

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO THE MISSOURI COMMUNITY SERVICE COMMISSION

OIG REPORT 10-14



Prepared by:

Leon Snead & Company, P.C.
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Rockville, Maryland 20850

This report was issued to Corporation management on April 16, 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 October 18, 2010 and complete its corrective actions by April 18, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

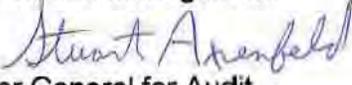


OFFICE OF INSPECTOR GENERAL

April 16, 2010

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

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld 
Assistant Inspector General for Audit

SUBJECT: *OIG Report 10-14, Agreed-Upon Procedures Review of Corporation Grants Awarded to Missouri Community Service Commission*

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

Snead is responsible for the attached report, dated December 4, 2009, and the conclusions expressed therein. We do not express opinions on the Consolidated Schedule of Awards and Claimed and Questioned Costs or the Subgrantees' Schedule of Awards and Claimed and Questioned Costs, 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 October 18, 2010. Notice of final action is due by April 18, 2011.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Rick Samson, Audit Manager, at (202) 606-9380.

Attachment

cc: Linda Thompson, Executive Director, Missouri Community Service Commission
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
Susan Montee, Missouri State Auditor
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**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
MISSOURI COMMUNITY SERVICE COMMISSION**

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Leon Snead & Company, P.C. applied procedures, agreed upon by the Office of Inspector General (OIG), to the costs incurred by the Missouri Community Service Commission (Commission) and its subgrantees from August 1, 2006, through June 30, 2009, under grants awarded by the Corporation for National and Community Service (Corporation). The results of the agreed-upon procedures include findings of questioned costs; instances of noncompliance with Federal laws, regulations or award conditions; and a weakness in the internal control system of the Commission.

EXECUTIVE SUMMARY

Our application of agreed-upon procedures resulted in questioned costs amounting to \$21,499, including \$15,386 in grant costs, and \$6,113 in education awards. A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of testing, 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. We questioned costs for the following reasons:

- Unallowable costs - \$10,586
- Ineligible education awards - \$6,113
- Unsupported costs - \$4,800

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

COMPLIANCE

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

- The Commission charged the grant funds for membership dues paid to an organization that is involved in influencing legislation, and lobbying activities.

- Member compliance requirements were not met for compelling personal circumstances, background checks and member contracts.
- Grant funds were inappropriately drawn down.

INTERNAL CONTROLS

The findings included one area of weakness in the Commission's internal control system. The Commission:

- Did not have effective procedures in place to reconcile expenditures reported on final Financial Status Reports (FSRs) to its accounting records and to the drawdowns.



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

We have performed the procedures, agreed to by the OIG, solely to assist the OIG in evaluating the Commission's compliance with applicable laws and regulations, and assessing the allowability of the costs incurred by the Commission for the award numbers listed below. These costs, as presented in the Consolidated Schedule of Award Costs, are the responsibility of the Commission management.

<u>Program</u>	<u>Award No.</u>	<u>Award Period</u>
AmeriCorps - Competitive	06ACHMO001	08/01/2006 - 07/31/2009
AmeriCorps - Formula	06AFHMO001	08/01/2006 - 07/31/2011
Administrative	07CAHMO001	01/01/2007 - 12/31/2009
Program Develop. Assist. & Training	08PTHMO001	01/01/2008 - 12/31/2010
Program Develop. Assist. & Training	05PTHMO001	01/01/2005 - 12/31/2007
Disability Placement	08CDHMO001	01/01/2008 - 12/31/2010
Disability Placement	05CDHMO001	01/01/2006 - 12/31/2008
Education Awards Program	04ESHMO001	09/08/2004 - 09/07/2007

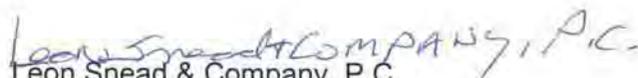
We performed the agreed-upon procedures in accordance with attestation standards contained in generally accepted government auditing standards and those established by the American Institute of Certified Public Accountants. The procedures included obtaining an understanding of the Commission and its policies, procedures, grants, and subgrantees. They also included reviewing documents at the Commission and its subgrantees related to eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements. 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 for which this report was requested or for any other purpose.

The accompanying schedules were prepared to present the costs claimed by the Commission and its subgrantees between August 1, 2006, and June 30, 2009. The schedules were prepared from data submitted to the Corporation by the Commission on Financial Status Reports to comply with provisions of the grant agreements. The schedules are not intended to be a complete presentation of Commission finances in accordance with accounting principles generally accepted in the United States of America. We did not audit the schedules and, accordingly, we do not provide an opinion thereon.

As more fully described in the schedules, we have questioned costs amounting to \$21,499, including \$15,386 in grant costs and \$6,113 in education awards. A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of testing, 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. The terms of the grant agreements required that all specified supporting documents be retained in order to receive payment from the Corporation.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on internal controls or compliance. 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.

This report is intended solely for the use of the management of the Corporation and the Commission, and should not be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record and its distribution is not limited.


Leon Snead & Company, P.C.
Rockville, Maryland
December 4, 2009

**Corporation for National and Community Service
Missouri Community Service Commission
Consolidated Schedule of Award Costs**

<u>Award No.</u>	<u>Program</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned</u>		<u>Schedule</u>
				<u>Costs</u>	<u>Education Awards</u>	
06ACHMO001	AmeriCorps – Competitive	\$3,210,867	\$2,378,149	-0-	\$5,717	A
06AFHMO001	AmeriCorps – Formula	4,451,398	3,114,220	-0-	396	B
07CAHMO001	Administrative	767,659	600,786	\$8,768	-0-	C
08PTHMO001	Program Develop. Assist. & Training	227,893	122,820	1,199	-0-	C
05PTHMO001	Program Develop. Assist. & Training	292,216	119,445	-0-	-0-	
08CDHMO001	Disability Placement	104,843	62,494	619	-0-	C
05CDHMO001	Disability Placement	107,155	102,699	-0-	-0-	
04ESHMO001	Education Award Program	<u>4,800</u>	<u>4,800¹</u>	<u>4,800</u>	<u>-0-</u>	D
Total		<u>\$9,166,831</u>	<u>\$6,505,413</u>	<u>\$15,386</u>	<u>\$6,113</u>	

¹ The funds were drawn down, but were not reported on a Financial Status Report (see Finding No. 3).

