

**Office of Inspector General  
Corporation for National and  
Community Service**

**AGREED-UPON PROCEDURES OF CORPORATION  
FOR NATIONAL AND COMMUNITY SERVICE  
GRANTS AWARDED TO POINTS OF LIGHT  
FOUNDATION**

**OIG REPORT 10-19**



Prepared by:

Mayer Hoffman McCann P.C.  
3 Bethesda Metro Center, Suite 600  
Bethesda, MD 20814

This report was issued to Corporation management on August 18, 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 February 14, 2011 and complete its corrective actions by August 17, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

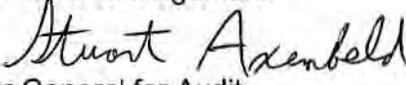


## OFFICE OF INSPECTOR GENERAL

August 18, 2010

TO: John Gomperts  
Director, AmeriCorps\*State and National

Margaret Rosenberry  
Director, Office of Grants Management

FROM: Stuart Axenfeld   
Assistant Inspector General for Audit

SUBJECT: *OIG Report 10-19, Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to Points of Light Foundation (POL)*

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

In connection with the contract, we reviewed MHM's report and related documentation and inquired of its representative. Our review, as differentiated from an audit was not intended to enable us to express, and we do not express opinions on POL's claimed costs or compliance with grant terms. MHM is responsible for the attached auditor's report dated August 17, 2010, and the conclusions expressed therein. However, our review disclosed no instances where MHM did not comply, in all material respects, with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by February 14, 2011. Notice of final action is due by August 17, 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: Bernard Milano, POL, Audit Committee Chairman  
Michelle Nunn, POL CEO  
Kris Tecce POL, CFO  
William Anderson, Chief Financial Officer  
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial  
Management  
Malcolm Coles, Atlantic Area Manager  
Anthony DeColli, Senior Grants Management Specialist  
Claire Moreno, Audit Liaison, Office of Grants Management  
Bridgette Roy, Administrative Assistant  
Greg Allender, Mayer Hoffman McCann P.C., Shareholder

**AGREED-UPON PROCEDURES REVIEW OF CORPORATION FOR NATIONAL AND COMMUNITY  
SERVICE GRANTS AWARDED TO THE POINTS OF LIGHT FOUNDATION**

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## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Mayer Hoffman McCann P.C. (MHM) to perform agreed-upon procedures on grant costs and compliance for Corporation-funded Federal assistance provided to the Points of Light Foundation (POL).

### Results

As a result of applying these procedures, the auditors questioned claimed Federal-share costs of \$46,295 and grantee share of \$454. A questioned cost is an alleged violation of provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation. The cost results of our agreed-upon procedures are summarized in the Consolidated Schedule of Awards and Claimed Costs.

POL claimed total Federal and match costs of \$32,191,136 from December 1, 2005, through March 31, 2009. As a result of testing a judgmentally selected sample of transactions and other testing, we questioned the following costs.

Description of Questioned Costs	Federal Share	Grantee Share	Education Awards
Inaccurate Accounting Records	\$8,325		
Costs Claimed Not Included in Budget	748		
Costs Incurred Prior to Grant Period	377		
Unallowable Costs	22,077		
Unsupported Costs	12,163		
Costs not in compliance with POL Policies	27		
Time and Attendance: Unsigned Timesheets	2,578	\$454	\$5,725
Inadequate Citizenship Documentation			4,725
<b>Total</b>	<b>\$46,295</b>	<b>\$454</b>	<b>\$10,450</b>

AmeriCorps members who successfully complete their terms of service are eligible for education awards and accrued interest awards funded by the Corporation's National Service

Trust. These award amounts are not funded by Corporation grants and thus are not costs claimed by POL. As part of our agreed-upon procedures, however, the auditors determined the effect of audit findings on eligibility for education and accrued interest awards. Using the same criteria described above, we questioned education awards of \$10,450 due to non-compliance with program requirements.

Details related to these questioned costs and awards appear on page 5 in the *Independent Accountants' Report on Applying Agreed-Upon Procedures*.

The results of our agreed-upon procedures revealed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) requirements, as shown on page 16 in the Compliance and Internal Control section. Issues identified included:

- POL's accounting system is not adequate to account for Federal funds;
- Affiliate monitoring visits were not performed in accordance with POL policies;
- Indirect rates were not approved;
- Costs claimed were not included in original or amended grant budgets, incurred prior to the grant period, unallowable, unsupported, or paid in violation of POL policies;
- Late submission of Financial Status Reports (FSRs), member enrollment forms, and exit forms;
- Missing mid-term and end-of-term member evaluation forms;
- Members' contracts signed after beginning of service and timesheets not signed; and
- Inadequate evidence of members' citizenship/legal residency.

### **Agreed-Upon-Procedures Scope**

The auditors performed the agreed-upon procedures during the period October 12, 2009, through April 9, 2010. The agreed-upon procedures tested the allowability, allocability, and reasonableness of financial transactions claimed by POL from December 1, 2005, through March 31, 2009. A sample size of 495 costs transactions and 119 member files were selected for testing. The auditors also performed tests to determine POL's compliance with terms and provisions of the following grants:

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National	06NDHGA002	9/1/06 – 8/31/09	9/1/06 – 9/30/07
AmeriCorps National	07NDHGA001	9/1/06 – 8/31/09	9/1/06 – 3/31/09
Disability Outreach	05DSHDC001	10/1/05 – 9/30/08	4/1/07 - 9/30/08
Training and Technical Assistance	05TAHDC003	10/1/05 – 12/31/08	4/1/07 - 9/30/08
Training and Technical Assistance	05TAHGA001	10/1/05 – 9/30/08	10/1/06 - 9/30/08

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
Training and Technical Assistance	07TAHGA001	10/1/05 – 12/31/09	10/1/08 - 3/31/09
Training and Technical Assistance	07TAHPA001	1/1/07 – 9/30/08	7/1/07 – 9/30/08
Martin Luther King Day	06MKADC004	12/1/05 – 11/30/08	12/1/05 - 6/30/08
Martin Luther King Day	06MKSGA001	12/1/05 – 11/30/08	10/1/06 – 6/30/07
Martin Luther King Day	08MKHGA001	10/1/05 – 6/30/08	10/1/07 – 6/30/08
Martin Luther King Day	09MKHDC002	9/1/08 – 8/31/11	9/1/08- 3/31/09
VISTA State	07VSSGA009	8/3/08 – 8/31/09	8/3/08 - 2/3/09
VISTA State	08VSNMI002	12/9/07 – 2/28/09	12/9/07 - 12/6/08
Subtitle H Partnership Program	08ERSGA001	4/1/08 – 9-30-10	4/1/08 – 3/31/09
Points of Light	08PLHDC001	10/1/07 – 9/30/08	10/1/07 – 9/30/08

The procedures performed, based on the OIG's agreed-upon-procedures program dated May 2009, have been included in the *Independent Accountants' Report on Applying Agreed-Upon Procedures* section of this 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 National Direct grantees, such as POL, and other entities to assist in the creation of full-time and part-time national and community service programs.

POL was created in 1990 as a nonprofit organization in Washington, DC, to help promote the spirit of volunteerism expounded by President George H.W. Bush. Effective August 1, 2007, POL merged with the Atlanta, GA-based Hands on Network, a national volunteer organization. Today, the merged organization employs approximately 80 individuals.

POL awarded funds to 18, 22 and 20 subgrantees or affiliates, during program years 2006/07, 2007/08 and 2008/09, respectively. The affiliates are independent organizations throughout the country. Funds awarded to the affiliates are allocated in the form of contracts, not as formal subgrants. These contracts require POL to reimburse each affiliate 85 percent (15 percent is affiliate match) of the following costs incurred during the specific program year: 1) minimum member stipend allowed, 2) related FICA, and 3) any health insurance costs. In order to be reimbursed, the affiliates are required to submit invoices detailing all charges and the corresponding support for each charge (i.e., payroll register, timesheets, etc.). Each affiliate has a unique accounting code within POL's general ledger and the payments made to each are recorded within those accounts. This allows POL to track payments to its affiliates. POL utilized up to 23 different affiliates to carry out its AmeriCorps National grant during the testing period September 1, 2006, through March 31, 2009.

All affiliates maintain their own supporting documentation for claimed costs and member files. Additionally, original member files and supporting documentation for affiliate expenses are maintained at the POL location.

POL received grant awards of \$15,636,675 and claimed Federal costs of \$10,560,525 for the testing period of December 1, 2005, through March 31, 2009.

### **Exit Conference**

The contents of this report were discussed with representatives from POL and the Corporation at an exit conference held in Atlanta, Georgia on April 29, 2010. In addition, a draft of this report was provided to officials of POL and the Corporation for their comments on May 26, 2010.

Representatives of POL and the Corporation agreed with most of the findings. The POL and Corporation responses to the draft are included verbatim as Appendices A and B, respectively, and are summarized in each finding.



**Mayer Hoffman McCann P.C.**

**An Independent CPA Firm**

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Inspector General  
Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

We have performed the procedures described below for costs claimed from December 1, 2005, through March 31, 2009. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to POL for the awards and periods listed below. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards in the United States of America. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National	06NDHGA002	9/1/06 – 8/31/09	9/1/06 – 9/30/07
AmeriCorps National	07NDHGA001	9/1/06 – 8/31/09	9/1/06 – 3/31/09
Disability Outreach	05DSHDC001	10/1/05 – 9/30/08	4/1/07 - 9/30/08
Training and Technical Assistance	05TAHDC003	10/1/05 – 12/31/08	4/1/07 - 9/30/08
Training and Technical Assistance	05TAHGA001	10/1/05 – 9/30/08	10/1/06 - 9/30/08
Training and Technical Assistance	07TAHGA001	10/1/05 – 12/31/09	10/1/08 - 3/31/09
Training and Technical Assistance	07TAHPA001	1/1/07 – 9/30/08	7/1/07 – 9/30/08
Martin Luther King Day	06MKADC004	12/1/05 – 11/30/08	12/1/05 - 6/30/08
Martin Luther King Day	06MKSGA001	12/1/05 – 11/30/08	10/1/06 – 6/30/07
Martin Luther King Day	08MKHGA001	10/1/05 – 6/30/08	10/1/07 – 6/30/08
Martin Luther King Day	09MKHDC002	9/1/08 – 8/31/11	9/1/08- 3/31/09
VISTA State	07VSSGA009	8/3/08 – 8/31/09	8/3/08 - 2/3/09
VISTA State	08VSNMI002	12/9/07 – 2/28/09	12/9/07 - 12/6/08
Subtitle H Partnership Program	08ERSGA001	4/1/08 – 9-30/10	4/1/08 – 3/31/09
Points of Light	08PLHDC001	10/1/07 – 9/30/08	10/1/07 – 9/30/08

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express

such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

The procedures that we performed included obtaining an understanding of POL and its affiliate site monitoring process; reconciling Federal share and match costs claimed to the accounting system; reviewing member files to verify that the records supported member eligibility to serve and allowability of living allowances and education awards; testing compliance with selected grant provisions and award terms and conditions; and testing claimed grant costs and match costs of POL to ensure: (i) proper recording of grant costs; (ii) that the required match was met; and (iii) costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions. Grant drawdowns were compared for consistency to the Federal share reported on POL's Financial Status Reports.

