

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO Oregon Volunteers

OIG Report 12-13



Corporation for
**NATIONAL &
COMMUNITY
SERVICE**

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on August 15, 2012. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than February 15, 2013 and complete its corrective actions by August 15, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



August 15, 2012

TO: William Basl
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld 
Assistant Inspector General for Audit

SUBJECT: *OIG Report 12-13, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Oregon Volunteers (OV)*

Attached is the final report for the above-noted engagement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by February 15, 2013. Notice of final action is due by August 15, 2013.

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

Attachment

cc: Mike Fieldman, Commission Co-Chair, OV
Kathleen Joy, Executive Director, OV
Tim Foley, Program Officer, OV
David Rebich, CFO, CNCS
Claire Moreno, Audit Liaison, CNCS
Karen Gandolfo, Audit Resolution Specialist, CNCS
Michael Gilléspe, Partner, Cotton & Company LLP

**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
OREGON VOLUNTEERS**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform agreed-upon procedures (AUPs) to assist the OIG in grant cost and compliance testing of Corporation-funded Federal assistance provided to Oregon Commission for Voluntary Action and Service (Oregon Volunteers).

SUMMARY OF RESULTS

As a result of applying our procedures, we questioned claimed Federal-share costs of \$391,604, education awards of \$158,153, accrued interest of \$10,025, and childcare benefits of \$348.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards, and in some cases, repayment of student-loan interest accrued during

their service terms (accrued interest) funded by the Corporation's National Service Trust. During their term of service AmeriCorps members may also be eligible for childcare benefits funded by the Corporation but the benefits are not part of the grant funds. Based on the same criteria used for the grantee's claimed costs, we determined the effect of our findings on eligibility for education and accrued-interest awards and childcare benefits. Detailed results of our AUP on claimed costs are in Exhibit A, Consolidated Schedule of Claimed and Questioned Costs, and the supporting schedules.

Our observations during fieldwork revealed deficiencies in several facets of the program.

- As discussed in Finding 1, Oregon Volunteers claimed unallowable Federal and match costs, including:
 - Insufficiently documented Federal costs for a mini-grant awarded to an organization. Oregon Volunteers did not provide supporting documentation for labor costs or invoices for expenses incurred.
 - Indirect costs for Portland State University (PSU) claimed as Federal costs on its Professional Development and Training (PDAT) and Disability grants and as indirect match costs for its PDAT and Disability grants on its Administrative grant. Application instructions for Administrative, PDAT, and Disability grants stated, however, that indirect costs claimed for the PDAT and Disability grants are generally unallowable.
 - PSU indirect costs claimed as match costs on its Administrative grant, using a rate of 46.5 percent. PSU's Negotiated Indirect Cost Rate Agreements with the Federal government and Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, supported a lower rate.
 - Oregon Volunteers erroneously claimed revenue received, rather than actual expenses as match expenditures on its FFR. It provided documentation for the sources of revenue received but did not provide any documentation to support actual expenditures.
- As discussed in Findings 2, 3, and 4, Oregon Volunteers subgrantees claimed unsupported, unallocable, and unallowable Federal and match costs. Two subgrantees claimed Federal and match costs incurred at the end of the program year and after members were exited from the program. Three subgrantees could not provide source documentation to support the amounts allocated as Federal and match costs. One subgrantee claimed rent costs for its member service sites but did not provide documentation to support to the actual amount of rent costs at these sites. One subgrantee claimed salaries and benefits for supervisors at its member service sites but did not provide all site supervisor timesheets, did not adequately document salary and benefit costs at one service site, claimed estimated costs, and claimed costs for the wrong program year.

Our interaction with the Commission's management revealed a lack of understanding of cost principles, grant provisions and general grant accounting guidelines. Consequently, the Commission's management failed to properly monitor the fiscal activities of its subgrantees. Several subgrantees were unaware of grant provisions

and laws and regulations, and were provided incorrect guidance from the Commission.

- As discussed in Findings 5 and 6, Oregon Volunteers subgrantees did not comply with Corporation requirements for National Service Criminal History Checks. Two subgrantees conducted state criminal registry checks on members and grant-funded staff using third party vendors. These vendors did not check the state criminal registries recognized by the Corporation. Three subgrantees conducted incomplete National Sex Offender Public Registry (NSOPR) checks, two subgrantees retained undated copies of NSOPR checks, and two subgrantees conducted NSOPR checks after members and grant-funded staff started serving and working. Two subgrantees did not provide documentation to demonstrate that NSOPR checks were conducted on certain members and grant-funded staff.

Detailed results for grant compliance, along with applicable recommendations, are discussed in Exhibit B, Compliance Results. The following is a summary of grant compliance testing results.

1. Oregon Volunteers did not ensure that claimed Federal and match costs were adequately supported, compliant with applicable regulations, and properly calculated.
2. Subgrantees did not ensure that claimed Federal costs were adequately supported, compliant with applicable regulations, and properly calculated.
3. Subgrantees did not ensure that claimed match costs were adequately supported, compliant with applicable regulations, and properly calculated.
4. Subgrantees timekeeping systems did not comply with Federal and state requirements, and subgrantees did not ensure the allowability of claimed site-supervisor labor costs.
5. Subgrantees did not comply with AmeriCorps requirements for state criminal history checks and did not demonstrate that such checks were conducted on members and grant-funded staff.
6. Subgrantees did not comply with AmeriCorps requirements for NSOPR checks, did not demonstrate that NSOPR checks were conducted on members and grant-funded staff, and did not conduct NSOPR checks in a timely manner.
7. Subgrantees did not accurately record all member timesheet hours, did not have procedures to verify timesheet accuracy, and, in some instances, the timesheets did not support member eligibility for education awards.
8. Subgrantees did not comply with AmeriCorps requirements for member performance evaluations, contracts, and forms.
9. Oregon Volunteers did not obtain and review subgrantee OMB Circular A-133 audit reports, as required by its procedures.

AGREED-UPON PROCEDURES SCOPE

We performed the AUPs detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated July 2011. Our procedures covered testing

the following grants: AmeriCorps Formula, Competitive, American Recovery and Reinvestment Act (ARRA) Competitive, ARRA Formula, and Fixed Amount; and Commission-Level Administrative, Disability, and PDAT.

Grant Program	Award No.	Award Period	AUP Period	Award Totals
AmeriCorps Grants				
Formula	06AFHOR001	08/16/06-12/31/12	08/16/09-09/30/11	\$7,065,047
Competitive	09ACHOR001	08/24/09-12/07/12	08/24/09-09/30/11	\$3,094,411
ARRA-Competitive	09RCHOR002	07/01/09-12/31/10	07/01/09-12/31/10	\$406,749
ARRA-Formula	09RFHOR001	05/01/09-09/30/10	05/01/09-09/30/10	\$366,326
Fixed Amount	10FXHOR001	08/02/10-08/01/13	08/02/10-09/30/11	\$461,863
Commission-Level Grants				
Administrative	09CAHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$778,510
Disability	09CDHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$208,688
PDAT	09PTHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$297,568

OIG's AUP program included:

- Obtaining an understanding of Oregon Volunteers' operations, programs, and subgrantee monitoring processes.
- Reconciling Oregon Volunteers' and a sample of subgrantees' claimed Federal and match grant costs to its accounting system.
- Testing subgrantee member files to verify that records supported eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Testing Oregon Volunteers' and a sample of subgrantees' compliance with selected AmeriCorps provisions and award terms and conditions.
- Testing Oregon Volunteers' claimed Federal and match grant costs and a sample of subgrantees' to ensure that:
 - AmeriCorps grants were properly recorded in Oregon Volunteers' general ledger and subgrantee records.
 - Costs were allowable and properly documented in accordance with applicable OMB circulars, grant provisions, award terms, and conditions.

We performed testing from November 2011 through February 2012 at the Oregon Volunteers office in Portland and three subgrantees:

- Oregon Department of Human Services (DHS), Salem, Oregon
- American Red Cross, Oregon Trail Chapter (ARC), Portland, Oregon
- Northwest Youth Corps (NYC), Eugene, Oregon

BACKGROUND

The Corporation

The Corporation supports national and community service programs that provide an opportunity for participants to engage in full- or part-time service. The Corporation funds service opportunities that foster civic responsibility and strengthen communities. It also provides educational opportunities for those who have made a commitment to service.

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Learn & Serve America. For fiscal 2011, Congress did not fund the Learn & Serve America program and the Corporation does not anticipate that additional funding will be enacted in the future. Grant activity previously funded under the Learn & Serve America program will continue through fiscal 2013. AmeriCorps, the largest of the initiatives, is funded through grants to states and territories with State Commissions on community service, grants to states and territories without State Commissions, and National Direct funding to organizations. Grantees recruit and select volunteers who must meet certain qualifications to earn a living allowance and/or education awards.

Oregon Volunteers

Oregon Volunteers was established 1994 in accordance with the Federal National and Community Service Trust Act of 1993. It has been considered a program within the Oregon Department of Housing and Community Services (OHCS) since July 2000. Oregon Volunteers receives multiple grant awards from the Corporation, including, but not limited to, the awards listed in the Agreed-Upon Procedures Scope section above. AmeriCorps grants are annual awards passed through Oregon Volunteers to eligible subgrantees that recruit members to serve, who then earn living allowances and education awards.

Oregon Volunteers is responsible for implementing the AmeriCorps program, monitoring subgrantees and ensuring grant compliance. OHCS' Financial Services Section is responsible for drawing Federal funds and disbursing funds to Oregon Volunteers subgrantees. It handles financial accounting, including payroll and travel, for the two state-funded positions at Oregon Volunteers and all other expenses such as Commissioner travel.

The Commission is located at Portland State University (PSU). In addition to housing the Commission, PSU funds two full-time and one part-time staff positions at Oregon Volunteers. PSU also handles financial accounting for payroll and travel expenses of the positions it funds and all other expenses originated by Oregon Volunteers.

Oregon Department of Human Services

DHS uses AmeriCorps Formula funding to operate the AmeriCorps Healthy Options through Prevention and Education program. Its members serve statewide and work with youth and families to promote positive youth development and healthy relationships. Its members also help teens increase their skills and knowledge to cope with teen issues, reduce risk behaviors, strengthen families, and increase awareness about preventing domestic violence and assault.

American Red Cross, Oregon Trail Chapter

ARC uses AmeriCorps Competitive funding and ARRA Competitive funding to operate the Oregon State Service Corps. Its members serve statewide at nonprofit organizations, government agencies, and schools. The members address community needs in education, public safety, homeland security, health and other human needs, and volunteer generation.

Northwest Youth Corps

NYC uses AmeriCorps Formula funding to operate the Developing Youth Engaging Communities AmeriCorps program. Members serve at several sites: NYC Outdoor School, an alternative high school, the summer garden, or a rural Lane County school. NYC is also a subgrantee of The Corps Network.

EXIT CONFERENCE

The contents of this report were discussed with Oregon Volunteers and Corporation representatives on May 14, 2012. We summarized Oregon Volunteers' comments in the appropriate sections of the final report and included their comments verbatim as Appendix A. The Corporation intends to respond to all findings and recommendations in its management decision at a later date (see Appendix B).



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August 15, 2012

Office of Inspector General
 Corporation for National and Community Service

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

Cotton & Company LLP performed the procedures detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) program*, dated July 2011. These procedures were agreed to by the OIG solely to assist it in grant cost and compliance testing of Corporation-funded Federal assistance provided to Oregon Volunteers for the awards detailed below.

This AUP engagement was performed in accordance with attestation 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	Award Totals
AmeriCorps Grants				
Formula	06AFHOR001	08/16/06-12/31/12	08/16/09-09/30/11	\$7,065,047
Competitive	09ACHOR001	08/24/09-12/07/12	08/24/09-09/30/11	\$3,094,411
ARRA-Competitive	09RCHOR002	07/01/09-12/31/10	07/01/09-12/31/10	\$406,749
ARRA-Formula	09RFHOR001	05/01/09-09/30/10	05/01/09-09/30/10	\$366,326
Fixed Amount	10FXHOR001	08/02/10-08/01/13	08/02/10-09/30/11	\$461,863
Commission-Level Grants				
Administrative	09CAHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$778,510
Disability	09CDHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$208,688
PDAT	09PTHOR001	01/01/09-12/31/11	07/01/09-06/30/11	\$297,568

We performed testing of these AmeriCorps program awards at Oregon Volunteers and three of its subgrantees. We selected samples of labor, benefits, and other direct costs at Oregon Volunteers and the three subgrantees reported by Oregon Volunteers on the following FFR:

2009

September 30 and December 31

2010

March 31, June 30, September 30, and December 31

2011

March 31, June 30, and September 30

As requested by the OIG, we reviewed copies of certain sampled labor, benefits, and other direct costs at ARC.

We also tested grant compliance requirements by sampling 50 members from DHS, ARC, and NYC, as shown below. We performed all applicable testing procedures in the AUP program for each sampled member.

	DHS		ARC		NYC	
	Total Members	Sampled Members	Total Members	Sampled Members	Total Members	Sampled Members
PY 2009-2010	26	5	51	9	21	7
ARRA	0	0	31	7	0	0
PY 2010-2011	<u>28</u>	<u>6</u>	<u>65</u>	<u>9</u>	<u>23</u>	<u>7</u>
Total	<u>54</u>	<u>11</u>	<u>147</u>	<u>25</u>	<u>44</u>	<u>14</u>

RESULTS OF AGREED-UPON PROCEDURES

We questioned claimed Federal-share costs of \$391,604.

Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards and, in some cases, accrued interest funded by the Corporation’s National Service Trust. During their term of service, AmeriCorps members may also be eligible for childcare benefits funded by the Corporation however the benefits are not part of the grant funds. As part of our AUP, and using the same criteria as claimed costs, we determined the effect of our findings on education awards, accrued interest, and childcare benefits. We questioned education awards of \$158,153, accrued interest of \$10,025, and childcare benefits of \$348.

Detailed results of our AUPs on claimed costs are in Exhibit A and the supporting schedules. Results of testing grant compliance are in Exhibit B.

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 OIG, Corporation, Oregon Volunteers, and U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie". The signature is fluid and cursive, with the first name being the most prominent.

