

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES OF CORPORATION FOR NATIONAL
AND COMMUNITY SERVICE GRANTS AWARDED TO THE AMERICAN
SAMOA SPECIAL SERVICES COMMISSION

OIG REPORT 11-06



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Reed & Associates, Inc.

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Manassas, VA 20110-8411

This report was issued to Corporation management on January 21, 2011. 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 July 21, 2011 and complete its corrective actions by January 21, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

January 21, 2011

TO: John Gomperts
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

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

SUBJECT: *OIG Report 11-06, Agreed-Upon Procedures Review of Corporation Grants Awarded to American Samoa Special Services Commission*

Attached is the final report for the above-noted agreed-upon procedures, which were performed for the OIG under contract by the independent certified public accounting firm of Reed & Associates (Reed). The contract required Reed to conduct its review in accordance with generally accepted government auditing standards.

The OIG issued a Management Alert to the Corporation on September 23, 2010, that contained a preliminary summary of our findings and recommended that the Corporation place an immediate hold on grant ASSSC's drawdowns and prepare to terminate the grants. The Corporation placed a manual hold on ASSSC's Payment Management System account, effective September 24, 2010, but has not yet made a decision on terminating the grants.

Reed is responsible for the attached report, dated August 27, 2010, and the conclusions expressed therein. The agreed-upon procedures, unlike an audit in accordance with U.S. generally accepted auditing standards, was not intended to enable us to express opinions on ASSSC's Consolidated Schedule of Awards and Claimed and Questioned Costs or the Subgrantees' Schedule of Awards and Claimed and Questioned Costs, conclusions on the effectiveness of internal controls, or compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by July 21, 2011. Notice of final action is due by January 21, 2012.

If you have questions about this report, please call me at (202) 606-9360.

Attachment

cc: Mine S. Pase, Executive Director, American Samoa Special Services Commission
Anthony Babauta, Assistant Secretary for Insular Areas
Mary Kendall, Acting Inspector General, DOI
Robert Dantini, Director Territorial Auditor
William Anderson, Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial
Management, CNCS
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS
Bridgette Roy, Administrative Assistant, CNCS
Deirdre M. Reed, President, Reed & Associates
U. S. Department of the Interior, Office of Insular Affairs

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Reed & Associates (RA) to perform agreed-upon procedures of grant costs and compliance testing for Corporation-funded Federal assistance provided to the American Samoa Special Services Commission (ASSSC or the Commission). The Corporation has awarded almost \$7 million in AmeriCorps grants to ASSSC since 2001.

American Samoa, a U.S. Territory, is located 2,600 miles southwest of Hawaii and consists of seven islands (see fig. 1). Due to its location and the difference in time zones, it is difficult for the Corporation and ASSSC to interact. ASSSC is established under Executive Order Number 003-2006 which refers to Articles IV, Sections 6 and 7 of the Revised Constitution of American Samoa which states:

Section 6. Executive regulations. The Governor shall have the power to issue executive regulations not in conflict with laws of the United States applicable to American Samoa, laws of American Samoa, or with this Constitution.

Section 7. Supervision and control by Governor. The Governor shall have general supervision and control of all executive departments, agencies and instrumentalities of the Government of American Samoa.

Based on language in the Constitution, it is our assessment that ASSSC falls within the structure of the American Samoa State Government.

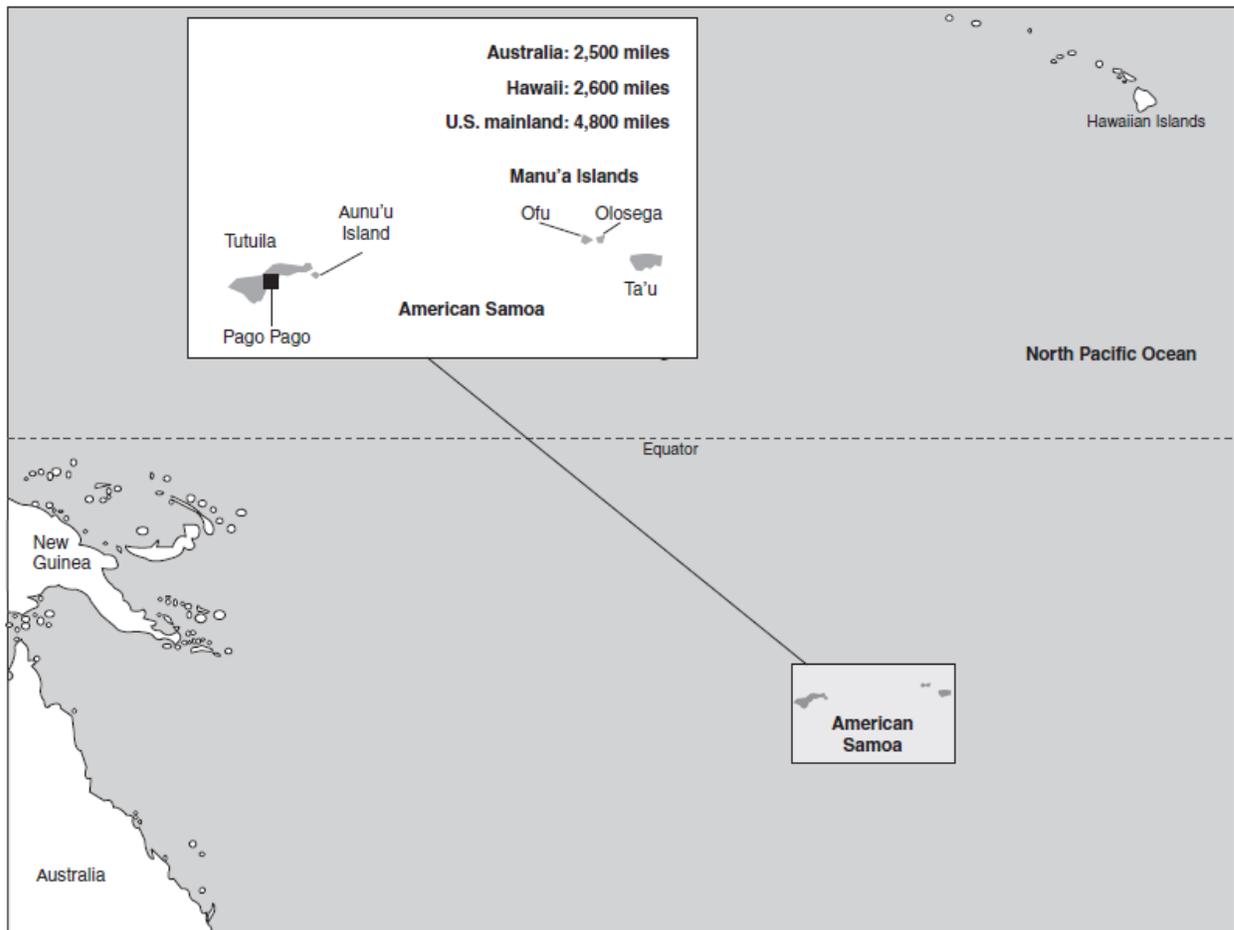
The Government Accountability Office (GAO) issued an audit report in December 2004 that recommended the American Samoa State Government be classified as a high-risk grantee. This recommendation was consistent with a previous year audit recommendation from the Department of Education. The results of our engagement are consistent with the high risk designation recommended in the GAO report.

Our observations during fieldwork revealed serious deficiencies in all facets of the program. Staff and management at ASSSC and its subgrantees demonstrated a lack of knowledge of cost principles, grant provisions, and general grant and accounting guidelines. ASSSC did not have a clear understanding of its own organizational structure and how it related to the

State Government. The Commission was under the impression that it was a non-profit organization, rather than a state agency.

The OIG issued a Management Alert to the Corporation on September 23, 2010, that contained a summary of our findings and recommended that the Corporation place an immediate hold on grant drawdowns and prepare to terminate the ASSSC grants. The Corporation placed a manual hold on ASSSC's Payment Management System (PMS) account, effective September 24, 2010. The recommendations contained in this report are based on the assumption that the grants continue.

Figure 1: Map Showing Location of American Samoa



Sources: 1992 MAGELLAN GeographixSM Santa Barbara, CA, and GAO.

Results

As a result of applying our procedures, we identified the following 14 findings:

1. ASSSC and its subgrantees lacked financial management systems to account for Federal costs. One subgrantees' source documentation was limited to copies of check stubs.
2. ASSSC did not comply with numerous administrative rules, including the lack of a formal process to competitively select and monitor its subgrantees. It further did not notify the Corporation of programmatic changes or changes to budgets and did not consistently submit its financial reports as required by the grants.
3. ASSSC and its subgrantees lacked policies, procedures, and internal controls to ensure the safeguarding of grant funds and assets.
4. ASSSC and its subgrantees claimed numerous unallowable and unsupported costs.
5. ASSSC made payroll, travel and equipment purchase advances several months prior to the applicable payroll period or the actual purchase, and had no procedures or internal controls in place to reconcile advances to actual costs incurred.
6. Excessive per-diem payment and costs for personal air travel were pervasively claimed to the grants.
7. Purchased equipment, including laptop and desktop computers, were found to be at the homes of Commission and subgrantee personnel.
8. Subgrantee staff was paid overtime in violation of its established policies.
9. Subgrantees did not always maintain adequate member eligibility documentation.
10. Member service hours included unallowable activities and personal vacation days.
11. Subgrantees had weaknesses in member timekeeping procedures and, in some instances, timesheets did not support member eligibility for education awards. Unallowable labor costs for administrative personnel were also claimed.
12. Subgrantees lacked oversight of members and were unaware of their day-to-day activities.
13. Rent payments involving one subgrantee and its parent organization were made in less than arm's length transactions.
14. One subgrantee used members to raise funds for its parent organization and allowed other grant program income to be submitted to its parent organization.

We questioned claimed Federal-share costs of \$310,249. We also questioned education awards related to members' service under the terms of the grant, but funded outside of the

grant, of \$79,745. A questioned cost is an alleged violation of a 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, includes costs not supported by adequate documentation. Detailed results of our agreed-upon procedures on claimed costs are presented in Exhibit A *Consolidated Schedule of Claimed and Questioned Costs*, and supporting schedules.

Our review entailed transaction testing to determine whether costs were allowable, allocable, and reasonable. We reviewed a total of 160 transactions. Sixty of ASSSC's transactions were reviewed, 52 of which contained questionable costs. One hundred transactions were examined at the subgrantees, of which 51 contained questionable costs. We also reviewed 38 member files for compliance with eligibility requirements and regulations on the payment of living allowances. We found exceptions in each member tested, resulting in questioned living allowances and education awards. The specific types of instances of non-compliance with grant requirements are summarized below.

Agreed-Upon-Procedures Scope

We performed the agreed-upon procedures detailed in the OIG's *Agreed-Upon Procedures (AUP) Program for Corporation Awards to Grantees (including subgrantees)*, dated April 2010. Our procedures covered testing of the following grants:

Grant Program	Award No.	Award Period	AUP Period	Total Award During AUP Period
Administrative	10CAHAS001	1/1/2010 – 12/31/2010	1/1/2010 – 6/30/2010	\$159,853
Program Development and Training (PDAT)	09PTHAS001	1/1/2009 – 12/31/2011	1/1/2009 – 6/30/2010	\$121,767
Disability	09CDHAS001	1/1/2009 – 12/31/2011	1/1/2009 – 6/30/2010	\$43,929
Recovery Act-Formula	09RFHAS001	7/1/09 – 6/30/10	7/1/2009 – 6/30/2010	\$375,793
AmeriCorps – Formula	05AFHAS001	10/1/2005 – 9/30/2012	4/1/2008 – 3/31/2010	\$1,713,218
AmeriCorps – Competitive	09ACHAS001	10/1/2009 – 9/30/2012	10/1/2009 – 3/31/2010	\$84,695

We performed onsite testing at ASSSC and two subgrantee sites from August 2, 2010, through August 10, 2010. We performed a limited site review at a third subgrantee on August 10, 2010. Remote testing was later performed from August 12 through August 27, 2010.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to State Commissions and National Direct Grantees to assist in the creation of full-time and part-time national and community service programs. Participants who have completed their term of service are offered an educational award. The amount of the award is based on the participant's term of service.

ASSSC is considered a State commission. The American Samoa Governor has direct authority over ASSSC per the American Samoa Revised Constitution. ASSSC currently has four subgrantees that are receiving funding through the AmeriCorps grants. The current grants are the AmeriCorps Formula and Competitive grants. An AmeriCorps Recovery Act grant expired in June 2010. Subgrantees under ASSSC provide community services throughout American Samoa ranging from the eradication of predatory plants to assisting local schools by providing tutors to develop reading skills. The Corporation has provided almost \$7 million in funding to ASSSC since 2001.

