002</u>	Note 6

Notes to Consolidated Schedule of Award and Claimed Costs

Notes

1. The approved budget amount represents the funding to the ANRC in accordance with the grant agreement.
2. Claimed costs represent ANRC's reported Federal expenditures for the period of July 28, 2007, through July 27, 2009.
3. The approved match budget amount represents the funding to the ANRC in accordance with the grant agreement.
4. Claimed costs represent the ANRC's reported match expenditures for the period of July 28, 2007, through July 27, 2009.
5. The Charlotte Chapter had \$2,939 in questioned Federal cost, and \$2,068 in questioned match cost for member living allowance and health benefits due to a missing supervisor or member signature on timesheet(s), and \$4,725 in questioned cost for the related education award (See Finding 1).
6. The Charlotte and Chicago Chapters had \$42,704 in Federal questioned member living allowances, \$22,421 in match living allowances, \$8,000 in match health benefits, and \$9,450 in questioned education awards due to incomplete or missing National Sex Offender Registry searches. In addition, we are also questioning interest forbearance of \$2,002 related to one of the questioned education awards. Total questioned match cost was \$30,421 (see Finding 1).
7. The Chicago Chapter had \$271 in Federal questioned costs for member living allowance and \$105 in questioned costs for the match living allowance due to unequal payment of member living allowances (see Finding 1).

Schedule A

Schedule of Award and Claimed Costs By Grantee/Subgrantee
July 28, 2007, through July 27, 2009

Grantee/ Subgrantee	Claimed Costs		Questioned Costs		Questioned Education Awards	Questioned Interest Forbearance	Reference
	Federal	Match	Federal	Match			
American National Red Cross	\$ 278,257	\$ 205,340	\$ -	\$ -	\$ -	\$ -	
Greenwich Chapter	24,604	27,612	-	-	-	-	Note 1
Atlanta Chapter	74,721	71,905	-	-	-	-	Note 1
Richmond Chapter	71,740	58,375	-	-	-	-	Note 1
New Orleans Chapter	41,090	32,005	-	-	-	-	Note 1
San Francisco Chapter	118,540	70,084	-	-	-	-	Schedule B
Santa Barbara Chapter	51,076	41,671	-	-	-	-	Note 1
Seattle Chapter	131,867	104,455	-	-	-	-	Note 1
St. Louis Chapter	29,150	20,558	-	-	-	-	Note 1
Chicago Chapter	83,356	56,918	24,891	16,844	9,450	2,002	Schedule C
Dallas Chapter	63,425	24,666	-	-	-	-	Note 1
New York Chapter	132,345	128,463	-	-	-	-	Note 1
Peoria Chapter	43,824	29,465	-	-	-	-	Note 1
Tulsa Chapter	38,023	20,337	-	-	-	-	Note 1
Charlotte Chapter	105,283	118,186	21,023	15,750	4,725	-	Schedule D
Baltimore Chapter	60,760	47,065	-	-	-	-	Note 1
Cedar Rapids Chapter	34,791	29,548	-	-	-	-	Note 1
Springfield Chapter	53,233	29,021	-	-	-	-	Note 1
Philadelphia Chapter	123,050	82,803	-	-	-	-	Note 1
Totals	\$1,559,135	\$1,198,477	\$45,914	\$32,594	\$14,175	\$2,002	

1. Transactions at this subgrantee were not tested.

**Schedule of Award and Claimed Costs
San Francisco Chapter
July 28, 2007, through July 27, 2009**

		Reference
Authorized Budget (Federal Funds)	\$118,352	Note 1
Claimed Federal Costs	\$118,540	Note 2
Authorized Match Budget	\$ 69,510	Note 3
Claimed Match Costs	\$ 70,084	Note 4
Questioned Federal Costs:		
Total Questioned Federal Costs	\$ 0	
Questioned Match Costs:		
Total Questioned Match Costs	\$ 0	
Questioned Education Award		
Total Questioned Education Awards	\$ 0	

Notes

1. The approved budget amount represents the funding to the San Francisco Chapter according to the grant agreement.
2. Claimed costs represent the San Francisco Chapter's reported Federal expenditures for the period of July 28, 2007, through July 27, 2009. The claimed costs were in excess of budget due to a living allowance calculation error, but the grantee did not exceed the Federal budget overall, therefore, the amount was not questioned (See Finding 5 on page 26 for further details).
3. The approved match budget amount represents the funding to the San Francisco Chapter in accordance with the grant agreement.
4. Claimed costs represent the San Francisco Chapter's reported match expenditures for the period of July 28, 2007, through July 27, 2009. The match cost exceeded budget, but there is no exception because our testing of match costs indicated that they were supported and allowable.

**Schedule of Award and Claimed Costs
Chicago Chapter
July 28, 2007, through July 27, 2009**

			Reference
Authorized Budget (Federal Funds)		\$89,570	Note 1
Claimed Federal Costs		\$83,356	Note 2
Authorized Match Budget		\$57,508	Note 3
Claimed Match Costs		\$56,918	Note 4
Questioned Federal Costs:			
National Sex Offender Search was incomplete or Missing	\$24,620		Note 5
Members did not receive consistent living Allowance	<u>271</u>		Note 6
Total Questioned Federal Costs		<u>\$24,891</u>	
Questioned Match Costs:			
National Sex Offender Search was incomplete or Missing	\$16,739		Note 5
Members did not receive consistent living Allowance	<u>105</u>		Note 6
Total Questioned Match Costs		<u>\$16,844</u>	
Questioned Education Award			
National Sex Offender Search was incomplete or Missing	\$ 9,450		Note 5
Total Questioned Education Awards		<u>\$ 9,450</u>	
Interest Forbearance on Questioned Education Award		<u>\$ 2,002</u>	Note 5

Notes

1. The approved budget amount represents the funding to the Chicago Chapter in accordance with the grant agreement.
2. Claimed costs represent the Chicago Chapter's reported Federal expenditures for the period of July 28, 2007, through July 27, 2009.
3. The approved match budget amount represents the funding to the Chicago Chapter in accordance with the grant agreement.
4. Claimed costs represent the Chicago Chapter's reported match expenditures for the period of July 28, 2007, through July 27, 2009.
5. The Chicago Chapter had questioned costs of \$24,620 in Federal and \$12,684 in match costs for living allowances, \$4,055 in match health benefit costs, and \$9,450 in education awards due to an incomplete or missing National Sex Offender Registry search. In addition, there is questioned interest forbearance of \$2,002 related to one of the questioned education awards. Total questioned match cost was \$16,739 (see Finding 1).
6. The Chicago Chapter had \$271 in Federal questioned costs for member living allowance and \$105 in living allowance match costs due to unequal payment of member living allowances (see Finding 1).