Michael W. Gillespie, CPA, CFE
Operations Managing Partner

**OREGON VOLUNTEERS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Grant No.	Federal Costs		Questioned				Schedule
	Awarded	Claimed	Costs	Education Awards	Accrued Interest	Childcare Benefits	
06AFHOR001							
DHS	\$630,554	\$603,883	\$56,021	\$39,050	\$3,555	\$348	A
NYC	455,123	428,586	88,698	39,351	3,157	0	B
Others	5,979,370	1,263,814	0	0	0	0	
Total	<u>\$7,065,047</u>	<u>\$2,296,283</u>	<u>\$144,719</u>	<u>\$78,401</u>	<u>\$6,712</u>	<u>\$348</u>	
09ACHOR001							
ARC	\$1,345,106	\$1,287,708	\$202,317	\$68,293	\$3,268	\$0	C
Others	1,749,305	600,463	0	0	0	0	
Total	<u>\$3,094,411</u>	<u>\$1,888,171</u>	<u>\$202,317</u>	<u>\$68,293</u>	<u>\$3,268</u>	<u>\$0</u>	
09RCHOR002							
ARC	\$317,815	\$301,806	\$28,853	\$11,459	\$45	\$0	C
Others	88,934	84,284	0	0	0	0	
Total	<u>\$406,749</u>	<u>\$386,090</u>	<u>\$28,853</u>	<u>\$11,459</u>	<u>\$45</u>	<u>\$0</u>	
09RFHOR001	<u>\$366,326</u>	<u>\$366,326</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
10FXHOR001	<u>\$461,863</u>	<u>\$452,688</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
09CAHOR001	<u>\$778,510</u>	<u>\$490,124</u>	<u>\$2,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	D
09CDHOR001	<u>\$208,688</u>	<u>\$121,261</u>	<u>\$11,171</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	D
09PTHOR001	<u>\$297,568</u>	<u>\$193,244</u>	<u>\$2,044</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	D
Totals			<u>\$391,604</u>	<u>\$158,153</u>	<u>\$10,025</u>	<u>\$348</u>	

SCHEDULE A

OREGON VOLUNTEERS

**SCHEDULE OF CLAIMED AND QUESTIONED COSTS
OREGON DEPARTMENT OF HUMAN SERVICES
AWARD NO. 06AFHOR001**

	Amount	Exhibit B Finding
Total Claimed Federal Costs	<u>\$603,883</u>	
Questioned Federal Costs:		
Returning Member Without Prior-Year Final Evaluation	\$21,076	8.a
NSOPR Check Not Nationwide	18,766	6.a
State Criminal History Check Missing	10,803	5.c
Unsupported Labor Costs	4,188	4.a
Unsupported Costs	<u>1,188</u>	2.a
Total Questioned Federal Costs	<u>\$56,021</u>	
Questioned Education Awards:		
Returning Member Without Prior-Year Evaluation	\$10,075	8.a
NSOPR Check Not Nationwide	0	6.a
State Criminal History Check Missing	5,350	5.c
Total Service Hours	<u>23,625</u>	7.a
Total Questioned Education Awards	<u>\$39,050</u>	
Questioned Accrued Interest		
State Criminal History Check Missing	\$2,589	5.c
Returning Member Without Prior-Year Evaluation	<u>966</u>	8.a
Total Questioned Accrued Interest	<u>\$3,555</u>	
Questioned Childcare Benefits		
Returning Member Without Prior-Year Evaluation	<u>\$348</u>	8.a

SCHEDULE B

OREGON VOLUNTEERS

**SCHEDULE OF CLAIMED AND QUESTIONED COSTS
NORTHWEST YOUTH CORPS
AWARD NO. 06AFHOR001**

	Amount	Exhibit B Finding
Claimed Federal Costs	<u>\$428,586</u>	
Questioned Federal Costs:		
Third Party Vendor Criminal History Checks	\$43,159	5.b
State Criminal History Check Missing	37,697	5.b
NSOPR Check Not Nationwide	2,889	6.c
Unsupported Other Direct Costs	521	2.c
NSOPR Check Missing	0	6.c
Administrative Costs	<u>4,432</u>	2.c
Total Questioned Federal Costs	<u>\$88,698</u>	
Questioned Education Awards:		
Third Party Vendor Criminal History Checks	\$17,163	5.b
State Criminal History Check Missing	14,800	5.b
NSOPR Check Not Nationwide	2,038	6.c
NSOPR Check Missing	0	6.c
Total Service Hours	<u>5,350</u>	7.c
Total Questioned Education Awards	<u>\$39,351</u>	
Questioned Accrued Interest		
Third Party Vendor Criminal History Checks	\$925	5.b
State Criminal History Check Missing	<u>2,232</u>	5.b
Total Questioned Accrued Interest	<u>\$3,157</u>	

SCHEDULE C

OREGON VOLUNTEERS

**SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AMERICAN RED CROSS OREGON TRAIL CHAPTER
AWARD NO. 09ACHOR001
AWARD NO. 09RCHOR002**

	Award No. 09ACHOR001	Award No. 09RCHOR002 (ARRA)	Exhibit B Findings
Claimed Federal Costs	<u>\$1,287,708</u>	<u>\$301,806</u>	
Questioned Federal Costs:			
Third Party Vendor Criminal History Checks	\$150,629	\$26,867	5.a
Late NSOPR for staff member	27,982	0	6.b
Third Party Vendor Criminal History Check	0	0	5.a
Unsupported Costs	9,300	269	2.b
Unallocable Costs	4,296	0	2.b
Excess Lodging Costs	0	38	2.b
NSOPRs Not Nationwide	0	0	6.b
Unallowable Administrative Costs	10,110	1,429	2.b
Excess Administrative Costs	0	250	2.b
Total Questioned Federal Costs	<u>\$202,317</u>	<u>\$28,853</u>	
Questioned Education Awards:			
Third Party Vendor Criminal History Checks	\$68,293	\$10,459	5.a
Incomplete NSOPR	0	1,000	6.b
Unsigned Timesheets	0	0	7.b
Total Questioned Education Awards	<u>\$68,293</u>	<u>\$11,459</u>	
Questioned Accrued Interest			
Third Party Vendor Criminal History Checks	<u>\$3,268</u>	<u>\$45</u>	5.a

OREGON VOLUNTEERS

SCHEDULE OF CLAIMED AND QUESTIONED COSTS
COMMISSION LEVEL AWARDS

	Amount	Exhibit B Finding
Award No. 09CAHOR001		
Claimed Federal Costs	<u>\$490,124</u>	
Questioned Federal Costs	<u>\$2,500</u>	1.a
Claimed Match Costs	<u>\$530,030</u>	
Questioned Match Costs		
Contracts, Conference Registration Fees, and Cash Donations	\$73,446	1.d
Excess PSU Indirect Costs	54,586	1.c
PSU Indirect Costs for Disability Grant	22,843	1.b
PSU Indirect Costs for PDAT Grant	<u>13,057</u>	1.b
Total Questioned Match Costs	<u>\$163,932</u>	
Award No. 09CDOR001		
Claimed Federal Costs	<u>\$121,261</u>	
Questioned Federal Costs		
Unallowable Indirect costs	<u>\$11,171</u>	1.b
Award No. 09PTHOR001		
Claimed Federal Costs	<u>\$193,244</u>	
Questioned Federal Costs		
Unallowable Indirect costs	<u>\$2,044</u>	1.b

**OREGON VOLUNTEERS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS**

Our AUPs identified the compliance findings described below.

Finding 1. Oregon Volunteers did not ensure that claimed Federal and match costs were adequately supported, compliant with applicable regulations, and properly calculated.

- a. We questioned \$2,500 of unsupported Federal costs claimed by Oregon Volunteers on its Administrative grant.

In February 2010, Oregon Volunteers claimed \$2,500 for a "Take Care of Oregon" mini-grant awarded to the United Way of the Mid-Willamette Valley. To support these costs, Oregon Volunteers provided a copy of invoice from the United Way. According to the invoice description, the United Way incurred costs for coordinating training and distributing supplies. However, it did not provide supporting documentation for labor costs, and invoices for expenses incurred.

OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, Attachment A. General Principles for Determining Allowable Costs, Subsection C.1, Factors affecting allowability of costs, states that an award cost must be adequately documented to be allowable.

- b. We questioned \$2,044 of Federal costs claimed on its PDAT grant, \$11,171 of Federal costs claimed on its Disability grant, \$13,057 of PDAT costs claimed as match on the Administrative grant, and \$22,843 of Disability costs claimed as match on the Administrative grant. Details follow:

Oregon Volunteers claimed indirect costs for PSU as Federal costs on its PDAT and Disability grants. It also claimed indirect costs for these two grants as match on its Administrative grants. Application instructions for Administrative, PDAT, and Disability grants stated, however, that indirect costs claimed for the PDAT and Disability grants are generally unallowable.

The Corporation's Administrative/PDAT/Disability Application Instructions, Section IX. Budget Instructions, Indirect costs, states:

You may use your negotiated indirect cost rate for your Administrative budget, if you have one. In general, indirect costs cannot be charged to the PDAT and Disability grants. The Commission Administrative grant is intended to cover those costs.

Oregon Volunteers representatives stated that indirect costs were allowable on the PDAT and Disability grants and cited Section VIII. Application Instructions, Paragraph D, which states:

State Commissions using a federally approved indirect cost rate in their Administrative, PDAT, and Disability budgets must submit a copy of their current approved indirect cost rate agreement to your grants officer when you submit your application.

Oregon Volunteers representatives further stated that it was allowed to claim indirect costs on these awards because it had received Corporation approval. The Corporation's Grants Officer for Oregon stated that these costs were allowable and provided a copy of a February 16, 2006 email between the Corporation and Oregon Volunteers that discussed claiming indirect costs on the PDAT grant. In the email, Corporation representatives stated:

...w[W]e went back to determine if there are instances, in which states were allowed to claim indirect on the PDAT grant -- we have done it on occasions in which it was really clear how the indirect costs were applied. So, you can do it as long as you explain the application.

We reviewed the grant year 2009, 2010, and 2011 PDAT and Disability budget sections of Oregon Volunteers budget narratives to the Corporation. Oregon Volunteers did not clearly identify indirect costs in the budgets:

- In the PDAT budget narratives, these costs were identified as accounting costs in the Other Support Costs (Category I) section of the budget narrative and the indirect costs section (Category J) of these budget narratives was blank.
- In the Disability budget narratives for all three years, costs were identified as accounting costs in Contractual and Consultant Services (Category F) section of the budget and the indirect costs section (Category J) of these budget narratives was blank.

Oregon Volunteers representatives stated that the indirect costs section of the budget narratives were blank because the Corporation's eGrants system did not permit them to enter information into this section.

In addition, we reviewed the 2010 and 2011 PDAT and Disability grant applications to the Corporation. Indirect costs were not discussed in the 2010 Administrative and PDAT applications. In the 2010 and 2011 PDAT and Disability applications, the indirect costs were identified as accounting fees.

We questioned Federal indirect costs claimed on the PDAT and Disability grants and PDAT and Disability match costs claimed on the Administrative grant, because:

- Application instructions stated that in general indirect costs could not be charged to the PDAT and Disability grants; and
 - Oregon Volunteers did not fully disclose indirect costs in its budgets.
- c. We questioned \$54,586 of excess PSU indirect costs claimed by Oregon Volunteers as match on its Administrative grant.

During the AUP period, Oregon Volunteers claimed PSU Federal and match indirect costs on its Administrative grant. It calculated these costs using a total indirect cost rate of 46.5 percent. It calculated the Federal share of PSU indirect costs by multiplying PSU's direct federal costs by a 15 percent indirect cost rate. These costs were included on the invoice that PSU submitted to Oregon Volunteers, which then forwarded the invoice to OCHS for payment. It calculated the match share of the PSU indirect costs by multiplying PSU's Direct Federal costs by an average indirect cost rate of 31.5 percent.

The 46.5-percent indirect cost rate is based on its January 2010 interagency agreement between PSU and OCHS for the period January 2010 through December 2011. This agreement covered costs incurred by PSU on the Administrative, PDAT, and Disability grants. In the agreement, PSU agreed:

To waive all but 15% of the 46.5% federally negotiated Indirect Cost that the UNIVERSITY normally charges to sponsored projects of this nature. OCHS may realize the value of this waiver at its own election up to the maximum allowable amount which is permitted by the federal government and OCHS's federally sponsored agency to satisfy the matching requirement that is imposed to OCHS by its sponsoring agency.

We obtained a copy of PSU's Negotiated Indirect Cost Rate Agreements with the Federal government, dated October 12, 2006, and December 17, 2009. The October 2006 agreement showed predetermined rates in effect from July 2006 through June 2010. The December 2009 agreement showed predetermined rates in effect July 2010 through June 2012. We noted while reviewing the October 2006 agreement that the 46.5-percent indirect cost rate charged by PSU was the indirect cost rate agreed upon for "Organized Research." There were other rates identified for instruction and other sponsored activities.

We asked Oregon Volunteers to define what activities PSU considered "organized research," "instruction," and "other sponsored activities." A PSU representative responded to our question and stated that the definitions came from OMB Circular A-21, *Cost Principles for Educational Institutions*. Corporation grants do not meet OMB Circular A-21's definition of "organized research." Rather, Corporation grants meet the definition of "other sponsored activities."

OMB Circular A-21, *Cost Principles for Educational Institutions*, Attachment, *Principles for Determining Costs Applicable To Grants, Contracts, and Other Agreements With Educational Institutions*, Paragraph B.1.b, defines "organized research" as "all research and development activities of an institution." Further, "other sponsored activities" are defined as "programs and projects financed by Federal and non-Federal agencies and organizations, which involve performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs."

Because Corporation grants met the definition of "other sponsored activities," and the interagency agreement indicated that Corporation grants were sponsored projects, we reviewed the PSU NICRAs to determine the rate for sponsored projects. The PSU rate for sponsored projects was 31 percent. Therefore, we recalculated indirect costs using 31 percent. The match percentage is reduced to 16 percent from 31.5 percent, we calculated unallowable match costs of \$54,586.

- d. We questioned \$73,446 of match expenses claimed by Oregon Volunteers on its Administrative grant. Oregon Volunteers erroneously claimed revenue received, rather than actual expenses as match expenditures on its FFR. It provided documentation for the sources of revenue received but did not provide any documentation to support actual expenditures. Oregon Volunteers representatives stated that this was its practice.

According to 45 CFR § 2541.240(b)(6), *Records*, costs counting toward satisfying a cost sharing or matching requirement must be verifiable from the records of grantee.

Further, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A., Subsection C. *Basic Guidelines*, 1. *Factors Affecting Allowability of Costs*, states that an award cost must be adequately documented to be allowable.

We did not calculate the amount of Federal costs that would be questioned due to the questioned match costs, because Oregon Volunteer's Administrative grant was still open.

Recommendations: We recommend that the Corporation:

- 1a. Instruct Oregon Volunteers to review applicable regulations and strengthen its procedures to ensure that claimed Federal and match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations;
- 1b. Verify implementation of Oregon Volunteers' strengthened policies and procedures for ensuring that claimed Federal and match costs are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations;
- 1c. Require Oregon Volunteers to provide documentation supporting allowable costs on project income and cash donations claimed by providing the Corporation with accounting reports and supporting documentation, such as invoices, timesheets, and payroll records;
- 1d. Require Oregon Volunteers to demonstrate that the correct indirect cost rate is charged to the grants;
- 1e. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs and require Oregon Volunteers to adjust its FFRs for disallowed costs; and
- 1f. Calculate and recover indirect costs related to disallowed costs.