Exit Conference

We discussed the contents of the draft report with the Corporation and ASSSC at an exit conference via telephone on November 1, 2010. We summarized ASSSC's and the Corporation's comments following each finding and have included their comments verbatim in Appendices A, and B, respectively.



REED & associates
CPAs and Consultants

August 27, 2010

Corporation for National and Community Service
Office of the Inspector General
1201 New York Avenue, NW, Room 830
Washington, DC 20520

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

We have performed the procedures detailed in the OIG's *Agreed-Upon Procedures (AUP) for Corporation Awards to Grantees (including Subgrantees)*, dated April 2010. These procedures were agreed to by the OIG solely to assist it in grant costs and compliance testing of Corporation-funded Federal assistance provide to ASSSC for the awards shown below.

This AUP engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or any other purpose.

Our procedures covered testing of the following awards:

Grant Program	Award No.	Award Period	AUP Period	Total Award During AUP Period
Administrative	10CAHAS001	1/1/2010 – 12/31/2010	1/1/2010 – 6/30/2010	\$159,853
PDAT	09PTHAS001	1/1/2009 – 12/31/2011	1/1/2009 - 6/30/2010	\$121,767
Disability	09CDHAS001	1/1/2009 – 12/31/2011	1/1/2009 – 6/30/2010	\$43,929

Grant Program	Award No.	Award Period	AUP Period	Total Award During AUP Period
Recovery Act-Formula	09RFHAS001	7/1/09 – 6/30/10	7/1/2009 – 6/30/2010	\$375,793
AmeriCorps – Formula	05AFHAS001	10/1/2005 – 9/30/2012	4/1/2008 – 3/31/2010	\$1,713,218
AmeriCorps – Competitive	09ACHAS001	10/1/2009 – 9/30/2012	10/1/2009 – 3/31/2010	\$84,695

Results of Agreed-Upon Procedures

We questioned claimed Federal-share costs of \$310,249. 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, includes costs not supported by adequate documentation.

We questioned education awards of \$79,475. Grant participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and repayment of student loan interest accrued during the term of service from the Corporation's National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our AUP, and using the same criteria as claimed costs, we determined the effect of our findings on education and accrued interest award eligibility. None of the grant participants we questioned had accrued any student loan interest.

Detailed results of our AUP on claimed costs are in Exhibit A and the supporting schedules. We were not engaged to and did not perform an examination, the objective of which would be expression of an opinion on the subject matter. 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.

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

Reed & Associates, CPAs, Inc.

August 27, 2010

Exhibit A

**American Samoa Special Services Commission
Corporation for National and Community Service Awards
Consolidated Schedule of Claimed and Questioned Costs**

Grant Number	Program	Total Funding	Costs Claimed for Audit Period	Costs Questioned	Education Awards Questioned	Reference
10CAHAS001	Administrative Grant	\$ 250,000	\$ 159,853	\$ 40,023		Schedule A
09PTHAS001	PDAT	158,919	121,767	27,718		Schedule B
09CDHAS001	Disability	94,496	43,929	33,883		Schedule C
09RFHAS001	Recovery Act-Formula	424,459	375,793	83,876	\$ 37,800	Schedule D
05AFHAS001	AmeriCorps – Formula	3,724,518	1,713,218	94,061	41,675	Schedule E
09ACHAS001	AmeriCorps – Competitive	182,926	84,695	30,688		Schedule F
TOTAL		<u>\$4,835,318</u>	<u>\$2,499,255</u>	<u>\$310,249</u>	<u>\$ 79,475</u>	

American Samoa Special Services Commission
Schedule of Claimed and Questioned Costs
Administrative Grant

			Notes
Claimed Costs		\$ 159,853	
Less: Questioned Costs:			
Per-Diem	\$31,622		1
Airfare	3,869		2
Food	200		3
Equipment & Supplies	1,300		4
Unsupported	5,370		5
Other	<u>(2,338)</u>		6
Questioned Costs		<u>\$ 40,023</u>	

NOTES:

1. ASSSC paid travelers, and claimed to the grant, per-diem in excess of the number of days needed to achieve the objectives of the travel. The excess days included days in which Commission staff or Commissioners were no longer performing duties on behalf of the Commission, but were engaged in personal travel while on the U.S. mainland. These trips were also questionable because they were not in the grant award budget, not allocable to the grant or not properly supported. These questioned costs are discussed under Finding No. 7.A.
2. ASSSC claimed charges for airfare that were not properly supported and also included travel for personal trips. These questioned costs are discussed under Finding No. 7.B.
3. ASSSC claimed costs for food purchases that were not properly supported. These questioned costs are discussed under Finding No. 7.C.

4. ASSSC claimed costs for computer and office supplies that were either not properly supported or were not included in the award budget. These costs are discussed under Finding No. 7.D.
5. ASSSC claimed various types of costs that were not properly supported and are discussed under Finding No. 7.E.
6. ASSSC improperly claimed costs totaling \$2,738 to other grants when they should have been claimed to the Administrative Grant. As a result, we upwardly adjusted the questioned costs. In addition, we noted costs totaling \$400 that had been included in the Administrative Grant that were not in the award budget. These costs were offset against the upward adjustment. These costs are discussed under Finding No. 7.E.

American Samoa Special Services Commission

Schedule of Claimed and Questioned Costs

PDAT Grant

			Notes
Claimed Costs		\$ 121,767	
Less: Questioned Costs			
Per-Diem	\$13,994		1
Airfare	3,262		2
Food	2,000		3
Equipment & Supplies	2,123		4
Other	6,245		5
Payroll	<u>94</u>		6
Questioned Costs		<u>\$ 27,718</u>	

NOTES:

1. ASSSC paid travelers, and claimed to the grant, per-diem in excess of the number of days needed to achieve the objectives of the travel. The excess days included days in which Commission staff or Commissioners were no longer performing duties on behalf of the Commission, but were engaged in personal travel while on the U.S. mainland. These trips were also questionable because they were not in the grant award budget, not allocable to the grant or not properly supported. These questioned costs are discussed under Finding No. 7.A.
2. ASSSC claimed charges for airfare that were not properly supported and also included travel for personal trips. These questioned costs are discussed under Finding No. 7.B.
3. ASSSC claimed costs for food purchases that were not allocable to the grant and in some cases, not properly supported. These questioned costs are discussed under Finding No. 7.C.

4. ASSSC claimed costs for computer and office supplies that were either not properly supported or were not included in the award budget. We also noted that computers purchased with grant funds were found at the homes of Commission staff. These costs are discussed under Finding No. 7.D.
5. ASSSC claimed other costs that were either not allocable, not in the award budget or were not properly supported. These costs are discussed under Finding No. 7.E.
6. ASSSC paid its Program Development and Training (PDAT)/Disability Coordinator \$188 more than authorized per her contract. This overpayment was claimed evenly to the PDAT and Disability grants. Therefore, each grant was overclaimed \$94. These questioned costs are discussed under Finding No. 8.

American Samoa Special Services Commission
Schedule of Claimed and Questioned Costs
Disability Grant

			Notes
Claimed Costs		\$ 43,929	
Less: Questioned Costs			
Per-Diem	\$20,006		1
Airfare	2,500		2
Food	2,600		3
Equipment & Supplies	5,422		4
Unsupported	2,861		5
Other	400		6
Payroll	<u>94</u>		7
Questioned Costs		<u>\$33,883</u>	

NOTES:

1. ASSSC paid travelers, and claimed to the grant, per-diem in excess of the number of days needed to achieve the objectives of the trip. The excess days included days in which Commission staff or Commissioners were no longer performing duties on behalf of the Commission, but were engaged in personal travel while on the U.S. mainland. We also found that the per-diem included costs for international travel outside of the United States. These trips were also questionable because they were not in the grant award budget, not allocable to the grant or not properly supported. These questioned costs are discussed under Finding No. 7.A.

2. ASSSC claimed charges for an advance to a Commission employee for airfare. The advance was not properly supported and was not allocable or included in the grant award budget. This questioned cost is discussed under Finding No. 7.B.
3. ASSSC claimed costs for food purchases that were not properly supported and lacked justification for the costs to the grant. These questioned costs are discussed under Finding No. 7.C.
4. ASSSC claimed costs for computer and office supplies that were either not properly supported, not allocable or were not included in the award budget. These costs included advances to employees, but the advance had never been fully liquidated. In addition, there were purchases made for a computer and a laptop that were found at the home of a Commission staff person, and for an iPod. These costs are discussed under Finding No. 7.D.
5. ASSSC claimed various types of costs that were not properly supported and are discussed under Finding No. 7.E.
6. ASSSC claimed costs to the grant for janitorial and notary services which are not allocable to the grant. We also found that the majority of these costs were not properly supported. These costs are discussed under Finding No. 7.E.
7. ASSSC paid its PDAT/Disability Coordinator \$188 more than authorized per her contract. This overpayment was claimed evenly to the PDAT and Disability grants. Therefore, each grant was overclaimed \$94. These questioned costs are discussed under Finding No. 8.

Subgrantees to American Samoa Special Services Commission

Schedule of Claimed and Questioned Costs

Recovery Grant

	Jungle Busters	Read to Me Samoa	Total	Notes
Claimed Costs			\$ 375,793	
Less: Questioned Costs				
Living Allowances	\$35,000	\$30,691		1
Airfare		236		2
Food	609	529		3
Equipment & Supplies	528	978		4
Unsupported		1,215		5
Other	662	7,822		6
Program Income		1,489		7
Administrative Fee	<u>1,936</u>	<u>2,181</u>		8
Questioned Costs	<u>\$38,735</u>	<u>\$45,141</u>	<u>\$ 83,876</u>	
Questioned Education Awards	\$18,900	\$18,900	\$ 37,800	1

NOTES:

1. Testing at both subgrantees, Jungle Busters and Read to Me Samoa, disclosed numerous exceptions related to living allowance payments and education awards for AmeriCorps members. These exceptions resulted in questioned living allowances and education awards. The types of exceptions noted included members whose files lacked required eligibility documentation, and service hours claimed for activities that did not benefit the program. These exceptions are discussed under Finding No. 2.

2. An advance was paid to the Program Director at Read to Me Samoa to purchase an airline ticket for a conference. The actual costs, however, were less than the advance. The difference of \$236 was questioned as unsupported. These questioned costs are discussed under Finding No. 7.A.
3. The costs for food purchases at Jungle Busters included transactions that were either unsupported or not allocable to the Recovery Act grant. The costs for food purchases at Read to Me Samoa included transactions where costs were allocated to the Recovery Act grant when they should have been allocated to the formula grant. These questioned costs are discussed under Finding No. 7.C.
4. Jungle Busters allocated a portion of fax and printer cartridge costs to the Recovery Act grant which should have been claimed to the competitive grant. Read to Me Samoa purchased a fax machine and laptop and allocated all the costs to the Recovery Act grant. The laptop was at the home of one of the employees and the fax was used by the fiscal officer. We questioned the allocation of the fax machine solely to the Recovery Act grant and concluded that the laptop was not allocable to the grant since it was not used at the office. These questioned costs are discussed under Finding No. 7.D.
5. A payment by Read to Me Samoa to its parent organization was not properly supported. These costs are discussed under Finding No. 7.E.
6. Costs of \$662 claimed to the Recovery Act grant by Jungle Busters at the end of the grant were claimed in the attempt to exhaust the available funds. Instructions from the Board of Directors were provided to the fiscal officer that, once the funds had been received into the Recovery Act grant's bank account, she was to shift the costs to the competitive grant's bank account.

Costs claimed to the Recovery Act grant for Read to Me Samoa included costs for the renovation of the new office space. These costs were the responsibility of the parent organization and should not have been claimed to the grant. Costs questioned also included rent paid to the parent organization in a less than arms-length type transaction. The costs questioned for Jungle Busters and Read to Me Samoa are discussed under Finding No. 7.E.

7. Read to Me Samoa utilized AmeriCorps members and administrative staff for a fund raising event. Proceeds from this event were provided to the parent organization and therefore were not credited to the grant. The American Samoa Government paid for one-half of the AmeriCorps members' FICA. This payment also was provided to the parent organization and therefore was not credited to the grant. The income is discussed under Finding No. 9.
8. The Administrative Fees questioned are the result of the questioned costs from notes 1 through 6 above, multiplied by 5.26 percent. Administrative costs are recovered by grantees and subgrantees by applying this percentage to costs claimed. Therefore, the question costs must also include the administrative fees that had been claimed.