**Schedule of Award and Claimed Costs
Charlotte Chapter
July 28, 2007, through July 27, 2009**

			Reference
Authorized Budget (Federal Funds)		\$126,163	Note 1
Claimed Federal Costs		\$105,283	Note 2
Authorized Match Budget		\$ 72,630	Note 3
Claimed Match Costs		\$118,186	Note 4
Questioned Federal Costs:			
Timesheet exceptions	\$ 2,939		Note 5
National Sex Offender Search was incomplete or Missing	<u>18,084</u>		Note 6
Total Questioned Federal Costs		<u>\$ 21,023</u>	
Questioned Match Costs:			
Timesheet exceptions	\$ 2,068		Note 5
National Sex Offender Search was incomplete or Missing	<u>13,682</u>		Note 6
Total Questioned Match Costs		<u>\$ 15,750</u>	
Questioned Education Award			
Timesheet exceptions	<u>\$ 4,725</u>		Note 5
Total Questioned Education Awards		<u>\$ 4,725</u>	

Notes

1. The approved budget amount represents the funding to the Charlotte Chapter in accordance with the grant agreement.
2. Claimed costs represent the Charlotte Chapter's reported Federal expenditures for the period of July 28, 2007, through July 27, 2009.
3. The approved match budget amount represents the funding to the Charlotte Chapter according to the grant agreement.
4. Claimed costs represent the Charlotte Chapter's reported match expenditures for the period of July 28, 2007, through July 27, 2009. The match cost exceeded budget, but there is no exception because our testing of match costs indicated that they were supported and allowable.
5. The Charlotte Chapter had \$2,939 in questioned Federal and \$1,583 in match costs for member living allowances, \$485 in match health benefit costs, and a \$4,725 education award due to missing supervisor or member signature(s) on the timesheets (see Finding 1).
6. Charlotte had \$18,084 in questioned Federal and \$9,737 in match costs for member living allowances, and \$3,945 in match health benefit costs due to incomplete or missing National Sex Offender Registry searches (see Finding 1).

Schedule of Findings

Finding 1 - Lack of adequate procedures or internal controls to ensure that service hours were accounted for, members received health benefits, health benefit expense credits were properly applied to grant expenses, criminal background checks and national sex offender searches were performed in a timely manner and documented, and members received consistent member living allowances.

Timesheet Exceptions

We tested 851 timesheets, representing 21 members at the three subgrantees, for proper signatures and timely submission. The following table summarizes timesheet exceptions that resulted from this testing:

Chapter	Members	Notes	Questioned Federal Member Living Allowance	Questioned Match Member Living Allowance	Questioned Match Health Benefits	Questioned Education Award
San Francisco	2	A	-	-	-	-
Charlotte	2	B&D	2,204	1,187	366	-
Charlotte	3	C	735	396	119	4,725
Chicago	1	E	-	-	-	-
Totals	8		\$2,939	\$1,583	\$485	\$4,725

- A. The member's timesheet signature was not consistent with the member's signature on the previous timesheets; which indicates that someone else signed on behalf of the member. No costs are being questioned, but it is noted as a non-compliance finding.
- B. The members' names were typed-in as their signatures on the timesheets. There is no evidence that the members certified that they actually performed service during these hours, therefore, the hours recorded are questioned.
- C. Timesheets were missing the supervisors' signature. There is no evidence that the supervisor verified that the members actually performed service during these hours, therefore, the hours recorded are questioned.
- D. The supervisor signed the timesheets, but did not indicate the date signed. No costs are questioned, but it is being noted as a non-compliance finding.
- E. The member signed the timesheet, but did not indicate the date signed. No costs are questioned, but it is being noted as a non-compliance finding.

Supervisors and members were not complying with the NPRC Handbook requirement related to the signing and approval of members' timesheets. In addition, the NPRC Handbook does not require a date indicating when the member and supervisor sign the member's timesheet.

Criteria:

The AmeriCorps Special Provisions (Program Year (PY) 07 – 08, Section IV.C.2., Page 8 and PY 08 – 09, Section IV.C.4., Page 9) state that the grantee must keep time and attendance records on all AmeriCorps members in order to document their eligibility for in-service and post service benefits. Time and attendance records must be signed and dated both by the member and by an individual with oversight responsibilities for the member.

The NPRC Handbook (page 7) states, “A corps member supervisor verifies an AmeriCorps member’s attendance by certifying that member’s service hour logs on a weekly basis. Certified service hour logs must be signed by both the AmeriCorps member and the member’s supervisor.”

The ANRC member agreement (page 5) states that upon successful completion of the term of service, the member may be eligible to receive an education award of \$4,725. Successful completion of the term of service includes completion of at least 1,700 service hours.

Recommendations:

We recommend that the Corporation:

- 1a. Resolve the questioned costs in the amount of \$2,939 in Federal and \$1,583 in match member living allowance, \$485 in match health benefits and a \$4,725 in education award and recover any disallowed costs.
- 1b. Ensure ANRC strengthens its procedures related to members’ signatures on their timesheets, establishes what steps should be taken when member is not available to sign, and strengthens procedures to ensure timely review of all timesheets.
- 1c. Ensure ANRC updates the NPRC Handbook to include a requirement that members and supervisors enter dates when timesheets are signed.

ANRC Response:

ANRC agreed with the findings regarding the San Francisco and Chicago members. However, ANRC disagreed with the finding that there is no evidence that the members in Charlotte actually performed service during the weeks in question. In all cases, ANRC indicated that the members recorded the time, recorded comments, and either the member or the supervisor signed the timesheets. ANRC also stated that both the members and supervisors signed the timesheets for the following time period, which included the cumulative totals. ANRC believed that there was sufficient evidence that both the member and the supervisor ultimately documented that the member engaged in allowable activities for the number of hours reported on the timesheets. ANRC also indicated that it has implemented a new electronic timekeeping system for the 2009-2010 program year that has access controls so only the member can enter his or her own time. The system also contains reminder controls that inform the members when they have not submitted their timesheets and informs the supervisors when they have not approved them.

Auditors' Comments:

ANRC appeared to presume that the supervisor and member certified to the accuracy of the cumulative total of hours that was reported on the timesheets and not just for the hours reported for that time period. The Corporation should determine whether the new electronic timekeeping system for the grantee and its subgrantees is implemented and effectively addresses the finding conditions. The Corporation should consider the corrective actions taken, but continue to resolve the questioned costs.

Health Benefits Not Provided to Members

The ANRC subgrantees we tested did not provide health benefits to full-time members for PY 07 – 08 in accordance with the grant provisions. The following exceptions were noted:

- The San Francisco Chapter did not provide health benefits to any of its members in PY 07 – 08 until November 2007, resulting in a three-month period during which members were not covered.
- The Charlotte and Chicago Chapters each did not provide health benefits to one of its members for program year 07 – 08, and no waiver was obtained from either member. The Chapters did obtain waivers from the members after the auditors completed their testing.