### Results – Costs Claimed and Questioned Costs

The results of testing costs claimed are summarized below; affiliate testing results appear in Exhibit A on page 8.

#### Consolidated Schedule of Awards and Claimed Costs Corporation for National and Community Service Award Points of Light Foundation

December 5, 2005 to March 31, 2009

<u>Award Number</u>	<u>Program</u>	<u>Awarded</u>	Costs <u>Claimed During</u> <u>Testing Period</u>	<u>Questioned</u> <u>Costs</u>
05DSHDC001	Disability Outreach	\$1,300,000	\$709,628	-
05TAHDC003	Training and Technical Assistance	396,048	103,437	-
05TAHGA001	Training and Technical Assistance	565,267	553,798	-
06MKADC004	Martin Luther King	265,950	264,050	-
07TAHPA001	Training and Technical Assistance	763,089	743,986	-
07TAHGA001	Training and Technical Assistance	351,684	50,783	-
06MKSGA001	Martin Luther King Day	208,999	110,499	\$748
08MKHGA001	Martin Luther King Day	98,500	98,500	-
06NDHGA002	AmeriCorps National Direct	1,405,411	1,405,411	22
07NDHGA001	AmeriCorps National Direct	2,268,367	1,377,970	3,059
07VSSGA009	VISTA State	112,500	18,499	-
08VSNMI002	VISTA State	75,000	71,264	405
08ERSGA001	Subtitle H Partnership Program	5,200,860	2,427,700	574
09MKHDC002	Martin Luther King	150,000	150,000	-
08PLHDC001	Points of Light	<u>2,475,000</u>	<u>2,475,000</u>	<u>41,941</u>
	Totals	<u>\$15,636,675</u>	<u>\$10,560,525</u>	<u>\$ 46,749</u>

## **Notes to Consolidated Schedule of Awards and Claimed Costs**

### **Basis of Accounting**

The accompanying schedules have been prepared to comply with provisions of the grant agreements between the Corporation and POL. The information presented in the schedules has been prepared from reports submitted by POL to the Corporation and accounting records of POL and its affiliates. The basis of accounting used in the preparation of these reports differs from accounting principles generally accepted in the United States of America as discussed below.

### **Equipment**

No equipment was purchased and claimed under Federal or grantee match costs for the period within our scope.

### **Inventory**

Minor materials and supplies were charged to expenses during the period of purchase.

**Schedule of Awards and Claimed Costs  
Points of Light Foundation  
December 1, 2005 to March 31, 2009**

<u>Awards</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Questioned Education Awards</u>	<u>Reference</u>
<b><u>06NDHGA002 – National Direct</u></b>				
POL – Grantee (Federal Share only)*	\$665,446	\$22	-	Schedule A-1
<b>Subgrantees</b>				
Boston Cares	9,819	-	-	
Chicago Cares	30,088	-	-	
Hands On Atlanta	180,820	-	-	
Hands on Bay Area*	69,702	-	-	
Hands On Birmingham	7,924	-	-	
Hands On Charlotte	10,311	-	-	
Hands On Greater Portland	29,876	-	-	
Hands On Greenville	12,857	-	-	
Hands On Miami*	63,093	-	-	
Hands On Nashville	33,767	-	-	
Make A Difference*	117,128	-	-	
Metro Volunteers*	37,324	-	-	
New York Cares	29,328	-	-	
Pass It Along*	34,115	-	\$1,000	Schedule A-3
Pittsburgh Cares	17,980	-	-	
Volunteer Baton Rouge	9,974	-	-	
Hands On Sacramento	11,614	-	-	
Hands On Twin Cities	34,245	-	-	
Sub-total	\$1,405,411	\$22	\$1,000	
<b><u>07NDHGA001 – National Direct</u></b>				
POL – Grantee (Federal Share only)*	\$242,089	\$1,618	\$4,725	Schedule A-1
<b>Subgrantees</b>				
Boston Cares	15,122	-	-	
Chicago Cares	50,055	-	-	
Hands On Atlanta	119,614	-	-	
Hands on Bay Area*	37,531	-	-	
Hands On Charlotte	22,849	-	-	
Hands On Greater Portland	58,313	-	-	
Hands On Greenville	26,506	-	-	
<u>Awards</u>	<u>Claimed</u>	<u>Questioned</u>	<u>Questioned</u>	<u>Reference</u>

	<u>Costs</u>	<u>Costs</u>	<u>Education Awards</u>	
Hands On Miami*	116,138	1,441	-	Schedule A-2
Hands On Nashville	69,077	-	-	
Make A Difference*	160,320	-	-	
Metro Volunteers*	67,064	-	-	
New York Cares	50,201	-	-	
Pass It Along*	77,640	-	-	
Pittsburgh Cares	30,501	-	-	
Volunteer Baton Rouge	10,458	-	-	
Hands On Sacramento	538	-	-	
Hands On Twin Cities	55,485	-	-	
Hands on Hartford	42,445	-	-	
Jersey Cares – Newark	51,121	-	-	
Vol Center North Texas	20,095	-	-	
Vol Center Orange County	20,781	-	-	
Volunteer San Diego	<u>34,027</u>	<u>-</u>	<u>-</u>	
Sub-total	<u>\$1,377,970</u>	<u>\$3,059</u>	<u>\$4,725</u>	
05DSHDC001	\$709,628	-	-	Schedule A-1
05TAHDC003	103,437	-	-	Schedule A-1
05TAHGA001	553,798	-	-	Schedule A-1
07TAHGA001	50,783	-	-	Schedule A-1
07TAHPA001	743,986	-	-	Schedule A-1
06MKADC004	264,050	-	-	Schedule A-1
06MKSGA001	110,499	748	-	Schedule A-1
08MKHGA001	98,500	-	-	Schedule A-1
09MKHDC002	150,000	-	-	Schedule A-1
07VSSGA009	18,499	-	4,725	Schedule A-1
08VSNMI002	71,264	405	-	Schedule A-1
08ERSGA001	2,427,700	574	-	Schedule A-1
08PLHDC001	<u>2,475,000</u>	<u>41,941</u>	<u>-</u>	Schedule A-1
Total	<u>\$10,560,525</u>	<u>\$ 46,749</u>	<u>\$10,450</u>	

**\*Selected for Application of Agreed-Upon Procedures**

**Schedule of Awards and Claimed Costs  
Points of Light Foundation**

		<u>Reference</u>
<b>Grant No 05DSHDC001</b>		
Awarded	<u>\$1,300,000</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$709,628</u>	Note 2
<b>Grant No 05TAHDC003</b>		
Awarded	<u>\$396,048</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$103,437</u>	Note 2
<b>Grant No 05TAHGA001</b>		
Awarded	<u>\$565,267</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$553,798</u>	Note 2
<b>Grant No 07TAHGA001</b>		
Awarded	<u>\$351,684</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$50,783</u>	Note 2
<b>Grant No 07TAHPA001</b>		
Awarded	<u>\$763,089</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$743,986</u>	Note 2
<b>Grant No 06MKADC004</b>		
Awarded	<u>\$265,950</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$264,050</u>	Note 2

		<u>Reference</u>
<b>Grant No 06MKSGA001</b>		
Awarded	<u>\$208,999</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$110,499</u>	Note 2
<b><u>Questioned Costs</u></b>		
Unallowable Rent		<u>\$748</u> Note3
<b>Grant No 08MKHGA001</b>		
Awarded	<u>\$98,500</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$98,500</u>	Note 2
<b>Grant No 09MKHDC002</b>		
Awarded	<u>\$150,000</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$150,000</u>	Note 2
<b>Grant No 07VSSGA009</b>		
Awarded	<u>\$112,500</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$18,499</u>	Note 2
<b><u>Questioned Education Awards</u></b>		
Inadequate Citizenship/Legal Residency Documentation		<u>\$4,725</u> Note 16
<b>Grant No 07NDHGA001</b>		
Awarded	<u>\$2,268,367</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$1,377,970</u>	Note 2
<b><u>Questioned Costs</u></b>		
Employee Meal		\$27 Note 4
Unsigned Timesheets		<u>\$1,591</u> Note 5
Total Questioned Costs		<u>\$1,618</u>
<b><u>Questioned Education Awards</u></b>		
Unsigned Timesheets		<u>\$4,725</u> Note 6

		<u>Reference</u>
<b>Grant No 06NDHGA002</b>		
Awarded	<u>\$1,405,411</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$1,405,411</u>	Note 2
<b><u>Questioned Costs</u></b>		
Late Fees/Finance Charges	<u>\$22</u>	Note 7
<b>Grant No 08VSNMI002</b>		
Awarded	<u>\$75,000</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$71,264</u>	Note 2
<b><u>Questioned Costs</u></b>		
Expenses Incurred Prior to Grant Period	\$377	Note 8
Unsupported Transactions	<u>28</u>	Note 9
Total Questioned Costs	<u>\$405</u>	
<b>Grant No 08PLHDC001</b>		
Awarded	<u>\$2,475,000</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$2,475,000</u>	Note 2
<b><u>Questioned Costs</u></b>		
Late Fees/Finance Charges	\$124	Note 10
Employee Entertainment	1,250	Note 11
Unsupported Transactions	12,135	Note 12
Merger Related Expenses	20,107	Note 17
Cost Charged to Incorrect Grant	<u>8,325</u>	Note 13
Total Questioned Costs	<u>\$41,941</u>	
<b>Grant No 08ERSGA001</b>		
Awarded	<u>\$5,200,860</u>	Note 1
Claimed Federal Costs for Testing Period	<u>\$2,427,700</u>	Note 2
<b><u>Questioned Costs</u></b>		
Employee Entertainment	\$435	Note 14
Appreciation Gifts to Employees	<u>139</u>	Note 15
Total Questioned Costs	<u>\$574</u>	

