

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO ARKANSAS SERVICE COMMISSION

OIG Report 14-04



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on November 14, 2013. 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 May 14, 2014 and complete its corrective actions by November 14, 2014. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



November 14, 2013

TO: William Basl
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

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

SUBJECT: OIG Report 14-04, *Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Arkansas Service Commission*

Attached is the final report for the above-noted engagement. This agreed-upon procedures review was conducted by Cotton & Company LLP 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 and recommendations in this report is due by May 14, 2014. Notice of final action is due by November 14, 2014.

If you have questions pertaining to this report, please contact me at S.Axenfeld@cncsoig.gov , (202) 606-9360, or Rick Samson, Audit Manager, at R.Samson@cncsoig.gov, (202) 606-9380.

Attachment

cc: Sherry Middleton, Director, Division of Community Service and Nonprofit Support
David Rebich, Chief Financial Officer, CNCS
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS
Karen Gandolfo, Audit Resolution Specialist, CNCS
Edet Frank, Assistant Director, Division of Community Service and Nonprofit Support
Allan Schneider Commission Liaison
Roger Norman, Legislative Auditor
Michael Gillespie, Operations Managing Partner, Cotton & Company LLP

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

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EXECUTIVE SUMMARY

We performed an Agreed-Upon Procedures (AUP) review of the Arkansas Service Commission (Commission), the oldest office of volunteerism in the United States. The review, which covered the period August 1, 2010, through December 31, 2012, revealed that the Commission's management lacks understanding of basic cost principles, grant provisions, and other Federal grant requirements. Consequently, the Commission did not properly monitor such fundamental grant management practices as ensuring the allowability of costs charged to the grants by subgrantees and verifying the timekeeping practices for staff and members. We discovered that the Commission and its subgrantees failed to comply with many basic grant requirements.

As a result of performing procedures at the Commission and three of its twelve subgrantees, we questioned claimed Federal-share costs of \$205,790, match costs of \$550,551, education awards of \$139,352, and accrued interest of \$500.¹ Despite the magnitude of the unmet match, we did not calculate the amount of Federal costs to be questioned because the time allowed for subgrantees to meet match requirements had not yet expired, as the AmeriCorps Competitive and Formula grant awards were still active as of the close of our audit period. We therefore recommend that the Corporation monitor Commission and subgrantee matching requirements on these awards and, at the end of the grant, determine whether match requirements were met.

Fieldwork revealed the following deficiencies:

- Subgrantees did not comply with Corporation requirements for National Service Criminal History Checks (NSCHCs) for both members and grant-funded staff, which must include searches of the National Sex Offender Public Website (NSOPW), the State criminal history registry, and the FBI registry. (Findings 1 and 2) This results in an unacceptable risk of danger to members and the public. For example:
 - One subgrantee did not perform any NSCHC searches on their grant-funded staff, while the other two failed to search the NSOPW for grant-funded staff members. The Commission did not check for these items in its monitoring and the subgrantees indicated that they were unaware of these requirements.
 - In some cases, NSOPW search results were missing, incomplete, or not properly documented, despite specific requirements.
 - Some of the NSOPW, State criminal history registry, and FBI searches for certain members used incorrect names or were conducted after the members began service. In one case, the subgrantee did not perform a search of the registry of the state in which the member legally resided.
- Certain claimed Federal costs were not adequately supported by records or were unallowable. (Finding 3)

¹ 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. 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.

- The Commission and two subgrantees lacked procedures to ensure that match costs were allowable and were adequately documented. For example, the Commission claimed in-kind match costs for donated services and supplies but did not document and could not explain the basis for the values that it ascribed to these contributions. (Finding 4)
- The Commission and two subgrantees did not account for and report Federal and match costs in accordance with Federal requirements and did not have separate accounts for match costs. The Commission and one subgrantee claimed fringe benefit costs based on estimates, rather than on actual expenses. Two subgrantees did not accurately report match costs on reimbursement requests submitted to the Commission. (Finding 5)
- Claimed match costs arising from staff work were in some cases overstated or supported by incomplete documentation. (Finding 6)
- None of the subgrantees had procedures for tracking members' fundraising activities, stating that none of their members engaged in fundraising. In interviews, however, several members interviewed indicated that they did in fact perform fundraising; the position descriptions for the members serving their terms for the subgrantee University of Arkansas at Little Rock – Children International (UALR-CI) expressly described fundraising activities. Some of this fundraising supported the general operations of the subgrantee and its partner and is therefore unallowable. (Finding 7)
- Member timesheets were not accurate, and the subgrantees did not have procedures to verify timesheet accuracy. In some instances, the members' timesheets did not support the members' eligibility for education awards. None of the subgrantees accurately reported member timesheets in the Portal, and the timesheets were not certified by members and supervisors. (Finding 8)
- Two subgrantees did not have controls to prevent members from performing unrelated service activities. Activities inconsistent with members' position descriptions and grant applications included office work, washing sheets and blankets, and scrubbing and waxing floors. (Finding 9)
- Two subgrantees did not comply with program requirements for members who exited for "compelling personal circumstances." In one case, the reason for the member's departure did not meet the regulatory definition of "compelling personal circumstances," while in other cases, the documentation was inadequate, consisting only of memoranda prepared by the AmeriCorps Program Director. (Finding 10)
- End-of-term member performance evaluations were incomplete at all three subgrantees. In some cases, they did not reflect whether members had completed enough service hours to be eligible for education awards. In other cases, they did not indicate whether the members' performance was satisfactory. At one subgrantee, not all of the members received a performance evaluation. (Finding 11)
- A university subgrantee did not withhold FICA taxes (Social Security and Medicare) from living allowance payments during Program Years 2010-2011 and 2011-2012 for members who were college students. It erroneously treated them as student employees

of the university. Because AmeriCorps members are volunteers, and not student employees of the sponsoring university, they may be required to pay unpaid taxes, plus interest, totaling \$35,821 for the AUP period. (Finding 12)