The San Francisco Chapter indicated that there was some uncertainty as to who would be paying the health benefits for the members (i.e., Chapter versus ANRC Headquarters). The Charlotte and Chicago Chapters indicated that they did not request, or they did not maintain the member's request, to waive the health benefits.

There is a potential liability to the subgrantee for medical expenses that the members may have incurred during the time when health benefit coverage was not provided.

Criteria:

The AmeriCorps Special Provisions, PY 07 – 08, Section IV.I.5., Page 16, states, "The grantee must provide a health care policy to those full-time members not otherwise covered by a health care policy at the time of enrollment into the AmeriCorps program, or to those members who lose coverage during their term of service as a result of participating in the Program or through no deliberate act of their own."

Recommendation:

- 1d. We recommend that the Corporation work with ANRC to have the subgrantees determine and document whether their members waived their health benefits. If no waiver was obtained, the subgrantees should verify whether their members incurred any medical expenses during the period in which health benefits were not provided, and take action to reimburse the appropriate expenses to those members.

ANRC Response:

ANRC agreed with the exceptions noted, but indicated that the subgrantee did provide health benefits to all full-time members who wanted it. ANRC indicated that San Francisco was

delayed in enrolling members in the health insurance plan for PY 07-08, but did reimburse any expenses that were submitted. In addition, San Francisco attempted, after our site visit, to verify if any members incurred any additional medical expenses during the time period before their health insurance was activated.

Auditors' Comments:

The exceptions we noted are factually correct. No statement was made that the subgrantee denied a member coverage when it was requested. We noted only that coverage was not provided. The Corporation should confirm that ANRC and the San Francisco Chapter have taken appropriate actions to address the recommendation.

Health Benefit Credit Not Applied to Grant Expenses

During our review of the claimed match costs from the chapter's accounting records, we noted the Charlotte Chapter had overpaid health benefits for members who did not finish their term or were terminated from the AmeriCorps program from January to February 2009. The insurance company credited the Charlotte Chapter's account for the overpayment, which was used to pay for the health benefits for the remaining members for the rest of the PY. However, by the end of the PY, there was still a credit of \$128 remaining.

The Charlotte Chapter did not track the balance of that credit and reduce its reported grant health benefit expense accordingly in compliance with OMB Circular A-122. The remaining credit of \$128 for health benefits has left the Chapter with an overstatement in match costs for PY 2008 – 2009 of \$128. We noted that the subgrantee met its match cost requirements by a significant amount; therefore, it is noted as a compliance finding.

Criteria:

OMB Circular No. A-122, *Cost Principles for Non-Profit Organizations* (General Principles: A.5.a.), states, "The term applicable credits refers to those receipts, or reduction of expenditures which operate to offset or reduce expense items that are allocable to awards as direct or indirect costs. Typical examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing or received by the organization relate to allowable cost, they shall be credited to the Federal Government either as a cost reduction or cash refund, as appropriate."

Recommendation:

- 1e. We recommend that the Corporation ensure that ANRC provides guidance to the subgrantees on how credits are to be accounted for and reported in accordance with OMB Circular A-122.

ANRC Response:

ANRC concurred with the finding and indicated that it has provided the recommended guidance to subgrantees.

Auditors' Comments:

ANRC's proposed action should address the finding condition. The Corporation should follow up to confirm that ANRC has provided the appropriate guidance to the subgrantees.

Criminal Background Check Performed After Member Enrollment

Two ANRC subgrantees we tested did not properly complete the criminal background check upon member enrollment. Details are as follows:

- In five of the seven member files tested, the San Francisco Chapter did not perform the criminal background check until after the member was enrolled for PY 07 – 08. In four instances, the criminal background check was completed four days after enrollment and the last one was completed 26 days after enrollment.
- In three of the seven member files tested, the Chicago Chapter did not perform the criminal background check until five months after the member was enrolled for PY 07 – 08.
- In two of the seven member files tested, the Chicago Chapter did not perform the criminal background checks until two to eight days after the members started serving for PY 08 – 09.

Both chapters informed us that not obtaining the background checks before the members began their service was an oversight.

By not conducting criminal background checks prior to enrolling its members, the subgrantee places itself, the grantee, the Corporation, and vulnerable populations being served at risk. No costs were questioned, but it is being noted as a non-compliance finding.

Criteria:

The subgrantee's FY 2008 Host Site Agreement (PY 07 – 08), Section IV.3.b., states the Host Site's obligations within and in addition to the AmeriCorps Grant Provisions that require background checks prior to enrolling members.

45 C.F.R. 2540.200 states that the award recipient must apply suitability criteria relating to criminal history to an individual applying for, or serving in, a position for which an individual receives a Corporation grant-funded living allowance and which involves recurring access to children, persons age 60 and older, or individuals with disabilities. 45 C.F.R. 2540.203(a) states the State criminal registry check must be conducted on an individual who enrolls in, or is hired by, the NPRC program after November 23, 2007.

Recommendation:

- 1f. We recommend that the Corporation work with ANRC to provide training to its subgrantees to ensure that a member cannot be enrolled or start earning service hours until a criminal background check is completed, and that procedures are implemented to ensure full compliance.

ANRC Response:

ANRC concurred with the finding, but stated that guidance from the Corporation indicated that a member may start supervised service before background check results have been received.

In its response to the draft report, ANRC included the following excerpt from the FAQ FINAL RULE ON NATIONAL SERVICE CRIMINAL HISTORY CHECKS, dated 10/29/07: *“Because state criminal registry check results can sometimes take weeks or more to complete, the rule does not prohibit an individual from serving while that check is pending. However, the individual may not have unsupervised access to children, persons age 60 and older, or individuals with disabilities while waiting for the results of the state criminal registry check.”*

Auditors’ Comments:

ANRC appears to have acted in good faith based on the guidance provided by the Corporation. That guidance allows a person to serve prior to determining their suitability to serve, which is contrary to the Federal regulation. The Corporation should ensure that its guidance to grantees is compliant and consistent with the Federal regulations. In addition, the Corporation should confirm that ANRC has provided appropriate training to the subgrantees and implemented effective procedures consistent with the Federal regulation to prevent a recurrence of the same condition.

Incomplete or Missing National Sex Offender Search

In seven of the member files we reviewed, documentation of a National Sex Offender search was either missing at the Charlotte and Chicago chapters, or the searches that were performed did not cover all 50 states. In the latter case, the member file indicated that the database for certain states was not accessible at the time the online searches were conducted. Given the incomplete searches, we questioned the following living allowances, health benefits and education award costs, as of November 23, 2007:

Sample Member	Questioned Federal Member Living Allowance	Questioned Match Member Living Allowance	Questioned Match Health Benefits	Questioned Education Award	Questioned Interest Forbearance	Note
Charlotte #4	\$ 3,756	\$ 2,022	\$ 893	\$ -	\$ -	1
Charlotte #5	3,674	1,978	1,012	-	-	
Charlotte #6	2,939	1,583	765	-	-	1
Charlotte #7	7,715	4,154	1,275	-	-	1
Subtotal	\$18,084	\$9,737	\$3,945	\$ -	\$ -	
Chicago #5	7,647	3,940	1,267	-	-	
Chicago #6	8,393	4,324	1,394	4,725	2,002	
Chicago #7	8,580	4,420	1,394	4,725	-	
Subtotal	\$24,620	\$12,684	\$4,055	\$9,450	\$2,002	
Totals	\$42,704	\$22,421	\$8,000	\$9,450	\$2,002	

Note 1: These costs are net of those questioned under Timesheet Exceptions (see Page 13).