## Notes

1. The amount shown represents the total dollar amount awarded to POL by the Corporation for the grant identified.
2. Claimed costs represent POL's reported Federal expenditures for the testing period.
3. POL charged Hands on Bay Area office rent, office supplies, phone, and internet expenses to the Martin Luther King Grant #06MKSGA001; however, these expenditures were not included in the original or amended budget (see Finding 4).
4. POL charged \$27 unallowable employee meals to the grant (see Finding 4).
5. Living allowances and related fringe benefits for two members whose timesheets did not contain member's signature and/or supervisor's signature (see Finding 7).
6. Education award for one member whose timesheets did not contain member's signature and/or supervisor's signature (see Finding 7).
7. POL charged \$22 in finance charges/late fees to the grant (see Finding 4).
8. Five travel-related cost transactions were incurred prior to the grant period of the VISTA State grant. The grant period started on December 9, 2007, but the travel expenses charged to the grant were incurred prior to that date (see Finding 4).
9. POL did not provide support for two transactions totaling \$28 (\$11 phone expense and \$17 travel expense) (see Finding 4).
10. POL charged \$124 for late payments/finance charges to the grant (see Finding 4).
11. POL charged \$1,250 for staff appreciation meals to the grant (see Finding 4).
12. POL did not provide support for transactions in the amount of \$12,135 (see Finding 4).
13. Costs of \$8,325 were misposted to the general ledger on Grant No. 08PLHDC001 and claimed to another grant on the FSR. We were unable to verify that these costs were not claimed twice. (see Finding 1).
14. POL charged the grant unallowable employee meal entertainment costs of \$435 (\$408 for staff appreciation dinner and \$27 staff lunch) (see Finding 4).
15. POL charged the grant \$139 for unallowable gifts to the staff that planned the 2008 Conference (see Finding 4).
16. Citizenship/legal residency documentation for one member did not comply with AmeriCorps eligibility requirements (see Finding 8).
17. POL charged merger related expenses for \$20,107 to the grant (see Finding 4).

**Schedule of Award and Claimed Costs  
Hands on Miami (HOM)**

Award 07NDHGA001

		<u>Reference</u>
Awarded	<u>\$179,231</u>	Note 1
Claimed Federal Costs	<u>\$116,138</u>	Note 2
<b><u>Questioned Costs</u></b>		
Unsigned Time Sheets	<u>\$1,441</u>	Note 3
Total Questioned Costs	<u>\$1,441</u>	

**Notes**

1. The amount shown represents POL's total funding to HOM.
2. Claimed costs represent HOM's reported Federal expenditures for the testing period.
3. Living allowance and related fringe benefits for one member whose timesheets did not contain member and/or supervisor's signatures (see Finding 7).

**Schedule of Award and Claimed Costs  
Pass It Along (PIA)**

Award 06NDHGA002

		<u>Reference</u>
Awarded	<u>\$34,115</u>	Note 1
Claimed Federal Costs	<u>\$34,115</u>	Note 2
<b><u>Questioned Education Award</u></b>		
Unsigned timesheets	<u>\$1,000</u>	Note 3
Total Questioned Education Award	<u>\$1,000</u>	

**Notes**

1. The amount shown represents POL total funding to PIA.
2. Claimed costs represent PIA 's reported Federal expenditures for the testing period.
3. We questioned the education award of the member whose timesheets hours were less than the hours reported in WBRS (see Finding 7).

## Results - Compliance and Internal Control

The results of our agreed-upon procedures also revealed instances of non-compliance with grant provisions, regulations, and/or OMB requirements, as shown below:

### Finding 1. Accounting system is not adequate to account for Federal funds.

#### Accountability

We were unable to reconcile the claimed costs in the FSRs to the grantee's accounting records for each grant and found that there was no clear audit trail between the FSRs and the General Ledger (GL). Federal and match expenses are comingled in the GL and it is impossible to separate them. As a consequence, we performed our transaction testing by selecting overall transactions from the GL. Additionally; we discovered that not all transactions were reported in the FSRs, as shown in the table below.

Program	FSR Claimed During Testing Period			Total Expense per GL	Variance
	Federal	Match	Cumulative		
AmeriCorps National 07NDHGA001	\$1,377,970	\$ 657,021	\$ 2,034,990	\$2,035,076	\$(85)
Disability Outreach 05DSHDC001	\$709,628	\$488,984	\$1,198,657	\$665,403	\$533,209
Training and Technical Assistance 05TAHDC003	\$103,437	-	\$103,437	\$96,997	\$6,440
Training and Technical Assistance 05TAHGA001	\$553,798	-	\$553,798	\$683,099	\$(129,301)
Training and Technical Assistance 07TAHPA001	\$743,986	-	\$743,986	\$678,278	\$65,708
Martin Luther King Day 06MKADC004	\$264,050	\$1,937,090	\$2,201,140	\$323,698	\$1,877,442
Martin Luther King Day 06MKSGA001	\$110,499	\$818,813	\$929,312	\$185,468	\$743,844
Martin Luther King Day 08MKHGA001	\$98,500	\$265,462	\$363,962	\$123,727	\$240,235
Vista State 08VSNMI002	\$71,264	\$39,898	\$111,162	\$107,621	\$3,541

Note: The grants listed only include those with variances between the FSR's and the general ledger.

Below are the explanations provided by POL for the discrepancies:

<b>Program</b>	<b>Description</b>
AmeriCorps National 07NDHGA001	Match expenses were under-reported, possibly due to a subsequent adjusting entry.
Disability Outreach 05DSHDC001	The difference identified was effective for the period ending March 31, 2009. POL staff stated that an adjustment would be made in the September 30, 2009, FSR.
Training and Technical Assistance 05TAHDC003	Amount was over-reported during the testing period; however, it was under-reported by \$9,569 over the entire grant period.
Training and Technical Assistance 05TAHGA001	The additional funds reported in this grant correspond to the under reporting on Grant No. 07TAHPA001. The two grants had similar purposes and outcomes.
Training and Technical Assistance 07TAHPA001	See above response.
Martin Luther King Day 06MKADC004	Affiliate match and In-kind contributions were not included in the GL because they were maintained in separate documents, such as Excel spreadsheets or in the affiliates' accounting system.
Martin Luther King Day 06MKSGA001	Affiliate match and In-kind contributions were not included in the GL because they were maintained in separate documents, such as Excel spreadsheets or in the affiliates' accounting system.
Martin Luther King Day 08MKHGA001	Affiliate match and In-kind contributions were not included in the GL because they were maintained in separate documents, such as Excel spreadsheets or in the affiliates' accounting system.
Vista State 08VSNMI002	Match expenses were over reported, possibly due to a subsequent adjusting entry.

When Federal and match transactions are comingled in the general ledger, it is possible for transactions to be misclassified and/or misreported. Grant drawdowns may not agree with reported Federal and match costs and could be misstated. Without a clear audit trail, it is difficult to reconcile claimed costs on the FSR to the general ledger.

An example of this weakness occurred during the reconciliation of Grant No. 05DSHDC001. We discovered that the amount claimed in the FSR exceeded the total reflected in the general ledger by \$533,254. As a result of the AUP effort, POL stated that it will correct the discrepancy in the September 30, 2009, FSR. The correction did not occur as a result of POL's routine reconciliation procedures. Not having a formal reconciliation procedure in place could lead to excess drawdown amounts. Moreover, POL drew down \$783,283 as of March 31, 2009; an amount that exceeds the total general ledger amount, Federal and grantee share, of \$665,403.

On grant No. 08ERSGA001, Federal share costs of \$570,698 were incorrectly reported as match costs. The Federal share on the FFR was not reconciled to the funds drawn down on the grant. Misstated financial reports make it difficult for Corporation grants officers to know the status of the grants and can contribute to misstatements on the Corporation's financial statements. Additionally, the Federal funds may be used in a manner inconsistent with the grant. The error occurred on the FSR for the period ending March 31, 2009, and was corrected September 30, 2009. Moreover, Grant No. 08PLHDC001 did not have a match requirement.

However, POL reported \$15,247,333 as match for the aforementioned grant in its financial report.

*Criteria*

The 2008 AmeriCorps General Provisions, Section V.B.1. *Financial Management Standards, i General*, states in part, "The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary."

45 CFR § 2543, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Subpart C, *Post-Award Requirements*, states in part:

.21. Standards for financial management systems.

\* \* \*

(b) Recipients' financial management systems shall provide for the following:

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program...
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities.

**Inaccurate Accounting Records**

Banners and signage costs, of \$16,651, for affiliates participating in the 2008 MLK Day were claimed 50 percent to MLK Day Grant No. 06MKADC004 and 50 percent to MLK Day Grant No. 08MKHGA001. However, we discovered that \$8,325 of the banners and signage cost was recorded on the general ledger of POL Grant No 08PLHDC001. We could not determine if the \$8,325 was not claimed on Grant No. 08PLHDC001 because of inadequate records supporting the FSR.

We questioned the \$8,325 recorded under Grant No. 08PLHDC001 based upon allocability because the costs were incurred for the MLK Day grants. POL staff stated that, although the transaction was reported on the grant's accounting records, it was not claimed on the grant. However, the reconciliation of general ledger amounts to FSR amounts provided by POL did not provide sufficient evidence demonstrating that the grant was not charged the \$8,325.

*Criteria*

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principals*, A. *Basic Considerations*

- a. A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefit received. A cost is allocable to a Federal award if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it: (1) Is incurred specifically for the award.

The 2008 AmeriCorps General Provisions, Section V.A. *Responsibilities under Grant Administration, Accountability of Grantee*, states in part:

1. General: The grantee has full responsibility for managing all aspects of the grant and grant-supported activities, subject to the oversight of the Corporation. The grantee is accountable to the Corporation for its operation of the AmeriCorps Program and the use of Corporation grant funds. The grantee must expend grant funds in a judicious and reasonable manner, and it must record accurately the service activities and outcomes achieved under the grant. Although grantees are encouraged to seek the advice and opinion of the Corporation on special problems that may arise, such advice does not diminish the grantee's responsibility for making sound judgments and does not mean that the responsibility for operating decisions has shifted to the Corporation.

### *Recommendations*

We recommend that the Corporation:

- 1a. Perform a reconciliation, for each POL grant, between the General Ledger and the PMS drawdowns to determine whether the grants were overdrawn and, if so, recover these overdrawn amounts;
- 1b. Resolve the questioned costs of \$8,325 and recover disallowed costs;
- 1c. Ensure POL improves its accounting system to record by grant, Federal and match costs separately with a record-keeping system to identify the source documentation;
- 1d. Ensure POL reconciles the general ledger to the FSRs and drawdowns to the Federal share; and
- 1e. Provide guidance to POL to include all costs, Federal and match, in its FSRs.