Subgrantees to American Samoa Special Services Commission

Schedule of Claimed and Questioned Costs

Formula Grant

	Jungle Busters	Read to Me Samoa	Total	Notes
Claimed Costs			\$1,713,218	
Less: Questioned Costs				
Living Allowances	\$30,129	\$31,385		1
Per-Diem		4,444		2
Airfare		1,529		3
Food		(29)		4
Equipment & Supplies		(228)		5
Unsupported	10,327	1,175		6
Other		(135)		7
Payroll		1,892		8
Program Income		9,338		9
Administrative Fee	<u>2,128</u>	<u>2,106</u>		10
Questioned Costs	<u>\$42,584</u>	<u>\$51,477</u>	<u>\$ 94,061</u>	
Questioned Education Awards	\$27,500	\$14,175	\$ 41,675	1

NOTES:

1. Testing at both subgrantees, Jungle Busters and Read to Me Samoa, revealed numerous exceptions related to living allowance payments and education awards to AmeriCorps members. These exceptions resulted in questioned living allowances and education awards. The types of exceptions noted included members whose member files lacked required eligibility documentation, and service hours claimed for activities that did not benefit the program. These exceptions are discussed under Finding No. 2.

2. There were two trips to conferences that lacked sufficient documentation, so we were unable to determine the need for the per-diem given to the traveler. We also noted that the amounts provided to travelers were in excess of what was needed based on the dates the flights would have occurred and the dates the conferences were to have taken place. These questioned costs are discussed under Finding No. 7.A.
3. The costs for airfare included a traveler that had not been included in the award budget. The costs also included what appears to have been a personal trip to Los Angeles while on the mainland. These questioned costs are discussed under Finding No. 7.B.
4. The costs for food purchases included a total of \$500 for two events that lacked adequate documentation. These questioned costs were offset by food purchases of \$529 that had erroneously been claimed to the Recovery Act grant and should have been claimed to the formula grant. These questioned costs are discussed under Finding No. 7.C.
5. The costs for equipment were erroneously claimed to the Recovery Act grant and should have been claimed to the formula grant. These costs are discussed under Finding No. 7.D.
6. There was no supporting documentation available at Jungle Busters to support any transaction within our sample. As a result, \$10,327 is unsupported. Supporting documentation for staff development and registration fees of \$1,175 were only supported by check copies at Read to Me Samoa. These costs are also unsupported and are discussed under Finding No. 7.E.
7. There were several transactions totaling \$223 erroneously claimed to the Recovery Act grant that should have been claimed to the formula grant. There was also a payment to the parent organization's executive director for her use of her personal car. This charge was deemed not allocable to the grant. These costs are discussed under Finding No. 7.E.
8. Staff at Read to Me Samoa received overtime based on erroneous or incomplete timesheets. We also noted that the Program Director did not have a valid contract and did not complete a timesheet for the period tested. These costs are discussed under Finding No. 8.
9. Read to Me Samoa utilized AmeriCorps members and administrative staff for a fund raising event. Proceeds from this event were provided to the parent organization and therefore were not credited to the grant. Additionally, the American Samoa Government paid for half of the AmeriCorps member's FICA. This payment also was provided to the parent organization and therefore was not credited to the grant. The income is discussed under Finding No. 9.
10. The Administrative Fees questioned are the result of the questioned costs from notes 1 through 8 above, multiplied by 5.26 percent.

Jungle Busters Subgrantee to American Samoa Special Services Commission

Schedule of Claimed and Questioned Costs

Competitive Grant

		Total	Notes
Claimed Costs		\$ 84,695	
Less: Questioned Costs			
Equipment & Supplies	\$(528)		1
Advertising	649		2
Administrative Fee	6		3
Member Living Allowances	\$30,561		4
Questioned Costs		<u>\$ 30,688</u>	

NOTES:

1. The costs for a fax machine and laser printer cartridges were equally split between the Recovery Act grant and the competitive grant. However, the Recovery Act grant award budget did not contain those types of costs and therefore all costs should have been claimed to the competitive grant. These costs are discussed under Finding No. 7.D.
2. The costs included two transactions for advertising that took place prior to the award of the grant. The costs are discussed under Finding No. 7.E.
3. The Administrative Fees questioned are the result of the questioned costs from notes 1 through 2 above, multiplied by 5.26 percent.
4. Member living allowances and administrative costs were questioned due to problems with timesheets and unallowable service hours. These costs are discussed under Finding No. 2.

Results – Internal Control and Compliance

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

Finding 1 – ASSSC and its subgrantees lacked a sufficient accounting system

We performed agreed upon procedures at ASSSC and at two of its subgrantees, Read to Me Samoa and Jungle Busters. We identified weaknesses at each location in the design and the use of accounting systems, as discussed in detail below.

ASSSC

ASSSC recently purchased the latest version of Quickbooks and also paid for a consultant to train employees in the use of Quickbooks. However, based on our interaction with staff at the Commission and our observation on financial reports prepared, there is little evidence to support that there is a clear understanding of the utilization of the application.

Disbursements are entered into Quickbooks, which produces a check register. This is performed by the Financial Officer. We found this to be the only function in which ASSSC is utilizing this application. The preparation of Financial Status Reports and Federal Financial Reports (FFR) is manually performed by the Executive Director. This process is time consuming, susceptible to error and does not take into account advances paid to employees and subgrantees. The Executive Director manually adds all subgrantee drawdown requests for the period to aggregate the data for the FFRs. We found that Quickbooks was not being used for any financial reporting. We also found no evidence of successful bank reconciliations being performed at ASSSC.

Read to Me Samoa

Read to Me Samoa also has Quickbooks and uses it similarly to the Commission. Submissions to ASSSC for drawdowns are performed manually via hand-written hard copy requests. The basis for these requests is not generated from Quickbooks. Rather, they are generated from anticipated upcoming expenses. Read to Me Samoa is funded through the formula and Recovery Act grants.

Jungle Busters

Jungle Busters has a recent version of Quickbooks but, as of the date of our fieldwork, it had not downloaded the application onto its computer(s). As a result, there is no accounting system in place at Jungle Busters. Drawdown requests are submitted to ASSSC using the same hard copy form used by Read to Me Samoa. Copies of receipts supporting the requests are filed behind the requests and maintained in separate binders for separate grants. The use of these binders acts as the subgrantee's accounting system. Jungle Busters has a competitive grant, an expired formula grant and a recently expired Recovery Act grant.

It is unclear why ASSSC and its subgrantees lack formal accounting systems. During our testing of Other Direct Costs, we found numerous instances where grantee and subgrantee staff attended conferences and training events, including the 2009 Financial and Grants Management Conference in New Orleans. We also found that ASSSC had paid \$3,000 for a

consultant to assist it in learning Quickbooks; ASSSC staff stated that courses had been taken at the local community college on the use of Quickbooks.

The lack of an accounting system precludes ASSSC and its subgrantees from preparing accurate financial requests that reflect immediate need funds as discussed in Finding No. 5. The lack of an accounting system also precludes ASSSC and its subgrantees from analyzing budget to actual data by line item categories. As a result, our testing was limited to attempting to match disbursements with requests and later testing those disbursements. Ultimately, what were claimed to the Corporation were the drawdown requests.

Criteria

The 2010 AmeriCorps General Provisions, Section V.B. *Financial Management Standards* states:

The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to this grant from expenditures not attributable to this grant. The systems must be able to identify costs by programmatic year and by budget category and to differentiate between direct and indirect costs or administrative costs.

Recommendation:

We recommend that the Corporation work with the grantee and its subgrantees to implement an accounting system that meets the grant provision requirements; specifically a system with strong internal controls, the ability to produce useful financial reports for preparation of financial reports and comparison of actual to budget costs by line item and by grant.

ASSSC Response

ASSSC concurs with the finding and has taken steps to assure that its financial management system is adequate and has the ability to produce functional reports used to compare actual-to-budget costs by line item and by grant.

Auditor's Comments

The Corporation should review the reports generated from the system, and any policy or procedure changes that resulted from the change to the accounting system, to ensure the adequacy of the system.

Finding 2 – Member Compliance Requirement Exceptions

We reviewed 38 subgrantee member files and timesheets, which resulted in questioned living allowances totaling \$156,239 with an additional \$8,218 of applicable administrative costs. The exceptions noted also caused 17 education awards to be questioned totaling \$79,475. We found multiple exceptions within each member tested and therefore questioned either living allowances, education awards or both for more than one reason. We also recommended that nine active members’ education awards, not yet earned, be frozen due to eligibility exceptions. The total costs questioned by grant and subgrantee are in the following table.

Subgrantee	Grant	Questioned Living Allowance	Administrative Fee	Questioned Education Award
Jungle Busters	Formula	\$30,129	\$1,585	\$27,500
Read to Me Samoa	Formula	31,385	1,651	14,175
Grant Total		\$61,514	\$3,236	\$41,675
Jungle Busters	Competitive	29,034	1,527	0
Grant Total		\$29,034	\$1,527	\$0
Jungle Busters	Recovery	35,000	1,841	18,900
Read to Me Samoa	Recovery	30,691	1,614	18,900
Grant Total		\$65,691	\$3,455	\$37,800
Total Questioned Costs		\$156,239	\$8,218	\$79,475

The problems identified during fieldwork included timesheet discrepancies, ineligible member service hours and member eligibility exceptions summarized below.

- Unapproved timesheets – 11 instances;
- Timesheets not signed by member – 29 instances;

- Timesheet service hours included non-AmeriCorps activities. These activities included hours for general office duties at local government agencies, hours for holidays, hours for vacation, hours for non-AmeriCorps social gatherings – 38 total instances;
- Timesheet service hours included hours prior to the signing of a member contract – 22 instances;
- Lack of a criminal background check – 25 instances;
- Lack of high school diploma without a member agreement to obtain one – 3 instances;
- No evidence of member being 17 years old – 1 instance;
- No end-of-term evaluation from previous service term – 4 instances;
- No proof of U.S. National status or legal residency – 1 instance;
- Subgrantee did not follow its internal policy when it accepted a member with a criminal record) – 1 instance; and,
- Living allowance paid without service hours being performed during pay period – 2 instances.

Criteria

45 C.F.R. § 2540.200 *To whom must I apply suitability criteria relating to criminal history?* states:

You must apply suitability criteria relating to criminal history to an individual applying for, or serving in, a position for which an individual receives a Corporation grant-funded living allowance, stipend, education award, salary, or other remuneration.

45 C.F.R. § 2540.201 *What suitability criteria must I apply to a covered position?* states:

An individual is ineligible to serve in a covered position if the individual:

- (a) Is registered, or required to be registered, on a State sex offender registry or the National Sex Offender Registry; or
- (b) Has been convicted of murder, as defined in section 1111 of title 18, United States Code.

45 C.F.R. §2520.20 *What service activities may I support with my grant?* states:

- (a) Your grant must initiate, improve, or expand the ability of an organization and community to provide services to address local unmet environmental, educational, public safety (including disaster preparedness and response), or other human needs.
- (b) You may use your grant to support AmeriCorps members:
 - (1) Performing direct service activities that meet local needs.

Member hours spent during vacation, holiday or general office duties at other governmental agencies do not meet the local needs and therefore do not count toward acceptable service hours.

45 C.F.R. §2520.220(c), *Eligibility for Second Term* states that “a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without satisfactory performance evaluations.”

The lack of an end-of-term service evaluation precludes eligibility of those persons for a second term of service.

It is clearly evident that the subgrantees did not understand eligibility requirements, timekeeping requirements, or services that met the definition of allowable service activities. These errors are the responsibility of the subgrantees, but also the responsibility of the Commission. Had the Commission understood the requirements of the grants and provided ample monitoring of their subgrantees, these errors may not have occurred. In addition, the Corporation’s monitoring of the program appears to have been inadequate as well. The errors were so pervasive that we believe they should have been discovered during the Corporation’s site review that occurred in July 2009.

Recommendations:

We recommend the Corporation:

1. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs.
2. Freeze the education awards of nine active members whose eligibility is in question.
3. Instruct ASSSC to become familiar with the provisions so it can enforce the requirements of the grants during monitoring and based on its formal monitoring plan developed under Finding No. 3 below.

ASSSC Response

ASSSC concurs with the finding and states that it has taken corrective action to address each issue. It also states that some of the missing documentation has been obtained.

Auditor's Comments

We cannot comment on the corrective actions taken without knowing the details of each action. The Corporation should consider missing documentation that was obtained by ASSSC after the completion of fieldwork during the audit resolution phase.

Finding 3 – ASSSC did not properly select and monitor its subgrantees

We found that the ASSSC did not have a competitive process in place to select the formula subgrantees. ASSSC stated that it was unaware that a competitive process was required. As a result, all applicants that applied were accepted.

We also found that there was no formal process for monitoring the subgrantees once they had been selected. There were occasional phone calls where questions would be asked and there were occasional site visits, but there was nothing documented or substantive that would constitute a complete site visit, encompassing program and fiscal requirements.