- One subgrantee failed to comply with Commission requirements, the terms of its grant applications, and the requirements of Office of Management and Budget (OMB) Circular A-133 in multiple respects (Finding 13). It:
 - Failed to establish a memorandum of understanding with another school district that hosted AmeriCorps members.
 - Omitted Federal expenditures for the AmeriCorps grant awards from its fiscal year (FY) 2012 Schedules of Expenditures of Federal Awards (SEFAs) included in its audit report
 - Hired a member as an employee before completion of that member's service term.
- Subgrantees did not properly verify members' citizenship before allowing them to begin service or maintain appropriate documentation of eligibility. In addition, four sampled members received an extra living allowance payment. (Finding 14)
- Neither the Commission, nor the Arkansas Department of Human Services in which is housed,² reviewed all subgrantee OMB Circular A-133 reports or identified errors in certain of the SEFAs. (Finding 15)

In view of the deficiencies in the Commission's monitoring and the pervasive compliance errors at the three subgrantees that we tested, we recommend that the Corporation undertake a detailed review of the remaining subgrantees to recover improper costs and correct compliance defects.

Detailed results of our AUP on claimed costs are included in Exhibit A, *Consolidated Schedule of Claimed and Questioned Costs*, and the supporting schedules. We discuss the detailed results of grant compliance, along with applicable recommendations, in Exhibit B, *Compliance Results*.

AGREED-UPON PROCEDURES SCOPE

We performed the AUP detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated January 2013. Our procedures covered testing over the following grants: AmeriCorps (Formula, Competitive, and Fixed Amount) and Commission-Level (Administrative, Disability, and PDAT).

² The Commission is a unit of the Arkansas Department of Human Services, Division of Community Service and Nonprofit Support (DHS-DCSNS). Although other units within DHS provide certain services to the Commission, this report refers to them generically as the "Commission," without regard to which unit performs the specific responsibility.

Grant Program	Award No.	Award Period	AUP Period	Award Totals
AmeriCorps Grants				
Formula	06AFHAR001	08/09/06-03/31/13	08/09/10-09/30/12	\$6,212,712
Competitive	09ACHAR001	08/14/09-06/14/13	08/14/10-09/30/12	\$2,952,944
Fixed Amount	10ESHAR001	08/01/10-08/31/13	08/01/10-09/30/12	\$84,000
Commission-Level Grants				
Administrative	10CAHAR001	01/01/10-12/31/12	01/01/11-12/31/12	\$638,371
Disability	10CDHAR001	01/01/10-12/31/13	01/01/11-12/31/12	\$190,030
PDAT	11PTHAR001	01/01/11-12/31/13	01/01/11-12/31/12	\$141,429

OIG's AUP program included:

- Obtaining an understanding of Commission operations, programs, and subgrantee monitoring processes.
- Reconciling claimed Federal and match grant costs, both for the Commission and a sample of subgrantees, to the DHS 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 compliance with selected AmeriCorps provisions and award terms and conditions at the Commission and a sample of subgrantees.
- Testing claimed Federal and match grant costs at both the Commission and a sample of subgrantees to ensure that:
 - AmeriCorps grants were properly recorded in the DHS 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 April through July 2013 at the Commission office in Little Rock, as well as at three subgrantees:

- University of Arkansas at Little Rock-Children International (UALR-CI), Little Rock, Arkansas
- Rogers School District (Rogers), Rogers, Arkansas
- Southeast Arkansas Education Service Cooperative (SEARK), Monticello, Arkansas

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. Congress did not fund the Learn & Serve America program in FY 2011, 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 FY 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.

Arkansas Service Commission

The Commission is located in Little Rock, Arkansas, and is part of the Arkansas DHS-DCSNS. It is the oldest State office of volunteerism in the nation, and its mission is to strengthen community resources, volunteerism, and national service in Arkansas. It 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 that are used to operate the DHS AmeriCorps program and that pass through the Commission to its 12 eligible subgrantees, which recruit members to serve. The members earn living allowances and may become eligible for education awards and repayment of accrued student loan interest upon completion of a term of service.

University of Arkansas at Little Rock-Children International

UALR-CI uses AmeriCorps funding to operate the Next Move Corps program. This program is a joint venture between Children International, located in Kansas City, Missouri, and the University of Arkansas at Little Rock. Children International is a nonprofit organization that helps fight poverty and assist needy children through child sponsorship programs. The Next Move Corps program works with parents and partners to provide educational enrichment, health care, and family assistance to children. AmeriCorps members assist the program in providing support to the children.