### *POL's Response*

POL disagrees with the conclusion that the accounting system is not adequate to account for Federal funds; however, POL concurs with the findings associated with that statement. POL stated that the difficulty in reconciliation arose from several situational causes: the lack of a clear monthly close, an office relocation, and the consolidation of the Federal funds and match into one account. In addition, accounts for the Federal and grantee share of the match were previously kept in one account. POL stated that it now maintains the grants individually and maintains records of all reports submitted. POL's responses to the specific findings and recommendations included:

- 1a. POL indicated that each grant was reconciled at September 30,2009;
- 1b. POL disagrees with the questioned cost of \$8,325. It stated that its system does not allow for entries that do not balance;
- 1c. POL stated that it is implementing a new tracking system which includes separate accounts for Federal share and match, as well as entering subgrantee match in the general ledger system;
- 1d. POL stated that the general ledger, HHS and Federal Financial reports are reconciled at the current time; and

1e. POL stated that it hired staff with significant experience in management and oversight of Federal funds and has conducted training for both staff and subgrantees to ensure compliance with Federal regulations and grant provisions.

#### Corporation's Response

The Corporation generally agrees with the recommendations and will determine if the questioned \$8,325 was charged twice. It does not agree with recommendation 1a as written. It noted that the issue is related to cash management, not necessarily the reconciliation. The Corporation also stated that it will require POL to develop written procedures for determining HHS system draw down amounts based on actual expenditures recorded in the general ledger.

#### Auditor's Comments

The Corporation should consider the actions proposed by POL and follow up to ensure that they are implemented and effective.

In response to the Corporation's disagreement on recommendation 1a, we believe that the grantee should be able to reconcile the amount reported in the FFR to the general ledger for any period reported. Timing differences between amounts drawn down and amounts reported on the FFR were identified during the reconciliation. Amounts reported in the FFR are amounts that have already been paid or are obligated in the general ledger to be paid from Federal funds or claimed as match; therefore, we believe that performing a reconciliation will ensure that the general ledger is being used appropriately.

Regarding recommendation 1b, we sustain our position as we were not able to rule out the possibility that the transaction was not charged to both grants on the FSRs.

#### **Finding 2. Affiliate monitoring visits not performed in accordance with the POL policies.**

According to POL officials, affiliate monitoring visits were conducted during all program years audited (2006-2007, 2007-2008, 2008-2009). When we requested the monitoring reports for three program years, POL officials did not provide evidence that site visits were conducted in program years 2006-2007 and 2007-2008. In addition, we found that, during program year 2008-2009, POL did not perform monitoring visits to 5 of 20 affiliates: Hands on Bay Area, Hands on Charlotte, New York Cares, Hands on Twin Cities and Volunteer San Diego.

As a result of POL not complying with its policies and procedures, affiliates that were not monitored may not be receiving the direction to properly run their programs. POL officials indicated that the omission of the five monitoring visits was due to travel and time limitations during the 2008-2009 program year.

#### *Criteria*

45 C.F.R. § 2541.400(a), *Monitoring and reporting program performance*, states in part:

*Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

POL's Monitoring Tool, states in part:

Site Visits: The annual site monitoring visit will have 4 main goals:

- Assess program compliance with applicable program and fiscal requirements
- Assess program effectiveness
- Identify and address specific technical assistance needs and
- Provide Service members an opportunity to inform programming

#### *Recommendation*

We recommend that the Corporation:

- 2a. Ensure that POL enhance its policies to incorporate alternative procedures, including desk reviews, when staff resources adversely affect its ability to perform annual onsite monitoring of all affiliates..
- 2b. The use of alternative procedures should be documented and approved by a senior POL official.

#### POL's Response

POL concurs with the finding. It stated that the issue of subgrantee monitoring was identified as an area for improvement in POL's FY 2008 internal audit. The organization has worked over the last two years to build an integrated system to support this work and emphasize the importance of successful monitoring.

2a. POL stated that, in regard to National Service, the team has revamped the Host Site Monitoring process for VISTA and National Direct. POL has specifically revised the Desk Review Tool, On Site Review Tool, Host Site Monitoring Process Overview, and the Report Template.

2b. POL stated that its CFO meets with all staff that oversees the subgrantees at least twice a year. At these meetings, monitoring plans are created and evaluated, information is shared, and progress is reviewed.

#### Corporation's Response

The Corporation concurs with the finding and recommendations and will work with POL to implement corrective action within 120 days.

#### Auditor's Comments

The Corporation should consider the actions proposed by POL and follow up to ensure that they are implemented and effective.

### **Finding 3. Indirect rates not approved**

On National Direct grants, the Corporation allows the recovery of administrative costs through 5 percent of Federal share and 10 percent match of total grant cost without additional documentation. Organizations with administrative costs in excess of 15 percent are required to obtain a Negotiated Indirect Cost Rate Agreement (NICRA).

POL had a NICRA dated May 6, 2004, for Fiscal Year (FY) October 1, 2003, through September 30, 2004, with a provisional rate of 18 percent. However, final indirect rates were not established.

POL had a NICRA dated April 5, 2007, for FY October 1, 2004, through September 30, 2005, with a final rate of 16.2 percent. Final indirect rates were not established for fiscal years after September 30, 2005, whereby, POL continued to charge the provisional rate. POL annually calculated a new billing rate from the final general ledger balances and used the new rate to charge indirect costs to the grants. However, these new billing rates were not approved by the Corporation. When final rates are approved, they commonly become provisional rates for the following year. Final rates are based on actual costs for the period.

Finalizing rates and establishing new provisional rates apparently did not occur because of confusion over how the NICRA was written. For FY 2005 the NICRA states, in part, "UNTIL AMENDED Use same rates and conditions as those cited for fiscal year ending September 30, 2005." While the Corporation has oversight responsibility for grantees, Health and Human Services (HHS) is under contract with the Corporation to negotiate indirect rates. Confusion over the wording of the NICRA has occurred with other grantees and the Corporation is working with HHS to improve the disclosure. Additionally, we noted this issue was not identified in POL's OMB Circular A-133 audits performed for FY 2007 and FY 2008.

Provisional rates are estimates. When final indirect cost rates are not calculated based on actual costs, the grants may be overcharged or undercharged.

The draft version of this report questioned indirect costs of \$509,536 for charging the indirect cost without a NICRA. On June 14, 2010 POL signed a NICRA establishing final rates for September 30, 2006, 2007, 2008 and 2009. As a result, the questioned cost of \$509,536 is removed from this final report. However, the compliance finding for charging indirect rates without a NICRA during the audit period remains in this final report.

#### *Criteria*

45 CFR §2540.110 *General Administrative Provisions Limitation on use of Corporation funds for administrative costs.*

- (a) (1) Not more than five percent of grant funds provided under 45 CFR §2516, §2517, §2519 and §2521 for any fiscal year may be used to pay for administrative costs as defined in §2510.20 of this chapter.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principles, E. Negotiation and Approval of indirect Cost Rates*, states in part:

#### 1. *Definitions.*

\* \* \*

d. Final rate means an indirect cost rate applicable to a specified past period which is based on actual costs for the period. A final rate is not subject to adjustment.

e. Provisional rate or billing rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect cost on awards pending the establishment of a final rate for the period.

## 2. Negotiation and Approval of Rates

\* \* \*

c. Organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency within six months after the close of each fiscal year.

### *Recommendations*

We recommend that the Corporation:

- 3a. Ensure that POL develops effective documented control procedures for the submission and negotiation of Indirect Cost Proposals; and
- 3b. Ensure that Corporation grant officers do not allow recovery of administrative costs in excess of the regulatory limit without a NICRA.

### *POL's Response*

POL concurs with the finding and acknowledges that the provisional indirect cost rate agreement documentation was not current. POL management stated that it was not aware of this issue until the OIG's agreed-upon procedures review. POL charges actual indirect costs incurred equally to all cost centers. Therefore, since the NICRA agreements are now approved and only actual indirect costs were charged, there should be no questioned costs. POL stated that it has subsequently worked with the Corporation and the Department of Health and Human Service and has received final indirect cost rates for the years in question.

3a. POL stated that as part of itsr annual year-end and audit report preparation, it has included the completion of the annual ICR proposal as an action item.

### *Corporation's Response*

The Corporation anticipates allowing the costs based on discussions with the OIG. It will require POL to develop and implement accounting procedures within 120 days to ensure timely proposals are prepared, submitted and rates are negotiated for each year it claims indirect costs.

### *Auditor's Comments*

Based on POL's response and documentation provided in response to the draft report, we decided not to question cost as POL was able to obtain final indirect rates for the period under review. Therefore, we removed the original draft recommendation 3a from the final report.

The Corporation did not respond to the recommendation that grants officers not allow recovery of administrative cost in excess of the regulatory limit without a NICRA.

**Finding 4. Costs claimed not included in original or amended budgets, incurred prior to the grant period, unallowable, unsupported, or paid in violation of POL policies.**

**Costs claimed not included in original or amended budgets**

Costs that were not authorized in the budget were paid with Federal funds without obtaining a written authorization from the Corporation. POL charged Hands on Bay Area office rent, office supplies, phone, and internet expenses to Martin Luther King Grant #06MKSGA001; however, this expenditure of \$748 was not included in the original or amended budgets.

As a result we are questioning the aforementioned amount.

*Criteria*

The 2008 AmeriCorps Special Provisions, Section IV. M. *Budget and Programmatic Changes*, states in part:

4. **Approvals of Programmatic and Budget Changes.** The Corporation's Grants Officers are the only officials who have the authority to change the requirements of the grant. The Grants Officers will execute written amendments, and grantees should not assume approvals have been granted unless documentation from the Grants Office has been received.

**Costs incurred prior to grant period**

We noted expenses that were incurred prior to the grant period. Five travel-related cost transactions were incurred prior to the grant period of the VISTA State Grant No 08VSNMI002. The grant period started on December 9, 2007, but the travel expenses, totaling \$377, were charged to the grant between August 20, 2007, and December 5, 2007. POL incurred these expenses without prior approval and as a result we questioned the total amount of \$377. POL did not provide an explanation for this issue.

*Criteria*

45 CFR Part 2541.230 *Period of availability of funds*, states in part:

- (a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

**Unallowable Costs**

Two of the transactions tested under Grants Nos. 06NDHGA002 and 08PLHDC001, for \$22 and \$124, respectively, were for finance charges on a POL credit card that were charged to the grants. Additionally, POL charged \$1,250 and \$435 to Grants Nos. 08PLHDC001 and 08ERSGA001, respectively, for staff appreciation meals. Lastly, Grant No. 08ERSGA001 was charged with \$139 for gifts provided to the POL staff for planning the annual conference.

POL staff stated that it did not consider the appreciation meals unallowable because they were related to staff development and networking. However, we consider the aforementioned costs entertainment; therefore, we are questioning \$1,685 associated with these transactions. Total finance charges of \$146 are questioned because interest charges are unallowable. The gift cost of \$139 is questioned because it is considered a donation.