Criteria

The Federal government's common rule for administration of Federal grant funds by state and local governments, 45 C.F.R. § 2541, at 45 C.F.R. §2541.40 *Monitoring and reporting program performance*, states:

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.

The 2010 AmeriCorps General Provisions, Section V.A. Responsibilities under Grant Administration states:

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.

Recommendations:

We recommend that the Corporation require ASSSC to:

1. Seek technical guidance so all staff can familiarize themselves with grant provisions specific to selecting and monitoring subgrantees.
2. Implement procedures that require all entities to undergo a selection process prior to becoming a subgrantee.

3. Implement procedures to regularly monitor subgrantees through a formal process that includes all facets of the grant provisions and is thoroughly documented.

ASSSC Response

ASSSC concurs with the recommendations and plans to work with the Corporation during audit resolution to revise its existing policy and implement changes and revisions that will comply with Corporation guidelines.

Auditor’s Comments

Working with the Corporation should prove beneficial in addressing the weaknesses identified during fieldwork.

Finding 4 – ASSSC and its subgrantees lack an understanding of grant provisions and adequate policies and procedures to administer the grants

Commission

We found that ASSSC did not fully comply with specific administrative requirements. The areas of non-compliance identified during fieldwork were as follows:

- Late Progress Reports – ASSSC failed to provide the Corporation with timely progress reports, as shown in the table below.

Grant	Number of Reports Late	Days Late
05AFHAS001 – Formula	1 out of 5	39 days late
09CDHAS001 – Disability	1 out of 2	10 days late
09RFHAS001 – Recovery	1 out of 5	10 days late

- Late Financial Status Reports (FSRs) – ASSSC failed to provide the Corporation with FSRs as shown below in the table.

Grant	Number of Reports Late	Range of Days Late
05AFHAS001	6 out of 9	3 to 20 days late
09CDHAS001	1 out of 2	3 days late
09PTHAS001	1 out of 3	3 days late

- Record Retention Policy – ASSSC’s General Operations and Procedures Manual, dated May 2009, contains a section entitled “Filing and Storage”. This section explains where documents are to be stored, but does not specify the period of time documents should be retained.
- Notification of Key Personnel Changes – Three program directors and two finance officers changed at various subgrantees without notification being provided to the Corporation.
- Budget modifications were not approved by the Corporation – There was one budget change in the Administrative grant, representing a 14 percent change, which did not receive prior approval from the Corporation. The reprogramming shifted funds from Supplies, Contractual and Consultant Services and Other Support Costs to Travel. The reprogramming added \$35,162 to the Administrative Travel budget.
- This occurred because the grantee did not properly analyze budget modifications and did not have a working knowledge of the grant provisions regarding budget modifications.
- Funds for training were reduced – ASSSC reprogrammed \$108 from the Training budget category to the Personnel budget category for the PDAT grant. The grantee was unaware of the restrictions placed on reprogramming funds from the Training cost category.

Subgrantees

We identified the following areas of non-compliance at the subgrantee level.

- W-2’s were prepared in error by both Read to Me Samoa and Jungle Busters. At Read to Me Samoa, one member’s 2009 W-2 was prepared based on 14 paychecks when it should have been based on only 13 paychecks. One of the Finance personnel at Read to Me Samoa stated that W-2s were only to be prepared at the end of the program. As a result, there were never any W-2s prepared or filed for members beginning in PY 2008.

- W-2s for 6 of 19 Jungle Buster members were prepared in error. The error occurred because the W-2s were prepared based on their budgeted salary, rather than their actual compensation.
- Member living allowances were not paid in equal installments at either subgrantee tested. ASSSC's Executive Director stated that she thought that living allowances did not have to be paid in equal installments and that the subgrantees were using this as a tool to reduce pay for members that did not consistently attend. As a result, members were underpaid by \$3,733 at Jungle Busters and \$2,422 at Read to Me Samoa.
- There was no evidence of pre-service orientation training at either subgrantee.
- Member contracts did not contain position descriptions at either subgrantee.
- Read to Me Samoa member contracts did not include a required section on civil rights.
- There were no member evaluations performed (mid-term or end-of-term) at Jungle Busters and only occasional mid-term evaluations performed at Read to Me Samoa.
- Member enrollment and exit forms were not submitted in a timely manner by either subgrantee.

ASSSC lacks a clear understanding of the requirements for administering the grants and the program. In fact, when discussing grant provisions with ASSSC personnel, they told us they did not know requirements of the provisions and did not have any copies of the provisions on hand. The lack of commitment to complying with grant requirements negatively impacts the program because such behavior is exhibited at all levels of the program. We observed the same types of behavior at the subgrantee level, where staff were not knowledgeable of the provisions and requirements or of their role within the AmeriCorps program.

Criteria

The Federal government's common rule for administration of Federal grant funds by state and local governments, 45 C.F.R. § 2541, at 45 C.F.R. §2541.410 *Financial Reporting*, states at subsection (b)(4) "Due date. When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period."

45 C.F.R. §2541.420 *Retention and access requirements for records* states:

- (b) Length of retention period. (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section.

(c) Starting date of retention period--(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due.

The Federal government's common rule for administration of Federal grant funds by state and local governments, 45 C.F.R. § 2541, at 45 C.F.R. §2541.300 *Changes* states:

* * *

(c) Budget changes--(1) Nonconstruction projects. Except as stated in other regulations or an award document, grantees or subgrantees shall obtain the prior approval of the awarding agency whenever any of the following changes is anticipated under a nonconstruction award:

(i) Any revision which would result in the need for additional funding.

(ii) Unless waived by the awarding agency, cumulative transfers among direct cost categories, or, if applicable, among separately budgeted programs, projects, functions, or activities which exceed or are expected to **exceed ten percent of the current total approved budget, whenever the awarding agency's share exceeds \$100,000.**

(iii) **Transfer of funds allotted for training allowances** (i.e., from direct payments to trainees to other expense categories).

(d) Programmatic changes. Grantees or subgrantees must obtain the prior approval of the awarding agency whenever any of the following actions is anticipated:

(1) Any revision of the scope or objectives of the project

(regardless of whether there is an associated budget revision requiring prior approval).

(2) Need to extend the period of availability of funds.

(3) **Changes in key persons in cases where specified in an application or a grant award.** In research projects, a change in the project director or principal investigator shall always require approval unless waived by the awarding agency.

The 2010 AmeriCorps Special Provisions, Section F. *Living Allowances, Other In-Service Benefits, and Taxes* states:

1. Living Allowance Distribution. A living allowance is not a wage. Grantees must not pay a living allowance on an hourly basis. Grantees should pay the living allowance in regular increments, such

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

Recommendations:

We recommend that the Corporation:

1. Work with ASSSC to ensure all ASSSC and subgrantee staff members understand the AmeriCorps provisions and regulations.
2. Require ASSSC to revise its policies so that procedures and controls are in place that will ensure compliance in all grant areas.
3. Instruct ASSSC to require its subgrantees to remit payment to members whose living allowance has been improperly reduced.

ASSSC Response

ASSSC concurs and has taken steps to ensure the policies and procedures are in place and comply with all grant areas. ASSSC also states that it will work with the Corporation to further understand the AmeriCorps provisions and regulations.

Auditor's Comments

We cannot comment on the steps taken without knowing the details of each action. However, working with the Corporation to further understand grant requirements should prove beneficial.

Finding 5 – Advances

We identified various types of advances during our testing of the Commission's Other Direct Costs which were charged to the Administrative, Disability and PDAT grants. They were mostly paid to staff and commissioners for travel and were generally for the per-diem portion of their trips. We also noted other types of advances under which staff received funds to make purchases while travelling to the U.S. mainland. Lastly, we noted payroll advances in which checks were issued to employees prior to the pay period. Our analysis of these advances produced the following observations.

Employee	Amount	Date	Purpose	Amount Liquidated	Balance		Date of Last Purchase or Return of Unused Balance	Days between advance and last purchase
Admin. Assistant	\$990	08/24/09	Per-diem	\$990	0		09/30/09	37
Executive Director	2,840	10/27/09	Per-diem	2,840	0		11/26/09	30
Executive Director	990	08/24/09	Per-diem	990	0		09/30/09	37
Executive Director	2,840	01/08/10	Per-diem	2,840	0		02/14/10	27
Executive Director	2,310	02/24/10	Per-diem	2,310	0		03/28/10	32
Executive Director			Registration Fee for NYC					
Executive Director	4,125	04/05/10	Conference	3,755	\$370		08/09/10	126
Executive Director	3,300	05/08/10	Per-Diem	1,895	1,405		06/25/10	48
HIS Ministries PD	1,998	11/20/2009	Computer	1,019	979	Note	03/11/2010	111
HIS Ministries PD	2,500	04/06/2010	Computer, fax, office supplies	2,503	(3)		04/26/2010	20
HIS Ministries PD	2,248	11/5/09	Per-diem	2,248	0		12/10/09	35
HIS Ministries PD	1,000	04/08/2010	Computer	885	115	Note	05/18/2010	40
Disability Coordinator	2,583	10/28/09	Airfare	2,335	248		11/03/09	5
Disability Coordinator	1,500	09/14/2009	Computer	1,657	(157)		06/18/2010	277

Note – Balance amount was reimbursed by recipient.

ASSSC did not have a system of controls in place to monitor these advances. It took substantial effort on the part of ASSSC to provide us with the documentation that supported the advances. In fact, we found costs that had been incurred against the advances that the Executive Director agreed should not have been applied to the grant(s). The use of payroll advances was pervasive and ranged from a few days in advance of the pay period to over two months in advance for all ASSSC employees, as shown in the four tables below.

Administrative Assistant

Check Date	Pay Period End Date	Check #	Advance Days
1/14/2010	1/31/2010	3700	17
1/14/2010	2/13/2010	3701	30
2/22/2010	2/27/2010	3756	5
3/4/2010	3/13/2010	3787	9
3/10/2010	3/27/2010	3788	17
4/26/2010	5/8/2010	3863	12
5/19/2010	6/5/2010	3935	17
5/28/2010	6/19/2010	3958	22

Executive Director

Check Date	Pay Period End Date	Check #	Advance Days
4/15/2009	4/25 & 5/9/2009	3234	10, 24
5/18/2009	5/23/2009	3280	5
5/22/2009	6/6/2009	3292	15
5/26/2009	6/20, 7/4 & 7/18/2009	3296	25, 39,
6/8/2009	8/1/2009	3317	54
6/8/2009	8/15/2009	3318	68
8/5/2009	8/29/2009	3380	24
9/14/2009	9/26/2009	3469	12
10/29/2009	11/7/2009	3545	9
11/9/2009	11/21/2009	3565	12
11/27/2009	12/5/2009	3596	8
12/11/2009	12/19/2009	3615	8
1/14/2010	1/31/2010	3694	17
1/14/2010	2/13/2010	3695	30
1/22/2010	2/27/2010	3720	36
2/8/2010	3/13/2010	3736	33
3/23/2010	3/27/2010	3804	4
4/28/2010	5/8/2010	3876	10
4/28/2010	5/22/2010	3877	24
5/12/2010	6/5/2010	3916	24
6/2/2010	6/19/2010	3964	17
6/7/2010	7/3/2010	3985	26
6/8/2010	7/17/2010	4003	39

Finance Officer

Check Date	Pay Period End Date	Check #	Advance Days
10/6/2009	10/10/2009	3493	4
12/16/2009	1/2/2010	3619	17
1/14/2010	1/31/2010	3697	17
1/14/2010	2/13/2010	3698	30
2/1/2010	2/27/2010	3731	26
6/1/2010	6/5/2010	3960	4
6/7/2010	6/19/2010	3984	12
6/7/2010	7/3/2010	3987	26

PDAT Disability Coordinator

Check Date	Pay Period End Date	Check #	Advance Days
11/27/2009	12/5/2009	3595	8
12/14/2009	12/19/2009	3617	5
1/12/2010	1/16/2010	3674	4
1/13/2010	1/30/2010	3683	17
1/14/2010	2/13/2010	3702	30
4/9/2010	4/24/2010	3832	15
4/26/2010	5/7/2010	3872	11
4/26/2010	5/21/2010	3873	25
5/17/2010	6/5/2010	3919	19
6/7/2010	6/19/2010	3983	12
6/7/2010	7/3/2010	3986	26

Advances are an essential way of conducting business since most personnel do not have credit cards and therefore cannot make purchases on behalf of the ASSSC and then request reimbursement. Without having established controls in place, ASSSC risks incurring costs with Federal funds that are unallowable, unallocable or not within the established award budget. In fact, we identified instances of these types of questioned costs which are discussed in Finding No. 7, "Questioned Other Direct Costs". In addition, ASSSC risks issuing advances that are never fully expended. Lastly, ASSSC is not making efficient use of Federal funds when it makes advances months prior to incurring the costs.