**Missouri Community Service Commission
Schedule of Claimed and Questioned Costs
Award No. 06ACHMO001 (AmeriCorps - Competitive)**

<u>Subgrantee</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Education Awards</u>	<u>Notes</u>
Partnership for Youth, Inc.	\$3,005,727	\$2,298,799	\$5,717	1
Other Subgrantees	<u>205,140</u>	<u>79,350</u>	<u>-0-</u>	
Total	<u>\$3,210,867</u>	<u>\$2,378,149</u>	<u>\$5,717</u>	

NOTES:

1. A review of 34 member files at Partnership for Youth, Inc. disclosed that two members were given partial education awards based on compelling circumstances without sufficient supporting documentation to justify their early exits from the program or their eligibility for the awards. 45 CFR § 2522.230 states that an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant and documented by the program. As a result, we have questioned education awards in the amount of \$1,551 in program year 2006-07 and \$4,166 in program year 2007-08 made to the two members (see Finding No. 2).

**Missouri Community Service Commission
Schedule of Claimed and Questioned Costs
Award No. 06AFHMO001 (AmeriCorps - Formula)**

<u>Subgrantee</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Education Awards</u>	<u>Notes</u>
Jumpstart for Young Children	\$ 769,578	\$ 549,892	\$396	2
Other Subgrantees	<u>3,681,820</u>	<u>2,564,328</u>	<u>-0-</u>	
Total	<u>\$4,451,398</u>	<u>\$3,114,220</u>	<u>\$396</u>	

NOTES:

2. A review of 25 member files at Jumpstart for Young Children disclosed that one member was given a partial education award based on compelling circumstances without sufficient supporting documentation to justify the member's early exit from the program or eligibility for the award. 45 CFR § 2522.230 states that an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant and documented by the program. As a result, we have questioned the education award of \$396 made to the member during program year 2007-08 (see Finding No. 2).

**Missouri Community Service Commission
Schedule of Claimed and Questioned Costs**

<u>Grant Awards</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Notes</u>
Administrative (Award No. 07CAHMO001)	\$ 767,659	\$600,786	\$ 8,768	3
Program Development Assist. & Training (Award No. 08PTHMO001)	227,893	122,820	1,199	3
Disability Placement (Award No. 08CD HMO001)	<u>104,843</u>	<u>62,494</u>	<u>619</u>	3
Total	<u>\$1,100,395</u>	<u>\$786,100</u>	<u>\$10,586</u>	

NOTES:

3. Membership dues paid to an organization involved in lobbying activities were charged to the Corporation grants. OMB Circular A-87, Attachment B.24 states that “[t]he cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost.” More specifically, Section 503(b) of the appropriation act for the Department’s of Labor, HHS, Education and Related Agencies, the appropriation act by which the Corporation is funded, states that “[n]o part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before Congress or any State legislature”. We have questioned \$10,586 in costs (\$2,660 in Program Year 2006-07, \$2,979 in Program Year 2007-08, and \$4,947 in Program Year 2008-09) the Commission charged to the grants during the review period because such activities are unallowable based on language in OMB Circular A-87 and the Corporation’s Appropriation Act (see Finding No. 1).

**Missouri Community Service Commission
Schedule of Claimed and Questioned Costs
Award No. 04ESHMO001 (Education Awards Program)**

<u>Grant Award</u>	<u>Approved Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Notes</u>
Education Awards Program	\$4,800	\$4,800 ²	\$4,800	4

NOTES:

4. We have questioned the costs because the Commission did not have supporting documentation to justify drawing down the funds and was aware at the time that the funds could not be used for the purpose intended. OMB Circular A-102, Subpart 2.a. *Grants and Cooperative Agreements with State and Local Governments*, states in part that agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's need for the funds (see Finding No. 3).

² The funds were drawn down, but were not reported on a Financial Status Report (see Finding No. 3).

COMPLIANCE AND INTERNAL CONTROLS

We applied the agreed-upon procedures to the Consolidated Schedule of Award Costs that summarizes the costs incurred by the Commission for the Corporation's awards listed on Page 5 of this report.

COMPLIANCE

Compliance with Federal laws, regulations, and the provisions of the grant awards is the responsibility of the Commission management. As a part of our review, we performed procedures to test compliance with certain provisions of laws, regulations, and the terms and conditions of the grant awards. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. The results of the application of the agreed-upon procedures disclosed the following instances of noncompliance that are required to be reported under generally accepted government auditing standards applicable to attestation engagements.

Finding No. 1 – Membership Dues Were Paid to an Organization Involved in Lobbying Activities.

The Commission charged to its Corporation grants the costs incurred for membership in the America's Service Commissions (ASC), an organization involved in lobbying activities.

Section 503(b) of the Labor/HHS Appropriations Act for fiscal years 2007 through 2009, under which the Corporation is funded, specifically states that "[n]o part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress or any State legislature." In addition, OMB Circular A-87, Attachment B.24 states that "[t]he cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost."

We obtained the following assertions from ASC's website:

As a Member of America's Service Commissions, you will be supporting our efforts to build an organization designed to:

- Provide one unified national voice for Commissions on critical issues
- Educate members of Congress and state legislators on the value of volunteer programs
- Implement a national public recognition program on community volunteerism
- Coordinate peer-to-peer learning opportunities for staff and Commissioner.

You will be supporting America's Service Commissions' efforts to pass legislation designed to:

- Provide a tax-free education award and living allowance
- Streamline programs providing grant awards
- Provide the basic Commission funding necessary for operating
- Reduce the match necessary for federal funds
- Provide for portability of the education award.

The above statements imply that at least some portion of the organization's activities is devoted to influencing legislation before Congress or State legislatures for its members.