Oregon Volunteers Response: It did not concur with the findings and did not believe any costs should be questioned. Its responses follow:

Finding 1a.

- It noted this was a fixed-price mini-grant and it would provide expense documentation and the final report for the grant to the Corporation.

Finding 1b.

- It received permission from the Corporation Grants Office to include the costs in its annual applications submitted to the Corporation. Because the cells for indirect costs in the eGrants application budget narratives were locked, users were unable to add numbers to this line item. Therefore, the Corporation instructed Oregon Volunteers to show these costs as Other Support Costs in the budget narratives. In addition to the application, it annually submitted a copy of its contract with PSU, which identified the percentage of indirect costs charged to each grant and the percentage of indirect costs donated for each grant.

Finding 1c.

- Oregon Volunteers stated:
 - The rate used was the rate in the contract between PSU and Oregon Volunteers;
 - The contract, along with the PSU NICRA, were submitted annually to the Corporation for review;
 - The rate in the new contract between PSU and Oregon Volunteers was changed to the other sponsored project rate of 31 percent.
 - The 2012 budgets submitted to the Corporation used the 31 percent rate for 2012 and the years forward.

PSU officials stated that there is not a direct correlation between the “Sponsored Community Service” program code used for Oregon Volunteers awards and the “Other Sponsored Activity” rate from its NICRA. PSU has historically applied its research rate to sponsored projects unless they were primarily instructional in nature. In those instances, it applied its higher instructional rate. The use of PSU’s research rate was consistent with its costs practices but in the future, it will use its other sponsored activity rate for projects such as these awards. PSU is using the other sponsored activity rate in the contract with Oregon Volunteers for the current Corporation awards.

Finding 1d.

- It will provide the Corporation with backup documentation exceeding the amount of questioned costs. Oregon Volunteers stated:
 - It acknowledged that its practice was to record program income at the time income was received rather than as it was expended;

- At the time of the onsite visit, it provided an income log to the auditors and discussed the log with the auditors. However, the auditors did not request backup for actual program income expenditures during the on-site visit or during post on-site fieldwork inquiries made by the Oregon Volunteers Executive Director and Finance Officer.
- As a corrective action, it changed the internal financial policies to track program income only as it is expended.

Accountants' Comments: Responses to the findings and corrective actions follow:

Finding 1a.

- During fieldwork, Oregon Volunteers only provided a copy of an invoice from the United Way. The administrative grant and the mini-grant are subject to the financial management and cost principal requirements. As a result, expense documentation is required to support the cost.

Finding 1b.

- We do not agree with the Oregon Volunteers response. As discussed in the finding, the application instructions state that indirect costs generally cannot be charged to the PDAT and Disability grants and that the Administrative grant is intended to cover those costs. We contend that the reason the indirect cost cells in the PDAT and Disability budgets are locked is that indirect costs are not allowed on the grants.

Finding 1c

- Using the other sponsored project rate in the new contract between PSU and Oregon volunteers and in the new budgets submitted to the Corporation is responsive to the recommendations. However, we do not agree with PSU's responses or that the costs should not be questioned. PSU stated that it historically applied the research rate to sponsored projects and that the use of the research rate was consistent with its costs practices. Although the process was consistent, it was not allowable, because Oregon Volunteers did not perform any research activities and therefore is not entitled to the higher research rate.

Finding 1d.

- We do not agree with Oregon Volunteers' statement that we did not request backup for actual program income expenditures.
 - On October 4, 2011, we provided a request list of documents needed during the planning visit, including a request for transaction-level accounting reports supporting match expenditures for the Administrative grant. We noted on the request list that the reports would be used to select a sample of match expenditures for testing.

- On January 3, 2012, we emailed a sample of match costs that were selected using the reports provided by Oregon Volunteers. The sample included \$48,405 of the \$73,446 questioned match costs. In the email, we requested that Oregon Volunteers provide original supporting documentation for the salaries, benefits, and other direct cost samples that were attached to the email.
- We do not agree with Oregon Volunteers' corrective action. It should track program income received and expended and it should maintain supporting documentation for the expenses.
- We continue to make the recommendations stated above.

Finding 2. Subgrantees did not ensure that claimed Federal costs were adequately supported, compliant with applicable regulations, and properly calculated.

DHS, ARC, and NYC claimed unsupported, unallocable, and unallowable Federal other direct costs.

- a. We questioned \$1,188 of DHS Federal other direct costs which are not adequately supported. Details follow:
 - In February 2010, DHS claimed \$137 of office supplies and materials costs. The subgrantee provided a copy of a coding sheet showing a \$137 charge at Safeway for supplies for a project for Martin Luther King, Jr., Day. The subgrantee did not provide the purchase invoice or documentation to support what items were purchased.
 - In June 2010, DHS claimed \$350 of in-state tuition/registration costs. The subgrantee provided a copy of a Visa statement showing a \$350 charge for "Conference Solutions," but did not provide the purchase invoice or documentation to support the purpose of the charge.
 - In September 2010 and June 2011, DHS claimed \$249 and \$452, respectively, for office supplies and materials. For both transactions, DHS provided Visa invoices showing the charges of \$249 and \$452 for OfficeMax, but did not provide the purchase invoice or documentation to support the purpose of the charges.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* Attachment A., Subsection C. *Basic Guidelines* 1. *Factors Affecting Allowability of Costs*, states that an award cost must be adequately documented to be allowable.

- b. We questioned \$14,153 (\$7,560 + \$1,740 + \$269 + \$3,285 + \$1,011 + \$38 + \$250) of unsupported, unallocable, and unallowable ARC Federal costs. In addition, we questioned \$11,539 (\$10,110 + \$1,429) of administrative costs related to questioned Federal costs. Details follow:
 - In August 2011, ARC claimed \$7,560 of Federal costs for rent associated with its service sites at Red Cross chapters throughout Oregon and local community based organization sponsors. To support these costs, ARC provided a spreadsheet

summarizing the amount of rent costs claimed for each organization and an internal email stating that approval had been received to allocate 60 percent of the total rent costs as Federal costs (\$12,600 x 60 percent). In addition, it provided copies of certifications completed by officials at the organizations. These forms showed that some of the rent costs claimed were based on estimates and projections of future rent costs. Some claimed rent costs also appeared to be budget estimates, because the amount claimed equaled the exact amount of rent costs budgeted for service sites in ARC's approved budget. It did not provide any documentation to support to the actual amount of rent costs at these sites.

- In August 2011, ARC claimed 60 percent or \$1,740 of internal-member disaster-training expenses as Federal costs. It did not provide any documentation to support the \$100 per-person rate or that 29 persons attended the training event.
- In July 2010, ARC claimed 81 percent or \$269 of Federal costs for internal rent costs. It provided an email that stated rent was \$333 per month for one person, and \$269 of that percentage was to be allocated as Federal costs. It did not provide any source documentation, such as an invoice or rental agreement, and did not provide any documentation to support the amount allocated to the award. After discussing this sample with ARC, its Program Director provided an email explaining its current methodology for allocating rent costs. Amounts on the current allocation did not, however, match amounts claimed.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A., *General Principles*, Paragraph 2.g, *Factors affecting allowability of costs*, states that costs must be adequately documented.

- In September 2011, ARC claimed 60 percent or \$3,285 of costs for office supplies purchased from an online retailer on August 31, 2011. The office supplies purchased included fax machine, printer, printer ink cartridges, laptop computer and laptop computer sleeve, wireless mouse, and an Apple iPad2 & case. These costs were not allocable to Program Year (PY) 2010-2011, because the supplies were purchased after all PY 2010-2011 members had been exited from the program. In addition, these supplies were not in ARC's approved budget and exceeded the total amount budgeted for supplies by \$1,410, or 35 percent ($\$3,285 \div \$2,439$).
- In September 2011, ARC claimed \$1,011 of Federal costs for "Orientation Participant Guides" purchased on August 31, 2011. These guides were not allocable to PY 2010-2011, because they were purchased after all PY 2010-2011 members had been exited from the program.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principles* 4. *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

- We questioned \$38 of excess Federal lodging costs. In August 2010, ARC claimed on its ARRA award \$115 of lodging costs (\$105 lodging + \$10 taxes) as Federal costs for a member to attend an ARC member graduation ceremony. ARC did not have a formal written travel policy, and its subcontract with Oregon Volunteers required it to follow rates set forth in the State of Oregon Accounting Manual (OAM).

The OAM followed GSA Per-Diem Limits. Using these rates, ARC should have only claimed \$77 (\$70 of lodging and \$7 of taxes).

- We questioned \$250 of excess Federal administrative costs claimed on the ARRA award. Total Federal administrative costs claimed on the final PER were \$15,319, or 5.08 percent of total Federal costs. Allowable administrative costs were, however, \$15,069, or 5 percent of total Federal costs. Oregon Volunteers instructs its subgrantees to adjust Federal and match expenses to match total budgeted percentages. As a result, ARC moved \$250 from match costs to Federal costs and took these costs from the administrative costs line item.

45 CFR § 2540.110(a)(1), *Limitation on use of Corporation funds for administrative costs*, states that no more than 5 percent of grant funds may be used to pay for administrative costs.

- We questioned \$10,110 of PY 2009-2010 and PY 2010-2011 administrative costs and \$1,429 of ARRA administrative costs related to the questioned Federal costs regarding state criminal history checks (Finding 5), NSOPR Checks (Finding 6), and the Federal costs described above.

Questioned Federal Costs	PY 2009-2010	PY 2010-2011	ARRA
Finding 5	\$89,528	\$61,101	\$26,867
Finding 6	0	27,982	0
Finding 2	0	13,596	307
Subtotal	\$89,528	\$102,679	\$27,174
Administrative Costs Percentage	5.26%	5.26%	5.26%
Questioned Administrative Costs	\$4,709	\$5,401	\$1,429

- c. We questioned \$521 (\$40 + \$200 + \$281) of NYC Federal Costs not adequately supported. In addition, we questioned \$4,432 of administrative costs related to questioned Federal costs. Details follow:

- In August 2010, NYC claimed \$347 of Federal costs for garden expenses. It provided a check and invoices to support \$307 of the expenses. It provided a handwritten note identifying \$40 for a farm field trip, a copy of a trip schedule, and farm description. It did not provide documentation to support the purpose of the claimed \$40.
- In December 2010, NYC claimed \$554 of Federal costs for an AmeriCorps retreat held on February 4 and 5, 2011. The invoice provided to support these costs noted that \$200 of the costs was a refundable damage deposit. NYC did not know if it received the refund and sent an email to the vendor on January 26, 2012, asking for this information. The vendor replied the same day and stated that it issued a credit for the \$200 deposit on January 26 and that a refund would arrive by February 1, 2012. Because this refund has not been adjusted out of claimed costs, claimed costs charged to the grant were overstated by \$200.
- In May 2011, NYC claimed \$363 of per diem, mileage for site visits, and travel to Corporation events. It provided documentation showing \$82 for parking and per diem, \$40 for mileage for site visits, and \$241 for travel to Corporation events. It

provided documentation for the \$82 of parking but did not provide any invoices or mileage logs to support the \$281 (\$363-\$82). It provided only a spreadsheet showing total mileage driven and a report showing mileage readings taken for certain vehicles in PY 2010-2011 with certain mileage amounts highlighted. It did not provide any documentation to demonstrate how the spreadsheet or report related to the costs claimed. We question \$281 for lack of support.

As previously discussed, OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A, Paragraph 2.g, states that costs must be adequately documented to be allowable.

- We questioned \$4,432 of PY 2009-2010 and PY 2010-2011 administrative costs related to the questioned Federal costs relating to state criminal history checks (Finding 5), NSOPR checks (Finding 6), and the questioned Federal costs described above. Details follow.

Questioned Federal Costs	PY 2009-2010	PY 2010-2011
Finding 5	\$55,512	\$25,344
Finding 6	0	2,889
Finding 2	<u>40</u>	<u>481</u>
Subtotal	\$55,552	\$28,714
Administrative Costs Percentage	<u>5.26%</u>	<u>5.26%</u>
Questioned Administrative Costs	<u>\$2,922</u>	<u>\$1,510</u>

Recommendations: We recommend that the Corporation:

- 2a. Instruct Oregon Volunteers to review applicable regulations and strengthen its subgrantee monitoring procedures to ensure that Federal costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations;
- 2b. Verify implementation of Oregon Volunteers' strengthened policies and procedures for ensuring that Federal costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations; and
- 2c. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on our costs questioned and require Oregon Volunteers to adjust its FFR for the disallowed costs.

Oregon Volunteers Response: Generally, it did not concur with the findings and did not believe any costs should be questioned. Its responses follow:

Finding 2a.

- It did not concur with the \$1,188 of questioned DHS costs. It will provide documentation for all questioned costs to the Corporation.

Finding 2b.

- It did not concur with the \$7,560 of questioned ARC costs. Documentation of space costs for AmeriCorps members were collected at the program level through a certification process that did not include copies of the local lease, rental, or space allocation agreements. It will provide documentation that exceeds the amount of questioned costs to the Corporation. ARC changed its policies for the upcoming program year and will require copies of lease and rental documents from its placement sites;
- It concurred with the \$1,740 of questioned ARC costs. It agreed that the costs were unsupported for the period under review and stated that ARC excluded these costs from its PY 2011-2012 budget;
- It did not concur with the \$269 of questioned ARC costs. It will provide documentation for the questioned costs to the Corporation;
- It did not concur with the \$3,285 of questioned ARC costs. Oregon Volunteers allows its programs to purchase supplies for subsequent grant years if reasonable. All supplies were for staff members who continued to work on the program year after the members had exited the program. The program contacted Oregon Volunteers and received permission to purchase the supplies. Further, per Corporation guidelines, Oregon Volunteers allows its programs to shift budget expenditures up to ten percent of the aggregate budget;
- It did not concur with the \$1,011 of questioned ARC costs. Oregon Volunteers allows its program to purchase supplies for subsequent grant years if reasonable. It particularly allows programs to purchase member recruitment and training supplies at year end because such expenses often must be incurred prior to member start dates;
- It concurred with the \$38 of questioned ARC costs. ARC now uses an online travel system that will ensure that program staff stay within the OAM rates.
- It did not concur with the \$250 of questioned ARC costs. Oregon Volunteers provided guidance to ARC about making adjustments between the Corporation and match share of costs. Under this guidance, ARC was allowed to align the total actual year-to-date percentages with match budgeted percentages and the policy was to make such adjustments in the member living allowance line item. In February 2010, a \$250 adjustment was made; however, this adjustment was made on the incorrect line item of the Periodic Expense Report (PER). As result, claimed administrative costs exceed 5.26 percent. If the adjustment had been made to the living allowance line in accordance with policy, the program would have received \$250 plus \$13 of administrative costs. This was not an unallowable cost but is instead was a misposting that was not identified.

Finding 2c.