Criteria

The 2010 AmeriCorps General Provisions, Section V.A. *Responsibilities Under Grant Administration* states:

Accountability of the Grantee. 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.

The Commission's own policies regarding payroll advances from the March 2, 2004 Commission Meeting Minutes stated the following:

All employees are to be paid on the set payday, except the following:

- Payroll advances are allowed if the employee will be off-island for work related matters during that payday;
- Payroll advances are allowed if the employee is on authorized leave;
- Other requests for payroll advances due to any emergencies affecting the employee are left to the Executive Director's discretion and approval.

Recommendations:

We recommend that the Corporation require ASSSC to:

1. Perform a thorough analysis of transactions that were actual advances. It should determine whether the full advance has been liquidated, and if not, recover the funds that are outstanding.
2. Develop policies and procedures that limit the use of advances and the amount of time between the issuance of the advance and the incurring of costs.
3. Cease the practice of issuing payroll advances.

ASSSC Response

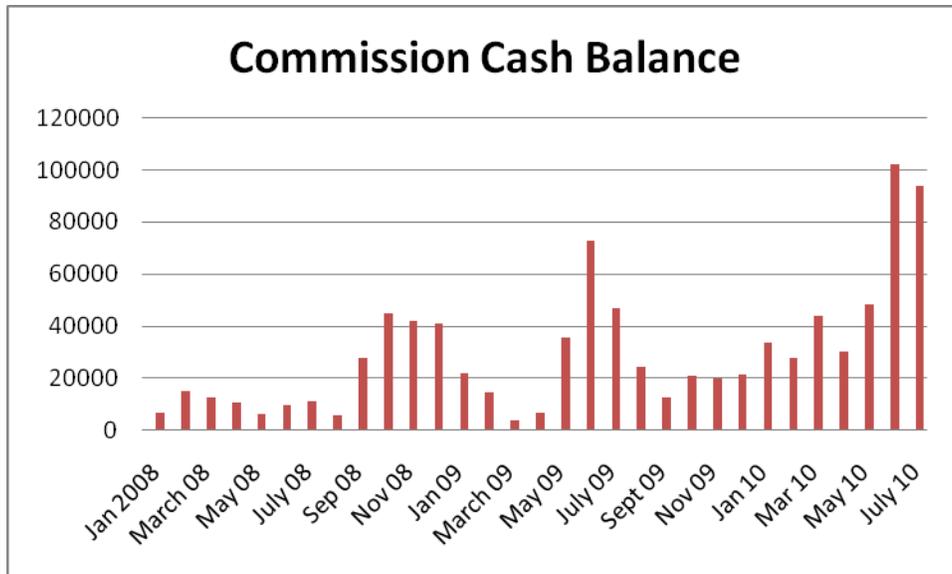
ASSSC concurs and has taken action to recover any outstanding funds. ASSSC has also agreed to review its existing policy to ensure grant compliance.

Auditor's Comments

We recommend the Corporation review the funds that were returned and the analysis that ASSSC used in determining which funds were to be credited to the grant.

Finding Number 6 – Cash Management

We reviewed ASSSC's bank statements from January 2008 through July 2010 to determine the average daily balance on hand. We found that the balances fluctuated over time and included months with very large balances. The balances ranged from \$3,823 in March 2009 to \$102,204 in June 2010.



The high cash balance amounts are the direct result of ASSSC’s lack of an accounting system, as discussed in Finding No. 1. The manual system in place does not allow ASSSC to thoroughly identify its immediate needs. Our examination of the bank statements also revealed that this account, where Federal funds are deposited, is non-interest bearing. ASSSC stated that it believed it was on a reimbursement basis. However, this analysis indicates otherwise.

Criteria

The Federal government’s common rule for administration of Federal grant funds by state and local governments, 45 C.F.R. § 2541, at 45 C.F.R. § 2541.210 *Payment*

* * *

(c) *Advances*. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

* * *

(i) *Interest earned on advances*. Except for interest earned on advances of funds exempt under the Intergovernmental Cooperation Act (31 U.S.C. 6501 et seq.) and the Indian Self-Determination

Act (23 U.S.C. 450), grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses.

Recommendations:

We recommend that the Corporation ensure that ASSSC:

1. Change its bank account to an interest bearing account.
2. Change its approach for requesting Federal funds to a reimbursement method of payment. This will include fully utilizing its accounting application so pertinent analyses can be performed prior to drawdown requests.
3. Work with the Corporation to compute interest that would have been earned had the funds been in an interest bearing account and remit that interest to the Corporation.
4. Cease requests of funds until its bank balance is at a lower balance, allowing for cash only for immediate needs.

ASSSC Response

ASSSC concurs with the finding and will work with the Corporation to implement the recommendations.

Auditor's Comments

Working with the Corporation should prove beneficial in addressing each recommendation.

Finding 7 – Questioned Other Direct Costs

Our testing of other direct costs found numerous instances of questionable costs. In many instances, the transaction tested can be questioned for more than one reason. Following is a summary table of the costs questioned by grant. Examples of questioned costs follow the table.

		Administrative	Total
Grant No.	Costs Questioned	Fee @ 5.26%	Questioned
10CAHAS001	\$40,023		\$40,023
09PTHAS001	27,624		27,624
09CDHAS001	<u>33,789</u>		<u>33,789</u>
Commission TOTAL	\$101,436		\$101,436
05AFHAS001	\$10,327	\$543	\$10,870
09ACHAS001	121	6	127
09RFHAS001	<u>1,799</u>	<u>95</u>	<u>1,894</u>
Jungle Busters TOTAL	\$12,247	\$644	\$12,891
05AFHAS001	6,756	\$355	\$7,111
09RFHAS001	<u>10,780</u>	<u>567</u>	<u>11,347</u>
Read to Me Samoa TOTAL	17,536	922	18,458
GRAND TOTAL	<u>\$131,786</u>	<u>\$1,567</u>	<u>\$133,353</u>

We identified four groups of different types of costs that had substantial problems: travel-per-diem, travel-airfare, food, and equipment. We also identified other types of transactions that were questioned.

7.A - Travel Per Diem

We examined many transactions that related to travel costs, specifically travel per-diem. ASSSC considers per-diem as costs for Meals and Incidentals and Lodging. ASSSC and its subgrantees use the Federal Travel Regulation rates to compute per-diem amounts. Most trips taken by ASSSC staff are to the U.S. mainland for meetings, conferences, and training events. Since most individuals do not have credit cards, the travelers receive travel advances which provide them with their full per-diem inclusive of the lodging amount. Due to the distance and the limited schedule of flights in and out of the Samoan capital of Pago Pago, from which where all flights are routed through Honolulu, travelers are provided with one day of Honolulu per-diem outbound and one day per-diem inbound. Travelers complete travel request forms that identify which days they will be travelling and the amounts of the per-diem. The form automatically computes a total per-diem advance amount due to the traveler. The travelers are not required to submit supporting documentation, such as hotel receipts, to support their trip once they return. However, ASSSC's policy, which will be discussed below, states otherwise.

We found many problems with the travel per-diem amounts claimed to the grants as follows:

- Excessive days claimed when computing per-diem. This was determined based on the flight schedules in and out of Pago Pago and the conference/meeting dates.
- Travelers received per-diem based on the original location of the conference/meeting, when in fact they traveled elsewhere on personal travel status.
- Per-diem was received by the traveler and claimed to the grants without evidence that the traveler ever attended or partially attended the event.
- Per-diem costs were claimed outside of the award budget or in excess of the award budget.

From the 20 transactions reviewed we identified questioned costs of \$70,066. Examples of those types of questioned costs are as follows:

- A \$2,840 advanced per-diem for the ASSSC Executive Director to attend a Corporation meeting in Washington, DC. The per-diem was computed beginning February 5 through February 14. Supporting documentation shows the employee traveled from Honolulu to Las Vegas, NV, on January 18 on Hawaiian Airlines. On January 19, she departed Las Vegas for Austin, TX, on Southwest Airlines. She returned from Austin to Las Vegas on February 10. On February 11, she departed Las Vegas and returned to Honolulu. There is no supporting documentation to verify that the employee traveled to Washington, DC, to attend the Corporation meeting.
- Six people charged \$22,068 in per-diem advances and \$13,521 for airfare to attend the Corporation's 2010 National Conference in New York City. We recalculated the allowable per-diem based on the flight schedules in and out of

Pago Pago for the attendees, as well as the conference schedule. We concluded that excessive per-diem totaling \$11,022 had been paid to the travelers and claimed to the grant.

- A travel advance was provided to the Fiscal Officer 2½ months prior to travel. We recomputed the per-diem based on the conference dates and the dates of the flight schedule in and out of Pago Pago and found that excessive per-diem had been granted totaling \$1,701. In addition, this type of travel for the Fiscal Officer is not allocable to the PDAT grant and should be claimed to the Administrative grant.
- Costs of \$790 were claimed to the grant for the Fiscal Officer's per-diem at a Corporation conference in New Orleans. She was never paid the per-diem and she did not attend the conference. The grant, however, was never credited and therefore \$790 is considered unsupported.
- Costs were claimed for a travel advance per-diem given to the Executive Director on October 28, 2009, for a trip beginning November 15, 2009. The purpose of the trip was to attend a Multi-Cultural conference in Arlington, VA, that took place from November 18 to November 21, 2009. There was no evidence that the Executive Director attended the event. The Commission lacked airline receipts, boarding passes, and hotel receipts to document that she actually took the trip. In addition, the dates conflict with a local PDAT training event, at which she was a speaker, from November 16, 2010, through November 20, 2010. As a result, we have determined the per-diem costs of \$2,840 to be unsupported. We also note that travel costs for the Executive Director should be allocated to the Administrative grant instead of the Disability grant because they are not included in the Disability grant award budget.
- A total of \$9,900 in per diem costs was claimed to the grant, but no trip took place and no costs were incurred. The grant was never credited. The costs were for per-diem for ASSSC staff and commissioners to attend a training event in Independent Samoa, which is outside the United States territory and is therefore considered International travel.

The controls on travel costs established in ASSSC's general Operations and Procedures Manual that are not being followed and are identified below under the "*Criteria*" section. Specifically, ASSSC is not requiring travelers to complete expense reports after the trips are completed and is not limiting travel per-diem to essential business purposes. The weakness identified in the policies and procedures is due to the fact that travelers are not required to submit lodging receipts. Once a traveler initiates a trip, there is no way to determine the exact number of days per diem to which he/she is entitled.

We spoke to the Executive Director regarding the expense reports, and the fact that the travel request form requires a report to be filed 14 days following completion of the trip. We received the following e-mail.

"To my understanding, none of us has ever filed an expense report, other than the Travel Request Form we sign in the beginning of

travel. Since we were not required to report any expenses, except for ticket stubs as a proof of travel, I never thought of a different report to turn in. It was never discussed in any of our commission meetings. When one returns, they are supposed to turn in the ticket stubs to the Administrative Assistant. She attaches them to the Request Form and that completes the travel package. We adopted that Travel Request form from the college, and totally overlooked the bottom note.”

The “bottom note” referenced above is on the travel request form requiring the traveler to file an expense report 14 days after returning from the trip.

Criteria

Page 13, Section 4.11 *Board and Staff Travel* of the Commission’s General Operations and Procedures Manual states:

- 4.11.1 Authorization of travel abroad for the Commissioners and staff is limited to travel which is **essential** to the business of the Amerika Samoa Special Services Commission.
- 4.11.5 **All travelers are required to file a Travel Expense Report at the Amerika Samoa Special Services Commission Office within 30 days of return.**
- 4.11.6 The Expense Travel Report for the Commission members and staff must be approved by the Executive Director and/or the Chairperson.
- 4.11.7 The ticket stub presented with the report is sufficient documentation that the member has taken the trip and will not need an itemization of all other expenses.
- 4.11.8 In case when the travel expenses exceed the given per diem, and reimbursement is necessary, the traveler should submit an itemization of the expenses and show the difference.

The ASSSC travel request form contains the following language at the bottom of the form:

I understand that upon completion of this travel, I agree to file a travel expense report with[in] 14 calendar days. If for some reason I do not complete this travel obligation, I agree to refund the American Samoa Special Services Commission the full amount of the airfare and per diem and any other funds paid to me in regards to this travel obligation. No new travel is approved if there is an outstanding travel expense report.

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, Special Provisions Section D.4. *Prohibitions on the Use of Funds* states: “j. Grant funds cannot be used for international travel or projects where the primary beneficiaries of an activity are outside of the United States.”