Recommendation

We recommend that the Corporation:

- 1.a. Determine the extent of the organization's involvement in lobbying activities designed to influence legislation or appropriations pending before the Congress or any State legislature.
- 1.b. Disallow and recover the portion of the \$10,586 in questioned membership fees charged to the grants that supported the organization's lobbying activities.
- 1.c. Instruct all State Commissions to not charge Corporation grants for the portion of ASC's membership dues that support lobbying activity.

Corporation's Response

The Corporation agreed with the recommendations and has discussed the services provided by ASC with the grantee and representatives of ASC. ASC contends that it is not substantially engaged in lobbying and was not aware that it should disclose the portion of the organization's dues used for lobbying so that members could ensure that no prohibited lobbying activity would be billed to Federal funds. The Corporation stated that, in audit resolution, it will determine what portion, if any, of the \$10,586 in membership dues is attributable to lobbying and will disallow that amount. The Corporation indicated that it will also issue guidance to all State Commissions to obtain disclosures of the portion of fees attributed to lobbying from any membership fee-based association prior to paying dues so that the Commissions can certify compliance with anti-lobbying restrictions.

Commission's Response

The Commission stated that it is discussing this matter with the Corporation and will implement corrective actions based on the Corporation's guidance.

Auditor's Comments

Although ASC contends that it is not substantially engaged in lobbying, the appropriations acts for fiscal years 2007 through 2009 specifically state that "[n]o part of any appropriation contained in this Act shall be used to pay the salary or expenses of any grant or contract

recipient, or agent acting for such recipient, related to any activity designed to influence legislation or appropriations pending before the Congress or any State legislature.” We believe the Corporation should annually determine the amount of ASC lobbying effort and provide the percentage of membership dues to withhold from claimed cost in the guidance to State Commissions.

Finding No. 2 – Member Compliance Requirements Were Not Met for Compelling Personal Circumstances, Background Checks and Member Contracts.

We reviewed 60 subgrantee member files and identified three areas with exceptions, as described below:

- Education Awards – Two subgrantees improperly certified education awards for three members. The members were granted partial education awards for reasons that were not documented as being requested by the members and did not meet the compelling personal circumstances criteria outlined in the law and regulations. Section 139 of the National and Community Service Trust Act of 1993 and 45 CFR § 2522.230 state that an AmeriCorps program may release a participant from completing a term of service for compelling personal circumstances as demonstrated by the participant and documented by the program.

In one case, the member’s file indicated that the member was released early in order for her to accept another AmeriCorps Program position at Teach for America. The only documentation in the file was a letter to the other program sponsor praising the past service of the member. In the second case, there was a letter in the member’s file stating that the member was released due to illness and that she was being given a partial education award. In the third case, the member’s file indicated that the member was in a car accident and incapacitated for a period of time, which caused financial hardship and required the member to drop classes at the local university. However, in each of these cases, there was no documentation in the files to demonstrate that the members requested partial education awards or had provided doctor’s statements or other evidence to justify the awards.

We question three education awards totaling \$6,113 for improper use of compelling personal circumstances.

- Criminal Background Checks – One subgrantee did not obtain criminal background checks on six members prior to their first contact with children.

45 CFR § 2540.203: *When must I conduct a State criminal registry check and a NSOPR check on an individual in a covered position?* states “(a) The State criminal registry check must be conducted on an individual who enrolls in, or is hired by, your program after November 23, 2007.” and “(b) The NSOPR check must be conducted on an individual who is serving, or applies to serve, in a covered position on or after November 23, 2007.”

§ 2540.204: *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?* states “grantees must ensure that an individual, for whom the results of a required State criminal registry check are pending, is not permitted to have access to children, persons age 60 and older, or

individuals with disabilities without being accompanied by an authorized program representative who has previously been cleared for such access.”

For the six members identified in our sample, the results of the background checks were received 1 to 21 days after the members started their service as noted below.

<u>Member</u>	<u>Start Date</u>	<u>Date Background Check Received</u>	<u>Number of Days After Start Date</u>
1	09/02/2008	09/04/2008	2
2	10/14/2008	10/16/2008	2
3	08/15/2007	08/16/2007	1
4	09/10/2007	09/25/2007	15
5	11/01/2007	11/09/2007	8
6	09/21/2006	10/12/2006	21

The program director responded that its AmeriCorps members rarely have contact with children in the absence of other host site staff. Also, she noted that all background checks in question were completed and were clear of any questionable findings. For these reasons, we have not questioned the members’ living allowance and education awards. The Kennedy Serve America Act, effective October 1, 2009, requires completion of background checks prior to member participation in any program.

- Member Contracts and Forms – One subgrantee did not require a member to sign the member contract prior to charging time to the program and did not enter enrollment and exit information into the Web-Based Reporting System for four members within 30 days of starting or ending their service.

The 2008 AmeriCorps Special Provisions, Section IV.C.1. *Notice to the Corporation's National Service Trust*, states in part 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. Section IV.D.2. *Member Contracts*, states in part that the grantee should ensure that the contract is signed before commencement of service so that members are fully aware of their rights and responsibilities.

The details relating to the instances of late forms are summarized below.

<u>Member</u>	<u>Form</u>	<u>Date of Exit/ Enrollment</u>	<u>Date Submitted</u>	<u>Number of Days Late</u>
1	Exit Form	11/30/2008	02/05/2009	36
2	Enrollment Form	12/10/2008	02/05/2009	26
3	Enrollment Form	09/10/2007	10/17/2007	6
3	Exit Form	11/30/2007	01/24/2008	24
4	Exit Form	12/31/2006	04/11/2007	70

The program director responded that the member identified as serving prior to signing the member contract had previously signed a member contract on October

11, 2006, but it was lost. On October 30, 2006, the member signed a new contract. With regard to late submission of the forms, the program director responded that the late enrollments were simply an oversight. As for the late exit forms, the program director stated that the members had “abandoned” their positions and did not promptly respond to the program staff inquiries regarding their program status.