POL charged five expenses incurred during its merger with the Hands on Network to grant No 08PLHDC001. The total amount for the five transactions is \$20,107 (\$4,852 travel expenses, \$255 advertisement expenses, and a \$15,000 consulting fee). These types of transactions are only allowed with prior approval from the awarding agency. According to POL staff, the Corporation allowed POL to use the grant funds to cover administrative expenses, including some expenses incurred during the merger process. As a result, POL used grant funds for some merger-related expenses. We consider these charges unallowable organizational costs; therefore, we questioned total costs of \$20,107.

### *Criteria*

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B. *Selected Items of Cost*, states in part:

12. Donations and Contributions. a.. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the organization, regardless of the recipient, are unallowable.

\* \* \*

14. *Entertainment Costs*. Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable.

\* \* \*

23. Interest. a. Cost incurred for interest on borrowed capital, temporary use of endowment funds, or use of the non-profit organization's own funds, however represented, are unallowable.

31. *Organization Cost*. Expenditures, such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselors, whether or not employees of the organization, in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the awarding agency.

### **Unsupported Costs**

For the VISTA State Grant No. 08VSNMI002, POL was unable to provide support for 2 out of the 49 transactions reviewed, which totaled \$28. Additionally, supporting documentation was not provided for 1 of the 48 transactions tested, which totaled \$12,135, under Grant No. 08PLHDC001. POL could not determine why the documentation was missing. Without the source documents we were not able to determine if the costs are allowable, reasonable and allocable. As a result we questioned \$12,163.

*Criteria*

45 CFR Part 2543.53, *Retention and access requirements for records*, states in part:

(b) Financial records, supporting documents, statistical reports, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report.

45 CFR Part 2543.21 *Standards for financial management systems*, states in part;

(b) Recipients' financial management systems shall provide for the following:

\* \* \*

(7) Accounting records including cost accounting records that are supported by source documentation.

**Costs paid in violation of POL policies**

During our review of cost transactions, we noted that one transaction under Grant No. 07TAHGA001 was not in compliance with POL's contractual policy governing a consultant. The contract between POL and the consultant states that payment will be made to the consultant within 30 days of invoice delivery. However, payment was made before the invoice was received by POL. The consultant was paid in February 2009 and the invoice for the consulting work performed was received on September 23, 2009.

Additionally, POL reimbursed employees and charged Grant No. 07NDHGA001 a meal rate that exceeded the limit indicated in its travel policy. The policy states that employees can only charge \$24 for a single dinner meal. However, during a supervisors' training in Atlanta, two employees from Metro Volunteers of Denver spent and requested a reimbursement of \$75. Instead of reimbursing the allowed amount of \$48, POL reimbursed the employees and charged the entire amount of \$75 to the grant.

POL officials said the payment to the consultant was based on the date of service stated in the contract. No explanation was provided by POL for the travel expense finding.

Making payments without following internal policies could expose POL to inaccurate or invalid payments and subsequently charge the Government for such payments. Additionally, payments may not be paid consistent with management's intent.

We did not question any cost associated with the consulting transaction because the costs are valid and were invoiced after the payment. However, we questioned \$27 for the meal expense that exceeded the allowable meal rate.

*Recommendations*

We recommend that the Corporation:

- 4a. Resolve the questioned costs, \$35,392 and recover disallowed costs;
- 4b. Ensure that POL provides additional training to its staff and affiliates on the cost principals and grant provisions, including the requirements for the budget, donations, entertainment, interest and organizational cost;

4c. Ensure that POL maintains adequate support for the Federal and match costs; and

4d. Provide guidance to POL regarding contractual agreements and internal policies to ensure that payments are made in a manner that is consistent with its policies and procedures.

#### POL's Response

POL concurs with the finding, with the exception of the issue related to the merger costs charged. POL stated that it was during the initial merger integration period that the majority of the findings occurred. Having completed integration, POL now has clear policies and procedures for the merged entity. POL stated that it has trained its staff and subgrantees on cost principles, implemented internal controls to ensure adequate documentation to support expenses and that it maintains contractual agreements supporting payments that were implemented in January 2009.

Regarding the merger costs being questioned, POL stated that the costs questioned occurred after the merger. There is one invoice from September 2007 and the majority of costs questioned occurred in January and February 2008. The summary ledger provides the description that the costs were merger related, however the detailed transaction information provides details that these costs are related to organizational development and integration. The merger between Hands On Network and Points of Light occurred in August of 2007. These costs are related to post-merger integration and related to an all staff retreat and Board meeting.

#### Corporation's Response

The Corporation agrees with the recommendations and will disallow any questioned costs that are unsupported or for unallowable expenditures. The Corporation agrees that merger-related costs are generally unallowable unless approved in the grant budget or by the awarding agency in advance. The Corporation stated that they would not have approved the costs in either case and that they are disallowed.

The Corporation will confirm implementation within 120 days of the actions proposed by POL.

#### Auditor's Comments

We maintain our position regarding POL's merger with the Hands On Network regardless of when the cost were incurred before or after the merger date. Integration of the two organizations, including automated systems is an organizational costs and therefore should be disallowed.

**Finding 5. Late submission of Financial Status Reports (FSRs), member enrollment forms, and exit forms.**

POL and the affiliates tested did not consistently submit required reports and/or forms by stipulated due dates, as shown in the table below.

Location	Description of Non-Compliance
POL	<ul style="list-style-type: none"> <li>• 11 of 42 FSRs submitted late</li> </ul>
Volunteer Frederick	<ul style="list-style-type: none"> <li>• 1 of 6 monthly expense reports submitted late</li> </ul>
Hands on Bay Area	<ul style="list-style-type: none"> <li>• 6 of 21 enrollment forms submitted late</li> <li>• 7 of 21 exit form submitted late</li> </ul>
Hands on Miami	<ul style="list-style-type: none"> <li>• 7 of 14 exit forms submitted late</li> </ul>
Make a Difference	<ul style="list-style-type: none"> <li>• 9 of 21 enrollment forms submitted late</li> <li>• 3 of 21 exit forms submitted late</li> </ul>
Metro Volunteers of Denver	<ul style="list-style-type: none"> <li>• 4 of 12 exits forms submitted late</li> </ul>
Pass It Along	<ul style="list-style-type: none"> <li>• 9 out of 21 enrollment forms submitted late</li> <li>• 3 of 21 exit forms submitted late</li> </ul>

When FSR's are submitted late the Corporation cannot review key data in a timely manner and may not be fully aware of the financial status of grants. Moreover, the Corporation's own financial information may not be current.

According to the Finance/Human Resources Manager of Volunteer Frederick, the expense report was not submitted in a timely manner because of inadequate knowledge of the reporting format.

The affiliates did not provide explanations for the late submission of the member-related forms. The late submission of financial and programmatic information may preclude the grantee from reporting accurate program and expenditure information to the Corporation. These delays can result in the Corporation not having current information on grantees, affiliates, members, and programs.

*Criteria*

AmeriCorps Special Provisions, Section IV. N. *Reporting Requirements*, 1. *Financial Status and Progress Reports*, states in part:

- a. Financial Status Reports. The grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants. Financial Status Report deadlines are as follows: Reporting period covered from start of grant through March 31 is due by April 30. In addition, Reporting period covered from April 1 to September 30 is due by October 31

According to the grant agreement between POL and Volunteer Frederick, monthly expense reports (FSRs) must be submitted by the 15<sup>th</sup> day of the following month.

The 2006 and 2007 AmeriCorps Special Provisions, Section IV. C.1. *Member Enrollment, Member Enrollment Procedures*, states in part:

- d. Member Enrollment: Within 30 calendar days of the members starting service, the program must complete and approve the enrollment form in WBRS.

The 2006 and 2007 AmeriCorps Special Provisions, Section IV. N.2. *Reporting Requirements, AmeriCorps Member-Related Forms*, states in part:

c. **Exit/End-of-Term-of-Service Forms.** Member Exit/ End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

The 2007 AmeriCorps Special Provisions, Section IV.N.2. *Reporting Requirements, AmeriCorps Member-Related Forms*, states in part:

The Grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and Sub-Grantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms:

**i. Enrollment Forms.** Enrollment forms must be submitted no later than 30 days after a member is enrolled.

\* \* \*

**iii. Exit/End-of-Term-of-Service Forms.** Member Exit/End-of-Term-of-Service Forms must be submitted no later than 30 days after a member exits the program or finishes his/her term of service.

The 2008 AmeriCorps Special Provisions, IV. C. *Member Recruitment, Selection, and Exit*, states in part:

1. Notice to the Corporation's National Service Trust. 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. Suspension of service is defined as an extended period during which the member is not serving, nor accumulating service hours or receiving AmeriCorps benefits."

#### *Recommendations*

We recommend that the Corporation ensure that POL:

- 5a. Strengthens its procedures and reminders to affiliates to ensure prompt and complete financial reporting, as well as member information; and
- 5b. have affiliates submit enrollment and exit forms properly and on time.

#### POL's Response

POL concurs with the finding and stated that it had previously identified the need to strengthen procedures to improve timely submission of information. To ensure timely submission of reports, POL has implemented an overall tracking system for all financial reports.

5a. Within all affiliate and partnership Memoranda of Agreements, an additional organizational compliance clause will ensure that all paperwork is submitted in a timely manner.

5b. HandsOn AmeriCorps has revised policies and provides guidance for grantees to ensure timeliness. A Compliance Progressive Action Plan has been developed internally to monitor non-compliant advisory communication with the host site.

#### Corporation's Response

The Corporation agrees and will work with POL to ensure that it provides written guidance and training to its staff and affiliates on all financial and member reporting requirements and develops and implements monitoring policies and procedures to ensure compliance with reporting due dates.

#### Auditor's Comments

The Corporation should follow up with POL to ensure that corrective action is implemented and effective.

### **Finding 6. Missing mid-term and end-of-term member evaluation forms.**

The POL-operated program Hands on Campaign did not perform or maintain a record of mid-term and/or end-of-term written evaluations for six out of seven members tested during Program Year 2006-2007. POL did not provide a cause for the missing records.

Hands on Bay Area did not perform or maintain a record of end-of-term written evaluations for one out of seven members tested during Program Year 2007-2008. Hands on Bay Area did not provide a reason for the missing evaluation. It did provide an internship plan of responsibilities for this member. However, this document is not sufficient as a performance evaluation.