- It concurred in part with the \$40 of questioned costs. NYC received oral confirmation of the charge, and is working to obtain supplemental written

documentation. Oregon Volunteers will submit this documentation to the Corporation.

- It did not concur with the \$200 of questioned costs. NYC received a refund for the \$200 security deposit in March 2012. The refund was credited against NYC's PY 2010-2011 periodic expense report submitted to Oregon Volunteers in March 2012 and the adjustment was included in Oregon Volunteers March 31, 2012 FFR submitted to the Corporation.
- It concurred in part with the \$281 of questioned costs. NYC provided Oregon Volunteers with supplemental information on its procedures for documenting vehicle costs. Oregon Volunteers will submit this information to the Corporation.

Accountants' Comments: Responses to the findings and questioned costs follow:

Finding 2a. & 2c.

- The Corporation should review the additional documentation that the grantee agreed to provide.

Finding 2b.

- Oregon Volunteers response for the \$250 of questioned costs did not agree with documentation provided by ARC. Specifically,
 - The February 2010 PER provided by ARC did not show an adjustment in the living allowance line item or in the administrative costs line item. The report only showed current period expenses. In addition, the report showed that all of the living allowance costs claimed by ARC were Federal costs.
 - We reconciled living allowance costs claimed by ARC on its final PER submitted in October 2010. The PER and supporting accounting report showed that all living allowance costs claimed by ARC were Federal costs.
 - Because ARC did not have any match living allowance costs, it could not have made a misposting error while trying to align Federal and match costs.
- Oregon Volunteers stated in its response to the \$3,285 and \$1,011 of questioned costs that it allows its programs to incur these for subsequent grant years if reasonable. Its policy does not comply with the OMB Circulars A-87 and A-122. These costs would be considered pre-award costs for PY 2011-2012. Pre-award costs are allowable if approved by the Corporation. Oregon Volunteers also stated in its response that all of the supplies were for staff members who continued to work on a program after the members had exited. However, ARC's September 2011 PER and accounting records showed that ARC only claimed personnel costs through September 9, 2011. Personnel costs after this date were charged to PY 2011-2012.

Oregon Volunteers did not respond to the recommendations and stated that it disagreed with most of the questioned costs because its policies allowed

subgrantees to purchase supplies for subsequent grant years and because it subsequently provided the Corporation with documentation that it believed supported the questioned costs. However, as discussed above Oregon Volunteers' policy does not comply with the OMB Circulars A-87 and A-122.

- We continue to make the recommendations stated above. The Corporation should ensure during resolution that Oregon Volunteers' financial monitoring procedures are effective.

Finding 3. Subgrantees did not ensure that claimed match costs were adequately supported, compliant with applicable regulations, and properly calculated.

DHS, ARC, and NYC claimed unsupported, unallocable, and unallowable match costs.

a. In PYs 2009-2010 and 2010-2011, DHS claimed match costs that were unallocable and unsupported.

- In PY 2009-2010, DHS claimed match costs for office supplies and materials costs purchased at the end of the program year.
- In PYs 2009-2010 and 2010-2011, DHS claimed costs incurred by its service sites that were not adequately supported or verifiable from recipient records. DHS did not provide site supervisor timesheets for all of our samples and did not adequately document salary, benefit, and other costs for another DHS division that was a service site. Affidavits of value forms used by the service sites were estimates, in some instances were for the wrong program year and were completed as early as 2 months before the program year start. DHS did not perform any additional procedures and did not obtain any additional documentation to verify that amounts claimed on the affidavits for value forms for all samples were correct. Finally, as discussed in the finding related to state criminal history checks (Finding 5), DHS did not provide any documentation to prove that site supervisors whose personnel costs were claimed had undergone National Service Criminal History Checks.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A.4. *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

According to 45 CFR § 2541.240 (b) (6), *Records*, costs and third-party in-kind contributions counting towards satisfying a cost-sharing or matching requirement must be verifiable from grantee and subgrantee or cost-type contractor records. These records must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

According to 45 CFR § 2541.240(d), *Valuation of third party donated supplies and loaned equipment or space*, if a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation. If a third party

donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

b. In PYs 2009-2010 and 2010-2011 and on the ARRA award, ARC claimed unallowable match costs. Details follow.

- In PYs 2009-2010 and 2010-2011, ARC claimed match costs for member service gear office supplies and orientation. These costs were not allocable to these program years because they were purchased at the end of the grant year, after its members had been exited from the program, and in one instance, purchased the same day the last member was exited from the program.
- In PYs 2009-2010 and 2010-2011 and on its ARRA award, ARC claimed rent expenses and internal member disaster training expenses as match costs. It provided an email stating that rent was a certain amount per month but did not provide any source documentation, such as an invoice or rental agreement, and did not provide any documentation to support the amounts allocated to the awards. It did not provide any documentation to support the per-person rate or the actual number persons who attended the training event.
- In PY 2010-2011, ARC claimed match costs for rent associated with its service sites. To support these costs, ARC provided a spreadsheet that summarized the amount of rent costs claimed for each service site, an internal email discussing the amounts to be allocated, and copies of certifications completed by officials at the service sites. These forms showed that some of the rent costs claimed were based on estimates and projections of future rent costs. It did not provide any documentation to support the actual amount of rent costs at these sites.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principles* 4. *Allocable costs*, states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objectives in accordance with relative benefits received.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A. *General Principles*, Paragraph A. *Basic Considerations*, subparagraph 2.g, states that costs must be adequately documented.

- In PY 2009-2010, ARC claimed lodging costs as match for a staff member to perform site visits, attend regional meetings, and to make a presentation at a board meeting. ARC did not have a formal written travel policy, and its subcontract with Oregon Volunteers required it to follow rates set forth in the State of Oregon Accounting Manual (OAM). The OAM followed GSA Per-Diem Limits. ARC claimed the lodging costs in excess of the required rates.
- c. In PYs 2009-2010 and 2010-2011, NYC claimed match costs that were not adequately supported.
- In PYs 2009-2010 and 2010-2011, NYC claimed match costs for allocations of facilities and maintenance costs, vehicle fuel and oil costs, vehicle replacement costs, facility loan payment costs, equipment, and tools that were not adequately

supported. NYC provided documentation to show that the costs claimed were allocations. However, costs claimed were based on budget estimates and NYC did not provide support to show how the allocations were determined. Additionally, in some instances NYC did not provide invoices or documentation to show how the amount of costs used in the allocations were determined, how documentation provided related to claimed costs, and how useful life years used in the allocations of equipment and tools.

- In PYs 2009-2010 and 2010-2011, NYC claimed education and training costs as match. The subgrantee provided documentation showing that the amounts claimed were allocations of Driver Training and Orientation costs. The cost allocations were based on staff time, vehicle costs, training manuals, and number of members participating in training. NYC provided a payroll report to support the amount of staff wages, but it did not provide timesheets or sign-in sheets to verify the number of staff and AmeriCorps members that participated in the training. The documentation provided showed that vehicle costs were based on budgeted amounts.
- In PYs 2009-2010 and 2010-2011, NYC claimed food costs as match. In one instance, it provided an invoice on which it billed itself for the food costs, but did not provide other documentation to show how the amount was determined. In another instance, it claimed food costs for an AmeriCorps retreat using petty cash funds. It provided invoices supporting food expenses for part of the amount claimed but did not provide documentation to show that remaining part of petty cash funds had been adjusted out of claimed costs.

45 CFR § 2543.23, *Cost sharing or matching*, states that all costs and third-party in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable from grantee and subgrantee or cost-type contractor records. These records must show how the value placed on third-party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Recommendations: We recommend that the Corporation:

- 3a. Require Oregon Volunteers to review applicable regulations and strengthen its subgrantee monitoring procedures to ensure that match costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations; and
- 3b. Verify implementation of Oregon Volunteers strengthened policies and procedures for ensuring that match costs claimed by subgrantees are allowable, adequately documented, and allocable in accordance with applicable cost principles and regulations.

Oregon Volunteers Response: It partially concurred with this finding. Its responses follow:

- Some parts of Findings 3a, 3b, and 3c, directly correlate to questioned costs in Findings 2 and 4. Its responses have been included in those findings.

Corrective Actions:

- Its fiscal manual will be revised to provide specific requirements for documentation on in-kind support claimed as match on program budgets and provide sample time and space tracking documents for program use.
- It will expand its financial monitoring systems to include an expanded review of in-kind documentation.
- Match documentation will be discussed at its September 2012 program directors meeting.

Accountants' Comments:

- We continue to make the recommendations stated above.
- Oregon Volunteers did not respond to the recommendations and stated that it disagreed with most of the questioned costs because its policies allowed subgrantees to purchase supplies for subsequent grant years and because it subsequently provided the Corporation with documentation. However, as discussed above, Oregon Volunteers' policy does not comply with the OMB Circulars A-87 and A-122.
- During resolution, the Corporation should ensure that the corrective actions implemented by Oregon Volunteers its monitoring procedures for match costs claimed by subgrantees are effective and in accordance with applicable cost principles and regulations.

Finding 4. Subgrantees' timekeeping systems did not comply with Federal and state requirements, and subgrantees did not ensure the allowability of claimed site-supervisor labor costs.

- a. We questioned \$4,188 of unsupported salary and benefit costs claimed by DHS for supervisors at its service sites. Details follow:

On its December 2010 Periodic Expense Report, DHS claimed \$10,857 as Federal salary costs and \$5,308 as Federal benefit costs. These costs were comprised of \$7,743 of DHS salary costs and \$4,234 of DHS benefit costs; and \$3,114 of salary costs and \$1,074 of benefit costs for supervisors at the member service sites. To support service-site salary and benefit costs, DHS provided a copy of its internal service-site tracking spreadsheet and copies of its "Affidavit re: Value of AmeriCorps Site Supervisor's Salary and Benefits" forms for five site supervisors. It did not, however, maintain timesheets and payroll reports supporting hours spent supervising members. It also did not obtain documentation to verify the accuracy of salary-and-benefit amounts reported on these forms.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, paragraph, 8.h, *Support of salaries and wages (1)*, requires charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, to be

based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Timesheets provided by DHS to support the remaining \$11,977 (\$7,743 + \$4,234) of sampled December 2010 personnel costs were not signed and approved by a DHS supervisor. According to Chapter 45 of the OAM, a supervisor is responsible for the review and approval of all employee time records.

- b. In PY 2009-2010, ARC claimed \$144 of match personnel costs not supported by a timesheet for one employee. In addition, on the ARRA award, ARC claimed \$369 of match personnel costs not supported by timesheets for two employees.

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*, states that the distribution of salaries and wages to awards must be supported by personnel activity reports that reflect an after-the-fact determination of actual activity of each employee.

- c. Employee and supervisor signatures were not dated on four timesheets provided by NYC to support sampled September 2010 match personnel costs and on one timesheet provided by NYC to support sampled August 2011 match personnel costs. In addition, the supervisor signature was not dated on one timesheet provided by NYC to support August 2011 personnel costs. NYC representatives did not know why certain timesheets contained undated signatures. Without dates, we cannot determine if timesheets were prepared after hours were worked by the employees, as required by OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment B, *Selected Items of Cost*, Paragraph 8.m., *Support of salaries and wages*. We are not questioning the labors cost but are reporting the undated signatures a noncompliance issue with grant provisions.

Recommendations: We recommend that the Corporation:

- 4a. Require Oregon Volunteers to strengthen its monitoring procedures to ensure that subgrantee timesheets are completed in accordance with applicable costs principles and regulations at all of its subgrantees;
- 4b. Require Oregon Volunteers to strengthen its monitoring procedures to ensure that employee and supervisor timesheet signatures are dated;
- 4c. Verify implementation of Oregon Volunteers' strengthened monitoring procedures for staff timesheets; and
- 4d. Calculate and recover the appropriate amount of disallowed costs and administrative costs based on our questioned costs and require Oregon Volunteers to adjust its FFRs for the disallowed costs.

Oregon Volunteers Response: It partially concurred with the finding. It concurred with the findings related to match documentation but did not concur with the DHS unsupported salary and benefit costs for supervisors at its service sites. It obtained signed timesheets for the site supervisors and will forward the timesheets to the Corporation.

Corrective Actions:

- Its fiscal manual will be revised to provide specific requirements for documentation on in-kind support claimed as match on program budgets and provide sample time and space tracking documents for program use.
- It will expand its financial monitoring systems to include an expanded review of in-kind documentation.
- Match documentation will be discussed at its September 2012 program directors meeting.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by Oregon Volunteers are effective.

Finding 5. Subgrantees did not comply with AmeriCorps requirements for state criminal history checks and did not demonstrate that such checks were conducted on members and grant-funded staff.

The Corporation's requirements for conducting National Service Criminal History checks are discussed in detail in 45 CFR §2540.200 through §2540.207. As discussed in 45 CFR §2540.202, *What two search components of the National Service Criminal History Check must I satisfy to determine an individual's suitability to serve in a covered position?*, a National Service Criminal History Check consists of a state criminal history registry check and a NSOPR check, unless the Corporation approves an alternative screening protocol (ASP) request.

Further, 45 CFR §2540.200, *To whom must I apply suitability criteria relating to criminal history?*, and the Corporation's Frequently Asked Questions, National Service Criminal History Checks, Paragraph 5.1, a "covered position" for which there must be a check is defined as an individual receiving a Federal or match-funded living allowance, stipend, education award, salary, or other remuneration. As discussed in 45 CFR §2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?*, National Service Criminal History checks were required for members and grant-funded staff enrolled and hired after November 23, 2007, with recurring access to vulnerable populations. These checks were required for all members and grant-funded staff enrolled and hired on or after October 1, 2009.

As discussed in the following paragraphs, ARC, NYC, and DHS conducted state criminal history checks that did not comply with AmeriCorps requirements and did not provide documentation to demonstrate that state criminal history checks were conducted for individuals in covered positions.

- a. We questioned ARC living allowances and member benefits (member costs), education awards, and accrued interest and personnel costs for a grant-funded staff member whose state criminal history checks were conducted by third-party vendors. Details follow:

- ARC conducted state criminal history registry checks on PY 2009-2010 and ARRA members using a third-party vendor, MyBackgroundCheck. It conducted state criminal history registry checks on PY 2010-2011 members and one grant-funded staff member using another third-party vendor, Pre-employ. It relied on assurances from vendor customer service representatives that the criminal registries recognized by the Corporation were checked, and it did not obtain any vendor documentation to support their assurances. Because ARC believed its vendors were checking the required registries, it did not submit an ASP request to the Corporation.

45 CFR §2540.202 states that until the Corporation approves an ASP request, state criminal history and NSOPR checks must be conducted.

Details of instances, questioned member costs, questioned education awards, and questioned accrued interest are summarized below (Member Nos. 11-22 and 24-32).