Recommendations

We recommend that the Corporation:

- 2.a. Resolve the questioned education awards totaling \$6,113, and recover disallowed costs.
- 2.b. Verify that the Commission develops procedures to ensure that subgrantees maintain sufficient documentation to justify partial education awards given to members for compelling personal reasons, including a requirement to obtain a doctor’s statement or other evidence to justify the awards.
- 2.c. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure member background checks are completed before starting service.
- 2.d. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure member contracts are signed before members begin earning service hours.
- 2.e. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure required member enrollment and exit forms are completed and submitted in a timely manner.

Corporation’s Response

The Corporation agreed that the member who left the program early to join Teach for America should not have received a pro-rated award; as a result, the \$4,166 pro-rated education award must be repaid to the National Service Trust. The Corporation concluded that the two remaining members were exited for legitimate reasons, but the programs did not retain all appropriate documentation justifying the award for personal and compelling reasons.

The Corporation agreed with the recommendation that the files should contain sufficient documentation to support the pro-rated awards, but did not agree with the recommendation to require a doctor’s statement as proof of injury or illness. The Corporation stated that the Commission must work with the program to ensure it maintains appropriate documentation.

Regarding background checks, the Corporation stated that the Commission will be required to ensure its programs follow the requirements and maintain appropriate documentation that demonstrates members are supervised as needed until the program obtains the results of background checks. Finally, the Corporation stated that it will review the Commission’s policies, procedures, and best practices to ensure the audit recommendations are addressed.

Commission's Response

The Commission agreed with the finding regarding the member who was exited early in order to serve with Teach for America. However, it did not agree with the finding regarding the member who was exited early for compelling reasons due to an illness and the member exited early due to an injury. The Commission maintains that the program directors' decisions to release these members are supported by the regulations.

Regarding the criminal background checks, the Commission agreed with the finding and stated that the subgrantee agrees to do a better job of documenting timesheets to denote whether the members are accompanied by school staff when in the presence of children and other vulnerable populations. In addition, the Commission outlined its plans to implement the recommendations related to background checks, member contracts, and enrollment and exit procedures.

Auditor's Comments

The Corporation and Commission responses were generally responsive to the findings and recommendations; however, they did not adequately address the issue related to the type of documentation required to support the program's decision to exit members early with pro-rated education awards. In cases involving illness or injury to members, we contend that a doctor's statement (not to include medical records) would lend greater credibility to the program's decision that a member is unable to serve and should be exited from the program early and given a pro-rated education award.

Finding No. 3 – Grant Funds Were Inappropriately Drawn Down.

The Corporation Grants Officer requested the Commission draw down funds in order for the grant to be closed out. The Grants Officer was unaware that no members had been recruited for the grant. Although the \$4,800 in grant funds was returned while our review was in process, we have questioned the costs because the Commission did not have supporting documentation to justify drawing down the funds. The Commission was aware at the time of the draw down that the funds could not be used for the purpose intended. It occurred because of the misunderstanding between the Grants Officer and the Commission.

OMB Circular A-102, Subpart 2.a. *Grants and Cooperative Agreements with State and Local Governments*, states in part that agency methods and procedures for transferring funds shall minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's need for the funds.

The Commission was awarded an Education Award-only Program grant (Grant No. 04ESHMO001) of \$2,400 on September 24, 2004, which was amended on July 10, 2006, to provide an additional \$2,400, for a total of \$4,800. The executive director stated that the Commission had been unsuccessful in recruiting members for the program and, as a result, it was unable to use the funds.

On June 26, 2009, the Commission received an e-mail message from the Office of Grants Management requesting the Commission to draw down the \$4,800 in funds from Grant No. 04ESHMO001 for closeout purposes. Based on other e-mail messages in the files, the draw down occurred on July 8, 2009. On October 5, 2009, the executive director sent an e-mail to the Office of Grants Management, stating that this was an education award-only

program grant and that the Commission had been unsuccessful in recruiting members. She also stated in the e-mail that the Commission could not spend the money; however, at that point, the Commission had already drawn down the funds.

At the request of the Office of Grants Management, the Commission processed a check on November 13, 2009, for \$4,800 and returned the funds. The grant was shown as closed in the eGrants system on November 19, 2009. These funds should not have been drawn down, but de-obligated through the eGrants system and returned to the U.S. Treasury.

Recommendation

3. The Corporation should ensure that training is provided to the Commission and Office of Grants Management personnel on the proper and timely closing out of grants for which some of the authorized funds have not been drawn down and cannot be used for the purpose intended.

Corporation's Response

The Corporation agreed that an error was made in this case, but stated that its existing training curriculum on the closeout process, presented at regularly scheduled conferences and to staff in training sessions, is sufficient to address this recommendation.

Commission's Response

The Commission agreed with the finding and stated that, in the future, it will ensure that there is a complete understanding between the Corporation and the Commission regarding unused funds and will provide follow up and clarification of the intent to utilize those funds.

Auditor's Comments

The responses by the Corporation and Commission are adequate to address the recommendation.

INTERNAL CONTROLS

Commission 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 of 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. Internal controls also provide assurance that transactions are executed in accordance with management's authorization and recorded properly to permit accurate preparation of financial reports. Because of the inherent limitations in any system of 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 due to changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate. In applying the agreed-upon procedures, we noted the following internal control weakness.

Finding No. 4 – Incorrect Data Was Reported on a Final Financial Status Report.

The Commission did not have an effective system in place for timely reconciliation of expenditures, as reported on FSRs, with expenditures recorded in its financial management system and to account for the amount of funds drawn down. As a result, we found a significant variance between the actual expenditures and the expenditures reported on the final FSR submitted for Grant No. 03ACHMO001 during the review period. The Commission correctly reported the total Federal share of costs as \$3,282,325; however, it reported the recipient share of costs as \$777,857; while the actual costs totaled \$2,125,765, a difference of \$1,347,908.

A Commission representative stated that the error apparently occurred when some employee picked up the wrong cumulative amount from a previous FSR. The error was not detected and was carried forward to subsequent FSRs. He stated that four different employees had prepared FSRs for this grant and that they did not maintain a spreadsheet of earlier reported amounts.