Southeast Arkansas Education Service Cooperative

SEARK used AmeriCorps funding to operate the Coordinated School Health (CSH), Future Teacher Initiative (FTI), and Smart Start (SS) programs. Members in the CSH program provided students with the knowledge and skills necessary to make healthy lifestyle choices related to physical activity, nutrition, tobacco use, and oral health. Member in the FTI program served at preschools and tutored at-risk students. Members in the SS program provided one-on-one reading and math tutoring to at-risk students from kindergarten through grade five. Members also completed service projects, helped with parent involvement nights, and assisted teachers with assessments and student evaluations.

Rogers Public School District

Rogers used AmeriCorps funding to operate the American Family Outreach Program. Its members provided communication and translation services to parents and school personnel; provided training and support to parents in different educational programs; collected and

entered data; accompanied school personnel on home visits; and recruited parent volunteers for the member service sites.

EXIT CONFERENCE

We discussed the contents of this report with the Commission, the three subgrantees, and Corporation representatives on August 19, 2013. We summarized the Commission's 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 during resolution. (see Appendix B)



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November 8, 2013

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 January 2013. 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 the Arkansas Service Commission for the awards detailed below.

We performed this Agreed-Upon Procedures (AUP) engagement 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	06AFHAR001	08/09/06-03/31/13	08/09/10-09/30/12	\$6,212,712
Competitive	09ACHAR001	08/14/09-06/14/13	08/14/10-09/30/12	\$2,952,944
Fixed Amount	10ESHAR001	08/01/10-08/31/13	08/01/10-09/30/12	\$84,000
Commission-Level Grants				
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Disability	10CDHAR001	01/01/10-12/31/13	01/01/11-12/31/12	\$190,030
PDAT	11PTHAR001	01/01/11-12/31/13	01/01/11-12/31/12	\$141,429

We performed testing of these AmeriCorps program awards at the Arkansas Service Commission and three of its subgrantees. We selected samples of labor, benefits, and other direct costs reported by Arkansas Service Commission on the following Federal Financial Reports (FFR) dated:

- 2010** September 30
- 2011** March 31, June 30, September 30, and December, 31
- 2012** March 31, June 30, September 30, and December 31

We also tested grant compliance requirements by sampling 57 members from UALR-CI, Rogers, and SEARK, as shown below. We performed all applicable testing procedures in the AUP program for each sampled member.

	UALR-CI		Rogers		SEARK	
	Total Members	Sampled Members	Total Members	Sampled Members	Total Members	Sampled Members
PY 2010-2011	33	6	51	9	182	12
PY 2011-2012	<u>35</u>	<u>7</u>	<u>45</u>	<u>10</u>	<u>186</u>	<u>13</u>
Total	<u>68</u>	<u>13</u>	<u>96</u>	<u>19</u>	<u>368</u>	<u>25</u>

RESULTS OF AGREED-UPON PROCEDURES

We questioned claimed Federal-share costs of \$205,790 and match costs of \$550,551.

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 and accrued interest. We questioned education awards of \$139,352 and accrued interest of \$500.

Detailed results of our AUP on claimed costs are included in Exhibit A and the supporting schedules. Results of testing grant compliance are included 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, Arkansas Service Commission, 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

Michael W. Gillespie, CPA, CFE
Partner

**ARKANSAS SERVICE COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Grant No.	Federal Costs		Questioned				Schedule
	Awarded	Claimed	Federal Costs	Match Costs	Education Awards	Accrued Interest	
06AFHAR001							
Rogers	\$297,754	\$268,071	\$0	\$72,747	\$7,662	\$0	A
SEARK-CSH	249,338	232,296	56,764	33,154	0	0	B
UALR-CI	351,574	330,167	7,055	180,980	109,362	500	E
Others	<u>2,444,319</u>	<u>2,106,993</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total	<u>\$3,342,985</u>	<u>\$2,937,527</u>	<u>\$63,819</u>	<u>\$286,881</u>	<u>\$117,024</u>	<u>\$500</u>	
09ACHAR001							
Rogers	\$278,748	\$245,514	\$1,832	\$197,040	\$8,753	\$0	A
SEARK-SS	917,450	882,768	140,139	\$66,590	2,675	0	C
Others	<u>762,438</u>	<u>611,652</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total	<u>\$1,958,636</u>	<u>\$1,739,934</u>	<u>\$141,971</u>	<u>\$263,630</u>	<u>\$11,428</u>	<u>\$0</u>	
10ESHAR001							
SEARK-FTI	<u>\$84,000</u>	<u>\$67,136</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10,900</u>	<u>\$0</u>	D
10CAHAR001	<u>\$638,371</u>	<u>\$416,408</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
10CDHAR001	<u>\$119,905</u>	<u>\$90,834</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
11PTHAR001	<u>\$141,429</u>	<u>\$96,205</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Totals			<u>\$205,790</u>	<u>\$550,551</u>	<u>\$139,352</u>	<u>\$500</u>	

SCHEDULE A

**ARKANSAS SERVICE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
ROGERS PUBLIC SCHOOL DISTRICT
AWARD NO. 06AFHAR001
AWARD NO. 09ACHAR001**