Make a Difference did not perform or maintain a record of mid-term and/or end-of-term written evaluations for two of seven members tested during Program Year 2006-2007. Also in Program Year 2007-2008, it did not maintain a record of a final written evaluation for one member out of seven members tested. According to the Director of Operations, one of these members was terminated from the program at mid-term, the period when Make a Difference started reviewing mid-term evaluations. The affiliate started the mid-term evaluation, but it was never completed prior to the member leaving the program. There was no explanation provided for the other two members with missing performance evaluation records.

Affiliates did not fully adhere to AmeriCorps Provisions governing member performance evaluations. This could result in members receiving improper guidance in performing their duties. Further, exit evaluations are utilized to determine if a member satisfactorily completed the term of service and is therefore eligible to serve a second term.

#### *Criteria*

The 2006 and 2007 AmeriCorps Special Provisions, Section IV.D. *Training, Supervision and Support*, states in part:

6. **Performance Reviews.** The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half-Time members and an end-of-term written

evaluation for less than Half-time members. The evaluation should focus on such factors as:

- a. Whether the member has completed the required number of hours;
- b. Whether the member has satisfactorily completed assignments; and
- c. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

### *Recommendations*

We recommend that the Corporation ensure that POL:

- 6a. Provide guidance, during its affiliate training, to ensure that required evaluations are completed and discussed with the member in a timely manner; and
- 6b. Develop procedures to ensure that affiliates conduct and maintain records of mid-term and end-of-term evaluations of each member according to AmeriCorps Provisions.

### *POL's Response*

POL concurs with the finding. The POL National Service Department recognizes the importance of mid-year and year-end evaluations, and has utilized Big Tent, an internet-based communications tool, to host HandsOn AmeriCorps' pertinent documents, host forums on focused issue areas and solutions, and communicate important programmatic updates and events.

6a. Member evaluations guidance to affiliates is provided using several methods, including our electronic system to distribute information, Big Tent grantee agreements and an annual calendar of events.

6b. Member evaluations procedures for compliance are included in a Compliance Progressive Action Plan which has been developed internally to monitor non-compliant advisory communication with the host site.

### *Corporation's Response*

The Corporation concurs with the findings and recommendations and will work with POL to ensure that it issues guidance and trains staff on the requirements to perform and maintain documentation of mid-term and end-of-term evaluations. Additionally, the Corporation will ensure that POL has monitoring procedures in place to ensure that affiliates are compliant with the requirement.

### *Auditor's Comments*

The Corporation should follow up with POL to ensure the corrective action is implemented.

**Finding 7. Members' Contract signed after beginning of service and timesheets not signed.**

**Members' contract signed after beginning service**

<u>Affiliate</u>	<u>Sample Size</u>	<u>Program Year</u>	<u>Member</u>	<u>Service Days Before Contract</u>
Hands on Miami	7	06/07	1	3
		06/07	2	2
Metro Volunteer Denver	8	07/08	3	6
		07/08	4	6
		07/08	5	6
		07/08	6	6
	11	08/09	7	15

According to Hands on Miami's Program Director, new employees and AmeriCorps members often do not come prepared with all the required documents and paperwork necessary to complete the enrollment process on their first day.

According to the Metro Volunteer of Denver's Program Director, for Program Year 2007-2008, enrollment packages were not available on site when the members began service. In one case the date was inadvertently left off the contract. It was dated when the discrepancy was discovered, 15 days after the start of service.

We did not question the service hours performed prior to the members signing their contracts. The Corporation is providing training and other direction on the need to have signed contracts in place before the member starts service. As a result we also did not question any education awards.

*Criteria*

The 2006 and 2007 AmeriCorps Special Provisions, IV. C.1. *Member Enrollment, Member Enrollment Procedures*, states in part:

- a. An individual is enrolled as an AmeriCorps member when all of the following have occurred:
  - i. He or she has signed a member contract;
  - ii. The program has verified the individual's eligibility to serve;
  - iii. The individual has begun a term of service; and
  - iv. The program has approved the member enrollment form in WBRS.
- b. Prior to enrolling a member in AmeriCorps, programs make commitments to individuals to serve. A commitment is defined as signing a member contract with an individual or otherwise entering into a legally enforceable commitment as determined by state law.

## Timesheets not signed

POL did not provide an explanation for the member unsigned the timesheets.

Member No.	Program Year	Timesheet Hours	Hours Required	Unallowable Hours	Questioned Ed Award	<u>Affiliate/ Program</u>
1	06/07	1862	1700	174	\$4,725	POL-Campaign
2	07/08	1741	1700	140	0	Hands on Miami
3	07/08	318	300	81	\$1,000	Pass it Along

According to Hands on Miami's Senior Program Director, the lack of signatures by the member and supervisor on the timesheets was due to an oversight by the AmeriCorps Program Manager. Other discrepancies were the result of the layoff of that manager in June 2008.

Pass it Along did not provide an explanation for the supervisor not signing the timesheet. This member was a minimum-time member and did not receive a living allowance.

If the program does not ensure that all member timesheets are signed by a supervisor or an individual with oversight responsibilities for the member, unallowable time could be included on the timesheets and therefore charged to the Corporation grants.

As a result of the unsigned timesheets we questioned a total of 255 member service hours for Hands on Campaign and Pass It Along. We also questioned living allowance of \$2,630 (\$2,236 Federal share and \$394 grantee share) and related fringe benefits of \$402 (\$342 Federal Share and \$60 grantee share) for the members. Schedules A-1 and A-2 provide the break down of the questioned costs related to each of the two entities.

We deducted the questioned hours from the members' total hours per the timesheets. As a result we questioned education awards totaling \$5,725 because the members' service hours did not meet the minimum requirement for an award. The member from Hands on Miami did not receive an education award because two education awards had been earned by that individual for prior service periods.

### *Criteria*

The 2006 and 2007 AmeriCorps Special Provisions Section IV. C.2. *Member Enrollment, AmeriCorps Members*, states in part:

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.

### *Recommendations*

We recommend that the Corporation:

- 7a. Resolve the questioned costs, \$3,032, questioned education awards of \$5,725 and recover disallowed costs;
- 7b. Ensure POL requires affiliates to have members sign the contract prior to starting service; and

- 7c. Ensure POL trains its affiliates on member timekeeping and attendance records and strengthens procedures to ensure that timesheets are signed by members and individuals with oversight responsibilities.

#### POL's Response

POL concurs with the finding and acknowledges the errors associated with member service agreements and pre-contract service hours. It stated that POL has created policies and procedures to ensure that no member is enrolled without a signed member contract on file. Site supervisors are trained on these and other required enrollment procedures during the summer institute (3 day training), summer on-boarding webinars, and direct contact with national service staff.

However, POL does not agree with the \$5,725 questioned costs as a result of the unsigned time logs. It stated that POL has provided the auditors with information from site supervisors that certify that members served the hours in question.

#### Corporation's Response

The Corporation agrees with the finding. It will confirm POL's implementation of its proposed corrective action plan within 120 days. Additionally, it will disallow the \$3,032 in living allowance and \$5,725 in education awards, unless appropriate support is provided.

#### Auditor's Comments

The Corporation should follow up with POL to ensure corrective action is implemented.

We maintain our position regarding the questioned education award as the signed timesheets were provided after the fact as a result of our inquiry. The original timesheets provided were not signed or not provided.

#### **Finding 8. Inadequate evidence of citizenship/legal residency**

During the review of 11 VISTA member files, we noted one member did not have proper documentation of U.S. citizenship or legal residency. The sponsor used a driver's license and Social Security card as evidence of citizenship. This type of documentation is inadequate due to the fact that persons who are not citizens or legal permanent residents can legally obtain Social Security cards and driver's licenses.

Without obtaining the required documentation to adequately support U.S. citizenship or legal residence, ineligible persons could be allowed to participate in VISTA. According to POL staff, there is no clear guidance from the Corporation regarding VISTA member eligibility.

We questioned the member's education award of \$4,725 because documented citizenship/residency status is required in order to qualify for awards from the National Service Trust.

## Criteria:

Section 146 of the National Community Service Act of 1990, as amended (NCSA), 42 U.S.C. 12602, requires that to be eligible for an education award an individual must be a citizen or national or lawful permanent resident alien of the United States.

Section 123 of the NCSA, 42 U.S.C. 12573, also states that “[t]he Corporation may approve of any of the following service positions as an approved national service position that includes the national service educational award described in subtitle D of this subchapter as one of the benefits to be provided for successful service in the position: ... [a] position involving service as a VISTA volunteer under title I of the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.)” 45 C.F.R. § 2526.10 states to be eligible to receive an education award you must be a citizen, national, or lawful permanent resident alien of the United States.

The Code of Federal Regulations 45 C.F.R. § 2526.10(a) *Eligibility for an Education Award* also requires that “[a]n individual is eligible to receive an education award from the National Service Trust if the individual – [i]s a citizen, national, or lawful permanent resident alien of the United States...”

## Recommendation:

We recommend that the Corporation:

- 8a. Resolve the questioned education award and recover disallowed costs;
- 8b. Provide POL adequate guidance on VISTA member eligibility and maintenance of members’ records; and
- 8c. Revise VISTA regulations to describe the documents necessary for establishing citizenship and legal permanent residency, similar to Subtitle C programs in 45 CFR § 2522.200.
- 8d. Ensure that POL provides additional training to its employees to ensure they are familiar with the requirements regarding documentation supporting U.S. citizenship.

## POL’s Response

POL disagrees with the finding, stating that it followed the requirements for VISTA eligibility documentation as outlined in My AmeriCorps portal, and requirements provided by its State Office liaison. However, upon learning the documentation was considered insufficient to support proof of eligibility; POL subsequently obtained the member’s birth certificate.

## Corporation’s Response

The Corporation stated that it worked with POL and secured a birth certificate for the member and confirmed that the member is a U.S. citizen.

## Auditor’s Comments

The OIG will verify the birth certificate during the resolution process.

This report is intended for the information and use of the Office of Inspector General, Corporation management, POL, and the U.S. Congress. However, this report is a matter of public record and its distribution is not limited.

*Margie Hoffmann McConer, P.C.*

Bethesda, Maryland  
August 17, 2010

**Consolidated Schedule of Recommendations and Questioned Costs**

Recommendation	Questioned Costs		Funds Put to Better Use <sup>3</sup>
	Unallowable <sup>1</sup>	Unsupported <sup>2</sup>	
1b.	\$8,325		
4a.	\$23,229	\$12,163	
7a.	\$3,032		\$5,725
8a.			\$4,725

Consolidated List of Recommendations

- 
1. Questioned Cost means a cost that is unallowable because of:
    - a. an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
    - b. a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
    - c. a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.
  
  2. 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.
  
  3. Recommendation that funds 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:
    - a. reductions in outlays;
    - b. deobligation of funds from programs or operations;
    - c. withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
    - d. costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee;
    - e. avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
    - f. any other savings which are specifically identified.