The Code of Federal Regulations, (45 CFR § 2541.200), states that the financial management system must be adequate to assure financial reporting is accurate, current, and complete. In addition, the Corporation's instructions for closing grants states that grantees must make sure that the total federal expenditures recorded on the final FSR are accurate, match the amount reported to HHS on the Federal Cash Transaction Report and match the amount of funds drawn down from the HHS Payment Management System. Also, the instructions state that without the reconciliation of these reports, the Corporation cannot close out the grants. In this case, the Commission had not performed the required reconciliations prior to submitting the final FSR.

Recommendations

We recommend that the Corporation:

- 4.a. Verify that the Commission develops effective control procedures to ensure that the expenditures reported on final FSRs and recorded in its financial management system are reconciled to (1) the amount reported to the HHS on the Federal Cash

Transaction Report, and (2) the amount of funds drawn down from the HHS Payment Management System.

- 4.b. Require the Commission to submit a corrected final FSR for Grant No. 03ACHMO001.

Corporation's Response

The Corporation agreed with the finding and stated that the error resulted from insufficient review of data reported on the final FSR. It stated that it had verified that the final FSR has been corrected. Also, the Corporation stated that it will ensure effective control practices are implemented by the Commission and its staff is trained.

Commission's Response

The Commission agreed with the finding. It stated that, as a control procedure, it maintains a general ledger for each of its grants. The general ledger is reconciled with the Periodic Expense Report and with the Federal Cash Transaction Report when completing the FSR. Also, the Commission stated that the final FSR (03ACHMO001) has been corrected, submitted and approved by the Corporation.

Auditor's Comments

The actions taken and proposed by the Corporation and Commission are adequate to address the finding and recommendations.

OBJECTIVES AND SCOPE OF AGREED-UPON PROCEDURES APPLIED

The objective of the agreed-upon procedures was to determine whether the Commission expended Corporation-funded Federal assistance in accordance with applicable requirements and to report resulting findings on compliance, controls, and questioned costs.

Leon Snead & Company, P.C. performed the procedures in accordance with attestation standards contained in generally accepted government auditing standards and those established by the American Institute of Certified Public Accountants. The procedures included obtaining an understanding of the Commission and its policies, procedures, grants, and subgrantees. They also included reviewing documents at the Commission’s offices and its subgrantees related to eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements.

GRANT PROGRAMS COVERED BY THE PROCEDURES

During the period covered by this review, the Commission received approximately \$9.2 million under eight Corporation grant awards and distributed most of the funds to subgrantees. The majority of the subgrantees are nonprofit organizations. Approximately \$6.5 million of the amount awarded was claimed on Financial Status Reports. The grants funded the programs listed below.

<u>Program</u>	<u>Award No.</u>	<u>Funding Authorized</u>	<u>Claimed Costs</u>	<u>Drawdowns</u>
AmeriCorps - Competitive	06ACHMO001	\$3,210,867	\$2,378,149	\$2,378,146
AmeriCorps - Formula Administrative	06AFHMO001	4,451,398	3,114,220	3,114,095
Program Development Assist. & Training	07CAHMO001	767,659	600,786	538,901
Program Development Assist. & Training	08PTHMO001	227,893	122,820	122,820
Disability Placement	05PTHMO001	292,216	119,445	111,183
Disability Placement	08CDHMO001	104,843	62,494	62,494
Education Awards Program	05CDHMO001	107,155	102,699	102,699
	04ESHMO001	<u>4,800</u>	<u>4,800</u>	<u>4,800</u>
Totals Grants Administered		<u>\$9,166,831</u>	<u>\$6,505,413</u>	<u>\$6,435,138</u>

BACKGROUND

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

opportunities and programs. The Missouri Community Service Commission was established in 1994. It consists of up to 25 members appointed by the Governor and confirmed by the State Senate. It is part of the Department of Economic Development's Business and Community Services Division. The Commission is responsible for administering grant funds awarded by the Corporation to the State of Missouri.

The contents of this report were discussed with the Commission management and the Corporation at an exit conference held on February 9, 2010. In addition, a draft of this report was provided to the Commission and the Corporation for their comments on February 25, 2010. We have summarized their comments in the appropriate sections of this report, and have included their complete comments in Appendices A and B.

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.
Rockville, Maryland
December 4, 2009

Consolidated Schedule of Questioned Costs

<u>Recommendation</u>	<u>Questioned Costs</u>		<u>Funds Put to Better Use</u>
	<u>Unallowable</u>	<u>Unsupported</u>	
1.b	\$10,586		
2.a			\$6,113
3		\$4,800	

Questioned Cost means a cost that is unallowable because of:

1. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
2. a finding that, at the time of testing, such cost is not supported by adequate documentation; or
3. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost means a cost that is questioned because at the time of the audit, such cost is not supported by adequate documentation. Unsupported costs are included in the total of unallowable costs.

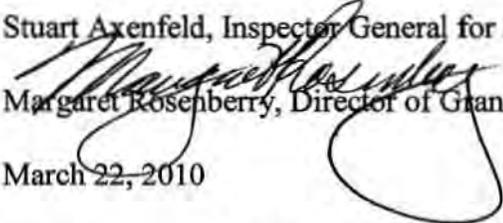
Recommendation that funds be put to better use means a recommendation that funds could be used more efficiently if management takes actions to implement and complete the recommendation, including:

1. reductions in outlays;
2. de-obligation of funds from programs or operations;
3. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
4. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
5. avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or
6. any other savings which are specifically identified.

APPENDIX A

Corporation for National and Community Service's Response to Draft Report

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Inspector General for Audit
From: 
Margaret Rosenberry, Director of Grants Management
Date: March 22, 2010
Subject: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the Missouri Community Service Commission

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Missouri Community Service Commission (MCSC). The Corporation reviewed the OIG report, met with the OIG Audit Manager and the grantee and reviewed the MCSC draft response to the audit. We are addressing all draft findings at this time.

Finding 1: Membership Dues Were Paid to an Organization Involved in Lobbying Activities.