Award No.	Inadequate State Criminal History Checks	Questioned Member Costs	Questioned Education Awards	Questioned Accrued Interest
09ACHOR001	18	\$150,629	\$68,293	\$3,268
09RCHOR002	3	26,867	10,459	45
Total	<u>21</u>	<u>\$177,496</u>	<u>\$78,752</u>	<u>\$3,313</u>

- We questioned claimed salary and benefits costs of \$27,982 for one ARC grant-funded staff member with a third-party vendor criminal history check. As discussed above, the third-party vendor criminal history checks conducted by ARC did not comply with Corporation regulations.
- b. We questioned NYC member costs, education awards, and accrued interest for state criminal history checks conducted using third-party vendors and members serving a second term following a break in service of more than 30 days. In addition, NYC did not provide documentation to support that it performed a state criminal history registry check prior to claiming the salary of a grant funded staff member as match. Details follow.
- NYC used third-party vendors to conduct state criminal history checks for three sampled PY 2009-2010 members and one sampled PY 2010-2011 member and did not provide documentation to support that the state registries recognized by the Corporation were searched by the third-party vendors. On February 1, 2010, NYC submitted an ASP request, as required by 45 CFR §2540.202, to the Corporation to use two vendors, Advanced Reporting and Criminal Information Services, for national service criminal history checks. The Corporation declined NYC's ASP on August 2, 2010, because the third-party vendors did not check the recognized state registries.

NYC did not conduct additional criminal history checks for members whose checks were conducted by Advanced Reporting, but used Criminal Information Services to conduct a criminal history check for a member who enrolled on November 15, 2010, after the ASP request was denied. NYC representatives did not know this vendor was used to conduct the state criminal history check until after its ASP request was denied.

Details of instances, questioned member costs, questioned education awards, and questioned accrued interest are summarized below (Member Nos. 33, 34, 36, and 39).

Award No.	Inadequate State Criminal History Checks	Questioned Member Costs	Questioned Education Awards	Questioned Accrued Interest
06AFHOR001	4	\$43,159	\$17,163	\$925

- NYC did not provide documentation to support that it conducted state criminal registry checks on two sampled PY 2009-2010 members, and one sampled PY 2010-2011 member. In addition, it did not provide documentation to support that the state criminal history check for one grant-funded staff member was done timely. The two PY 2009-2010 and one PY 2010-2011 members were returning members, The files contained state criminal history checks from a previous program year but their break between service periods was greater than 30 days.

Member No.	PY	Prior PY Exit Date	Entrance Date	Days between service
37	2009-2010	7/1/09	9/9/09	70
38	2009-2010	6/16/09	8/24/09	69
40	2010-2011	6/24/10	8/27/10	64

As discussed in 45 CFR §2540.203, individuals serving consecutive terms of service in a program with a break in service of more than 30 days, are required to receive an additional check. Details of instances, questioned member costs, questioned education awards, and questioned accrued interest award follow:

Missing State Criminal History Checks	Questioned Member Costs	Questioned Education Awards	Questioned Accrued Interest
3	\$37,697	\$14,800	\$2,232

- NYC did not provide documentation to support that it performed a state criminal history registry check prior to claiming the salary of a grant funded staff member as match. NYC representatives stated that the staff member had several terms of employment with January 10, 2010, as the staff member’s most recent start date. NYC did not know why a criminal history check was missing for the staff member.
- c. We questioned DHS member costs, education awards, and accrued interest for members without state criminal history checks and personnel costs for service-site supervisors without documentation of National Service Criminal History Checks. Details follow:

- We questioned Federal member costs of \$10,803, an education award of \$5,350, and accrued interest of \$2,589 for one DHS PY 2010-2011 member (Member No. 10) without a criminal history registry check. DHS provided a screenshot of its background check database as support. It showed that state criminal history and FBI checks were initiated during the member’s first service term on September 23, 2009, but results were not received. The member would be ineligible for a second

term without a state criminal history registry check. DHS representatives did not know why the state criminal history check results were missing for the member.

- We questioned \$4,188 of salary and benefit costs claimed for service site supervisors without documentation of National Service Criminal History Checks. DHS did not provide any documentation of National Service Criminal History Checks for site supervisors whose \$4,188 of salaries and benefits costs were claimed in December 2010. The site-supervisor salary and benefits costs of \$4,188 are already included in the unsupported site-supervisor costs in the subgrantees timekeeping system finding (Finding 4a).

45 CFR § 2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, requires grantees to maintain results of checks unless prohibited by state law and to document in writing that results were considered when selecting members.

Recommendations: We recommend that the Corporation:

- 5a. Provide guidance to Oregon Volunteers to ensure that all of its subgrantees conduct and maintain documentation to support that state criminal history checks were conducted on individuals in covered positions; use state criminal databases recognized by the Corporation; submit ASP requests to the Corporation as required by AmeriCorps regulations; and follow Corporation decisions on ASP requests;
- 5b. Verify that Oregon Volunteers has implemented effective state criminal history check procedures at all of its subgrantees;
- 5c. Disallow and, if already used, recover education awards and accrued interest awarded to members with questioned education awards; and
- 5d. Calculate and recover the appropriate amount of disallowed costs, and administrative costs based on our questioned cost and require Oregon Volunteers to adjust its FFRs for the disallowed costs.

Oregon Volunteers Response: Generally, it did not concur with the findings. It responded that during the program years reviewed there was conflicting information available from the Corporation regarding use of third-party vendors to conduct criminal history checks. Now that the Corporation has clarified the regulation, all Oregon Volunteers subgrantees are compliant. Its responses to the findings follow:

Finding 5a.

- It did not concur with the questioned member costs, education awards, accrued interest, and staff costs.
- Oregon Volunteers' guidance to ARC was to obtain an email confirmation from the vendor stating that its background checks met Corporation requirements. ARC followed this guidance in PY 2009-2010. In PY 2010-2011, ARC received an email from the Pre-employ vendor that stated its background check package did not meet Corporation requirements but a package that met the requirements

could be set up. Oregon Volunteers approved the use of the package that was to be set up by the vendor.

- In PY 2011-2012, ARC continued to use the Pre-employ vendor for the state background checks conducted on members who resided outside of Oregon.
- By PY 2011-2012, ARC used a FBI fingerprint background check, as well as a check from the Official Oregon State Repository.
- After ARC was informed of the problems with the vendor checks during onsite fieldwork, it contacted Oregon Volunteers and conducted new state background checks for those members who resided outside of Oregon. It used the official repositories for those states to conduct the checks.

Finding 5b.

- It partially concurred with the questioned member costs, education awards, and accrued interest for vendor criminal history checks conducted on members after NYC received notification from the Corporation that its ASP request had been denied. Oregon Volunteers believed the program acted in good faith at a time when Corporation regulations were changing and believed that the Corporation should consider this when resolving the findings.
- It partially concurred with the questioned member costs, education awards, and accrued interest for members serving a second term following a break in service of more than 30 days. It asserted that it gave its best efforts in interpreting the guidance it received from the Corporation and NYC strengthened its policies regarding background checks,
- It partially concurred with the finding for the grant-funded staff member that did not have a state criminal history registry check. It asserted that it gave its best efforts in interpreting the guidance it received from the Corporation. NYC revised its policies to ensure that background checks meet Federal regulations.

Finding 5c.

- It did not concur with the questioned member costs, education awards, and accrued interest for the DHS member without a criminal history registry check. It will provide documentation demonstrating that the check was conducted to the Corporation.
- It did not concur with the questioned costs for the DHS staff site supervisors without documentation of National Service Criminal History Checks. It will provide documentation demonstrating that the checks were conducted to the Corporation.

Corrective Actions

- It discussed this issue with its Corporation program officer and updated its program directors manual.

- All program directors attended a Corporation training event covering background checks in March 2012.
- Background checks will be discussed at its September 2012 program directors meeting.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by Oregon Volunteers are effective.

Finding 6. Subgrantees did not comply with AmeriCorps requirements for NSOPR checks, did not demonstrate that NSOPR checks were conducted on members and grant-funded staff, and did not conduct NSOPR checks in a timely manner.

a. DHS conducted incomplete NSOPR checks and conducted late NSOPR checks. Details follow.

- We questioned DHS member costs and education awards for two sampled PY 2009-2010 members, because DHS did not perform nationwide (all state databases) NSOPR checks. At the time the checks were performed, the Maryland state registry was inoperative. It followed guidance from the Corporation's *Frequently Asked Questions National Service Criminal History Checks*, Paragraph 4.6, *What steps should I take if I discover that several States' sex offender registry sites are inoperative when I am conducting the NSOPR check on an applicant?* This document states that if a state's registry is inoperative at the time a NSOPR check is conducted, it is a best practice, but not a requirement, for programs to recheck the NSOPR later.

Failure to perform a nationwide NSOPR check on a member could result in participation by ineligible members who are potentially dangerous to individuals they are serving. We questioned \$18,766 of member costs for two members (Member Nos.1 and 4) without nationwide NSOPR checks. Education awards of \$9,450 for these two members are included in the questioned education awards in the member service hours finding (Finding 7a.)

- NSOPR checks were performed after members started service for all 11 sampled DHS members. Representatives from DHS did not know why NSOPR checks for these members were conducted after the members started service.

Late NSOPR Checks	DHS	Days to Perform
PY 2009-2010	5	15-99
PY 2010-2011	<u>6</u>	31-37
Total	<u>11</u>	

45 CFR § 2540.205 requires programs to maintain results of NSOPR checks unless prohibited by state law and to document in writing that results were considered when selecting members for the program. Additionally, according to *Corporation*

Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR, “Covered individuals cannot serve or work before the program completes the NSOPR”.

The failure to conduct NSOPR checks before a member’s start date could result in participation by ineligible members who are potentially dangerous to individuals they are serving.

- b. ARC conducted incomplete NSOPR checks, did not document procedures performed to ensure that a member was not a listed on the NSOPR, retained undated copies of NSOPR checks, and did not provide documentation to demonstrate that NSOPR checks were conducted for individuals in covered positions. Details follow.
 - We questioned member costs, education awards, and accrued interest for two sampled PY 2009-2010 members, because ARC did not perform nationwide (all state databases) NSOPR checks. At the time the checks were performed, the Washington state registry was inoperative for one member, and the Washington and Arkansas state registries were inoperative for the second member. It also followed guidance from Paragraph 4.6 of the Corporation’s *Frequently Asked Questions National Service Criminal History Checks* document, which states that if a state’s registry is inoperative at the time a NSOPR check is conducted it is a best practice, but not a requirement, for programs to recheck the NSOPR at a later date.

Failure to perform a nationwide NSOPR check on a member could result in participation by ineligible members who are potentially dangerous to individuals they are serving. Details of instances, questioned member costs, questioned education awards, and questioned accrued interest award follow:

Site	NSOPR Checks Not Nationwide	Questioned Member Costs	Questioned Education Awards	Questioned Accrued Interest
ARC	2	\$22,477	\$9,450	\$2,050

Member costs of \$22,477, education awards of \$9,450, and accrued interest awards of \$2,050 (Member Nos. 14 and 15) are included in questioned member and education award costs related to third party-vendor checks (Finding 5a).

- We questioned claimed salary and benefit costs of \$27,982 for one grant-funded ARC staff member charged to the grant before completion of the staff member’s NSOPR check. The NSOPR check this staff member was not completed in a timely manner. It was completed on November 16, 2011, at the end of the employee’s term of employment. ARC failed to document the initial NSOPR check and only retained documentation of the later check.

45 CFR §2540.200 defines a “covered position” as an individual receiving a Corporation grant-funded salary or other remuneration. According to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot work before the program completes the NSOPR.

Questioned salary and benefit costs are included in questioned costs for third-party vendor checks (Finding 5a).

- The NSOPR checks for two sampled PY 2009-2010 ARC members were undated. As a result, we could not verify that the checks were conducted before member start dates, as required by the Corporation. ARC representatives did not know why the checks for these members were undated.

As previously stated, 45 CFR § 2540.205 requires grantees to maintain results of checks unless prohibited by state law and to document in writing that results were considered when selecting members for the program. Further, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot serve before the program completes the NSOPR.

Without documentation of the date the NSOPR check was conducted, programs cannot demonstrate that the checks were conducted before the members started service.

- We questioned an education award of \$1,000 for one ARRA member (Member No. 23) whose NSOPR search results showed 54 sex offenders with the same or similar names. ARC did not document the procedures it performed to determine that the member was not one of the sex offenders appearing on the list. According to the Corporation's *Frequently Asked Questions National Service Criminal History Checks*, Paragraph 4.4, *What do I do if I find an individual listed on the NSOPR who has the same name as an applicant?*, programs are required to conduct a more in-depth inquiry to determine if the individual who appears on the NSOPR is the applicant or merely someone with the same name.

ARC representatives stated that when NSOPR offenders were found, they would review the picture and birth date of each individual listed and verify that the person was not the member applying for the position. It would then document its review by placing a check mark next to each individual verified, or it would write "ok" on the results page. Results provided for this member did not have any of the described markings.

- c. NYC conducted incomplete NSOPR checks, conducted late NSOPR checks, retained undated copies of NSOPR checks, and did not provide documentation to demonstrate that NSOPR checks were conducted for individuals in covered positions. Details follow.
 - We questioned member costs, education awards, and accrued interest for two sampled PY 2009-2010 members and one sampled PY 2010-2011 member, because NYC did not perform nationwide (all state databases) NSOPR checks. At the time the checks were performed, the Utah, South Carolina, and Louisiana state registries were inoperative for one member, the Nevada state registry was inoperative for the second member, and the Maryland state registry was inoperative for the third member. It also followed guidance from Paragraph 4.6 of the Corporation's *Frequently Asked Questions National Service Criminal History Checks* document, which states that if a state's registry is inoperative at the time a NSOPR check is conducted it is a best practice, but not a requirement, for programs to recheck the NSOPR at a later date.

Failure to perform a nationwide NSOPR check on a member could result in participation by ineligible members who are potentially dangerous to individuals they are serving. Details of instances, questioned member costs, questioned education awards, and questioned accrued interest award follow:

NSOPR Checks Not Nationwide	Questioned Member Costs	Questioned Education Awards	Questioned Accrued Interest
3	\$27,944	\$11,488	\$1,437

Member costs of \$2,889 (\$27,944 - \$25,055) and the education award of \$2,038 (Member No. 42) are questioned here. The remaining \$25,055 of member costs, \$9,450 of education awards, and \$1,437 of accrued interest for Member Nos. 33 and 38 are questioned for missing state criminal history checks (Finding 5b.).

- NSOPR checks for two sampled NYC members were performed after they started service. Representatives from NYC did not state why NSOPR checks for these members were conducted after the members started service.

Late NSOPR Checks	NYC	Days to Perform
PY 2009-2010	1	2
PY 2010-2011	<u>1</u>	3
Total	<u>2</u>	

45 CFR § 2540.205 requires programs to maintain results of NSOPR checks unless prohibited by state law and to document in writing that results were considered when selecting members for the program. Additionally, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot serve before the program completes the NSOPR.

The failure to conduct NSOPR checks before a member's start date could result in participation by ineligible members who are potentially dangerous to individuals they are serving.