	06AFHAR001 PY 2010-2011	09ACHAR001 PY 2011-2012	Exhibit B Finding
Total Claimed Federal Costs	<u>\$268,071</u>	<u>\$245,514</u>	
Questioned Federal Costs:			
Unallowable Costs	\$0	\$1,230	3.b
Excess Living Allowance	<u>0</u>	<u>602</u>	14.a
Total Questioned Federal Costs	<u>\$0</u>	<u>\$1,832</u>	
Total Claimed Match Costs	<u>\$178,478</u>	<u>\$262,811</u>	
Questioned Match Costs			
NSOPW Check Not Conducted on Grant Funded Personnel	\$67,839	\$193,025	1.a
Unallowable Costs	1,590	2,388	4.c
Unsupported Costs	3,318	1,529	5.b
Unallowable Labor Costs	0	0	6.c
Excess Living Allowance	<u>0</u>	<u>98</u>	14.a
Total Questioned Match Costs	<u>\$72,747</u>	<u>\$197,040</u>	
Questioned Education Awards:			
Unsigned Timesheets	\$2,675	\$2,775	8.b
Compelling Personal Circumstances Did Not Comply With CFR	2,419	1,403	10.b
Compelling Personal Circumstances Not Adequately Documented	2,568	4,575	10.c
Insufficient Service Hours	<u>0</u>	<u>0</u>	8.b
Total Questioned Education Awards	<u>\$7,662</u>	<u>\$8,753</u>	

SCHEDULE B

**ARKANSAS SERVICE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
SEARK-CSH
AWARD NO. 06AFHAR001**

	PY 2010-2011	PY 2011-2012	Exhibit B Finding
Total Claimed Federal Costs	<u>\$116,984</u>	<u>\$115,312</u>	
Questioned Federal Costs:			
NSOPW Check Not Conducted on Grant Funded Personnel	\$26,387	\$26,353	1.a
Unallowable Costs	1,188	0	3.c
Unallowable Administrative Costs	<u>1,450</u>	<u>1,386</u>	3.c
Total Questioned Federal Costs	<u>\$29,025</u>	<u>\$27,739</u>	
Total Claimed Match Costs	<u>\$66,404</u>	<u>\$57,730</u>	
Questioned Match Costs:			
NSOPW Check Not Conducted on Grant Funded Personnel	\$12,670	\$13,365	1.a
Unallowable Costs	<u>777</u>	<u>6,342</u>	4.b
Total Questioned Match Costs	<u>\$13,447</u>	<u>\$19,707</u>	

**ARKANSAS SERVICE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
SEARK-SS
AWARD NO. 09ACHAR001**

	PY 2010-2011	PY 2011-2012	Exhibit B Finding
Claimed Federal Costs	<u>\$444,295</u>	<u>\$438,473</u>	
Questioned Federal Costs:			
NSOPW Check Not Conducted on Grant Funded Personnel	\$64,016	\$69,120	1.a
Unallowable Administrative Costs	<u>3,367</u>	<u>3,636</u>	3.c
Total Questioned Federal Costs	<u>\$67,383</u>	<u>\$72,756</u>	
Claimed Match Costs	<u>\$184,691</u>	<u>\$152,998</u>	
Questioned Match Costs:			
NSOPW Check Not Conducted on Grant Funded Personnel	\$31,693	\$14,945	1.a
Unallowable Costs	<u>11,340</u>	<u>8,612</u>	4.b
Total Questioned Match Costs	<u>\$43,033</u>	<u>\$23,557</u>	
Questioned Education Award:			
Unsigned Timesheets	<u>\$2,675</u>	<u>\$0</u>	8.c

**ARKANSAS SERVICE COMMISSION
 SCHEDULE OF CLAIMED AND QUESTIONED COSTS
 SEARK-FTI
 AWARD NO. 10ESHAR001**

	PY 2010-2011	PY 2011-2012	Exhibit B Finding
Questioned Education Awards:			
Unrelated Service Activities	\$2,675	\$5,550	9.b
Timesheet Certified Before Hours Served	<u>2,675</u>	<u>0</u>	8.c
Total Questioned Education Awards	<u>\$5,350</u>	<u>\$5,550</u>	

SCHEDULE E

**ARKANSAS SERVICE COMMISSION
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
UALR-CI
AWARD NO. 06AFHAR001**

	PY 2010-2011	PY 2011-2012	Exhibit B Finding
Total Claimed Federal Costs	<u>\$132,803</u>	<u>\$197,364</u>	
Questioned Federal Costs:			
Returning Member Without Prior-Year Final Evaluation	\$0	\$4,602	11
NSCHC Check Not Conducted on Grant Funded Personnel	840	0	1.a
Unallowable Costs	0	103	3.a
Unallowable Living Allowance	634	523	14.a
Unallowable Administrative Costs	<u>78</u>	<u>275</u>	3.a
Total Questioned Federal Costs	<u>\$1,552</u>	<u>\$5,503</u>	
Total Claimed Match Costs	<u>\$104,069</u>	<u>\$177,383</u>	
Questioned Match Costs:			
NSCHC Check Not Conducted on Grant Funded Personnel	\$73,854	\$105,637	1.a
Unsupported Costs	0	494	5.c
Returning Member Without Prior-Year Final Evaluation	0	815	11
Unallowable Living Allowance	87	93	14.a
Estimated Fringe Benefit Costs	<u>0</u>	<u>0</u>	5.c
Total Questioned Match Costs	<u>\$73,941</u>	<u>\$107,039</u>	
Questioned Education Awards:			
Unallowable Fundraising Activities	\$43,884	\$65,478	7.b
Returning Member Without Prior-Year Final Evaluation	0	0	11
Unrelated Service Activities	0	0	9.a
Unsigned Timesheets	0	0	8.a
Compelling Personnel Circumstances Not Adequately Documented	0	0	10.a
Insufficient Service Hours	<u>0</u>	<u>0</u>	8.a
Total Questioned Education Awards	<u>\$43,884</u>	<u>\$65,478</u>	
Questioned Accrued Interest:			
Unallowable Fundraising Activities	<u>\$500</u>	<u>\$0</u>	7.b