The auditors recommend that the Corporation:

- 1.a. Determine the extent of the organization's involvement in lobbying activities designed to influence legislation or appropriations pending before the Congress or any State legislature.
- 1.b. Disallow and recover the portion of the \$10,586 in questioned membership fees charged to the grants that supported the organization's lobbying activities.
- 1.c. Instruct all State Commissions to not charge Corporation grants for the portion of America's Service Commission's membership dues that support lobbying acts.

Corporation Response: The auditors questioned membership dues in a professional organization, America's Service Commissions (ASC), that the commission charged to Corporation grants because the organization website appeared to indicate ASC is involved in lobbying activities. The Corporation agrees with the recommendations and discussed the services provided by ASC with the grantee and representatives of ASC. ASC contends that it is not substantially engaged in lobbying and was not aware that it should disclose the portion of the organization's dues used for lobbying so that members could ensure that no prohibited lobbying activity would be billed to Federal funds. In audit resolution, the Corporation will determine what portion, if any, of the \$10,586 in membership dues is attributable to lobbying

and will disallow that amount. The Corporation will also issue guidance to all Commissions to obtain disclosures of the portion of fees attributed to lobbying from any membership fee-based association prior to paying dues so that the Commissions can certify compliance with anti-lobbying restrictions.

Finding 2: Member Compliance Requirements Were Not Met for Compelling Personal Circumstances, Background Checks and Member Contracts.

The auditors recommend that the Corporation:

- 2.a. Resolve the questioned education awards totaling \$6,113, and recover disallowed costs.
- 2.b. Verify that the Commission develops procedures to ensure that subgrantees maintain sufficient documentation to justify partial education awards given to members for compelling personal reasons, including a requirement to obtain a doctor's statement or other evidence to justify the awards.
- 2.c. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure member background checks are completed before starting service.
- 2.d. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure member contracts are signed before they began earning service hours.
- 2.e. Verify that the Commission provides assistance to the subgrantees in developing control procedures to ensure required member enrollment and exit forms are completed and submitted in a timely manner.

Corporation Response: The auditors questioned education awards of \$6,113 for three members exited with pro-rated education awards for personal and compelling circumstances because the programs did not maintain sufficient supporting documentation to justify pro-rated education awards. The Partnership for Youth (PFY) exited two members and Jumpstart for Young Children (JYC) exited one member with insufficient documentation. The audit report noted the file contained letters from the program explaining that one PFY member was exited with a prorated education award of \$4,166, to join Teach for America and a second member was exited with a prorated award of \$1,551, due to a serious illness. The file for the JYC member showed the member exited with a prorated award of \$397, due to injury in a car accident.

The Corporation concurs with the auditor that the member who left PFY to join Teach for America should not have received a pro-rated award. Accordingly, \$4,166 must be repaid to the National Service Trust. The Corporation's review concluded that the two remaining members were exited for legitimate reasons, illness and injury, but the program did not retain all appropriate documentation justifying the award for personal and compelling reasons. The Corporation concurs with the auditor's recommendation that the file should contain sufficient supporting documentation for the pro-rated award, but we do not concur with the recommendation to require a doctor's note. The regulations do not require that a

medical record be obtained as proof of injury or illness. Program managers may determine when such documentation is required on a case-by-case basis. The Corporation allows the education awards for the two members exited for illness and injury because the reasons meet the requirements under the regulations. However, the commission must work with the program to ensure it maintains appropriate documentation. The Corporation has established a debt of \$4,166 for the improperly certified education award.

The Corporation agrees with the intent of Recommendation 2c, but not the recommended action. Programs are required to complete the National Sex Offender Predator Registry before members because service, but are not required to obtain the results of the state background checks before members begin service. Background checks can sometimes take several weeks. Members may begin service as long as they are supervised at all times when they have contact with vulnerable populations until the program receives the background check results. We will require the Commission to ensure its programs follow the requirements and maintain appropriate documentation that demonstrates members were supervised as needed until the program obtained the background checks.

We agree with Recommendations 2d and 2e and will review MCSC's policies, procedures and best practices to ensure the audit recommendations are addressed. MCSC must provide assistance to subgrantees to develop control procedures to obtain member signatures on contracts signed prior to service and complete enrollment and exit forms in timely. The Corporation will also ensure MCSC includes these issues in its site monitoring reviews.

Finding 3: Grant Funds Were Inappropriately Drawn Down.

The auditors recommend that the Corporation ensure training is provided to the Commission and Office of Grants Management personnel on the proper and timely closing out of grants for which some of the authorized funds have not been drawn down and cannot be used for the purpose intended.

Corporation Response: The Corporation agrees that personnel made an error in this case which resulted in the Commission drawing down \$4,800 more than it was entitled to in its Education Award Program based on the number of members enrolled. However, the audit itself confirmed the Corporation and Commission recognized the error and corrected it during the closeout process. The costs have already been reimbursed to the Corporation, reflected in eGrants and deposited with the U.S. Treasury. The Corporation's existing training curriculum on the closeout process, presented at regularly scheduled conferences, and to staff in training sessions is sufficient to address this recommendation.

Finding 4: Incorrect Data Was Reported on a Final Financial Status Report.

The auditors recommend that the Corporation:

4.a. Verify that the Commission develops effective control procedures to ensure that the expenditures reported on final FSRs and recorded in its financial management system are

reconciled to (1) the amount reported to the HHS on the Federal Cash Transaction Report, and (2) the amount of funds drawn down from the HHS Payment Management System.

4.b. Require the Commission to submit a corrected final FSR for Grant No. 03ACHMO001.