The Charlotte Chapter indicated that it was an oversight on their part for three members for whom the search was incomplete. For the one member whose search document was missing, the Chapter indicated that the documentation had been misplaced. The Chicago Chapter stated that it was an oversight in the cases of the three incomplete searches. Both Chapters went online and obtained the missing National Sex Offender search information for each member and provided this information to the auditors after testing was completed.

Criteria:

45 C.F.R. 2540.203(b) states that the National Sex Offender Public Registry check must be conducted on an individual who is serving, or applies to serve, in a covered position on or after November 23, 2007. 45 C.F.R. 2540.201 states that any individual who is registered, or required to be registered, on a State sex offender registry is deemed unsuitable for, and may not serve in, a position covered by suitability criteria.

Recommendations:

We recommend that the Corporation:

- 1g. Ensure ANRC enhances its NPRC Handbook to stress that National Sex Offender Searches must be complete to include follow-up for non-reporting States.
- 1h. Ensure that ANRC strengthens its monitoring efforts to ascertain subgrantees' compliance with grantee's "Background Checks" procedures requiring certification that:
 - 1) State criminal registry checks were conducted and documented in the member files or in separate files that protect each member's privacy; and
 - 2) National Sex Offender searches encompassing all 50 states, as well as Guam, Puerto Rico, and the District of Columbia, were conducted and documented in the member's file or a privately maintained file.
- 1i. Resolve the questioned costs in the amounts of \$42,704 in Federal and \$22,421 in matched member living allowances, \$8,000 in matched health benefits, \$9,450 in education awards, and \$2,002 in interest forbearance, and recover any disallowed costs.

ANRC Response:

ANRC concurred with the finding, but did not agree with the questioned costs. It indicated that additional information has been discovered since the time of the audit that confirms that ANRC implemented procedures according to the prevailing Corporation guidance as follows:

Excerpt from FAQ FINAL RULE ON NATIONAL SERVICE CRIMINAL HISTORY CHECKS, 10/29/07, states, "4.12 What steps should I take if I discover that several States' sex offender registry sites are inoperative when I am conducting the NSOPR check on an applicant? You must document in writing that you conducted the search and further indicate the States whose sites were inoperative. If any of these States is either the State in which your program is operating or one where the applicant resides, you must continue the search in order to ensure that the applicant is not listed on those States' registries. If the inoperative sites include other States, merely document the names of these States for the file, as this would satisfy the rule's requirement. However, as a best practice, it would be prudent to re-check the NSOPR at a later date in order to rule out the possibility that the applicant may be registered in that State. "

ANRC indicated that it made a good faith effort to follow the guidance from the Corporation. ANRC also re-ran the checks on all members in question during our testing and in all cases they were cleared and eligible to serve.

Auditors' Comments:

The Corporation should verify that ANRC has revised its NPRC handbook and strengthened its monitoring efforts to ensure that National Sex Offender Public Registry searches are conducted in accordance with Federal regulations. Given the guidance provided by the Corporation to ANRC, we believe that recommendation 1.i. should be revised to state, "Revise Corporation guidance for grantees on National Service Criminal History Checks to fully comply with the Federal regulation for a National Sex Offender Public Registry check." A national check does not mean only some states, but all states.

Unequal Payment of Living Allowance to Members

Two of the ANRC subgrantees provided unequal member living allowance payments. The following table summarizes the Charlotte and Chicago Chapters questioned member living allowances (MLA):

Program Year	Chapter	Member	MLA Paid	MLA that should have been paid	Overpaid/ (Underpaid)	Federal Amount	Match Amount
07 – 08	Chicago	#1	\$ 4,622	\$ 4,522	\$100	\$ 72	\$28
07 – 08	Chicago	#4	12,711	12,435	276	199	77
Total 07-08			\$17,333	\$16,957	\$376	\$271	\$105
08 – 09	Charlotte	#4	\$ 6,910	\$ 7,348	(\$ 438)	(\$ 285)	(\$153)
08 – 09	Charlotte	#6	7,122	7,348	(226)	(147)	(79)
08 – 09	Chicago	#5	11,587	11,870	(283)	(187)	(96)
08 – 09	Chicago	#6	12,717	13,000	(283)	(187)	(96)
Total 08-09			\$38,336	\$39,566	(\$1,230)	(\$806)	(\$424)
				Total Difference	(\$854)	(\$535)	(\$319)

Criteria:

The AmeriCorps Special Provisions (PY 07 – 08, Section IV.I.1., Page 15 and PY 08 – 09 Section IV. F.1., Page 11) state,

A living allowance is not a wage. Programs must not pay a living allowance on an hourly basis. Programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased living expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours served in a particular time period, and must cease when a member concludes a term of service.

If a member serves 1700 hours but is permitted to conclude a term of service before the originally agreed upon date, the program may not provide a "lump sum" payment to the member. Similarly, if a member enrolls after the program's start date, the program must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to "make up" any missed payments.

The ANRC member agreement (Section V B.1 and B.1.c.) states that the member will receive a living allowance of up to \$13,000 and this is based on a complete term of service. The living allowance will be distributed biweekly. The gross pay period amount will be approximately \$565.

The ANRC member agreement (Section VIII.E.) states that if any member discontinues the term of service for any reason other than an approved compelling personal circumstance, the member will cease to receive program benefits and will receive no portion of the education award.

Recommendations:

We recommend that the Corporation take the following actions:

- 1j. Direct the Charlotte Chapter to make payments to the appropriate members to address the underpayments of \$432 in Federal and \$232 in matched living allowance.
- 1k. Direct the Chicago Chapter to make payments to the appropriate members to address the underpayments of \$374 in Federal and \$192 in matched living allowance.
- 1l. Resolve questioned costs in the amount of \$271 in Federal and \$105 in matched member living allowance, and recover any disallowed costs.
- 1m. Direct the grantee to develop more effective policies and procedures to ensure member living allowance payments are consistent with the AmeriCorps grant provisions and the ANRC member agreement. In addition, the grantee should strengthen its monitoring efforts, including a review of subgrantees' member living allowance payments, to ensure that allowances are paid consistently.

ANRC Response:

ANRC indicated that the Charlotte Chapter administered the payments according to program policy. The Chicago Chapter indicated that its members were paid the correct amounts, but offered no further explanation to dispute the finding or clarify its response.