- The NSOPR check for the NYC employee was performed on August 10, 2011, but the employee's hire date was May 31, 2011; the employee began charging time as match to the grant in June 2011. NYC representative did not know why the NSOPR check was conducted late for the grant-funded employee.

45 CFR §2540.200 defines a "covered position" as an individual receiving a Corporation grant-funded salary or other remuneration. According to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot work before the program completes the NSOPR.

- The NSOPR checks provided for six sampled NYC members (four sampled PY 2009-2010 and two sampled PY 2010-2011) were not dated. As a result, we could not verify that the checks were conducted before member start dates, as required by

the Corporation. NYC representatives did not know why the NSOPR checks for these members were undated.

As previously stated, 45 CFR § 2540.205 requires grantees to maintain results of checks unless prohibited by state law and to document in writing that results were considered when selecting members for the program. Further, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot serve before the program completes the NSOPR.

Without documentation of the date the NSOPR check was conducted, programs cannot demonstrate that the checks were conducted before the members started service.

- NYC did not provide documentation to support that one sampled PY 2009-2010 member and one sampled PY 2010-2011 member received NSOPR checks. Returning members are required to have a new NSOPR check if their breaks between service periods are greater than 30 days. These members were returning members that had evidence of NSOPR checks in their files for the previous program year, but breaks between service periods were more than 30 days. NYC representatives did not know why NSOPR checks were not conducted at the beginning of the second year of service for these members.

Member No.	PY	Status	Prior PY Exit Date	Enrollment Date	Days in between service
37	2009-2010	FT	7/1/09	9/9/09	70
40	2010-2011	FT	6/24/10	8/27/10	64

As previously stated, 45 CFR §2540.203 requires individuals serving consecutive terms of service in a program with a service break of more than 30 days to receive an additional check. Member costs, education awards, and accrued interest for these members are questioned in missing state criminal history checks (Finding 5b).

- NYC did not provide documentation to support an NSOPR check for a staff member whose salary and benefits were claimed as match. The NSOPR check provided was conducted on January 1, 2008, although the employee’s most recent hire date was January 10, 2010, and the employee began charging time to the grant in July 2011. In addition, the NSOPR check provided was incomplete. The Nebraska registry was inoperative when the NSOPR check was conducted. NYC representatives stated that the staff member has had several terms of employment with NYC, but did not know why an NSOPR check was missing for the staff member.

As previously stated, 45 CFR §2540.200 defines a “covered position” as an individual receiving a Corporation grant-funded living allowance, stipend, education award, salary, or other remuneration. Further, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, covered individuals cannot work before the program completes the NSOPR.

Recommendations: We recommend that the Corporation:

- 6a. Revise the Frequently Asked Questions for National Service Criminal Checks document for compliance with the Federal regulation and require that complete NSOPR searches be conducted of all participating registries;
- 6b. Provide guidance to Oregon Volunteers to ensure that all of its subgrantees conduct and maintain documentation to support that NSOPR checks were conducted on individuals in covered positions, complete NSOPR checks before members start service or before claiming salaries and benefits of grant-funded staff members; and document procedures performed to verify that members are not individuals listed on the NSOPR results page;
- 6c. Verify that Oregon Volunteers has implemented effective NSOPR check procedures at all of its subgrantees;
- 6d. Disallow and, if already used, recover education awards and accrued interest awarded to members with questioned education awards;
- 6e. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned and require Oregon Volunteers to adjust its FFRs for disallowed costs.

Oregon Volunteers Response: It did not concur with the majority of the findings and did not concur with the questioned costs and education awards. It did not respond to the recommendations. Its responses follow:

- It did not concur with the majority of the findings because they appeared to hold subgrantees to a higher standard than is required by the Corporation. Specifically, it did not concur with the findings concerning incomplete NSOPR checks. It provided technical assistance to subgrantees using the Corporation's Frequently Asked Questions document as the basis for its guidance. It believed its programs conducted checks in good faith and used the best guidance available at the time of the checks.
- It concurred with the findings related to NSOPR checks that were not completed by subgrantees before the start of the member year. It will address this finding with subgrantees.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should ensure that the corrective actions implemented by Oregon Volunteers are effective.

We do not agree with Oregon Volunteers statement that the findings held the subgrantees to a higher standard than is required by the Corporation. An incomplete NSOPR check does not comply with Corporation regulations. Corporation regulations require programs to perform a national sex offender check. A check that is missing states does not meet the definition of a national check. Further, it is necessary to document the date the NSOPR check was conducted because without the date, Oregon Volunteers cannot ensure that the NSOPR check was conducted before the start of the member service year.

Finding 7. Subgrantees did not accurately record all member timesheet hours, did not have procedures to verify timesheet accuracy, and, in some instances, timesheets did not support member eligibility for education awards.

Timesheet hours were not always accurately recorded in the Portal, and we identified weaknesses in how timesheets were prepared.

- a. We questioned \$23,625 of education awards for five DHS members whose timesheets did not support their eligibility for education awards. Details follow.

Timesheet hours did not agree with hours certified in Portal for two sampled PY 2009-2010 DHS members and did not support their eligibility for education awards. In addition, while reviewing spreadsheets provided by DHS to support compliance with Corporation training and fundraising requirements, we noted that hours reported for three non-sampled PY 2009-2010 members who were eligible for education awards were less than hours certified in the Portal. Therefore, we obtained the timesheets for these individuals and recalculated their service hours. As a result of our recalculation, timesheet hours for these members did not support eligibility for education awards.

DHS did not have procedures to verify timesheet accuracy. Without procedures to verify timesheet accuracy, members could receive education awards to which they were not entitled. As a result, we questioned the education awards for the members whose timesheets did not support their eligibility for education awards.

PY	Member No.	Hours			Ed. Award Amount
		Portal	Timesheet	Required	
2009-2010	1	1,708	1,527	1,700	\$4,725
2009-2010	4	1,700	1,698	1,700	4,725
2009-2010	44	1,712	1,569	1,700	4,725
2009-2010	45	1,712	1,687	1,700	4,725
2009-2010	46	1,702	1,694	1,700	4,725

- b. ARC member timesheets hours were not always accurately recorded in the Portal, and some timesheets and hours added to the timesheets were not certified by members.
 - Timesheet hours did not agree with hours certified in the Portal for one sampled PY 2009-2010 ARC member and one sampled PY 2010-2011 ARC member. ARC did not have procedures to verify timesheet accuracy. Without procedures to verify timesheet accuracy, members could receive education awards to which they are not entitled. These differences did not affect member eligibility for education awards.
 - Timesheets for three ARC members showed hours not certified by the members. Details follow:
 - The February 2010 timesheet for one PY 2009-2010 ARC member (Member No. 15) had 179 hours type-printed on the timesheet. This total was crossed out and replaced with a handwritten total of 187 hours. ARC added 8 training hours to February 15, 2010, and placed an undated note in the member’s file stating that

the addition of hours had been verbally confirmed with the member. ARC did not require the member to submit a revised timesheet. After excluding the 8 hours added to the member's February 2010 timesheet, remaining hours did not qualify the member for an education award.

- One PY 2009-2010 ARC member (Member No. 16) did not sign the April 2010 timesheet. ARC placed a handwritten note on the member's timesheet stating that the member had verified service hours reported on the timesheet, but it did not require the member to submit a revised timesheet. After excluding the 158 hours from the member's April 2010 timesheet, remaining hours did not qualify the member for an education award.
- One PY 2010-2011 ARC member (Member No. 29) did not sign May through August 2011 timesheets. According to a January 5, 2012, email from ARC to the member's site supervisor, the member did not complete or sign the timesheets, because of unavailability when timesheets were due. ARC did not provide any documentation from the member to support that the member served the hours reported on the timesheets. After excluding the 415 hours from the member's May through August 2011 timesheets, remaining hours did not qualify the member for an education award.

ARC did not have procedures to ensure that members signed all timesheets. As shown in the table below, we questioned education awards of \$12,125 for the three members. These education awards were previously questioned for third-party vendor checks in Finding No. 5.

PY	Member No.	Timesheet Hours			Hours Required	Ed. Award Amount
		Total	Unsigned	Adjusted		
2009-2010	15	1,700	8	1,692	1,700	\$4,725
2009-2010	16	1,730	158	1,572	1,700	4,725
2010-2011	29	918	353	565	900	2,675

- c. We questioned an education award for one NYC member whose timesheets did not support the member's eligibility for an education award. Details follow:

Timesheet hours did not agree with hours certified in the Portal for two sampled PY 2010-2011 NYC members. Hours supported by timesheets for one of these members did not support the member's eligibility for an education award.

NYC did not have procedures to verify timesheet accuracy. Without procedures to verify timesheet accuracy, members could receive education awards to which they are not entitled. As a result, we questioned the education award for the member whose timesheets did not support education award eligibility.

PY	Member No.	Hours			Ed. Award Amount
		Portal	Timesheet	Required	
2010-2011	41	1,718	1,573	1,700	\$5,350

2009 AmeriCorps Grant Provisions, Section IV. AmeriCorps Special Provisions, Subsection C.4. *Timekeeping*, requires grantees to keep time-and-attendance records for all AmeriCorps members to document their eligibility for in-service and post-service benefits. Time-and-attendance records must be signed and dated by both the member and an individual who supervises the member. Further, 45 CFR § 2522.220(a), states that full-time members must complete at least 1,700 hours, and half-time members must complete at least 900 hours to be eligible for education awards.

- d. We noted weaknesses in timekeeping procedures. A summary of timesheet discrepancies by subgrantee follows:

Timesheet Discrepancies	DHS	ARC	NYC
Member and supervisor signature not dated	1	0	4
Member signature not dated	3	0	1
Supervisor signature not dated	5	0	0
No supervisor signature	1	1	1
Signed prior to serving hours	1	0	12
Corrections not initialed	2	3	4
Pencil used	0	0	3

AmeriCorps requirements address timekeeping policy, but do not address specific timesheet procedures. It is, however, good business practice to check the accuracy of hours recorded on timesheets. As a result, accountability is maintained, and timesheets are consistent with member and management intentions.

Recommendations: We recommend that the Corporation:

- 7a. Require Oregon Volunteers to strengthen its monitoring procedures to ensure that hours certified in the Portal for members at all of its subgrantees sites are supported by timesheets;
- 7b. Require Oregon Volunteers to strengthen its monitoring procedures to ensure that member timesheets at all of its subgrantees sites are signed by members and supervisors;
- 7c. Require Oregon Volunteers to strengthen its monitoring procedures to ensure that all of its subgrantees maintain accurate timesheets and timesheets consistent with member and management intentions;
- 7d. Verify implementation of Oregon Volunteers' strengthened monitoring procedures for member timesheets; and
- 7e. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours.

Oregon Volunteers Response: It responses to the findings and questioned education awards follow:

Finding 7a.

- It did not concur with the \$23,625 of questioned education awards for Member Nos. 1, 4, 44, 45, and 46. It will provide documentation demonstrating that the members completed the required number of service hours to the Corporation.

Finding 7b.

- It did not concur with the questioned education award of \$4,725 for Member No. 15. ARC's timesheet has a section where the program director can sign and certify changes to the timesheet that have been discussed with both the member and the supervisor. The eight hours questioned were certified in that manner on the timesheet and a backup note was placed in the member file to support the change in hours.
- It did not concur with the questioned education award of \$4,725 for Member No. 16 and the questioned education award of \$2,675 for Member No. 29. It provided guidance to ARC that when a member was not accessible for a timesheet that the signature of the site supervisor, countersigned by the program director was adequate to include the hours.

Finding 7c.

- It did not concur with the questioned education award of \$5,350 for NYC Member No. 41. It will provide documentation demonstrating that the members completed the required number of service hours to the Corporation.

Corrective Actions:

- Beginning with PY 2012-2013, all AmeriCorps programs will be instructed on how to accurately account for member service hours.
- Its AmeriCorps Program Director's Manual will be updated to include information regarding checking all timesheets for total member service hours during the exit process.
- Its site visit monitoring procedure will be expanded to include a verification of total service hours for prior year members.

Accountants Comments: We continue to make the recommendations stated above. Responses to finding 7b. and corrective actions follow:

Finding 7b.

- We do not agree that Oregon Volunteers' policy of allowing program directors to sign and certify changes to member timesheets without obtaining the corresponding member signatures is adequate documentation to support adjustments to member service hours. Without the corresponding member

certification, Oregon Volunteers subgrantees cannot ensure that the timesheets were consistent with member intentions.

- We do not agree that the timesheet and backup note placed in the file for Member No. 16 were adequate documentation to support the eight hours questioned. While the additional hours were certified by the program director, the hours were not certified by the member. In addition, while an undated note was placed in the member file stating that the member had served an additional eight hours by attending classes; ARC did not provide any documentation to support member attendance at the classes.

Corrective Actions:

- During resolution, the Corporation should ensure that the correction actions implemented by Oregon Volunteers are effective.

Finding 8. Subgrantees did not comply with AmeriCorps requirements for member performance evaluations, contracts, and forms.

- DHS, ARC, and NYC did not comply with AmeriCorps requirements for member performance evaluations.
 - All three subgrantees could not demonstrate that some sampled members received end-of-term performance evaluations. In addition, end-of-term evaluations for some members did not indicate if they had completed the required number of service hours for education award eligibility. The numbers of instances for each noncompliance are shown below:

Description	DHS	ARC	NYC
PY 2009-2010			
End-of-term evaluation missing	3	2	2
End-of-term missing required hours	2	7	5
ARRA			
End-of-term evaluation missing	0	2	0
End-of-term missing required hours	0	5	0
PY 2010-2011			
End-of-term evaluation missing	3	3	0
End-of-term missing required hours	<u>0</u>	<u>6</u>	<u>7</u>
Total			
End-of-term evaluation missing	6	7	2
End-of-term missing required hours	2	18	12

45 CFR § 2522.220(d), *Participant performance review*, states that a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without an end-of-term evaluation. It requires that the end-of-term performance evaluation assess if the participant completed the required number of hours to be eligible for the education award.

DHS and NYC representatives did not know why evaluations were not in files for certain members. ARC representatives stated that if a site supervisor did not complete a member evaluation, they would produce the final evaluation for the member, although they did not go onsite to observe the member or consult with the member's supervisor.

DHS, ARC, and NYC were unaware that end-of-term evaluations are required to include the final number of hours completed by members. End-of-term evaluations are required for all members and are necessary to ensure that members are eligible for additional service terms and education awards, and that grant objectives have been met.

- Two members did not have end-of-term evaluations: one sampled PY 2009-2010 DHS member (Member No. 2) was a returning member from PY 2008-2009, and one sampled PY 2009-2010 member (Member No. 3) served subsequent terms in PYs 2010-2011 and 2011-2012. We questioned Federal member costs, education awards, accrued interest, and childcare expenses for these members.