Corporation Response: The auditor found that the final FSR to Grant No. 03ACHM001 had significantly understated the recipient share of costs. The Corporation concurs with the auditor that the error resulted from insufficient review of data reported on the final FSR. The Corporation will review MCSC's accounting procedures to ensure verification that amounts reported in the federal financial reports are based on its financial management system and variances are reconciled and reviewed by accounting manager or financial officer. The Corporation verified that the final FSR has been corrected. It remains for the Corporation to ensure effective control practices are implemented by the Commission and staff are trained.

cc: William Anderson, Acting Chief Financial Officer for Finance
Frank Trinity, General Counsel
Lois Nembhard, Acting Director, AmeriCorps State and National

APPENDIX B

Missouri Community Service Commission's Response to Draft Report



MISSOURI COMMUNITY SERVICE COMMISSION



To Strengthen Missouri Communities Through Volunteerism and Service.

March 23, 2010

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

EXECUTIVE DIRECTOR
Linda Thompson

CHAIR
Angela Stiffler

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Janis VanMeter

Forrest Miller, Jr.

Lori Rasmussen

Nina North Murphy

Randall McArthur

John Albright

James O'Mara

Amanda Shelton

Elaine Powers

Dear Mr. Axenfeld:

Enclosed with this letter, you will find the Missouri Community Service Commission's (MCSC) response to the Office of Inspector General's draft report on the Agreed-Upon Procedures for Corporation for National and Community Service grants awarded to the MCSC for the period 08/01/2006 through 06/30/2009.

On behalf of the MCSC, thank you for the opportunity to respond to the findings outlined in the OIG Draft Report. An electronic version of this report was also sent to you on March 23, 2010.

If you require additional information or have questions, please feel free to contact me at (573) 751-5012.

Sincerely,

Linda Thompson
Executive Director

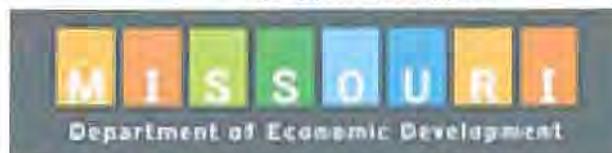
- cc: Lois Nembhard, AmeriCorps State and National Acting Director
- Peg Rosenberry, Director of Grants Management
- Clair Moreno, Office of Grants Management (OGM), Sr. Grants Officer
- Rick Sampson, Office of Inspector General (OIG)
- Sallie Hemenway, Director of Operations, Missouri Department of Economic Development
- Jessie Morris, Auditor, Leon Snead & Company
- Stanley Whitehurst, MCSC Chair

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301 West High Street, HST 770 - Jefferson City MO 65102
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Email: mcsc@ded.mo.gov; Website: www.movolunteers.org

Mission

The Missouri Community Service Commission (MCSC) connects Missourians of all ages and backgrounds in an effort to improve unmet community needs through direct and tangible service. The MCSC serves as the administrator for AmeriCorps State funding in Missouri by awarding monetary grants and providing technical assistance and support.



Missouri Community Service Commission (MCSC)



Response to OIG Draft Audit for period 08/01/2006 to 06/30/2009

Total Questioned Costs:	\$21,499
Breakdown of Questioned Costs:	
Unallowable	\$10,586
Ineligible Education Awards	\$ 6,113
Unsupported Costs	\$ 4,800

Prepared by: Linda Thompson, MCSC Executive Director
3/23/2010

This report was compiled in response to an audit conducted by Leon Sneed & Company located at 416 Hungerford Drive, Suite 400, Rockville, Maryland 20850 at the request of the Office of Inspector General located at 1201 New York Avenue, NW, Suite 830, Washington, DC 20525.

Finding No. 1 – Membership Dues were paid to an organization involved in lobbying activities.

Auditors Recommendations:

The Missouri Community Service Commission (MCSC) is discussing this matter with the Corporation and will implement corrective actions based on the Corporation's guidance.

In addition, the MCSC would like to present the following examples demonstrating the relationship between MCSC and America's Service Commission (ASC)

- **Commissioner Training:** In the past, the MCSC requested ASC's assistance in providing commissioner training. The training detailed commissioner roles and responsibilities. A segment of the training addressed commonalities and variations among state commissions in that commissioner roles and responsibilities are very similar across the board but organizational structure may vary depending on the location of the commission. (i.e. State Agency or Non-Profit)
- **Legislative Updates:** On an ongoing basis, ASC updates State Commissions on legislation affecting AmeriCorps. They serve as the entity that gathers information and disseminates that information to State Commissions.
- **State Commission Technical Assistance:** ASC serves to provide best practices to state commissions. One venue is the Resource Center located on the Corporation's website.

Finding No. 2 – Member compliance requirements were not met for compelling personal circumstances, background checks and member contracts.

- **Education Awards:** Two sub grantees improperly certified education awards for three members.
 - A. The Commission agrees with the finding regarding the member who was exited early in order to serve with Teach for America. The sub-grantee failed to follow proper protocol and procedures. The sub-grantee should have contacted the State Commission and arranged for a transfer. The executive director has been in contact with the sub grantee regarding this matter and the sub grantee agrees that this was an oversight and that it will not happen again.

Even though the sub grantee handled this transaction improperly, the commission feels this was an isolated case and not typical of this sub-grantee's performance. The member in question served from September 2007 through June 2008 and was "exited with a partial award". The member was very close to completing the 1700 hours of service as outlined in the signed member contract. However, the member wanted to pursue a career in education and upon learning of an organization that could increase the potential to become a teacher, requested a position with Teach for America, a National Service Program. The member was accepted by Teach for America but had to act quickly in order to meet the stringent placement timeline as set forth by Teach for America. In an effort to accommodate the member and Teach for America, the sub-grantee allowed the member to end the term of service early.

The sub-grantee should have contacted the MCSC to arrange for a transfer instead of exiting the member early. Considering that the member did continue service with another AmeriCorps

program, the MCSC requests consideration on behalf of the sub-grantee and the member and allow the member access to the education award.

- B. The Commission does not agree with the findings regarding the members who were exited for compelling circumstances; namely illness and injury.

A determination was made by both the program director and the members in that the members were not able to serve due to illness. In one case, allowing the member to return to service would have exposed others to a contagious staphylococci infection. In the other case, the member was hospitalized and was unable to drive a car after being released from the hospital. The program directors' decisions to release these members for compelling circumstances is supported by AmeriCorps Regulations §2522.230 "(A) A participant's disability or serious illness;"

The following documentation is attached:

- Affidavit from the Partnership For Youth member
 - Exit letter from the Jumpstart member
 - Letter from the Partnership For Youth member with staph infection
- **Criminal Background Checks:** One sub-grantee did not obtain criminal background checks on six members prior to their first contact with children.