Auditors' Comments:

We believe that the member living allowance should be consistent with grant provisions and the member agreements. The Corporation should ensure that ANRC and the subgrantees address the underpayments made to the members. The Corporation also should resolve the questioned Federal and match member living allowance costs and recover any disallowed costs. In addition, the Corporation should consider revising the grant provisions related to member living allowance to provide clearer guidance to the grantees.

Finding 2 – Late submission of the exit/end-of-term-of-service form.

The ANRC Charlotte Chapter did not submit the approved Exit/End-of-Term-of-Service form in WBRS by the due date. Management at the ANRC headquarters indicated that it was an oversight. Not entering member exit forms within 30 days (now into the My AmeriCorps Portal) may result in sanctions to the grantee, up to and including suspension or termination.

Criteria:

The AmeriCorps Special Provisions (PY 08 – 09, Section IV.C.1., Page 8) indicate that the grantee must notify the Corporation's National Service Trust within 30 days of a member's selection for, completion of, suspension from, or release from, a term of service.

Recommendation:

- 2 We recommend that the Corporation ensure that ANRC implements effective control procedures for its subgrantees so that member forms (i.e., enrollment, change in status, or exit) are submitted on time through the My AmeriCorps Portal.

ANRC Response:

ANRC concurred with the finding. It has added a monitoring step to address the cause of the finding.

Auditors' Comments:

The Corporation should verify that ANRC's monitoring step has been implemented and is effective in preventing a recurrence of the finding.

Finding 3 – Lack of documentation of members attending pre-service orientation.

For all 21 members tested, the ANRC subgrantees did not provide documentation that their members received a pre-service orientation that addressed specific issues required by the grant provisions. However, there was evidence that the members did receive the member agreement and a handbook that covers those requirements.

The lack of documentation is due to the chapters not realizing that they needed to maintain documentation to support that specific orientation requirements were addressed and that the members were present during the sessions. The Chapters plan to implement an orientation sign-in sheet to document when the orientation occurs, what it addresses, and who attends.

Criteria:

The AmeriCorps Special Provisions (PY 07 – 08, Section IV.D.3., Page 10 and PY 08 – 09, referring to the Policy FAQ entitled Orientation) state, "The grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the program's code of conduct, prohibited activities (including those specified in the regulations), requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, other non-discrimination issues, and other topics as necessary."

Recommendations:

We recommend that the Corporation:

- 3a. Ensure that ANRC establishes a pre-service orientation process that specifically addresses all requirements noted in the grant provisions, and establishes requirements to document when the orientation occurred, what was covered, and to verify that members were present.
- 3b. Include a requirement for an orientation sign-in sheet that addresses the orientation requirements in the grant provisions and in the grantee handbook to provide guidance for future grantees.

ANRC Response:

ANRC agreed with the finding and indicated that it has amended its procedures to incorporate the recommendation.

Auditors' Comments:

The Corporation should verify that the proposed procedures have been implemented and are operating effectively. In addition, the Corporation should consider updating its grant provisions and the grantee handbook to clarify its pre-service orientation requirements.

Finding 4 – Noncompliance with record retention requirements, late submission of Financial Status Report, and noncompliance with travel policy.

Noncompliance with Record Retention Policy

ANRC Headquarters' Records Management Policy indicates that documents related to grants are to be maintained for five years from date of the grant. The Chapters comply with the Corporation's grant provisions, which require records to be retained for three years from the date of the submission of the final expenditure report. The difference in policy was due to an oversight by ANRC management.

The purpose of the record retention policy is to ensure the grant costs can be supported by the organization and are available for review or audit. A policy that is inconsistent with the Corporation's provisions may result in the grantee having difficulties in obtaining documentation to support grant costs when required.

Criteria:

The AmeriCorps General Provisions (PY 07 – 08, Section V.E., Page 26 and PY 08 – 09 referring to CFR 45§2543.53 (b.)) indicate that the grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records, for three years from the date of the submission of the final expenditure report.

Recommendation:

- 4a. We recommend that the Corporation instruct ANRC to revise its Records Management Policy to comply with record retention requirements in the grant provisions.

ANRC Response:

ANRC concurred with the finding.

Auditors' Comments:

The Corporation should verify that ANRC has revised its Records Management Policy to address the finding condition.

Late Submission of Financial Status Report

In two instances, ANRC did not submit its Financial Status Reports on time (i.e., one and two days late). ANRC indicated that the late submission of the FSRs was due to delays in collecting information from the chapters, which prevented it from submitting the reports when due.

By submitting the FSR (now the Federal Financial Report) after the deadline, the grantee may delay the reimbursement of the semi-annual grant costs, which could have an adverse effect on the grantee's ability to operate its program.

Criteria:

The AmeriCorps Special Provisions (PY 07 – 08, Section IV.N.1.a., Page 22) states a grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants. Financial Status Report deadlines are as follows:

<u>Due Date</u>	<u>Reporting Period Covered</u>
April 30	Start of grant through March 31
October 31	April 1 – September 30

Recommendation:

- 4b. We recommend that the Corporation ensure that ANRC develops effective control procedures to ensure that it submits its Federal Financial Report when it is due.

ANRC Response:

ANRC agreed with the finding, and indicated that it has amended its procedures to address the recommendation.

Auditors' Comments:

The Corporation should verify that ANRC has amended its procedures to address the finding condition.

Noncompliance with Travel Policy

In testing one travel expense, we found that the traveling employee returned a rental car without refueling the vehicle.

The purpose of the ANRC Travel policy is “to ensure the most appropriate and economical use of Red Cross funds when traveling on behalf of Red Cross.” The refueling service charge was \$37.84. As a result, ANRC incurred additional cost that could have been avoided.

Criteria:

ANRC’s Staff Travel and Reimbursement Policy (II.G.2.b.) states that, “Car companies charge a premium to refill partially or empty gas tanks. To avoid excess fees, travelers are required to refuel at local gas stations prior to returning the rental vehicle.”

Recommendation:

4c. We recommend that the Corporation work with ANRC to strengthen its controls for compliance with its travel policy.

ANRC Response:

ANRC concurred with the finding, and indicated that it has ensured that current NPRC program staff have reviewed the travel policy.

Auditors’ Comments:

The Corporation should verify that the corrective actions taken by ANRC are sufficient to address the finding condition.

Finding 5 - Lack of controls over reporting of Federal costs.

Federal Cost Claimed In Excess of Award Amount

We compared the Federal award budget amount to the actual cost claimed for PYs 07 – 08 and 08 – 09 and found that the San Francisco Chapter exceeded the Federal award budget for member living allowance for PY 07 – 08 by \$187, as follows:

Program Year 2007 – 2008		
Federal Award Amount	Federal Costs Claimed	Balance
\$84,053	\$84,240	(\$187)

No amendments have been made to the award agreement. ANRC management stated an error was made when the subgrantee’s budget was calculated. Given that the grantee was still well below its total budget award from the Corporation, we did not question the amount.