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, Special Provisions Section E.10. *Responsibilities under Grant*

Administration, states: “a. Accountability of Grantee. The Grantee is accountable to the Corporation for its use of Corporation Grant funds. It must expend Grant funds in a judicious and reasonable manner.”

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A. *Factors affecting allowability of costs; Basic Guidelines*, Section C., paragraph 1. states: “To be allowable under Federal awards, costs must meet the following general criteria: . . . j. Be adequately documented.”

Recommendations:

We recommend that the Corporation:

1. Instruct ASSSC to enhance its travel policies to require lodging receipts be submitted with Travel Expense Reports.
2. Instruct ASSSC to follow its established policies to ensure that only per diem is granted for essential business purposes.
3. Instruct ASSSC require employees to file a travel expense report per section 4.11.5 of the General Operations and Procedure Manual.
4. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs.

ASSSC Response

ASSSC concurs with the recommendations and is in the process of revising its travel policy.

Auditor’s Comments

The Corporation should review the revised policy during to ensure that the adequacy of the changes will, in the future, preclude the exceptions noted during our testing.

7.B – Travel Airfare

We reviewed airfare transactions for various trips for ASSSC and subgrantee staff. In many cases, travelers are provided an advance check from ASSSC so they may purchase an airline ticket for the conference, meeting or training event. Advance checks are provided to the travelers because the use of individual credit cards is not common. Those who purchase airline tickets do so by writing a personal check directly to the airline. The problem with this technique is that ASSSC not requiring supporting documentation for the advance and therefore, we cannot be assured that the amount of the advance was the actual amount of the ticket. We questioned seven transactions totaling \$11,396. Following are a few examples:

- Costs of \$363 represent additional airfare for one of the Points of Light conference attendees to spend personal time in Honolulu. The additional time in Honolulu was not business related and therefore is considered personal and unallowable.
- ASSSC claimed \$3,506 to the grant and stated that it used \$1,863 for the Executive Director's airfare and registration to attend a Corporation meeting for which there is no evidence that the Executive Director actually attended. There is no supporting documentation for these costs. Therefore we have determined that the entire amount is unsupported.
- The Program Director and Finance Officer charged airfare to the grant to attend a conference in San Francisco. The only support provided was an itinerary indicating a flight to Los Angeles. The voucher package showed the flight to San Francisco was \$1,529. We found two problems with these charges:
 1. The budget only allowed for one person to travel to the conference. Therefore, we questioned \$1,529 as being outside of the budget.
 2. There are additional costs associated with the amount claimed which we determined are related to personal travel to Los Angeles. If the amount of the airfare to San Francisco is \$1,529 for each trip, then airfare to the conference would have only been \$3,058. However, the amount claimed was \$3,448. Therefore we concluded that the additional amount represents the costs for the travelers to go to Los Angeles. There does not appear to be any business purpose for this portion of the trip, so we have concluded this to be personal travel and have questioned the difference of \$390 (\$3,448 – \$3,058).

As mentioned in Finding No. 7.A. above, travelers do not submit expense reports after returning from their trips making it difficult or impossible to verify that the trips actually occurred. ASSSC contends that the only documents required to support the costs for airfare are the airline boarding passes. This, however, does not support the costs of the airline tickets. In addition, ASSSC carelessly applies the costs of travel to grants without considering the award budget.

Criteria

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, Special Provisions Section E.10. *Responsibilities under Grant Administration*, states: "a. Accountability of Grantee. The Grantee is accountable to the Corporation for its use of Corporation Grant funds. It must expend Grant funds in a judicious and reasonable manner."

OMB Circular A-87, Attachment A. *Factors affecting allowability of costs; Basic Guidelines* Section C, paragraph 1 states: "To be allowable under Federal awards, costs must meet the following general criteria: . . . j. Be adequately documented."

OMB Circular A-87 Attachment B. *Selected Items of Cost*, paragraph 20 states: “Goods or services for personal use. Costs of goods or services for personal use of the governmental unit’s employees are unallowable regardless of whether the cost is reported as taxable income to the employees.”

Recommendations:

We recommend that the Corporation:

1. Instruct ASSSC to modify its travel policies to require airline receipts be included with Travel Expense Reports.
2. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs.

ASSSC Response

ASSSC concurs with the recommendations and is in the process of revising its travel policy.

Auditor’s Comments

The Corporation should review the revised policy to ensure that the adequacy of the changes will, in the future, preclude the exceptions noted during our testing.

7.C – Food

Costs claimed to the grants included many instances of food purchases. The problems we identified included the following:

- Most of the purchases were claimed without a clear justification for the purpose of the food and also without proper supporting documentation.
- In some instances, the purchases involved the payment of large flat fees to several ASSSC and subgrantee personnel. We were told during fieldwork that those types of payments were reimbursements to personnel for costs they incurred when retrieving the food. However, there was no documentation that would have supported the original purchase at the local vendor.
- There were also instances where invoices provided to support the costs were actually generated by ASSSC. We found that ASSSC had established a template on its computer. When a vendor delivered food without a receipt, ASSSC printed a self-prepared invoice to document the purchase.
- There were charges for meals at training events whose dates and attendees conflicted with other training events.

We questioned 16 transactions totaling \$5,909. Examples of questioned transactions follow:

- A check for \$300 was provided to the Executive Director for 50 meals for a PDAT training meeting on September 11, 2009. The supporting documentation provided was an invoice from the Executive Director and her church (The Tepora Group provides assistance to those who cannot afford food). It is unclear why the Executive Director or her church would be charging food for a meeting. A list of 36 attendees was provided for a PDAT meeting on September 14, 2009. We questioned these costs for lack of support due to the fact that the sign-in sheet does not support the date the meals were provided, nor was a reason given explaining why the Commission would pay the Executive Director for 50 lunch plates. We also questioned these costs because they were not included in the award budget and are not allocable to the grant.
- A check for \$300 was written to the HIS Ministries Assistant for food at a PDAT training event. The sole supporting documentation was an ASSSC-prepared invoice that indicated the food was for 20 persons. The list of attendees provided to support the meeting, however, related to a different event. We also identified a \$200 payment to the same HIS Ministries staff person for food at an HIS Ministries disability training event on August 24, 2009. ASSSC also produced the receipt. However, there was never an original receipt supporting the actual costs incurred for the food. Based on the reasons stated above, we cannot rely on the documentation provided as proper audit evidence.
- ASSSC paid the Tepora Group \$600 for food provided at a disability training event on September 4, 2009. The receipt provided was an invoice produced by ASSSC and there was no evidence that the training event took place.
- ASSSC paid the Executive Director \$1,400 on November 19, 2009, for food served at a five-day citizenship training event which lasted from November 16, 2009, through November 20, 2009. The Executive Director was the Trainer. The original support for this transaction was a 'post-it' note from the Executive Director stating that she had ordered the food and given the money to the preparers. We requested additional documentation and received an invoice from the Tepora Group, along with a note from the Tepora Group's Secretary and Treasurer, stating that they had received the money. We determined these costs are unallowable because citizenship training is not relative to the program. We also noted that the Executive Director had filed a travel request form indicating that she was in Arlington, VA, for a multi-cultural conference which took place November 18 to November 21, 2009. The dates of this event conflict with the dates of her travel. For the reasons noted above, we cannot rely on this documentation as adequate audit evidence.
- ASSSC paid the Tepora Group \$1,200 to provide food for a disabilities training event on January 11 through January 13, 2010. However, another PDAT training event occurred on January 11 and 12, 2010 and based on the agenda, was attended by the same persons. The invoice provided was by prepared by ASSSC.

The exceptions noted above are the result of ASSSC's inadequate procedures for documentation that supports and justifies the costs of meals. It also indicates that providing food for meetings and training events is pervasive and appears to be excessive.

Criteria

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, Special Provisions, Section E.10. *Responsibilities under Grant Administration*, states: "a. Accountability of Grantee. The Grantee is accountable to the Corporation for its use of Corporation Grant funds. It must expend Grant funds in a judicious and reasonable manner."

OMB Circular A-87 Attachment A., *Factors affecting allowability of costs; Basic Guidelines* Section C., paragraph 1 states: "To be allowable under Federal awards, costs must meet the following general criteria: . . . j. Be adequately documented."

Recommendations:

We recommend the Corporation:

1. Instruct ASSSC to require invoices from all local vendors providing food and cease the practice of generating self prepared invoices.
2. Instruct ASSSC to develop a policy or procedure for documenting the justification of food purchases, including training agendas and sign-in sheets listing the attendees, so charges to the grants are only for participants.
3. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs.

ASSSC Response

ASSSC concurs with the recommendations and will work with the Corporation during audit resolution to implement the recommendations.

Auditor's Comments

Working with the Corporation should prove beneficial during this process.

7.D – Office Equipment and Supplies

Purchases for office equipment and supplies were made and claimed to the grants under review. We found several problems with the purchases and the manner in which they were recorded to the grants. Our exceptions included the following areas of concern:

- Computer purchases appeared to be for personal use because the physical location of the equipment was at the homes of staff personnel.
- The examination of a subgrantee-purchased laptop's hard drive revealed that it had not been used.
- Office equipment had been purchased and claimed to grants that did not contain that cost category within the approved budget.
- Office equipment and supplies was not always properly allocated between grants. Officials from Read to Me Samoa indicated that, since the Recovery Act grant was expiring and there were substantial funds available, they claimed more costs to the grant regardless of allocability in an effort to exhaust the remaining funds.
- Office supplies were not always properly supported.

We identified 12 transactions totaling \$9,595 which resulted in questioned costs. Examples of those exceptions are discussed below.

- A \$1,500 advance was given to the Disability Coordinator on September 14, 2009, to purchase mostly office supplies and equipment. Invoices supporting this advance included purchases through June 18, 2010 (277 days after the advance was granted). Included in the purchases was a laptop for \$673 that could not be located. The Disability Coordinator admitted that the laptop was at her home, and brought the laptop to the ASSSC office the following day. Also included were hand-written notes in lieu of actual receipts documenting the purchase of Microsoft Office for \$149 and Quickbooks Installation for \$60. None of these items were included in the Disability award budget, but were charged directly to the grant. These items do not appear to solely benefit the Disability grant.
- An advance was given to the HIS Ministries Program Director (PD) on November 20, 2009, to purchase a computer, fax, and printer cartridges for \$2,110 while on the mainland. She purchased a refurbished computer, printer cartridges and a computer monitor which totaled \$1,019. Four months later, she returned the remaining \$979 of the advance to ASSSC, but this amount was never credited to the grant. Since the costs to the grant claimed were \$2,110 there still remains \$1,091 (\$2,110 less \$1,019) that is unsupported. The auditors could not physically locate the computer that was purchased. The Disability Coordinator stated that the computer had been at her house and returned it to ASSSC. Lastly, the auditors noted that the Disability budget did not allow for the purchase of a computer.
- An advance was given to the HIS Ministries PD on April 6, 2010. Receipts submitted to offset the advance were dated March 20 and April 10, 2010. The cost was for a

laptop, hard drive, laptop bag and iPod and was purchased at Wal-Mart in Meridian, ID, on March 20, 2010. This purchase conflicts with her boarding passes which indicate she did not arrive in Boise until March 26. At the time of the purchase, she was still in California as shown in the following timeline from boarding passes.

- March 18 – Pago Pago to Honolulu
- March 19 - Honolulu to Oakland
- March 26 – San Jose to Boise, Idaho
- April 10 – Boise, Idaho to Oakland
- April 11 – Oakland to Pago Pago

We were told that the laptop purchased at Wal-Mart was for an AmeriCorps member in the HIS Ministries program who is blind and that the laptop was specifically designed for blind persons. When the HIS Ministries PD returned to American Samoa, she purchased a fax machine at Island Business Center. ASSSC agreed that the iPod should not have been claimed to the grant. The PD reimbursed ASSSC \$313 the day after it was questioned. There was also a debit card transaction detail sheet from the Bank of Hawaii indicating a withdrawal of \$672 on April 9, 2010, at a Wal-Mart Supercenter in Meridian, Idaho. There was a hand written notation on the hard copy sheet stating "Other Office Supplies".

Costs are being questioned for the following reasons:

- The IPOD for \$312 was purchased for personal use, and such should not have been claimed to the grant. Although ASSSC was reimbursed, IPOD, through the end of fieldwork the grant had not been credited for the reimbursement.
- The other items purchased on March 20 in Idaho were not purchased by anyone related to the program since the PD was in California. The conflict in dates causes us to question the actual purpose of the charges and we therefore, cannot determine the allocability of the costs totaling \$861.
- The debit card memorandum shows some type of purchase made at Wal-Mart in Idaho on April 9, 2010 for \$672. This was supported only by a debit card transaction summary. Therefore, the costs are unsupported.
- The receipt for the fax machine was an identical receipt with an identical serial number for the fax that had been claimed to the PDAT grant and also to a subgrant. Due to the apparent duplication in receipts, we have questioned these costs of \$520 as being unsupported.