The Commission agrees with this finding. The sub-grantee has been contacted by MCSC's executive director and the response from the sub-grantee is as follows:

AmeriCorps Members rarely have contact with children in the absence of other host site staff. All Members complete AmeriCorps program orientation and specific site training/orientation prior to the initiation of service; however, the site training is not always denoted on the timesheets clearly. Most Members document the services provided without a denotation as to whether or not they are being shadowed or assisted by host site staff. Three of the six Members in question above had background checks completed in less than two days. One of the members noted previously had a background check completed within less than one year prior to her start date. Because her start date was so close to the one year anniversary of the check, the program elected to run a new background check in addition to having the previous check. The staff failed to place the background check in the Member file, but did retain the document in another file. The check has now been added to the Member file. Finally, the program notes that all background checks in question were completed and were clear of any questionable findings.

The sub-grantee has vowed to ensure that all background checks are conducted and placed in the appropriate member file. She also agrees to do a better job of documenting timesheets; denoting whether or not the member is accompanied by school staff when in the presence of children and other vulnerable populations.

Missouri Community Service Commission

- The Missouri Department of Economic Development (DED) follows a set of Standard Operating Procedures which were last updated in 2009. DED Administration is trained to follow the attached procedures:
 - *Administrative Document Flow*
 - *Admin CR JV Internal Control*
 - *Admin Document Definitions*
 - *Admin Purchasing*
 - *Admin Quick Reference*
 - *Admin Transaction Cycle*

4b. Require the Commission to submit a corrected final FSR for Grant No. 03ACHMO001.

The final Financial Status Report has been corrected, submitted and approved by the Corporation for National and Community Service.

- *A portable document format (pdf) Final FSR file is attached.*

practice and future policy updates will be posted on OnCorps which is a web-based reporting system utilized by the MCSC. The MCSC provided the Corporation its monitoring checklist used to conduct sub-grantee site reviews and the list includes a step to verify proper background checks are documented.

Finding No. 3 – Grant funds were inappropriately drawn down.

The Missouri Community Service Commission concurs with this finding.

In the future, the Commission will ensure that there is a complete understanding between the Corporation and the Commission regarding unused funds and will provide follow-up and clarification of the intent to utilize those funds.

Implementation is immediate.

Finding No. 4 – Incorrect data was reported on a Final Financial Status Report

The Missouri Community Service Commission concurs with this finding.

Auditors Recommendations:

4a. Verify that the Commission develops effective control procedures to ensure that the expenditures reported on final FSRs and recorded in its financial management system are reconciled to (1) the amount reported to the HHS on the Federal Cash Transaction Report, and (2) the amount of funds drawn down from the HHS Payment Management System.

As a control procedure, the Commission maintains a general ledger for each of its grants. Every transaction is logged into the appropriate general ledger. The general ledger is reconciled with the Periodic Expense Report (PER) and with the Federal Cash Transaction Report when completing the Financial Status Report.

The following documents are attached as supporting documentation; demonstrating the Commission's compliance with this finding:

- o 2008-2009 Monitoring Process: This document describes the Commission's monitoring process which includes a section on the Commission's requirements for submitting Financial Status Reports. This procedure was updated in 2008 and all Commission Staff and sub-grantee staff was trained accordingly.
- o Compliance Template: This form is used to compliance all reimbursement requests as they are received. This template was updated in 2009 and all Commission staff was trained on how to complete the form. Sub-grantees were made aware of the compliance form updates at the October 2009 Program Directors meeting.
- o Program Reimbursement Request: Sub-grantees are required to complete this form when requesting reimbursements. This form was jointly updated by Commission staff. Sub-grantee staff was made aware of the updates at the July 2009 Program Directors quarterly meeting.

- **Member Contracts and Forms:** One sub-grantee did not require a member to sign the member contract prior to charging time to the program and did not enter enrollment and exit information into the Web-Based Reporting System (WBR) for four members within 30 days of starting or ending their service.

The Commission agrees with this finding and the sub grantee has been contacted. Please see the response from the sub grantee that follows:

Mr. _____'s contract was signed prior to his service (10/11/06), but was lost prior to being filed. He signed a "new" contract on 10/30/06.

Auditors Recommendations:

The auditors recommend that the Corporation recover ineligible education awards in the amount of \$6,113. Of this amount, \$4,166 is related to the member who transferred to Teach for America; \$1,551 relates to the member who was ill with a contagious infection, and the remaining \$396 relates to the member who was involved in a car accident. The Commission does not agree that \$1,551 and \$396 should be considered ineligible education awards since the sub-grantees did follow regulations as they are written in AmeriCorps Regulations § 2522.230.

In regards to the member who transferred to Teach for America, the MCSC requests reconsideration on behalf of the sub-grantee and the member, especially since the member transferred to an AmeriCorps National Service program.

- *Attachment:*
 - *Letter from the member who transferred to Teach for America*

Plans to implement recommendations:

In reference to background checks, member contracts, enrollment and exit procedures, the Commission has written procedures regarding Background Checks, Enrollments and Exits, and Member Contracts.

Attachments:

- *Member Contracts Overview* – Implemented for the 2009-2010 Program Year
- *Member Contract* – Implemented for 2009-2010 Program Year: All sub-grantees were formally trained on this document at the June 2009 Program Directors Meeting.
- *Sub-Grantee Policies & Procedures* (Background checks and exits) – This is a revised document as a result of the audit. MCSC's executive director reviewed this document with Partnership for Youth, Poplar Bluff's Promise and Jumpstart for Young Children's program directors via telephone in February 2010. In addition, an email was sent to all sub-grantees on March 22, 2010. It will be reviewed again with all sub-grantees at the upcoming June Program Directors Quarterly Meeting. Policy updates will be an ongoing