**ARKANSAS SERVICE COMMISSION
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS**

In performing our AUP, we identified the compliance findings described below.

Finding 1. Subgrantees did not perform National Service Criminal History Check searches for grant-funded personnel.

- a. We questioned a total of \$186,716 of Federal costs and \$513,028 of match costs (amounts broken out below) because the UALR-CI subgrantee did not conduct searches in accordance with the National Service Criminal History Check (NSCHC) rule, and the SEARK and Rogers subgrantees did not conduct National Sex Offender Public Website (NSOPW) searches (also known as National Sex Offender Public Registry (NSOPR) searches), on grant-funded personnel. These searches are required by 45 Code of Federal Regulations (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?*
 - We questioned \$840 of Federal costs and \$179,491 of match costs at UALR-CI because UALR-CI did not conduct NSCHC searches on grant-funded staff. UALR-CI personnel believed that the background checks run by UALR were sufficient to meet the NSCHC search requirement.

PY	Federal Costs	Match Costs
PY 2010-2011	\$840	\$73,854
PY 2011-2012	<u>0</u>	<u>105,637</u>
Total	<u>\$840</u>	<u>\$179,491</u>

- We questioned \$260,864 of match costs at Rogers because it did not conduct NSOPW searches on grant-funded staff. Rogers personnel believed that the Arkansas Child Maltreatment Registry search that was conducted on each certified teacher was sufficient to meet the NSOPW search requirement. However, the subgrantee did not provide documentation demonstrating that this registry search included a search of the NSOPW website.

PY	Federal Costs	Match Costs
2010-2011	\$0	\$67,839
2011-2012	<u>0</u>	<u>193,025</u>
Total	<u>\$0</u>	<u>\$260,864</u>

- We questioned \$52,740 of Federal costs and \$26,035 of match costs for the SEARK-CSH program, and \$133,136 of Federal costs and \$46,638 of match costs for the SEARK-SS program, because the programs did not conduct NSOPW searches on grant-funded staff. SEARK program personnel believed that the Arkansas Child Maltreatment Registry search that was conducted on each certified teacher was

sufficient to meet the NSOPW search requirement. However, the subgrantee did not provide documentation demonstrating that this registry search included a search of the NSOPW website.

Subgrantee/PY	Federal Costs	Match Costs
SEARK-CSH		
PY 2010-2011	\$26,387	\$12,670
PY 2011-2012	<u>26,353</u>	<u>13,365</u>
Total	<u>\$52,740</u>	<u>\$26,035</u>
SEARK-SS		
PY 2010-2011	\$64,016	\$31,693
PY 2011-2012	<u>69,120</u>	<u>14,945</u>
Total	<u>\$133,136</u>	<u>\$46,638</u>

In addition to the requirement per 45 CFR § 2540.203, NSPOW searches are discussed in the Commission’s compliance requirements document for PYs 2010-2011 and 2011-2012. The requirements document was an attachment to the subgrant agreements signed by authorized representatives at each subgrantee. Specifically:

- The compliance requirements for PY 2010-2011 states, “All program staff appearing on the budget in Section I — Personnel Expenses, both CNCS and grantee share, must have an Arkansas State Police criminal history check and a National Sex Offender Public Registry check (via <http://www.nsopw.gov>).”
- The compliance requirements for PY 2011-2012 states, “All program staff and site supervisors who are claimed to the grant either as CNCS cost or grantee cash or in-kind match must have an Arkansas State Police criminal history check, an FBI check and a National Sex Offender Public Registry check (via <http://www.nsopw.gov>).”

The requirement is also discussed in *Corporation Enforcement of Criminal History Check Compliance, October 2011, NSOPR*, which states, “grant-funded employees cannot work until a program completes the NSOPR.” According to this policy, if a program does not conduct NSOPW searches and the problem is widespread, or if the Corporation determines that a program was negligent, the program is required to pay the Corporation the full amount of any associated grant-funded salaries and benefits. If the Corporation determines that the program was not negligent or that the problem was an isolated lapse, the program is required to pay only the portion of the grant-funded salary and benefits earned before the NSOPR results were established.

- b. SEARK and Rogers provided documentation to support that they had conducted Arkansas State Police and FBI checks on grant-funded staff; however, this documentation did not comply with Corporation regulations. SEARK and Rogers both provided “Educator License” screen prints from Arkansas Department of Education (DOE) that showed the dates that the employees passed the Arkansas State Police and FBI checks. This documentation does not show the results of the checks, however, and therefore is not in compliance with Corporation regulations. SEARK and Rogers must both submit an Alternative Search Procedure (ASP) request to the Corporation.