Member No.	Questioned Member Costs	Questioned Education Award	Questioned Accrued Interest	Questioned Child Care Expenses
2	\$10,273	\$4,725	\$55	\$0
3	10,803	5,350	911	348
Total	<u>\$21,076</u>	<u>\$10,075</u>	<u>\$966</u>	<u>\$348</u>

- We identified other issues with end-of-term evaluations. The number of instances for each situation is shown in the table below.

Description	ARC	NYC
Supervisor signature not dated	0	1
Signatures missing	1	1
Completed after member exited program, not signed by the member	4	0

It is good business practice to ensure that members and supervisors sign and date end-of term evaluations and complete evaluations before members exit the program. As a result, accountability is maintained, and evaluations are consistent with member and management intentions.

- Two NYC member contracts were missing pages, and two ARC member contracts were missing signatures.
- Member contracts for one sampled PY 2009-2010 NYC member and one sampled PY 2010-2011 NYC member did not include all pages included in NYC's standard member contract. These pages contained acceptable conduct, requirements under the Drug Free Workplace Act, suspension and termination of rules, specific circumstances for which a member may be released for cause, grievance procedures, and other applicable program requirements. As a result, we could not ensure that the contract signed by these members included the pages containing these provisions or that members were fully aware of their rights and responsibilities as required by 2009

AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.2, Member Contracts.

- Member signatures were undated on the member contracts for two sampled PY 2009-2010 ARC members. As a result, we could not verify that the contracts were signed before the members started serving hours, as required by 2009 AmeriCorps Grant Provisions, Section IV, AmeriCorps Special Provisions, Subsection D.2, Member Contracts.
- c. Files for three sampled PY 2009-2010 DHS members and six sampled PY 2010-2011 DHS members did not have hard copies of exit forms. In addition, the exit form for one sampled PY 2009-2010 DHS member was not signed by the member's supervisor. MyAmeriCorps *Frequently Asked Questions* (dated October 2, 2009), Miscellaneous, Are we still required to retain paper copies of the enrollment and exit form?, states that if both the member and program certify an exit form in the Portal, the program is not required to retain paper copies of the exit form. Thus, the Portal serves as the system of record for enrollment and exit forms. Without a hard copy of the exit form or a supervisor signature on the exit form, we were unable to verify that the education award eligibility certification, which is an element of the exit form, was complete for the nine sampled members.

Recommendations: We recommend that the Corporation:

- 8a. Require Oregon Volunteers to strengthen its training and monitoring procedures to ensure that end-of-term evaluations are completed for all members at all of its subgrantee sites;
- 8b. Require Oregon Volunteers to strengthen its training and monitoring procedures to ensure that end-of-term evaluations used by all of its subgrantees include the requirement to assess whether the member has completed the required number of hours to be eligible for the education award;
- 8c. Require Oregon Volunteers to strengthen its training and monitoring procedures to ensure that members and supervisors sign end-of-term evaluations, date their signatures, and complete them before members exit the program;
- 8d. Verify implementation of Oregon Volunteers' procedures for member evaluations;
- 8e. Require Oregon Volunteers to strengthen its policies and procedures to ensure that members sign complete copies of member contracts that include all required stipulations prior to starting service;
- 8f. Verify implementation of Oregon Volunteers' strengthened policies and procedures for its subgrantees member contracts;
- 8g. Revise its Frequently Asked Questions document to ensure that all grantees and subgrantees retain hard copies of member exit forms signed by supervisors until the date submitted is shown in the Portal;
- 8h. Disallow and recover the appropriate amount of education awards, accrued interest, and childcare benefits based on our questioned amounts;

- 8i. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned; and require Oregon Volunteers to adjust its FFRs for the disallowed costs.

Oregon Volunteers Response: Its responses follow:

- Generally, it concurred with the findings. It believed that its desk and site visit monitoring tools were thorough and complete, but it needed to enhance its desk monitoring of all program documents and forms and to revise its onsite monitoring tool to ensure that availability of signed contracts and performance evaluations.
- It did not concur with the questioned costs, education awards, accrued interest, and childcare expenses for the two DHS members without end-of-term performance evaluations. It will provide documentation demonstrating that evaluations were conducted to the Corporation.
- As a corrective action, it will update its program directors manual to include additional information on checking all timesheets for total member service hours during the exit process and providing documentation of complete signed evaluations. The changes will be discussed at a program directors meeting.

Accountants' Comments: During resolution, the Corporation should ensure that the correction actions implemented by Oregon Volunteers are effective.

Finding 9. Oregon Volunteers did not follow its procedures to obtain and review subgrantee OMB Circular A-133 audit reports, as required by its procedures.

As described the following paragraphs, Oregon Volunteers did not comply with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart D.400 (d), *Pass-through entity responsibilities*, which requires it to ensure that subgrantees undergo audits that meet requirements of this circular. In addition, Oregon Volunteers did not comply with its internal monitoring procedures.

According to the Oregon Volunteers fiscal manual for PY 2011-2012, it has full responsibility for monitoring fiscal and programmatic actions of its subgrantees, including monitoring subgrantee compliance with audit requirements. When performing this monitoring, it is required to collect and maintain copies of OMB Circular A-133 audit reports and management letters as well as track scheduled audits for all subgrantees and ensure that they do not fall behind on receiving them. While Oregon Volunteers performed some of these procedures, it relied on the Financial Services Division at OCHS, to monitor subgrantee compliance with audit requirements, review subgrantee audit reports and management letters, and follow-up on deficiencies identified in the audit reports and management letters.

During planning, we requested copies of subgrantee OMB Circular A-133 audit reports and management letters for the two most recent fiscal years as well as documentation of reviews performed on the audit reports and management letters. Because Oregon Volunteers and OCHS did not have a procedure for tracking subgrantee audits, they did not know which

subgrantees were required to have OMB Circular A-133 audits. Additionally, they did not know which subgrantees had management letters; dates subgrantees submitted their audit reports to Oregon Volunteers, OCHS, or another agency; dates reports were reviewed; or the status of any deficiencies identified in the reports and management letters.

While Oregon Volunteers relied on the Financial Services Division at OCHS to ensure subgrantee compliance with audit requirements, OCHS only ensured compliance with audit requirements for some of the subgrantees. In Oregon, the state agency that provides a subgrantee with the most funding is responsible for reviewing OMB Circular A-133 reports for that subgrantee. As a result, at least four other state agencies in addition to OCHS were responsible for reviewing particular subgrantee audit reports. OCHS did not have a procedure for obtaining subgrantee audits from the other agencies and did not begin to request copies of the audit reports and review documentation until the week of our planning visit.

A similar subgrantee monitoring issue was identified in the prior OIG audit report conducted on Oregon Volunteers (OIG Report No. 01-04). In its response to that audit report, Oregon Volunteers stated that it had fully implemented a database that tracked subgrantee OMB Circular A-133 reports. It now states that it no longer uses this database, because OCHS stated that it was unnecessary to do so, because OCHS was responsible for obtaining and reviewing these reports. Representatives from Oregon Volunteers agreed that the current process for obtaining and reviewing these reports had created a structural defect in its ability to meet its responsibilities for monitoring subgrantee compliance.

Recommendations: We recommend that the Corporation:

- 9a. Require Oregon Volunteers to develop and implement procedures for documenting subgrantee audit report and management letter submissions, Oregon Volunteers or fiscal-agent reviews of subgrantee audit reports and management letters, status of findings identified those reports; and issues identified during reviews of reports; and
- 9b. Verify implementation of Oregon Volunteers procedures for subgrantee audit reports and management letters.

Oregon Volunteers Response: It concurred in part to the findings. Its responses to the finding and corrective actions follow:

- The Statewide Accounting and Reporting System (SARS) assigns responsibility for review of subgrantee OMB Circular A-133 reports.
- In 2006, the OCHS Chief Financial Officer required elimination of Oregon Volunteers database that tracked subgrantee OMB Circular A-133 reports because the system did not comply with the state accounting policy.
- As a program of a state agency, it did not have any authority to follow-up directly with audited subgrantee organizations.
- As a corrective action, it will return to its policy requiring all subgrantees to provide a list of Catalog of Federal Domestic Assistance numbers for other

Federal grants received by the subgrantees. The list will be shared with the OCHS Financial Services Division staff who will be responsible for ensuring that the Secretary of State Audit Division provides OMB Circular A-133 review reports for any subgrantees monitored by other state agencies. The staff will also be responsible for sharing the subgrantee audit reports with the Oregon Volunteers staff.

For subgrantees that receive direct Federal funding at a level requiring an OMB Circular A-133 audit but do not appear in the SARS system, Oregon Volunteers will work with OCHS Financial Services Division staff and ensure that a review is conducted using the same monitoring tools used by state agencies for all other reviews.

Accountants' Comments: Responses to the finding and corrective actions follow:

- We do not agree with Oregon Volunteers' statement that as a program within OCHS that it did not have the authority to follow-up directly with subgrantees about whether they had received OMB Circular A-133 audit reports. While Oregon Volunteers stated it did not have this authority, determining whether a subgrantee had an OMB Circular A-133 audit was included as a step on "Risk Assessment Review Form" which was included in its PY 2011-2012 manual for program directors. It was also included as a step in its "Financial Compliance Review Instrument" which was completed during site visits. Finally, as discussed in the findings, its fiscal manual for PY 2011-2012 stated that it had full reasonability for monitoring subgrantee compliance with audit requirements.
- During resolution, the Corporation should ensure that the correction actions implemented by Oregon Volunteers are effective. In addition, it should ensure that the procedures described by Oregon Volunteers in its fiscal and program manuals accurately describe its current procedures for obtaining and reviewing subgrantee audit reports.

APPENDIX A

Oregon Volunteers Response to Draft Report



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28 June, 2012

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National and Community Service
1201 New York Avenue NW, Suite 830
Washington, DC 20525

Dear Mr. Axenfeld,

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report. We appreciate the assistance provided by Rick Samson, Audit Manager, in your office during the audit process.

Enclosed is our response to the *OIG Report for the Agreed-Upon Procedures for Corporation Grants Awarded to Oregon Volunteers*. As detailed in our document, we have provided additional information in response to a number of the findings, and noted those findings in which more information will be forthcoming.

We have also developed corrective actions in response to findings where, as a result of the audit, we recognize the need to change or enhance existing policies and procedures to further strengthen our program administration.

Please do not hesitate to contact me if additional information is necessary.

Sincerely,


Kathleen A. Joy
Executive Director

//cc: Margaret Van Vliet, Oregon Housing and Community Services

Finding 1.

Oregon Volunteers did not ensure that claimed Federal and match costs were adequately supported, compliant with applicable regulations, and properly calculated.

We do not concur with questioned \$2,500 for the Take Care of Oregon mini-grant award. Expense documentation, along with the final report required by the fixed price mini-grant award, will be submitted to CNCS

We do not concur with questioned \$49,115 for indirect costs charged to commission operational grants (Administration, PDAT and Disability Inclusion.) As noted by the auditor, the Commission received permission from the Corporation Grants Office to include these costs in annual applications for each of the three grants. Since the cells for indirect costs are locked in the PDAT and Disability Inclusion application budget narratives, we were instructed to show them in "Other Support Costs" – Category J, a practice we have followed since the e-grants application system was created. In addition to the application, we also annually submit a copy of the PSU agreement that designates the % that will be charged to each grant, as well as the % that will be donated for each grant (see Finding 1.c)

We do not concur with questioned \$54,586 of excess PSU indirect fees provided as match to Oregon Volunteers.

The rate used was in the contract between Portland State University and OHCS, which was submitted annually for CNCS review, along with the PSU NICRA, which clearly spelled the category under which the calculations in the application were established.

Furthermore, PSU provided the following clarification:

"At Portland State University there is not a direct correlation between the Sponsored Community Service program code used for the Oregon Volunteers Commission awards and the "Other Sponsored Activity" rate from our F&A rate agreement. We have historically applied our research rate to sponsored projects unless they are primarily instructional in nature, when we would apply our much higher instructional F&A rate. The use of the research rate to calculate PSU's F&A contribution to the CNCS awards is consistent with our costing practices. However, in the future we will begin to utilize our other sponsored activity rate for projects such as these and have used this rate in the current CNCS award for Oregon Volunteers."

It should be noted that the new contract between Portland State University and OHCS clearly delineates the rate change to the 31per cent allocated for sponsored projects. The 2012 budgets submitted to CNCS used the lower rate for this year and forward.

We do not concur with questioned \$73,466 in Oregon Volunteers match expenses. We acknowledge that it had been our practice to record program income at the time income was received, rather than as it was expended. As a result of that practice, at the time of the onsite visit, the income log was provided to the auditors and the situation was discussed briefly. However, auditors did not request backup for actual program income expenditures, either during

the site visit or in response to our inquiries about other documentation that they wanted during the post visit period. Oregon Volunteers will provide CNCS with backup exceeding the questioned match costs.

Corrective Action: Oregon Volunteers has changed our internal financial policies to track program income only as it is expended.

Finding 2.

Subgrantees did not ensure that claimed Federal costs were adequately supported, compliant with applicable regulations, and properly calculated.

DEPARTMENT OF HUMAN SERVICES:

We do not concur with the questioned \$1,188 of DHS Federal other direct costs not adequately supported. Documentation for all of these expenditures is being provided to CNCS.

AMERICAN RED CROSS:

We do not concur with the questioned \$7,560 for site placement rental costs. This finding includes service site costs from a combination of Red Cross chapters across the state AND from local community based organization sponsors. Documentation of space costs provided to AmeriCorps members by both internal (Red Cross chapters) and external (community-based organizations) placements were collected at the program level through a certification process that did not include copies of local lease, rental, or space allocation agreements. We will provide to CNCS copies of lease/rental/space allocation documents that exceed the questioned amount. The program has changed its policies for the coming year and will require copies of lease/rental documents from its placement sites.

We do concur with the questioned \$1,740 for member disaster training. This charge is unsupported for the period under review. It should be noted that beginning with the FY 2011-2012 program year, the program no longer includes disaster-training costs in its budget.

We do not concur with the questioned \$269 for staff office space. Documentation for internal rent allocation is being provided to CNCS.

We do not concur with the questioned \$3,245 for office supplies. Oregon Volunteers allows its programs to purchase supplies for subsequent grant years if reasonable. All supplies were for staff members who continue to work on a program year even after members exit. The program contacted Oregon Volunteers to arrange for this purchase beforehand and was given permission. Further, per CNCS guidelines on budget adjustments, Oregon Volunteers allows programs to shift budget expenditures up to the (commission-level) allowable 10% aggregate. Program was within these figures in exceeding their budget for supplies.

We do not concur with the questioned \$1,011 for member training materials. Oregon Volunteers allows its programs to purchase supplies for subsequent grant years if reasonable, particularly for member recruitment and member training, because such expenses often must occur prior to member service start dates.

We do concur with the questioned \$38 for staff travel. It should be noted that the American Red Cross now has an online travel system that will ensure that program staff stay within OAM rates in the future.