**APPENDIX A**

**Points of Light Foundation's Response to Draft Report**



### **Finding 1.**

#### **Accounting system is not adequate to account for Federal funds.**

Points of Light Institute (POLI) disagrees with the above statement, yet concurs with the findings associated with the above statement. In regards to the accounting system utilized, POLI has full confidence that Microsoft's Dynamics software is adequate to account for federal funds. The difficulty in reconciliation arose from several situational causes: the lack of a clear monthly close, office relocation, and the consolidation of the federal funds and match into one account. We were unable to specifically reconcile the individual FSRs to the specific date ranges due to subsequent entries being posted to prior periods. Due to two physical relocations of the accounting office POLI was unable to locate the original copies of the reports. In addition, previously accounts for the federal and grantee share of the match were kept in one account. POLI now maintains the grants individually and maintains records of all reports submitted.

Finding 1a. POLI provided a reconciliation of our general Ledger and HHS reports as outlined on page 17 of the draft report. Each of the grants was reconciled at 9/30/09; however since it was after the grant period the auditors did not consider the information.

Finding 1b. POLI disagrees with question cost of \$8,325. Our accounting system does not allow for entries that do not balance. Because of this software limitation, it is impossible for the \$8,325 to be entered three times. There are two entries of \$8,325 totaling \$16,651. In the 08PLHDC001, match was not required. However since there was match reported, POLI provided the auditors with a copy of the entire GL detail. It was the option of management at the time to report all allowable expenses that went to support the organizational mission as match. The result was \$17,247,333 of match expenses reported on a grant with no match requirement. Both POLI and the auditors realized that there were duplications in the sample provided as all federal grants detail, including MLK, VISTA and AmeriCorps, was provided twice, both in the sample for 08PLHDC001 and 08MKHGA001. At the time the duplications were recognized, the audit was significantly in progress, and the audit firm chose not to review a new population.

Finding 1c. POLI is implementing a new tracking system which includes separate accounts for federal share and match, as well as entering subgrantee match in the general ledger system.

Finding 1d. The general ledger, HHS and Federal Financial reports are reconciled at the current time. As stated above, due to subsequent entries posted to prior periods, the reconciliation was not possible at the specific periods for the FSR reports the auditors were working with.

Finding 1e. POLI has hired staff with significant experience in management and oversight of federal funds and has conducted training for both staff and grantees to ensure compliance with Federal Regulations and grant provisions.

### **Finding 2.**

#### **Affiliate monitoring visits not performed in accordance with the POL policies.**

POLI concurs with the finding; the issue of subgrantee monitoring was identified as an area for improvement in our FY 2008 internal audit. The organization has worked hard over the last two years to build an integrated system to support this work and emphasize the importance of successful monitoring.



In an effort to continue to enhance our existing monitoring efforts, and to effectively standardize tools and practices, a Monitoring Team has been established consisting of representatives from the various grant programs across the organization to:

- Review existing POLI/HON policies and procedures governing monitoring practices.
- Understand how these procedures and policies are actualized/implemented across the various grant programs (federal and non-federal) to identify areas of strength and weakness (in addition to those identified in the audit report).
- Update and/or effectively educate and implement monitoring policies and procedures based on the audit findings and the review of existing implementation within individual programs to provide consistent implementation across the organization.
- Create monitoring resources, tools, and best practices that are standardized and consistent across granting programs within POLI/HandsOn Network. These will be used as an implementation guide for new staff and new grant programs.
- Create standard mechanisms within the existing systems of program and financial reviews of subgrantees. These new standardized mechanisms will ensure a clear and broad understanding of monitoring timeframes within a grant cycle, and why particular grantees are being selected for specific types of monitoring. The standardization will also include risk based assessments to determine monitoring needs, and to provide a clear monitoring plan for each grant/subgrant.

Finding 2a. In regards to National Service, the team has revamped the Host Site Monitoring process for VISTA and National Direct. POLI has specifically revised the Desk Review Tool, On Site Review Tool, Host Site Monitoring Process Overview, and Report Template.

Finding 2b. The CFO meets with all staff that oversee the subgrantees at least twice a year. In these meetings monitoring plans are created and evaluated, information is shared, and progress is reviewed.

**Finding 3.  
Indirect rates not approved.**

POLI concurs with the finding and acknowledges that the provisional indirect cost rate agreement documentation was not current. POLI management was not aware of this issue until the OIG agreed upon procedures review. POLI charges actual indirect costs incurred equally to all cost centers. Therefore, since the ICR agreements are now approved and only actual indirect costs were charged, there should be no questioned costs. POLI had provided the documentation regarding the ICR to CNCS with each new grant and renewal. The issue that the document was out of date was never raised by CNCS. We have subsequently worked with the Corporation and the Department of Health and Human Service, and POLI has received final indirect cost rates for the years in question.

Finding 3a. Currently, we are in compliance and have a predetermined rate for FY2009.

Finding 3b. As part of our annual year-end and audit report preparation, we have included the completion of the annual ICR proposal as an action item.



**Finding 4.**

**Costs claimed not included in original or amended budgets, incurred prior to the grant period, unallowable, unsupported, or paid in violation of POL policies.**

POLI concurs with the finding. It was during the initial merger integration period that the majority of the findings occurred. On August 1, 2007 the Points of Light Foundation and HandsOn Network (HON) merged. Post merger, there were standard integration activities including the consolidation of legacy POLF and legacy HON CNCS grants, finalizing policies and procedures for the newly merged organization, as well as coordination across two locations with different IT systems. Having completed integration, POLI now has clear policies and procedures for the merged entity.

Finding 4a.i VISTA travel reimbursement paid prior to grant period total \$377. It is possible that the \$377 is a reflection of missed efforts related to the sequencing and aligning of the two VISTA grants.

Finding 4a.ii Unallowable costs. The financing charges to the grant were in error POLI acknowledges that the \$26 was over the allowable reimbursement for meals and will return the funds.

Finding 4a.iii Unsupported expense. POLI was unable to provide support for transaction. We were unable to locate the travel log for the VISTA travel reimbursement that is in question for the \$28.

Finding 4a. iv. Unsupported expenses. POLI was unable to provide support for transaction at the time of audit. Initially POLI was not able to locate the credit card for the expenses in question. We subsequently obtained a copy of the statement and we are working with the vendors to get copies of the invoices. We anticipate with additional time we will be able to gather supporting documentation.

Finding 4b. POLI has had training for staff and subgrantees on cost principles.

Finding 4c. POLI has implemented internal controls to ensure adequate documentation to support expenses

Finding 4d. POLI maintains contracts and contractual agreements supporting payments that were implemented in January 2009.

**Finding 5.**

**Late submission of Financial Status Reports (FSRs), member enrollment forms, and exit forms.**

POLI concurs with the finding and had previously identified the need to strengthen procedures to improve timely submission of information. As a response to ensure timely submission of reports, POLI has implemented an overall tracking system for all financial reports.

HandsOn AmeriCorps has strengthened procedural practices to ensure prompt, complete, and accurate financial reporting and member information by establishing alerts that heighten as the deadline nears.

5a Within all affiliate and partnership Memoranda of Agreements, an additional organizational compliance clause will ensure that all paperwork is submitted in a timely manner.



- 5b HandsOn AmeriCorps has revised policies and provides guidance for grantees to ensure timeliness. A Compliance Progressive Action Plan has been developed internally to monitor non-compliant advisory communication with the host site.

**Finding 6.**

**Missing mid-term and end-of-term member evaluation forms.**

POLI concurs with the finding. The POLI National Service Department recognizes the importance of mid and year end evaluations, and has utilized Big Tent, an internet-based communications tool, to host HandsOn AmeriCorps pertinent documents, host forums on focused issue areas and solutions, and communicate important programmatic updates and events.

The system was designed to alert programs/subgrantees on deadlines and required information.

Training is provided to new and existing host site supervisors on how to properly complete the forms. A calendar of important due dates, including the mid-year and final member evaluation due dates, is provided at the mandatory Site Supervisors Training. Due dates are also posted on the OnCorps Reports member management system whereby Site Supervisors are alerted when evaluations are missing from the member file.

- 6a Member evaluations guidance to affiliates is provided using a few methods, including our electronic system to distribute information, Big Tent grantee agreements and an annual calendar of events.
- 6b Member evaluations procedures for compliance are included in a Compliance Progressive Action Plan which has been developed internally to monitor non-compliant advisory communication with the host site.

**Finding 7.**

**Members' Contract signed after beginning of service and timesheets not signed.**

POLI concurs with the finding and acknowledges the errors associated with member service agreements and pre contract service hours. We have created policies and procedures to ensure that no member is enrolled without a signed member contract on file. Site supervisors are trained on these and other required enrollment procedures during our summer institute (3 day training), summer onboarding webinars, and direct contact with national service staff.

POLI acknowledges the unsigned member timekeeping records. As a result POLI has contracted with OnCorps, an online reporting system that brings efficiency to member timekeeping and attendance records and reporting. The online system ensures that time logs are signed by both member and supervisor, and provides greater opportunity for oversight at the national office. Members and supervisors are trained at the beginning of the service year, supported during the year by trained national staff, with an OnCorps webinar series available at any given time. We are confident with these new systems in place that errors will be minimized going forward.

However, POLI does challenge the \$5,725 questioned as a result of unsigned time logs. We have provided information from site supervisors that certify members served the hours in question.

- 7a Hands On Miami - The member in question started her term off cycle and due to a language barrier took longer to comprehend the agreement.
- Metro Volunteers - The program did not receive the contracts prior to the members engaging in service, so they were signed after the members started.
- POL - Campaign- The timesheets for the member were either lost or misplaced.
- Hands On Miami - The timesheet was inadvertently not signed by the program manager.
- Pass it along - The time logs were inadvertently not signed by the AmeriCorps Supervisor at the time for all the projects and programs.



7b POLI has created policies and procedures to ensure that no member is enrolled without a signed member contract on file. Site Supervisors are trained on these and other required enrollment procedures during our summer institute (3 day training), summer on-boarding webinars, and direct contact with national service staff.

7c POLI has contracted with OnCorps, an online reporting system that brings efficiency to member timekeeping and attendance records and reporting. The online system ensures that time logs are signed by both member and supervisor and provides greater opportunity for oversight at the national office. Members and Supervisors are trained at the beginning of the service year, supported during the year by trained national staff with OnCorps webinar series also available at any given time. As a result, we are confident that these types of errors will be minimized going forward. However, POLI challenges the \$5,725 questioned as a result of unsigned time logs as we have provided information from site supervisors, who were there at the time, that certify members served those hours.