According to National Service Criminal History Checks Frequently Asked Questions, Paragraphs 10.1. *Are there reasons why I might need an Alternate Search Procedure (ASP) approval other than wanting to search alternate criminal history repositories?* and 10.2. *How do I request an Alternate Search Procedure (ASP) approval from CNCS?*, programs that wish to vary from any of the specific procedures required by the regulations and that do not receive the actual results must submit an ASP request to the Corporation.

Further, in a June 2013 email regarding the SEARK results, which were the same as the Rogers results, the Corporation's Office of Grants Management (OGM) stated:

We are working on blanket guidance for cases like these but what programs need to do is retain clearance letters or emails from the DOE saying that the candidate cleared the criminal history checks:

Programs may maintain such clearance letters in lieu of the result of the component check(s), as applicable, under the following conditions:

- *Grantees must enter into a written agreement with the entity that will be conducting the criminal history checks. The agreement must specify that any individual who is registered, or required to be registered, on a sex offender registry or was convicted of murder will not be cleared to participate in the program, even if the entity's policy may, under some circumstances (e.g. through an appeal process), allow it.*
- *Copies of the clearance decisions are grant records and grantees must maintain them accordingly for compliance purposes.*

If they cannot get a written agreement they can keep a copy of the criteria used by DOE to clear individuals.

Recommendations: We recommend that the Corporation:

- 1a. Verify that the Commission modified its site-visit-monitoring tool to include procedures for ensuring that subgrantees:
 - Conduct State criminal registry, FBI, and NSOPW searches on grant-funded staff.
 - Maintain documentation to support these searches.
 - Submit alternative search procedure requests to the Corporation per AmeriCorps regulations, if they intend to deviate from these procedures.
- 1b. Review subgrantee site-visit monitoring reports and completed subgrantee monitoring tools to verify that the Commission has implemented the above recommendation and the subgrantees are complying with the procedures.
- 1c. Calculate and recover the appropriate amount of disallowed and administrative costs based on our questioned costs, and require the Commission to adjust its Federal Financial Reports (FFRs) for the disallowed costs.

- 1d. Calculate and recover the appropriate amount of unallowable personnel and administrative costs claimed by the three subgrantees for grant-funded personnel from the start of PY 2012-2013 through the date of the NSOPW searches.
- 1e. Undertake a detailed review of the remaining subgrantees to recover improper costs and correct compliance defects.

Arkansas Service Commission Response: The Commission agrees with the substance of Finding 1 but disagrees with the recommendations to question costs for the following reasons:

- The Corporation's requirement to perform NSOPW searches for all program personnel was new for PY 2010, and the Commission had included it in the Compliance Requirements for PYs 2010-2011 and 2011-2012 to stress its importance.
- The Director of the SEARK SS program did not run NSOPWs on herself or her assistant due to the previous Corporation regulation only having required checks for staff who had contact with vulnerable populations.
- While the Commission agrees that the programs were not compliant in whole or in part due to the lack of NSOPWs performed on program staff, it believes that the programs were not negligent because they conducted all criminal background checks required by their host agencies, and that these actions fulfilled the intent, if not the letter, of the law. The Commission claimed it would provide alternative documentation to the Corporation.
- The Commission believes that disallowing the costs "would be needlessly punitive and would have a chilling effect on current and potential AmeriCorps subgrantees in the entire state."

Corrective Actions:

- 1a. The Commission agrees with the recommendation and stated that:
 - In July 2013, it met with program directors to retrain them on Corporation requirements for conducting State criminal registry, FBI, and NSOPW searches on grant-funded personnel.
 - It changed its site-visit monitoring tool to meet all specifications and will use the tool to assure that subgrantees comply with Corporation requirements.
 - In October 2013, it would conduct desk audits on criminal background checks for paid staff to confirm that all programs comply with Corporation requirements.
 - One subgrantee plans to request approval for an ASP. As a safeguard, the subgrantee has initiated FBI and State police background checks as required by the Corporation.
- 1b. The Commission will provide site-visit monitoring reports and completed subgrantee-monitoring tools as specified by the Corporation.

- 1c. The Commission disagrees with the recommendation for the reasons stated above and did not identify any corrective actions.
- 1d. The Commission disagrees with the recommendation for extending the questioned costs into PY 2012-2013 for the reasons state above and did not identify any corrective actions.
- 1e. The Commission disagrees with the recommendation for extending the questioned costs to other subgrantees for the reasons stated above and did not identify any corrective actions.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should:

- Verify that the Commission retrained its program directors on Corporation requirements for conducting State criminal registry, FBI, and NSOPW searches on grant-funded personnel; changed its site-visit monitoring tool; and conducted desk audits on criminal background checks for paid staff.
- Verify that the subgrantee that is planning to request approval for an ASP submitted the request to the Corporation.
- Review the additional documentation that the Commission agreed to provide.

Finding 2. Subgrantees did not comply with AmeriCorps requirements for National Service Criminal History Checks on members.