Criteria:

The AmeriCorps National Preparedness & Response Corps FY 2008 Host Site Cooperative Agreement (dated August 2, 2007), for the San Francisco Chapter states that the Corporation funding for the chapter will be \$84,053.

Recommendation:

5. We recommend that the Corporation instruct ANRC to strengthen its controls and monitoring procedures to ensure that its subgrantees do not claim expenses in excess of their award amount.

ANRC Response:

ANRC concurred with the finding. It indicated that it has changed the methodology for creating the budget in the Host Site Agreements, which should eliminate the rounding errors in calculating the host site budget.

Auditors' Comments:

ANRC has taken action to address the budget calculation process that resulted in understating the budget. However, this action does not strengthen the control to ensure that expenses will not exceed the award amount. The Corporation should work with ANRC to ensure that such controls are in place so that the claimed amount exceeding the award amount will not be paid.

APPENDIX A

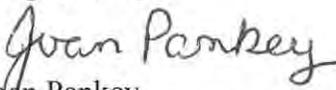
**AMERICAN NATIONAL RED CROSS'
RESPONSE TO THE DRAFT REPORT**



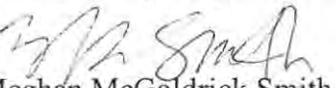
**TO: Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National and Community Service**

**Draft Audit Report Review and Comment
Agreed Upon Procedures Review of Corporation Grants
American National Red Cross
Submitted: April 23, 2010**

Prepared By:


Joan Pankey

Director Chapter Quality Assurance and NPRC AmeriCorps Program Director


Meghan McGoldrick Smith

NPRC AmeriCorps Senior Associate and Program Manager

Finding 1: Lack of adequate procedures or internal controls to ensure service hours were accounted for, members received health benefits, health expense credits were properly applied to grant expenses, criminal background checks and national sex offender registry searches were properly performed in a timely manner and documented and members received consistent living allowances.

Response to Finding 1:

1. Timesheet Exceptions; We agree with the findings regarding the San Francisco and Chicago members and implemented a new electronic timekeeping system in the 2009-2010 program year which eliminates these issues. The system has automatic controls that only the member has access to record and approve their own time and the date of all approvals are automatically time stamped. In light of additional review of the timesheets, we respectfully disagree with the finding that there is no evidence that the members in Charlotte actually performed service during the weeks in question. In all cases the members recorded the time, recorded comments and either the member or the supervisor signed the timesheets for the weeks in question, and both the members and supervisors signed the timesheets for the following time period which included the cumulative totals. While the chapter did not comply with the specific instructions provided, there is evidence that both the member and the supervisor ultimately documented agreement that the member engaged in allowable activities for the number of hours indicated. Since the time in question we have implemented an on-line timekeeping system which addresses the recommendations made by the OIG.

2. Health Benefits; We disagree with the finding that we did not provide health benefits to all full time members who wanted it. We do agree with the exceptions noted. San Francisco was delayed in enrolling members in the health insurance plan in 07-08 but did reimburse any expenses that were submitted. Per the auditor's recommendation, San Francisco has attempted to verify if members incurred any additional medical expenses during the time period before their health insurance was activated. For the other two chapters, the members declined coverage, but the chapter did not have a file copy of the signed waiver. We have since obtained and submitted waivers for all members in question from Chicago and Charlotte.
3. Health Benefit Not Applied to Grant Expenses; We agree with the finding and have provided the recommended guidance to subgrantees.
4. Criminal Background Check Performed After Member Enrollment; We agree with the finding but would like to point out that per guidance from the Corporation, members may start supervised service before background checks results are received. Our policy is that the member's service is contingent upon successful completion of the Criminal Background Check and we have revised our procedures to further emphasize that checks must be initiated before members begin service.
5. Incomplete Or Missing National Sex Offender Search; We agree with the finding but do not agree with the questioned costs. We made a good faith effort to follow the guidance from the Corporation. Our procedures instruct subgrantees to complete these checks before members start and sign off in the enrollment paperwork that the checks are clear for each member. Training was also provided when the new rules went into effect. These oversights where checks were not rerun when some state databases were down were not intentional or due to lack of training but were human error. Additional information has come to light since the time of the audit which confirms that the Red Cross implemented the procedure at the time according to the prevailing guidance for how to handle checks when some state databases are down. We reran the checks on all members in question during the audit and in all cases they were clear and eligible to serve. We have amended our existing training for "How to Conduct NSOPR Checks" to highlight the minimum requirements, best practices expectations, and documentation requirements.
6. Unequal Payments of Living Allowance To Members; We do not agree with the finding.

Recommendations:

1a. Resolve questioned costs

We disagree that there is no evidence of the member having served during the time in question. Regarding the member timesheets in Charlotte for which there are questioned costs, the time was logged for the time period in question and was signed

by either the member or the supervisor. Member comments were included in the reflections section as well. In addition, the timesheets for the time period following those periods included a cumulative total and was signed by both the member and the supervisor. In the cases where the education award is questioned, the total cumulative time was also signed off on by both the member and the supervisor on the final time log of the term and equaled sufficient time to qualify for the Education Award. Our member timesheet are set up to automatically roll forward the cumulative total hours as well as the cumulative subtotals for service, fund raising and training hours.

ATT 1: Sample time sheet

1b. Ensure ARC strengthens its procedures related to members signatures on their timesheets, establishes steps that should be taken when member not available to sign and strengthens procedures to ensure timely review of all timesheets.

a. Evidence addressed

The Red Cross implemented the OnCorps electronic timekeeping system which addresses this finding during the 2009-2010 program year. The system is Internet accessible which eliminates delays due to not being physically present when time sheets are due and has controls built in for reminders when time has not been approved by either the member or the supervisor. Included is a role for the Host Site Manager to oversee the process and ensure timely review. We recently amended our OnCorps procedures to include instructions for what to do in the event the member or the supervisor is not available per the auditor's recommendation..

b. Procedure/Training

Each chapter was oriented individually to the timekeeping system roles and functionality when implementing the system last fall and adding their members and supervisors. A training tutorial is also available for users and the system is fully operational.

The following procedures were created and distributed as part of the above process and are posted for ongoing access. Both have been revised to include the instructions on what to do in the unlikely event that the member or supervisor is not available.