**Finding 8.**  
**Inadequate evidence of citizenship/legal residency**

POLI disagrees with the finding as we followed the requirements for VISTA eligibility documentation as outlined in My AmeriCorps portal, and requirements provided from our State Office liaison. However, upon learning the documentation was considered insufficient to support proof of eligibility; we subsequently reached out to the Member to collect the member's birth certificate.

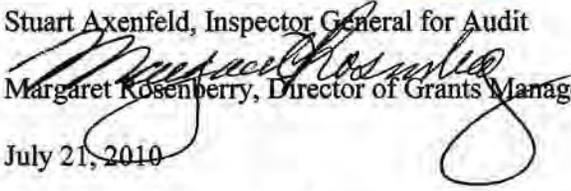
**Finding 9.**  
**Unallowable costs related to merger**

POLI disagrees with the finding. The legal costs associated with the actual merger were not charged to CNCS. The costs that are being questioned are from significantly after the merger occurred, there is one invoice from September 2007 and the majority of costs questioned occurred in January and February 2008. The summary ledger provides the description that the costs were merger related, however the detailed transaction information provides details that these costs that are being questioned are related to organizational development and integration. The merger between HandsOn Network and Points of Light occurred in August of 2007. These costs are related to post-merger integration and related to an all staff retreat and Board meeting.

**APPENDIX B**

**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:** July 21, 2010  
**Subject:** Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the Points of Light Foundation

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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 Points of Light Foundation (POL). The Corporation reviewed the OIG report, met with the auditors and the grantee and reviewed the POL draft response to the audit. We are addressing all draft findings at this time. In general, we agree with the OIG recommendations and reviewed a preliminary corrective action plan from POL. The plan does not adequately address the audit findings and we are working with POL to strengthen the plan before we approve it. Once approved, we will require POL to implement it within 120 days.

**Finding 1. Accounting system is not adequate to account for Federal funds.**

**Recommendation 1:** The auditors recommend that the Corporation:

- 1a. Perform a reconciliation, for each POL grant, between the General Ledger and the PMS drawdowns to determine whether the grants were over-drawn and recover these amounts;
- 1b. Resolve the questioned costs of \$8,325 and recover disallowed costs;
- 1c. Ensure POL improves its accounting system to record by grant, Federal and match costs separately with a record-keeping system to identify the source documentation;
- 1d. Ensure POL reconciles the general ledger to the Financial Reports and drawdowns to the Federal share; and
- 1e. Provide guidance to POL to include all costs, Federal and match, in its Financial Reports.

**Corporation Response:** The Corporation generally agrees with the recommendations and will determine if the questioned \$8,325 was charged twice. If so, we will disallow duplicate costs. POL needs to fully use the capabilities of its accounting system to properly track and segregate its Federal grants and accurately reconcile and report expenses between the Federal Financial Report and its general ledger. Their procedures should incorporate requirements to perform a full reconciliation of the general ledger to the FFR and to include all costs when completing and submitting FFRs. However, we don't agree with Recommendation 1a as written. The issue is related to cash management, not necessarily reconciliation. Under Federal rules, grantees may not draw funds from the Payment Management System in excess of immediate needs. POL must ensure that it draws funds from the HHS system only as it needs them. HHS monitors cash management through the disbursement report grantees submit quarterly to the payment system. At the end of the grant, the Corporation ensures that grant expenditures as reported on the FFR reconcile to amounts drawn down from HHS. To ensure POL complies with cash drawdown and expenditure requirements, we will require the organization to develop written procedures for determining amounts to access in the HHS system based on actual expenditures as recorded in the general ledger.

**Finding 2. Affiliate monitoring visits not performed in accordance with the POL policies.**

**Recommendation 2:** The auditors recommend that the Corporation:

- 2a. Ensure that POL enhance its policies to incorporate alternative procedures when staff resources adversely affect its ability to perform annual onsite monitoring of all affiliates. Alternative procedures could include desk reviews.
- 2b. Ensure that POL's use of alternative procedures be documented and approved by a senior POL official.

**Corporation Response:** During a review of POL's site monitoring documentation, the auditor found that POL did not comply with its own site monitoring policies and procedures and failed to perform or fully perform site visits in three consecutive program years. The Corporation concurs with the finding and recommendations and will work with POL to implement them within 120 days.

**Finding 3. Indirect rates not approved**

**Recommendation 3:** The auditors recommend that the Corporation:

- 3a. Resolve the questioned costs of \$509,536, and recover disallowed costs;
- 3b. Ensure that POL develops effective documented control procedures for the submission and negotiation of Indirect Cost Proposals; and
- 3c. Ensure that Corporation grant officers do not allow recovery of administrative cost in excess of the regulatory limit without a NICRA.

**Corporation Response:** The auditors questioned \$509,536 of Federal claimed indirect costs because they were based on a provisional, rather than a final indirect cost rate. The Corporation agrees that POL should have finalized its provisional rates each year and it has now done so. On May 28, 2010, we received notification of the final rates from HHS for the periods covering the dates of the audit. OIG staff also received the final rate and has indicated they will confirm the rate application when they issue this report as final. We will base our determination of allowable amounts on the OIG confirmation. From discussions with OIG to date, we anticipate allowing the costs. The Corporation will require POL to develop and implement accounting procedures within 120 days to ensure timely proposals are prepared and submitted and rates are negotiated for each year it claims indirect costs.

**Finding 4. Costs claimed not included in original or amended budgets, incurred prior to the grant period, unallowable, unsupported, or paid in violation of POL policies.**

**Recommendation 4:** The auditors recommend that the Corporation:

- 4a. Resolve the questioned costs, \$15,285 and recover disallowed costs;
- 4b. Ensure that POL provides additional training to its staff and affiliates on the Cost Principles and grant provisions, including the requirements for the budget, donations, entertainment, and interest;
- 4c. Ensure that POL maintains adequate support for the Federal and match costs; and
- 4d. Provide guidance to POL regarding contractual agreements and internal policies to ensure that payments are made in a manner that is consistent with its policies and procedures.

**Corporation Response:** The Corporation agrees with the recommendations and will disallow any questioned costs that are unsupported or for unallowable expenditures. To date, POL has not provided supporting documentation that was unavailable during the audit that would allow the

Corporation to approve the costs. POL has also indicated that it has trained its staff on the Cost Principles and implemented internal controls to ensure adequate documentation for expenditures and procedures for contracting and payment processing. The Corporation will confirm implementation within 120 days.

**Finding 5. Late submission of Financial Status Reports (FSRs), member enrollment forms, and exit forms.**

**Recommendation 5:** The auditors recommend that the Corporation ensure that POL:

- 5a. Strengthens its procedures and reminders to affiliates to ensure prompt and complete financial reporting, as well as member information; and
- 5b. Provides guidance, during its affiliate training, on proper and timely completion and submission of enrollment and exit forms.

**Corporation Response:** In the course of the audit, auditors found numerous instances of late financial and member entrance and exit reporting. The Corporation agrees and will work with POL to ensure that it provides written guidance and training to its staff and affiliates on all financial and member reporting requirements and develops and implements monitoring policies and procedures to ensure affiliate compliance with reporting due dates.

**Finding 6. Missing mid-term and end-of-term member evaluation forms.**

**Recommendation 6:** The auditors recommend that the Corporation ensure that POL:

- 6a. Provide guidance, during its affiliate training, to ensure that required evaluations are completed and discussed with the member in a timely manner; and
- 6b. Develop procedures to ensure that affiliates conduct and maintain records of mid-term and end-of-term evaluations of each member according to AmeriCorps Provisions.

**Corporation Response:** The Corporation concurs with the finding and recommendations and will work with POL to ensure that it issues guidance and trains staff on the requirements to perform and maintain documentation of mid-term and end-of-term evaluations. Additionally, the Corporation will ensure that POL has monitoring procedures in place to ensure that affiliates are compliant with the requirement.

**Finding 7. Members' contract signed after beginning of service and timesheets not signed.**

**Recommendation 7:** The auditors recommend that the Corporation:

- 7a. Resolve the questioned costs, \$3,032, questioned education awards of \$5,725 and recover disallowed costs;
- 7b. Ensure POL requires affiliates to have members sign the contract prior to starting service; and
- 7c. Ensure POL trains its affiliates on member timekeeping and attendance records and strengthens procedures to ensure that timesheets are signed by members and individuals with oversight responsibilities.

**Corporation Response:** The Corporation agrees that member contracts need to be signed as members begin their service to ensure they understand their rights and responsibilities. POL has indicated it created policies to ensure member contracts are signed before members begin service and is implementing a new on-line timekeeping system. We will confirm implementation with 120 days.

We also agree that timesheets must be signed by both the member and supervisor and maintained to document completion of service hours. To date, POL has not provided sufficient documentation, such as confirmation from the supervisor, to determine the hours were served. Unless we get appropriate support, we will disallow the \$3,032 in living allowance payments and \$5,725 in education awards.

**Finding 8. Inadequate evidence of citizenship/legal residency**

**Recommendation 8:** The auditors recommend that the Corporation:

- 8a. Resolve the questioned education award and recover disallowed costs;
- 8b. Provide POL adequate guidance on VISTA member eligibility and maintenance of members' records;
- 8c. Revise VISTA regulations to describe the documents necessary for establishing citizenship and legal permanent residency, similar to Subtitle C programs in 45 CFR § 2522.200; and
- 8d. Ensure that POL provides additional training to its employees to ensure they are familiar with the requirements regarding documentation supporting U.S. citizenship.

**Corporation Response:** The VISTA citizenship documentation requirements were different from the AmeriCorps State/National requirements and POL was following the VISTA eligibility policies as previously directed. However, in response to another audit, the Corporation recognized that VISTA must follow the AmeriCorps State/National citizenship documentation requirements for eligibility for the education award. We are currently revising the requirements as recommended by OIG. We also worked with POL to secure a birth certificate for the member and confirmed the member is a U.S. citizen. Therefore the education award is allowed.

**Finding 9. Unallowable organization costs related to the merger of the Points of Light Foundation and the Hands On Network.**

**Recommendation 9:** The auditors recommend that the Corporation:

- 9a. Resolve the questioned costs, \$20,107, and recover disallowed costs; and
- 9b. Ensure that Points of Light provides additional training to its staff on allowable and unallowable costs.

**Corporation Response:** The Corporation agrees that the \$20,017 claimed for expenditures related to the merger are generally unallowable unless approved in the grant budget or by the awarding agency in advance. We would not have approved the costs in either case and they are disallowed. We will ensure POL trains its staff appropriately and also establishes better controls over budget amendments and cost approvals.

**Cc:** William Anderson, Chief Financial Officer  
Frank Trinity, General Counsel  
John Gomperts, Director of AmeriCorps  
Bridgette Roy, Administrative Assistant, OCFO