We do not concur with the questioned \$250 in excess federal administrative costs. Oregon Volunteers provided guidance to the program about making adjustments between CNCS and Grantee portion of expenses. Under our guidance the program was allowed to align the total actual year-to-date percentages with match budgeted percentages. The general accounting policy of the program is to make such adjustments in the Member Living Allowance line item. In February, 2010 a \$250 adjustment was made on the 09-10 ARRA report; however, this adjustment was made on the incorrect line of the report worksheet. As a result, the Administrative Cost line item was in excess of the 5.26% allowed. If the adjustment had made on the Member Living Allowance line according to policy, the program would have received \$263.15 (\$250.00 plus \$13.15 - the 5.26% administrative cost allowed). This is not an unallowable expense, just a mis-posting that was not identified prior to the end of the program year.

NORTHWEST YOUTH CORPS:

We concur, in part, with the questioned \$40 identified as garden supplies, but actually associated with a member field trip. The program has received oral confirmation of the charge, and is working to obtain supplemental written documentation to submit to CNCS.

We do not concur with the questioned \$ 200 for a member training retreat security deposit. After the conclusion of the onsite audit, the program received the \$200 security deposit refund in March, 2012. It was credited against PY 2010-11 in the periodic expense report submitted in March 2012 and was included in the period-ending March 31, 2012 FFR submitted to CNCS.

We concur, in part, with the questioned \$281 for vehicle costs. The program has provided supplemental information on their procedures for documenting vehicle costs that will be forwarded to CNCS.

Finding 3.

Subgrantees did not ensure that claimed match costs were adequately supported, compliant with applicable regulations, and properly calculated.

We concur, in part, with this finding. Several elements of the identified match issues directly correlate to questioned costs in Findings 2 & 4, where comments have been included, as appropriate.

The Oregon Volunteers AmeriCorps*State Fiscal Manual currently provides instruction on, and sample forms for, calculation and recording of in-kind support, but as a result of this audit, we recognize the need to expand our current practice.

Corrective Action: The Oregon Volunteers AmeriCorps*State Fiscal Manual will be revised to provide specific requirements for documentation of in-kind support claimed as match on program budgets and will strengthen our program financial monitoring system to include expanded review of in-kind documents. We will also focus our September, 2012 Program Directors meeting agenda on a Fiscal and Program Administration Review, covering changed and enhanced policies and procedures resulting from this audit.

Finding 4.

Subgrantees timekeeping systems did not comply with Federal and state requirements, and subgrantees did not ensure the allowability of claimed site-supervisor labor costs.

We concur, in part, with the elements of this finding related to match documentation. Several elements of the identified match issues directly correlate to our response to Finding 3.

The Oregon Volunteers AmeriCorps*State Fiscal Manual currently provides instruction on and sample forms for calculation and recording of in-kind support, but as a result of this audit, we recognize the need to expand our current practice.

DEPARTMENT OF HUMAN SERVICES:

We do not concur with the questioned costs of \$ 4,188 for salary and benefits. Signed timesheets have been obtained and will be forwarded to CNCS.

Corrective Action: The Oregon Volunteers AmeriCorps*State Fiscal Manual will be revised to provide specific requirements for documentation of in-kind support claimed as match on program budgets and provide sample time and space tracking documents for program use. We will enhance our program financial monitoring system to include expanded review of in-kind documents. We will also focus our September, 2012 Program Directors meeting agenda on a Fiscal and Program Administration Review, covering changed and enhanced policies and procedures resulting from this audit.

Finding 5.

Subgrantees did not comply with AmeriCorps requirements for state criminal history checks and did not demonstrate that such checks were conducted on members and grant-funded staff.

In general, we do not concur with these findings. During the program years that were audited there was conflicting information available from CNCS regarding the use of third-party

vendors to conduct criminal history checks. Now that this regulation has been more clearly defined by CNCS, all OV programs are compliant.

AMERICAN RED CROSS:

We do not concur with the questioned \$ 287,543 for charges directly related to third party criminal history check vendors for American Red Cross members and staff. The Commission's guidance to programs in the portfolio was to get an emailed confirmation from the third-party vendor that it would meet AmeriCorps' guidelines for background checks, and to put that confirmation in the member program files. In 09-10, the program followed this guidance, using MyBackgroundCheck.com (the same online system used by Red Cross nationally for background checks for both volunteers and staff). In 10-11, American Red Cross used Pre-Employ.com (which is a branch of the same company used the year before) for its background checks. The program emailed the company to give them the most recent AmeriCorps guidelines it would need to meet. They received an email response stating the current package would not meet the newest requirements, but that the company could set up a package that would. Commission approved the package. [Note: in 11-12, program continued to use the Pre-Employ.com online background check for covering the state background check for members who were residents of a state outside of Oregon; by 11-12, program was using a Federal FBI Fingerprint background check, as well as a check from the Official Oregon State Repository.]

After the IG auditors noted a concern with Pre-Employ.com's checks, program informed the Commission immediately and then did new state background checks for those members who were residents of a state outside of Oregon, using AmeriCorps' official repositories for those states. This updated process will continue to be used moving forward.

NORTHWEST YOUTH CORPS:

We partially concur with the questioned \$61,247 for charges related to third-party criminal history checks after the program received notification from CNCS that their ASP request had been declined. We believe that the program acted in good faith at a time when the newly implemented CNCS protocols for criminal history background checks were more fluid than they are currently. As a result of the fluidity, the commission staff did their best to keep programs updated with changed requirements, but believe that the system was still in development during the period covered by this audit, and that the developmental status of the requirements should be considered when reviewing these findings.

We partially concur with the questioned \$20,829 for missing criminal history checks for members serving a second year following a 30-day+ break in service, and for a grant-funded staff member whose background check was not conducted in a timely manner. We assert that the commission staff gave its best efforts interpreting the fluid guidance available in the early stages of implementation. In addition, the program has strengthened its policies regarding background checks, and has revised its policies to insure that staff background check timelines meet federal criterion.

DEPARTMENT OF HUMAN SERVICES:

We do not concur with questioned \$ 18,742 for lack of documentation of a member background check.

Documentation demonstrating that the appropriate member criminal history check was conducted is being provided to CNCS.

We do not concur with questioned costs of \$4,188 for lack of documentation of program staff background checks.

Documentation demonstrating that the appropriate staff criminal history checks were conducted is being provided to CNCS.

Corrective Action: This issue was discussed at length during 2012 programmatic site visits conducted by the OV AmeriCorps Program Officer. Also, the OV AmeriCorps*State Program Directors Manual has been updated to include this information. Lastly, all program directors from programs included in the OV AmeriCorps portfolio participated in a two-hour training on this topic conducted by CNCS officials during the Northwest Network training event that occurred at Portland State University on March 27, 28, and 29, 2012.

AmeriCorps program staff members in the Oregon Volunteers program portfolio have now been thoroughly trained to understand every nuance of when and how to conduct each facet of the AmeriCorps criminal history check requirements (FBI fingerprint based check, state checks, NSOPR) and the unique timing of each.

This topic will also be included in our September, 2012 Program Director's meeting agenda on a Fiscal and Program Administration Review, which will cover changed and enhanced policies and procedures resulting from this audit.

Finding 6.

Subgrantees did not comply with AmeriCorps requirements for NSOPR checks, did not demonstrate that NSOPR checks were conducted on members and grant-funded staff, and did not conduct NSOPR checks in a timely manner.

We do not concur with the majority of these findings, since they appear to hold programs to a higher standard than that required by CNCS with reference to repeat attempts to complete NSOPR checks for states that are not available at the time of the program check. We provide technical assistance to programs using the CNCS FAQs as the basis for our guidance. In general we believe that each program in the portfolio conducts checks in good faith and according to guidance available at the time. However, we do concur that in instances in which NSOPR checks are not completed prior to the start of the member year there is a serious compliance issue that we will continue to address through training and technical assistance, as well as site visits and monitoring activities.

Finding 7.

Subgrantees did not accurately record all member timesheet hours, did not have procedures to verify member timesheet accuracy, and, in some instances, member timesheets did not support member eligibility for education awards.

DEPARTMENT OF HUMAN SERVICES:

We do not concur with questioned \$4,725 for Department of Human Services Member 1. Documentation demonstrating that the member in question did complete the required number of service hours is being provided to CNCS.

We do not concur with questioned \$4,725 for Department of Human Services Member 44. Documentation demonstrating that the member in question did complete the required number of service hours is being provided to CNCS.

We partially concur with questioned \$ 14,175 for Department of Human Services Members 4, 45 and 46. Additional documentation regarding the total hours served for Members 4, 45, and 46 is being gathered and will be submitted to CNCS.

AMERICAN RED CROSS:

We do not concur with questioned \$4,725 for American Red Cross Member 15. The program timesheet provides a section where the program director can sign and certify changes to the timesheet that have been discussed with both the member and the supervisor. The eight hours were certified in that manner on the timesheet, with a backup note in the member file to annotate the Program Director's signature on the timesheet.

We do not concur with questioned \$4,725 for American Red Cross Member 16. In this instance, Commission provided guidance to program that when a member signature was not accessible for the timesheet that the signature of the site supervisor, countersigned by the program director, was adequate to document the hours.

We do not concur with questioned \$4,725 for American Red Cross Member 29. Commission provided guidance to program that when a member signature was not accessible for a timesheet that the signature of the site supervisor, countersigned by the program director, was adequate to count the hours.

NORTHWEST YOUTH CORPS:

We do not concur with questioned \$5,350 for NYC member 41. At the time of the audit, the member file contained a "corrected" timesheet for the month that only showed corrected hours for two of the twenty-two days in the month. We will submit to CNCS documentation that shows the member served more than 1700 hours in total.

Corrective Action: Beginning with the 2012-2013 program year all Oregon AmeriCorps programs will be instructed on how to accurately account for member service hours during site visits and quarterly Program Directors Meetings, including the September, 2012 Program Directors meeting agenda focused on a Fiscal and Administration Review, covering changed and enhanced policies and procedures resulting from this audit.

Additionally, the OV AmeriCorps Program Director's Manual will be updated to include information regarding checking all timesheets for total member service hours during the exit process, and Oregon Volunteers Site Visit Monitoring Protocol will be expanded to include verification of total hours in review of prior year member files.

Finding 8.

Subgrantees did not comply with AmeriCorps requirements for member performance evaluations, contracts, and forms.

In general, we concur with this finding, and commit to strengthening program practices in conducting and documenting performance evaluations, insuring thorough completion of member contracts, and adequate use of appropriate forms. Although we believe that our desk and site visit monitoring tools are thorough and complete, it is evident that we need to further enhance our desk monitoring of all program documents and forms, and to further revise our member file onsite monitoring tool to insure availability of signed contracts and performance evaluations.

DEPARTMENT OF HUMAN SERVICES:

We do not concur in with questioned \$ 17,142 for missing member evaluations.

Documentation demonstrating that member evaluations were conducted is being provided to CNCS.

CORRECTIVE ACTION: the OV AmeriCorps*State Program Director's Manual will be updated to include additional information on checking all timesheets for total member service hours during the exit process, and providing documentation of complete documentation of signed evaluations. The changes will be included in the September, 2012 Program Director's meeting agenda on a Fiscal and Administration Review, covering changed and enhanced policies and procedures resulting from this audit.

Finding 9.

Oregon Volunteers did not follow its procedures to obtain and review subgrantee OMB Circular A-133 audit reports.

We concur, in part, with the finding. First, we note that Oregon Housing and Community Services (OHCS) is not our fiscal agent. We are established in statute as a program of Oregon Housing and Community Services, rather than designation of OHCS as a fiscal agent. As a program of the department, Oregon Volunteers falls under all of the agency and state policies and procedures.

As noted in the report, the State of Oregon Department of Administrative Services Oregon Accounting Manual Federal Compliance Policy 30.30.00 PO assigns responsibility for review of A-133 audits through the Statewide Accounting and Reporting Services (SARS). The policies further delineate agency responsibility:

*.105 Based on listings prepared by SARS, the state agency that distributes the largest amount of funds to any subrecipient shall be the responsible **audit agency** for the purpose of subrecipient monitoring by the State under OMB Circular A-133.*

.106 As part of the annual statewide single audit, the Secretary of State Audits Division is responsible for examining the subrecipient monitoring conducted by audit agencies.

.107 The audit agency is responsible for monitoring state compliance with requirements for second level subrecipient review. The State's direct subrecipients must monitor federal financial assistance passed through to subrecipients. The audit agency must assure that assigned subrecipients monitor audits and expenditures relating to any second level subrecipients. Second level subrecipients are those local governments and non-profit organizations that receive federal financial assistance from a local government or non-profit organization receiving federal financial assistance directly from a state agency.

.108 Audit agencies will retain all subrecipient audit reports and associated checklists and workpapers for a minimum of three years from the date of the audit report. Longer retention periods may be necessary when notified in writing by the federal agency providing the financial assistance.

As noted in the reference to OIG Report 01-04, Oregon Volunteers developed and maintained an internal sub-recipient A-133 review system from 2000 through 2006. In 2006 the Oregon Housing and Community Services (OHCS) CFO, who was not aware of the OV practice, required elimination of the internal program-level process that we had developed. The required elimination of the program level practice was made because Oregon Volunteers' efforts were not in compliance with state accounting policy. As the program of a state agency, OV did not have any authority to follow-up directly with audited sub-recipient organizations.

Corrective Action: Oregon Volunteers will return to its policy requiring all sub-recipient programs to provide a list of CFDA's for other federal grants received by the agency. The list will be shared with OHCS Finance staff who will be responsible for insuring that the Secretary of State Audit Division provides A-133 review reports for any Oregon Volunteers sub-recipients monitored by other state agencies to OHCS, and for sharing those reports with Oregon Volunteers Finance and AmeriCorps Program staff.

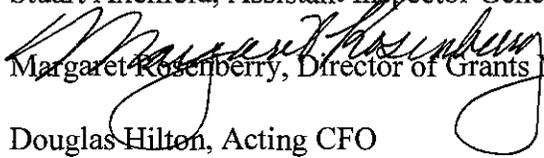
In the rare instance when an Oregon Volunteers' sub-recipient receives direct federal funding at a level that would trigger the requirement for an A-133 audit, but does not then appear in the SARS system for assignment to a state agency, Oregon Volunteers will work directly with OHCS Finance staff to insure that the review is conducted using the same state monitoring tools used for all other A-133 audit reviews by state agencies.

APPENDIX B

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

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Assistant Inspector General for Audit

From: 
Margaret Rosenberry, Director of Grants Management

Cc: Douglas Hilton, Acting CFO
Valerie Green, General Counsel
Claire Moreno, Senior Grants Officer for Policy & Audit

Date: June 27, 2012

Subject: Response to OIG Draft of Agreed-Upon Procedures for Corporation
For National and Community Service Grants Awarded to
Oregon Volunteers

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