ATT 2: OnCorps Time Keeping Procedures

ATT 3: OnCorps Time Log Roles

The revised procedures were distributed and reviewed as part of the "*NPRC Compliance Review*" for Host Site Managers conducted April 21, 2010.

c. Proof of implementation

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

ATT 5: Email distribution of “*NPRC Compliance Overview*”

ATT 6: “*NPRC Compliance Overview*” presentation

1c. Ensure ARC updates the NPRC handbook to include a requirement that members and supervisors enter dates when timesheets are signed.**a. Evidence addressed**

This recommendation is no longer applicable as the OnCorps timekeeping system automatically records the date the time log was approved by both the member and the supervisor.

b. Training/Procedure – N/A**c. Proof of implementation - See 1b****1d. Document and determine if waived health care benefit – or verify whether member had any outstanding expenses.****a. Evidence addressed**

San Francisco has attempted to verify if members incurred any additional medical expenses during the time period before their health insurance was activated, however the members have not responded. They did however, reimburse one member who submitted expenses at the time and we have no reason to believe that others would not have done the same. For the other two chapters, the members declined coverage and we have since obtained and submitted waivers for all members in question from Chicago and Charlotte.

ATT 7: San Francisco follow-up letter

b. Training/Procedure

The existing procedures include this requirement and chapters attest to obtaining the waiver. However, we modified the start up procedures to include the potential consequences of not maintaining this information on file. We also included a reminder in our “*NPRC Compliance Overview*” distributed April 21.

ATT 8: FY10 Start Up Procedures

ATT 6: Slide #8 “*NPRC Compliance Review*”

c. Proof of implementation -

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

ATT 5: Email distribution of “*NPRC Compliance Overview*”

1e. Give guidance to subgrantees on how credits are to be accounted for and reported in accordance with OMB circular -133.

a. Evidence addressed – N/A

b. Training/Procedure

We revised our SOP on Financial Monitoring to reference this information and included information on the NPRC Compliance Review issued April 21, 2010.

ATT 7: Revised SOP Financial Monitoring

ATT 8: Slide # 13 in NPRC Compliance Overview

c. Proof of implementation

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

ATT 5: Email distribution of “*NPRC Compliance Review*”

1f. Provide training to subgrantees to ensure member cannot be enrolled or start earning service hours until background check complete and procedures implemented to ensure full compliance.

a. Evidence addressed

Red Cross program procedures require completion of a State Criminal History Background Check and attestation by the host site that the checks were completed and cleared. Per guidance from the Corporation, a member may begin service while awaiting results of a State Criminal Background Check, however may not have unsupervised access to vulnerable populations. Red Cross policy is consistent with this guidance.

Excerpt from FAQ FINAL RULE ON NATIONAL SERVICE CRIMINAL HISTORY CHECKS, 10/29/07

“Because state criminal registry checks results can sometimes take weeks or more to complete, the rule does not prohibit an individual from serving while that check is pending. However, the individual may not have unsupervised access to children, persons age 60 and older, or individuals with disabilities while waiting for the results of the state criminal registry check.”

This was also included in the Corporation's initial training materials on the new rule and affirmed in the recently updated FAQ's.

b. Training/Procedure

The Corporation's materials were used in the establishment of the Red Cross policy and provision of training to introduce the Criminal Background Check requirement when the rule went into effect. Additionally, FY11 Start Up procedures were revised to further emphasize the policy, the FY11 Enrollment Attestation Form was rearranged to draw greater attention to timing of the check, and requirements were reviewed in the "*NPRC Compliance Review*", distributed April 21, 2010.

ATT 9: Slide #14, Host Chapter Web Conference, November 14, 2007

ATT10: FY11 Start Up Procedures

ATT 11: FY11 Enrollment Attestation form

ATT 6: Slide #8 "*NPRC Compliance Review*"

c. Proof of implementation

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

ATT 5: Email distribution of "*NPRC Compliance Review*"

1g. Enhance NPRC handbook to stress that Sex Offender Registry Searches must be complete to include non reporting states.

a. Evidence addressed

Excerpt from FAQ FINAL RULE ON NATIONAL SERVICE CRIMINAL HISTORY CHECKS, 10/29/07

"4.12 What steps should I take if I discover that several States' sex offender registry sites are inoperative when I am conducting the NSOPR check on an applicant?"

You must document in writing that you conducted the search and further indicate the States whose sites were inoperative. If any of these States is either the State in which your program is operating or one where the applicant resides, you must continue the search in order to ensure that the applicant is not listed on those States' registries. If the inoperative sites include other States, merely document the names of these States for the file, as this would satisfy the rule's requirement. However, as a best practice, it would be prudent to re-check the NSOPR at a later date in order to rule out the possibility that the applicant may be registered in that State."

This was further clarified in recent FAQ update.

**FAQ FINAL RULE ON NATIONAL SERVICE CRIMINAL HISTORY CHECKS,
April 15, 2010****b. Training/Procedure****ATT 6:** Slide #8 "*NPRC Compliance Review*"**ATT 11:** FY11 Enrollment Attestation form**ATT 12:** How to Conduct a NSOPR Check - presentation**c. Proof of implementation****ATT 4:** Screen Shot of NPRC AmeriCorps website procedures listing**ATT 5:** Email distribution of "*NPRC Compliance Overview*"**1h. Ensure monitoring efforts to ascertain subgrantees compliance with background checks procedures requiring certification that:**

- State Criminal registry checks were conducted and documented in the members files
- Sex Offender Registry Checks encompassing all 50 states, as well as Guam, Puerto Rico and the District of Columbia, were conducted and documented in the members files

a. Evidence addressed – N/A**b. Training/Procedure**

Monitoring is accomplished through the Enrollment Attestation Form completed for each member and member file checks during site visits. The FY11 attestation form was rearranged to further emphasize timing for completion of both checks and was revised to define what a complete NSOPR Check involves.

ATT11: FY11 Enrollment Attestation Form**c. Proof of implementation****ATT 4:** Screen Shot of NPRC AmeriCorps website procedures listing**1i. Resolve questioned costs**

We disagree that there are questioned costs as we made good faith effort to meet the requirements. We have provided evidence that all questioned checks have been rerun and all were clear, indicating that all members were eligible (were not required to register as a Sex Offender). In addition, we implemented the checks

according to the Corporation guidance that checks need not be rerun to meet the rule.

1j. Direct Charlotte Chapter to make payments to members to address underpayments

We disagree with the finding. The chapter administered the payments according to program policy. We will revise the member agreement for next program year to clarify how living allowance payments will be handled for early exit.

ATT 13: Email from Corporation

1k. Direct Chicago chapter to make payments to address underpayments

We disagree with the finding. Members were paid correct amounts.

ATT 13: Email from Corporation

1l. Resolve questioned costs of \$271 – Chicago overpayment

We disagree with the finding members were paid correct amounts.

ATT 14: Spreadsheet from Chicago

1m. Develop more effective polices and procedures to ensure payments are consistent with grant provisions and the member agreement. Strengthen monitoring efforts, including review of member living allowance payments.

a. Evidence addressed

b. Training/Procedure

Procedures were modified this program year to include an initial review the member living allowance increments reflected in the first month's Program Expense Reports received from chapters. If there were discrepancies in what they were expected to be, follow up was done with the chapter. This procedure will be continued next year. Member agreements will be modified in the next program year to address how the living allowance for the last pay period will be administered if the member leaves early.

c. Proof of implementation

ATT 15 FY10 Living Allowance Distribution Tracking Tool**Finding 2: Late submission of exit/end of term service form**

Response to Finding 2 We agree with the finding but would like to note that our current procedures and accountabilities resulted in all but one member tested being exited on time and require only minor adjustment to reduce the risk of this recurring. We have updated our procedures to include an additional monitoring step.