- a. UALR-CI, SEARK, and Rogers did not comply with Corporation requirements for conducting State criminal history registry searches on members. A summary of weaknesses by subgrantee for the 13 sampled UALR-CI members, the 25 sampled SEARK members, and the 19 sampled Rogers members follows:

Weaknesses	UALR-CI	SEARK	Rogers
Criminal history registry and FBI searches initiated after members started service	6	7	4
Certifications regarding unsupervised access to vulnerable populations were not signed timely	4	0	0
Criminal history registry search not performed in state of member's legal residence	1	0	0
Criminal history registry and FBI searches conducted using incorrect names	0	3	1
Written authorization to conduct NSCHC not documented	0	12	13
Photo identification not used to verify the member's identity	0	0	1

- UALR-CI did not conduct State criminal registry searches for six PY 2010-2011 members until after the members started service. These searches were conducted late because the original background checks conducted on the members did not comply with Corporation regulations, and the Commission required UALR-CI to conduct new criminal

history checks using the Arkansas State Police registry as the source. SEARK and Rogers representatives did not comment on why they did not initiate checks for seven and four members, respectively, until after the members started service.

According to 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?*, an NSCHC includes performing a search of the State criminal registry to identify a potential member's criminal history for the state in which the program operates. Arkansas Service Commission Compliance Requirements 2010-211 further states, "Criminal history checks must be initiated on or before the member's enrollment date as stated on the enrollment form."

Because UALR-CI had not conducted State criminal registry searches using the Arkansas State Police registry, the Commission required the UALR-CI members to certify that they did not have any unsupervised access to vulnerable populations (i.e., children) before the State Police searches were complete. However, four PY 2010-2011 members signed their certifications 5 to 18 days before the program conducted State Police searches over those members. As a result, the subgrantee could not ensure that members did not have any unsupervised access with vulnerable populations during this period. According to 45 CFR § 2540.204, *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?*, Subsection (f), subgrantees must ensure that individuals for whom the results of the State criminal registry checks are pending are not permitted access to vulnerable populations without being accompanied by an authorized program representative who has previously been cleared for such access.

- UALR-CI conducted an Arkansas State Police criminal history check on a sampled PY 2010-2011 member who noted on his Volunteers in Public Schools (VIPS) application that he was a resident of Arkansas. However, the driver's license for the member indicated that the member's legal residence was in Indiana. UALR-CI should therefore have also conducted a State criminal history search of the Indiana State registry. While the Corporation's *Frequently Asked Questions National Service Criminal History Checks* only states that it would be prudent to conduct a search in the state in which a member is a legal resident, we believe it should be required; otherwise, subgrantees run the risk of failing to detect an ineligible applicant. We believe that conducting searches in the state of legal residence should be adopted as a best practice and would be consistent with the intent of the regulation.
- SEARK conducted State criminal registry searches for two PY 2010-2011 SEARK-FTI members and the State criminal registry search and FBI check for one PY 2011-2012 SEARK-CSH member using incorrect member names due to personnel making spelling errors when running the searches on the three members. When Rogers conducted a State criminal registry search for one member, it only used the last part of the member's hyphenated name instead of the full hyphenated name.
- Rogers personnel were unaware that they were required both to obtain members' written authorization to perform NSCHC and to keep such documentation in the member files. SEARK personnel were unaware of the requirement during PY 2010-2011. According to 45 CFR § 2540.204, *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?*, Subsection (b), programs are required to obtain from each member prior authorization to conduct the State criminal registry check

and to share the results of that check appropriately within the program. The 2011-2012 Arkansas Service Commission Compliance Requirements further state, “Documentation must be retained in each staff and member file that the applicant understands criminal history checks are being run on him/her and that participation in the program is contingent on cleared checks.”

- Rogers did not verify the identity of one PY 2011-2012 member because the member did not have a driver’s license. Personnel believed that if a member did not have a driver’s license, they would not have any type of photo identification, and the member in question was therefore not required to verify their identity with a government-issued photo identification card. According to 45 CFR § 2540.204, Subsection (a), programs must verify each member’s identity “by examining the individual’s government-issued photo identification card, such as a driver’s license.” We did not question member costs because Rogers subsequently provided the member’s driver’s license.

b. UALR-CI, SEARK, and Rogers did not comply with Corporation requirements for conducting NSOPW searches on members. A summary of weaknesses by subgrantee for the 13 sampled UALR-CI members, the 25 sampled SEARK members, and the 19 sampled Rogers members follows:

Weaknesses	UALR-CI	SEARK	Rogers
NSOPW searches initiated after members started service	3	2	0
NSOPW searches were missing	2	1	0
NSOPW searches were not nationwide	3	1	2
NSOPW searches were conducted using incorrect member names	2	1	2
NSOPW search dates were handwritten	5	0	0
NSOPW search missing date	0	1	0

- UALR-CI and SEARK representatives did not comment on why they initiated NSOPW searches for five members after the members had already started service, or why NSOPW searches were missing for three members. 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?*, NSOPW searches are required for all members enrolled on or after October 1, 2009. Additionally, according to *Corporation Enforcement of Criminal History Check Compliance, October 2011, Consequences, NSOPR*, members cannot serve before the program completes the NSOPW search. Finally, the requirements for conducting these searches are also discussed in the Commission’s compliance requirements document for PYs 2010-2011 and 2011-2012.
- UALR-CI and SEARK-FTI did not have any documentation that NSOPW searches were done for two UALR-CI members and one SEARK-FTI member. According to 45 CFR § 2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, programs must maintain results of NSOPR checks, unless prohibited by State law, and must document in writing that results were considered when selecting members for the program. After we informed that there was not any documentation of the NSOPW searches, UALR-CI and SEARK-FTI provided nationwide searches for the members. We therefore did not question member costs or education awards.