The exceptions noted above represent a complete breakdown in the use and design of internal controls. During fieldwork, we observed many computers in the office that were not in use. The fact that there are computers in the office not being used and computers at staff

persons' homes led us to question the need for further computer purchases. It appears as though there is an ample amount of computer equipment already on hand. It also indicates that there are not inventory controls in place to ensure the physical safeguarding of Federal funds.

Criteria

1. OMB Circular A-87 Attachment A. *Factors affecting allowability of costs; Basic Guidelines* Section C., paragraph 1. states: "To be allowable under Federal awards, costs must meet the following general criteria: . . . j. Be adequately documented."

OMB Circular A-87 Attachment B. *Selected Items of Cost*, paragraph 20 states: "*Goods or services for personal use.* Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

Recommendations:

We recommend that the Corporation:

1. Instruct ASSSC to gather all documentation supporting purchases of computers with grant funds and physically locate all computers.
2. Instruct ASSSC to develop an inventory listing of all computers so safeguarding of these assets can be achieved.
3. Instruct ASSSC determine the need for those computers that are currently not in use and consider disposing of those not needed. ASSSC should credit the appropriate grant from the sale of any surplus equipment if sales are generated.
4. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs.

ASSSC Response

ASSSC concurs with the recommendations and has taken action to implement them.

Auditor's Comments

We cannot comment on the actions taken without knowing the details of each action. The Corporation should review these actions during the resolution phase.

7.E – Other Costs Questioned

We identified 27 more transactions totaling \$34,253 whose costs were questioned for the following reasons.

- Costs not allocable to the grants or improperly allocated between the grants;
- Unsupported costs – This included seven transactions and the entire sample for a subgrantee grant;
- Related party transactions for subgrantee rent;
- An established pattern of subgrantees recording costs to the Recovery Act grant so funds could be exhausted prior to the expiration of the grant.

Examples of the types of costs questioned follow:

- The costs of \$1,500 were for a consultant to train staff in the use of Quickbooks. These costs were not in the PDAT award budget and also were not allocable to the grant. There is a line item of \$7,200 in the Administrative grant budget for consulting fees, which we determined to be more appropriate. We questioned the costs under PDAT and recommended that the Administrative grant bear the costs of the training.
- These costs are for the same Quickbook consultant as described above. ASSSC originally provided the auditors with the same invoice for both transactions, except the date had been altered with a pencil. Subsequently, ASSSC provided the audit team with a new invoice, but the descriptions of services were identical. As a result, we are questioning the validity of the supporting documentation and therefore have determined that these costs are not properly supported. We are unsure that different services were provided on two separate occasions.
- Costs claimed by Jungle Busters for the formula grant, No. 5AFHAS001, were not properly supported. We selected 20 transactions totaling \$10,327 to test, but were told that none of the documentation could be located.
- We identified costs claimed to the Read to Me Samoa grant for rent paid to the parent organization, Read to Me Samoa Organization. The parent organization agreed to an arrangement whereby it would receive free rent from the American Samoa Government. Once the parent and staff from Read to Me Samoa moved into the new location in April 2010, the parent began requiring rent to be paid from the AmeriCorps grant. We consider this to be less than arm's length due to the control the parent exerts over the subgrantee. The parent approves grant related payments, directs grant related revenue to themselves (see program income finding) and directs non-grant costs be paid from grant funds. This type of control is commensurate with the control discussed below under *Criteria*, specifically Statement of Financial Accounting Standards (SFAS) No. 57. This transaction amounted to \$1,032.

Criteria

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, Special Provisions Section E.10. *Responsibilities Under Grant Administration* states: “a. Accountability of Grantee. The Grantee is accountable to the Corporation for its use of Corporation Grant funds. It must expend Grant funds in a judicious and reasonable manner.”

The 2010 Provisions for State Administrative, Program Development and Training, and Disability Placement Grants, General Provisions Section E.11. *Financial Management Standards*, states: “d. Consultant Services Payments for consultant services under this grant will not exceed \$617.00 per day (exclusive of any indirect expenses, travel, supplies and so on) unless procured consistent with 45 CFR Part 2543.44.”

OMB Circular No. A-87, Attachment A. Section C. *Basic Guidelines*, Paragraph 1. *Factors Effecting Allowability of Costs*, states:

To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.

Statement of Financial Accounting Standards (SFAS) No. 57, Related Party Disclosure defines “related parties” as “[a]ffiliates of the enterprise; . . . and other parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.” Also, a party is a related party if “it

has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.” (emphasis added).

OMB Circular No. A-87, Attachment B. *Selected Items of Cost*, Paragraph 37. *Rental costs of buildings and equipment* states:

- a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and, the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.
- b. Rental costs under “sale and lease back” arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.
- c. Rental costs under “less-than-arms-length” leases are allowable only up to the amount (as explained in Attachment B, section 37.b) that would be allowed had title to the property vested in the governmental unit. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between (i) divisions of a governmental unit; (ii) governmental units under common control through common officers, directors, or members; and (iii) a governmental unit and a director, trustee, officer, or key employee of the governmental unit or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a governmental unit may establish a separate corporation for the sole purpose of owning property and leasing it back to the governmental unit.

OMB Circular A-87 Attachment A., *Factors affecting allowability of costs; Basic Guidelines* Section C, paragraph 1 states: “To be allowable under Federal awards, costs must meet the following general criteria: j. Be adequately documented.”

The instances of questioned costs identified above under Findings 7.A through 7.E represent a breakdown at all levels within the program. Although the Corporation has visited the ASSSC and its subgrantees on several occasions, there have never been identified problems such as those encountered during this engagement. The Commission has failed to establish a complete set of controls and have not followed the controls that are currently in place. In addition, the Commission has failed to properly monitor its subgrantees to ensure their efforts are in compliance with grant requirements. Similar to the Commission, the subgrantees have not established a complete set of controls and in some cases have not followed those that are currently in place.

Recommendations:

We recommend the Corporation:

1. Instruct the Commission to adhere to the budget awards when claiming costs.
2. Instruct the Commission to thoroughly review subgrantee transactions using established cost principles prior to accepting drawdown requests.
3. Instruct the Commission to provide further documentation that may have been located after the completion of fieldwork.
4. Instruct the Commission and its subgrantees to develop procedures to ensure that all documents for all transactions are obtained and retained prior to issuing payment.
5. Calculate to recover the appropriate amount of disallowed costs based on our costs questioned.

ASSSC Response

ASSSC concurs with the recommendations and will work with the Corporation during audit resolution to implement the recommendations.

Auditor's Comments

Working with the Corporation should prove beneficial during this process.

Finding 8 – Questioned Payroll Costs

We identified discrepancies in payroll costs claimed at ASSSC and the subgrantee level. These discrepancies were the result of timekeeping weaknesses discussed in Finding No. 10 and payment of overtime hours in violation of personnel policies.

Commission

We were provided a payroll schedule for the period ending April 24, 2010. We computed the annualized salary from this schedule and found that the PDAT/Disability Coordinator's amount exceeded her authorized pay by \$188. This overpayment was claimed to both the PDAT and the Disability grants.

Read to Me Samoa

Our examination of payroll costs for pay period ending April 24, 2010, at Read to Me Samoa revealed instances of personnel compensation which was not properly documented or not in accordance to internal policies. These exceptions have been discussed below in Finding No. 10. The effect of these exceptions is questioned costs from the formula grant as shown in the table below.

Employee Title	Exception	Amount Questioned	Administrative Costs (5%)
Program Director	Employee contract was never signed and had also expired. The timesheet and sign-in sheet were incomplete.	\$1,000	
Fiscal Officer Number One	Overtime had been computed using double time rather than time and a half. More importantly, fiscal officer position is to receive compensatory time rather than overtime per RTMS policies.	261	
Administrative Assistant	Overtime had been computed using double time rather than time and a half. More importantly, administrative assistant position is to receive compensatory time rather than overtime per RTMS policies.	208	
Fiscal Officer Number Two	The sign-in sheet indicated zero hours. The timesheet was not signed by the employee or by her supervisor. The payment received was higher than regular hours, but there was no indication of overtime hours.	423	
Total Formula Grant		\$1,892	\$100

Criteria

OMB Circular A-87 Attachment A., *Factors affecting allowability of costs; Basic Guidelines* Section C., paragraph 1 states: "To be allowable under Federal awards, costs must meet the following general criteria: . . . j. Be adequately documented."

The overpayment to the PDAT Coordinator represents an unsupported and/or an undocumented cost.

The Read to Me Samoa Personnel Policy Manual Article 7 General Office Operations Overtime section 7.2.2 states:

Full time employees or short term employees whose work is at least eighty (80) percent executive, administrative or professional shall be provided with compensatory time in place of cash payment for any overtime hours worked. These positions are that of the Executive Director, Program Office, Fiscal Officer, Parent Coordinator and Parent Educators.

The persons identified in this finding are all professional administrators who meet the criteria identified in the policy manual and therefore should only be paid overtime through the earning of compensatory time.

Recommendations:

We recommend that the Corporation:

1. Resolve the questioned costs and recover any disallowed questioned costs and applicable administrative costs.
2. Ensure that Read to Me Samoa follows the established policies and procedures currently in place for preparing and approving timesheets, as well as authorizing the payment of overtime to its employees.

ASSSC Response

ASSSC concurs with the recommendations and has taken action to ensure its subgrantees review and strictly adhere to its payroll policies.

Auditor's Comments

We cannot comment on the actions taken without knowing the details.

Finding 9 – Program Income

We found that one of the subgrantees tested, Read to Me Samoa, had generated income as a direct result of the AmeriCorps members. This income, however, was passed onto its parent organization, Read to Me Samoa Organization. The two AmeriCorps grants, the formula and the Recovery Act grant, never received any of the income.

The American Samoa Government entered into a Memorandum of Understanding with the Read to Me Samoa Organization Parent on November 8, 2008, whereby it agreed to reimburse the Parent 50 percent of the costs of the AmeriCorps member FICA expenses. The reimbursement was provided, to the Parent, but never credited to the grants. We computed the FICA expenses and applied the 50 percent reimbursement rate to determine how much income was grant related as shown in the table below.

Grant	FICA Reimbursement
05AFHAS001 - Formula	\$ 8,728
09RFHAS001 - Recovery	1,459
TOTAL	\$10,187

In addition, we determined that a fundraiser had been held on February 20, 2010, during which AmeriCorps members and Read to Me Samoa staff held a car wash. The proceeds from the car wash were deposited into the parent organization's bank account and the grant was never credited. The amounts earned were as follows:

Grant	FICA Reimbursement
05AFHAS001 - Formula	\$ 610
09RFHAS001 - Recovery	30
TOTAL	\$ 640

Read to Me Samoa staff agreed that the funds were grant related, but also stated that the Board of Directors of the Parent organization controls all business decisions and the decision to have the funds used by the Parent organization were that of the Board of Directors.

Criteria

The Federal government's common rule for administration of Federal grant funds by non-profit organizations, 45 C.F.R. § 2543, at 45 C.F.R. § 2543.24 *Program income* states:

- (b) Except as provided in paragraph (h) below, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following:
 - (1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.

(2) Used to finance the non-Federal share of the project or program.

(3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

Recommendation:

We recommend that the Corporation instruct the Commission to return the funds to the respective grants.

ASSSC Response

ASSSC concurs with the recommendations and has taken action to ensure the subgrantee will adjust its records and credit the respective grants.

Auditor's Comments

The Corporation should review the adjustments to ensure the formula grant has been credited. However, the Recovery Act grant has closed and therefore an adjustment to the grant is not feasible. As a result, we recommend that ASSSC work with the Corporation to devise a method for submitting reimbursement applicable to the Recovery Act grant.

Finding 10 – Timekeeping Weaknesses

We tested payroll costs at ASSSC and at the subgrantee level, and identified the following timekeeping weaknesses.

ASSSC

The PDAT/Disability Coordinator charges her time effort to both the PDAT and Disability grants evenly. Her timesheets reflect this allocation correctly. However, during fieldwork, we observed her performing activities outside the scope of those two grants; specifically administrative type functions that would be more aligned with the AmeriCorps program. These types of activities should be recorded to the Administrative grant. In addition, we found evidence that she was performing accounting type activities for HIS Ministeries, a subgrantee. She stated that she served in an accounting role for the subgrantee, but that she no longer performed those duties. Lastly, during fieldwork, we noticed that she had traveled to a conference in New Mexico and coupled the trip with a family visit to Corpus Christi, Texas. During her time in Texas, she did not charge vacation time to her timesheet.