Recommendation 2: Implement effective control procedures so that member forms are properly submitted on time (enrollment, change of status, exit).

- a. Evidence addressed
- b. Training/Procedure

We already have start up and exit procedures which were provided during the course of the audit. A monitoring step was added to the Closeout Timeline to address the cause of the finding. We also included the timely enrollment and exit in the “*NPRC Compliance Review* distributed April 21, 2010

ATT 16: Closeout Timeline Revised April 21, 2010

- c. Proof of implementation

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

Finding 3 – Lack of documentation of members attending pre-service orientation

Response to Finding: We agree with the finding and have amended our procedures to incorporate the recommendation.

Recommendations:

3a. Ensure pre-service orientation process that specifically addresses all requirements noted in the grant provisions and establishes requirements to document when the orientation occurred, what was covered and verify members present.

- a. Evidence addressed

FY10 Start up Procedures include the requirement for the provision of an orientation and the Guidelines for Chapter Orientation of Members includes a list

of required topics and a presentation which covered all required topics was added in the 2009-2010 program year for use during the orientation process. For the years included in the audit as well as the current year, the member handbook that includes the required information was also provided as part of the orientation process and a signed receipt is required which was in the member files. As part of the monitoring plan, chapters attested to the provision of the handbook and the collection of the receipt on the Member Enrollment Attestation Form.

ATT17: Required Information presentation

ATT 8 : Start up procedures FY10

b. Training/Procedure

Clarification was included in the "*NPRC Compliance Review*" as to the expectation for documentation that the orientation occurred, what was covered and verification that members were present and the FY11 Start Up Procedures have been amended to reflect this requirement.

c. Proof of implementation

ATT 4: Screen Shot of NPRC AmeriCorps website procedures listing

ATT 5: Email distribution of "*NPRC Compliance Review*"

ATT17: Required Information presentation

ATT : Start up procedures FY10

Finding 4 –

- **Non compliance with record retention requirements.**
- **Late submission of FSR and**
- **Non compliance with travel policy.**

Response to Finding 4

1. Non Compliance with Record Retention Requirements; We agree with the finding. However the correct date for retention of the grant records for the 2009-2010 program year was reflected in the Host Site Agreements signed at the beginning of the program year to provide clarity on retention expectations. In addition we have implemented the recommendation.
2. Late Submission of Financial Status Report; We agree with the finding but would like to note that the reports in questions were late by one and two days and controls put into place since 2008 have resulted in subsequent FSRs being submitted on time. We have updated our procedures per the recommendation.
3. Noncompliance with Travel Policy; We agree with the finding and have ensured that current NPRC program staff have reviewed the policy.

Recommendations:**4a. Revise Record Management Policy to comply with record retention requirements in the grant provisions.**

- a. Evidence addressed
- b. Training/Procedure

The Supplement to the Records Management Policy has been updated to reflect the grant requirements. The information was included in the NPRC Compliance Review distributed April 21, 2010 and posted for future reference.

c. Proof of implementation

ATT 18: Revised Supplement to the Record Retention Policy, Rev 04_21_10
ATT 6: Slide # 14 "*NPRC Compliance Review*"

4b. Develop effective internal control procedure to ensure that it submits its Federal Financial Report when it is due.

- a. Evidence addressed
- b. Training/Procedure

The timeline and steps for on time submission of the FSR are reflected in the AmeriCorps FSR Reconciliation Policy promulgated by the Shared Service Center – Restricted Funds Unit (SSC-RF) last updated in July 2008 and provided during the audit. The NPRC Financial Monitoring Procedure has since been revised to include responsibility for monitoring implementation of the SSC-RF policy previously.

c. Proof of implementation

ATT 19: Revised Financial Monitoring Procedure

4c. Strengthen controls for compliance with its travel policy.

- a. Evidence addressed
- b. Training/Procedure

Current NPRC staff have reviewed the travel policy and are familiar with this requirement. The Financial Monitoring Procedure has been amended to require inclusion of review of the travel policy as part of the orientation of program staff that will be traveling or approving travel expense reports.

c. Proof of implementation

ATT 20: Attestation that travel polices have been reviewed

ATT 21: Financial Monitoring procedure, page 2.

Finding 5 – Lacks controls over reporting federal costs

Response to Finding: We agree that the San Francisco Chapter exceeded the Federal award budget for the member living allowance reflected in their sub recipient agreement by \$187.00. There was a rounding error in the calculation and there was no amendment made to their agreement. .

Recommendation 5: Strengthen controls and monitoring procedures to ensure subgrantees do not claim expenses in excess of their award amount.

a. Evidence addressed

In the current program year, we changed the methodology for creating the budget in the Host Site Agreements and now reimburse the same flat rate for each member. This eliminates rounding errors in calculating the host site budget which was the cause of the finding.

b. Training/Procedure

The following monitoring procedure was implemented at the beginning of the 2009-2010 program year and addresses the recommendation to strengthen monitoring. :

At the point of final approval and before the PER is submitted for payment, the NPRC program director logs monthly PER's from chapters on a spreadsheet which monitors federal costs claimed and matching funds compared to budget. This provides the monitoring necessary to ensure costs claimed do not exceed the amount awarded.

ATT22 FY10 PER Tracking Worksheet – See FSR Tabs

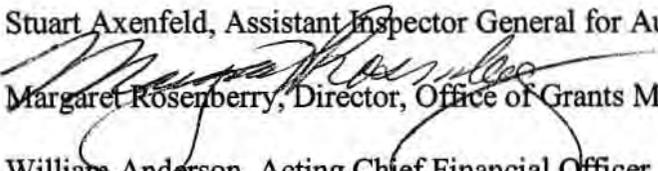
c. Proof of implementation

APPENDIX B

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S
RESPONSE TO THE DRAFT REPORT**

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Assistant Inspector General for Audit

From:  Margaret Rosenberry, Director, Office of Grants Management

Cc: William Anderson, Acting Chief Financial Officer
Rocco Gaudio, Deputy CFO, Grants and Field Financial Management
Lois Nembhard, Acting Director, AmeriCorps*State and National
Frank Trinity, General Counsel
Bridgette Roy, Audit Resolution Coordinator

Date: April 20, 2010

Subj: Response to OIG Draft of Agreed-Upon Procedures of Corporation Grants Awarded to the American National Red Cross

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of the Corporation's grants awarded to the American National Red Cross. We will work with the grantee to develop corrective actions. We will respond to all findings and recommendations in our management decision when the audit working papers are provided and the final audit is issued.