Our examination of timesheets for the period ending April 24, 2010, revealed that the PDAT/Disability Coordinator had not received the Chairperson's authorizing signature, as required per the timesheet.

Jungle Busters

The Finance Officer records all her time to the Formula grant. However, she is also performing a role as a fiscal officer for a separate project that has been privately funded from the Environmental Resource Management Foundation. As a result, this activity is being funded by the Corporation. The fiscal officer, however, indicated that her level of effort with the other project is minimal.

Read to Me Samoa

As described above, Read to Me Samoa is a subsidiary of Read to Me Samoa Organization. The parent organization has only one employee. Her title is Executive Director. Staff at Read to Me Samoa provides administrative functions for the parent organization such as filing, accounting, fund raising, etc. Read to Me Samoa staff records its time 100 percent to the AmeriCorps grants and are not reducing their grant activity time by the effort spent on their parent activities.

The Executive Director of the parent organization, Read to Me Samoa Organization, became a Program Director with Read to Me Samoa in May 2010. In July 2010, she left American Samoa for the U.S. mainland on a personal leave of absence and, as of the completion of fieldwork, had not returned to American Samoa. As a result, she has not completed a timesheet in over six weeks, but continues to receive full pay. The time-period in question has been claimed by Read to Me Samoa to ASSSC, but ASSSC has not yet been claimed by the Commission, so the \$2,000 associated with her pay has not been questioned above in Finding No. 6.

We also noted the following timesheet exceptions while testing pay period ending April 24, 2010.

- The Program Director did not sign his timesheet nor did he complete the employee sign in-out sheet.
- Documents pertaining to the Finance Officer did not agree with each other. The amount of hours was different on the pay stub, the timesheet and the sign-in sheet. The amount from which she authorized payment for herself was the higher of the three source documents and was the result of differences in overtime hours. Overtime hours are discussed and questioned in Finding No. 6 above.
- The Administrative Assistant's hours on her timesheet, sign-in sheet and pay stub did not reconcile. The amount in which she was paid was from the higher number of hours on the pay stub.
- The other Finance Officer's hours did not agree because her timesheet contained 40 hours, but the sign-in sheet indicated zero hours. Our analysis of her timesheet indicated that she had not signed the timesheet, nor had it been approved. In addition, her pay stub revealed that she had been paid for more than the normal 40 hour work week. This is also discussed in Finding No. 6 above.

Personnel at ASSSC and the subgrantees had not considered the effort put forth by the staff outside of their assigned grant activities. Personnel at Read to Me Samoa could not explain why the new Program Director continues to receive her salary even though she is not present. Timekeeping errors were the result of a breakdown in the use of established controls. Timesheets were not completed accurately, the sign-in sheet was not used effectively, and the documentation of overtime was not closely scrutinized.

The Corporation is supplementing non-grant activity at the subgrantees and costs at the ASSSC are being misallocated between grants. In addition, errors are being made when computing overtime efforts.

Criteria

OMB Circular A-87 Attachment B. *Selected Items of Cost*, Paragraph 8. *Compensation for personal services* states:

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

* * *

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, Attachment A. *Selected Items of Cost*, Paragraph 8. *Compensation for personal services* states:

m. Support of salaries and wages.

(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

Recommendations:

We recommend that the Corporation instruct ASSSC and its subgrantees to:

1. Complete timesheets to reflect their actual daily activity.
2. Utilize all controls to their fullest extent, including proper sign-off, proper authorization and reconciliations between sign-in sheets, timesheets and pay stubs.

ASSSC Response

ASSSC concurs with the recommendations and has agreed to work with its subgrantees to ensure accuracy of timesheets. ASSSC has also instituted a new policy for itself and its subgrantees to replace sign-in sheets with time clocks.

Auditor's Comments

We reiterate the importance of time distribution on a daily basis to reflect the actual effort performed for grant and non-grant activity.

Other Matters

There were several other important items that we decided to include in this report.

1. We performed a limited site visit on August 10, 2010, at a third subgrantee, HIS Ministries, and observed the following:
 - There were no laptops/desktops in use at the office. Our discussion with the Program Director and her assistant revealed that the laptops purchased with Corporation funds were at their homes.
 - There was no supporting documentation for the use of Corporation funds except for a binder that contained check stub copies.
 - There were no policies and procedures. The Program Director explained the process in which she charged her time while on vacation in Boise, ID. Specifically whether her time was charged to vacation. Her response was that there was no vacation or timekeeping policy, so time was always recorded in the same manner via a sign-in sheet. The conclusion was that she received compensation regardless of whether she was on vacation and that there was no limit to vacation time available since there were no established policies.
2. ASSSC had an external audit performed in FY 2008 by a firm based out of Independent Samoa, with a satellite office in American Samoa. We attempted to communicate with the firm on several occasions in an effort to review workpapers from their audit. Our attempts were unsuccessful and therefore we could not determine the extent of work performed at ASSSC and the review of subgrantee monitoring efforts. ASSSC's FY 2008 audit report revealed no findings or weaknesses.

Appendix A

American Samoa Special Services Commission's Response to Draft



Amerika Samoa Special Services Commission

P.O. Box 982280
Nu'uuli, American Samoa 96799
Tel: (684)699-2285 Fax: (684)699-2279
www.asssc.org

Chairperson:
Mr. Muasau T. Tofili

Vice-Chairperson:
Tupuola Kalolo Iosefo

Secretary:
Fereti P. Mikaele

Treasurer:
Meafou Fa'avae

Executive Director:
Mine S. Pase

Our Mission: To promote, nurture and strengthen the ethic of service among people of American Samoa through national service and volunteering. This is accomplished by:

- Identifying and supporting community service leadership.
- Coordinating and collaborating community service and volunteering efforts.
- Strengthening and nurturing existing volunteers and modes of community service.
- Developing a wide variety of resources for service and volunteerism.
- Encouraging communities to give back to themselves through service.
- Building the capacity of organizations in our community to improve and strengthen their infrastructure through service.

December 19, 2010

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National & Community Service
Washington, DC. 20525

Dear Mr. Axenfeld,

The American Samoa Special Services Commission (Commission) has reviewed the draft report of the Office of Inspector General's *Agreed-Upon-Procedures for the Corporation for National and Community Service* (Corporation) grants awarded to the Commission and prepared by Reed & Associates, Inc. We hereby submit the following response; prepared with the full cooperation of the Commission Officers and its management team, its subgrantees and with valuable input from the governor's legal counsel and resource personnel appointed by the governor.

The Commission is privileged to be the administrator of the AmeriCorps Formula and Competitive grants, and other grant funding provided by the Corporation for National and Community Service. The Commission is proud to acknowledge the difference AmeriCorps has made in our territory. We look upon the results of the agreed-upon procedures of the Corporation as a valuable learning opportunity and take seriously our responsibility to be a more effective Commission in working with our sub-grantees.

This response provides more detail on some of the questioned costs and findings in the report. It does not fully address all of the findings in the report, as we look forward to working closely with the Corporation during the audit resolution process to implement the recommendations given and resolve the findings.

Based on the audit recommendations, the Commission, as well as its subgrantees, have instituted new policies and operation. We are grateful for this opportunity to keep in compliance and be good managers of taxpayers' dollars. We appreciate the help extended to us by Jeff Morales and his team from the OIG; as well as the staff of the Corporation for National & Community Service. We have confidence that with the help of the Corporation's Office of Audit Resolution, the Commission can successfully resolve the issues presented in the report, and continue to successfully administer AmeriCorps grant funds as provided by the Corporation for National & Community Service.

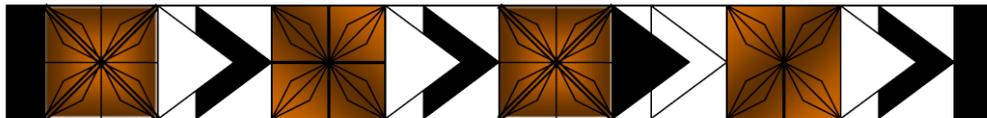
We will await your response as to the timeline and Resolution phase, and we anticipate working with you to implement improvements based on the recommendations.

Respectfully,

Mine S. Pase
Mine S. Pase, ED

Cc: Peg Rosenberry, Director of Grants Management, CNCS
Claire Moreno, Audit Liaison, OGM
Jim Stone, Program Manager, CNCS

Getting Things Done for AmeriKa Samoa



American Samoa Special Services Commission
Response to Findings of the OIG Agreed Upon Procedures

Finding No. 1 - **ASSSC and its subgrantees lacked financial management systems to account for federal costs. One subgrantee's source documentation was limited to copies of check stubs.**

The American Samoa Special Services Commission (Commission) concurs with the recommendations and has taken action to address the findings. The Commission has taken steps to assure that the grantee and the sub-grantees implement an adequate financial management system to ensure strong internal controls and that costs claimed are allowable, allocable and reasonable. The financial management system will produce functional reports used to compare actual-to-budget costs by line item and by grant.

Finding No. 2 - **Member Compliance Requirement Exceptions**

ASSSC concurred with the findings and have taken action to correct each of the issues noted here. ASSSC will work with the Corporation during the audit resolution to obtain required documentation and to implement the recommendations.

There were 38 member files in question; 17 of these member files with Background Check Lacking, now have them in place. A missing high school diploma has been recovered for one member file. Five members with insufficient hours on timesheets have their education awards in question. These education awards have not been used.

Finding No. 3 - **ASSSC did not properly select and monitor its subgrantees.**

The Commission has a procedure in place to determine the selection of sub-grantees for funding. Initially, the Commission advertises a Notice of Funding Opportunity (NOFO) in the local newspapers. Interested parties are then encouraged to attend an informational meeting at the Commissions' headquarters. The informational meeting informs prospective applicants of the procedures and policies of proposal submission. All proposals are then reviewed by the Staff and to date no applications were denied funding. However, the Commission concurs with the recommendation and will work to seek technical guidance so all staff can familiarize themselves with grant provision specific to selecting and monitoring sub-grantees. The Commission also concurs with the recommendation and will work closely with the Corporation during audit resolution to revise its existing policy and to implement changes and revisions that will comply with Corporation guidelines.

Finding No. 4 - **ASSSC and its subgrantees lack an understanding of grant provisions and adequate policies and procedures to administer the grants.**

The Commission concurs with the recommendation and looks forward to working with the Corporation to ensure that all Commission and sub-grantee staff members understand the AmeriCorps provisions and regulations. Also, the Commission has taken affirmative steps to ensure that all its policies and procedures are in place, and complies with all grant areas.

Finding No. 5 - **Advances.**

The Commission concurs with the recommendation and has taken action to recover any outstanding funds. The Commission will work with the Corporation during audit resolution to review its existing policy to ensure grant compliance.

Finding No. 6 - **Cash Management**

ASSSC concurs with the recommendations and will work with the Corporation during audit resolution to implement the recommendations.

Finding No. 7 - **Questioned Other Direct Costs**

7-A: Travel Per Diem:

The Commission concurs with the recommendations and have taken action to revise its Travel Policy. The Commission is looking into the American Samoa Government Travel Policy as a guideline in further developing its Travel Policy.

7-B: Travel Air Fare:

The Commission concurs with the recommendation and will work with the Corporation during the audit resolution process.

7-C: Food:

The Commission concurs with the recommendation and will work with the Corporation during the audit resolution to implement the recommendation.

7-D: Office Equipment & Supplies:

The Commission concurs with the recommendations and have taken action to implement them.

Appendix B

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



To: Stuart Axenfeld, Assistant Inspector General for Audit
From: *Boyd McSwain for*
Margaret Rosenberry, Director of Grants Management
Date: December 29, 2010
Subject: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the American Samoa Special Services Commission

Thank you for the opportunity to review the November 30, 2010, draft Agreed-Upon Procedures report of the Corporation's grants awarded to the American Samoa Special Services Commission. Your office briefed the Corporation on the findings on September 23, 2010 and due to significant nature and extent of the findings the Corporation placed the Commission's grants on hold on September 24, 2010. The Corporation will delay future awards pending corrective action. The hold requires the Commission to submit complete supporting documentation for the Corporation's review and approval before we will authorize any payments.

After you issue the final report, we will review the findings and audit workpapers in detail, work with the Commission to take corrective action, determine the allowability of questioned costs, and provide you with our management decision. We will continue the hold on grant funds until we can confirm the Commission has taken appropriate corrective action on all findings and recommendations.

Cc: William Anderson, Chief Financial Officer
Wilsie Minor, Acting General Counsel
John Gomperts, Director of AmeriCorps
Robert Velasco, Chief Operations Officer
Kristin McSwain, Chief of Program Operations