- Representatives from UALR-CI did not comment on why NSOPW searches for three of its members were not nationwide. Rogers representatives indicated that the NSOPW searches for two of its members were not nationwide because of an error. SEARK representatives indicated that the NSOPW search for one of its members was not nationwide because the original documentation had been lost. As discussed in the Commission’s compliance requirements document for PYs 2010-2011 and 2011-2012: “If when running the NSOPR check, one or more states is not functioning, the program must rerun the NSOPR check until it receives a cleared check showing all States are functioning.”
- The three subgrantees used incorrect names when conducting NSOPW searches for five members. UALR-CI and SEARK personnel made spelling errors when conducting NSOPW searches on three members. One Rogers member is known by her middle name, and Rogers personnel conducted the NSOPW search on the member using her middle name instead of her first name. Another Rogers member had taken her mother’s maiden name as part of her legal last name. When Rogers personnel conducted the NSOPW search on the member, they used only the last part of the member’s last name instead of the full hyphenated name.

UALR-CI, Rogers, and SEARK subsequently provided correct NSOPWs for the five members. We therefore did not question member costs and education awards for the five members.

- SEARK did not comment on why the NSOPW search for one member was not dated. When NSOPW search results are printed, the date the search was conducted appears in the footer of the printed document. However, the printed search results for five UALR-CI members lacked dates showing when the searches were conducted. As a remedy, the Commission instructed UALR-CI to handwrite the search date on the results page. Without typed dates on NSOPW searches, programs cannot demonstrate that they conducted the NSOPW searches before the members started service.

Recommendations: We recommend that the Corporation:

- 2a. Require that the Commission meet with its subgrantees to ensure they understand Corporation requirements for conducting State criminal registry, FBI, and NSOPW searches.
- 2b. Verify that the Commission modified its site-visit monitoring tool to confirm that subgrantees:
 - Initiate State criminal registry and FBI searches prior to member start dates.
 - Conduct State criminal registry searches using correct names and search in the state of the member’s legal residence.
 - Document written authorization to conduct NSCHC.
 - Verify member identities using government-issued photograph IDs.

- Conduct nationwide NSOPW searches prior to member start dates.
 - Retain documentation of nationwide NSOPW searches with dates from the browsers.
 - Conduct NSOPWs using the correct member names.
- 2c. Review subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has implemented effective NSCHC procedures at all of its subgrantees.
- 2d. Revise its Frequently Asked Questions document to require that State criminal registry checks be conducted in both the state the member resided in at the time of application to the program and the state of the member's legal residence.

Arkansas Service Commission Response: The Commission agrees with Finding 2.

Corrective Actions:

- 2a. In July 2013, the Commission met with program directors to retrain them on Corporation requirements for conducting State criminal registry, FBI, and NSOPW searches on members.
- 2b. The Commission modified its site-visit monitoring tool and procedures to satisfy all stated points.
- 2c. The Commission will provide site-visit monitoring reports and completed subgrantee-monitoring tools to the Corporation.
- 2d. Until the Corporation reaches a decision on revising the Frequently Asked Questions document; the Commission will instruct its program directors to conduct State criminal registry checks in both the state of the applicant's residence at the time of application to the program and the state of the applicant's legal residence.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should verify that the Commission retrained its program directors on Corporation requirements for conducting State criminal registry, FBI, and NSOPW searches on grant-funded personnel, as well as changed its site-visit monitoring tool. In addition, the Corporation should review the site monitoring documentation that the Commission agreed to provide.

Finding 3. Subgrantees did not ensure that claimed Federal costs were adequately supported and compliant with applicable regulations.

The three subgrantees claimed unallowable Federal other direct costs.

- a. We questioned \$103 of Federal costs for one sampled UALR-CI Federal cost transaction that was unallowable due to inadequate documentation and questioned a total of \$353 of administrative costs related to the questioned Federal costs as follows:

- UALR-CI claimed \$103 of office-supply expenses. These expenses were originally recorded as expenses under the CI grant fund code, then were transferred to the AmeriCorps fund. UALR-CI provided as support a copy of a blanket purchase order and a purchase invoice. The program did not provide any documentation to demonstrate that the office supplies were for the UALR-CI AmeriCorps program. According to OMB Circular A-21, *Cost Principles for Educational Institutions*, Attachment, *Principles for Determining Costs Applicable To Grants, Contracts, and Other Agreements With Educational Institutions*, direct costs are those costs that can be identified specifically with a particular sponsored project.
- We questioned \$78 of PY 2010-2011 and \$275 of PY 2011-2012 administrative costs related to the questioned Federal costs regarding unallowable costs for staff background checks (Finding 1), an evaluation for a returning member (Finding 11), living allowance payments made to members who did not complete their service terms, and the Federal costs described above.

Questioned Federal Costs	PY 2010-2011	PY 2011-2012
Finding 1	\$840	\$0
Finding 3	0	103
Finding 11	0	4,602
Finding 14	<u>634</u>	<u>523</u>
Subtotal	\$1,474	\$5,228
Administrative Costs Percentage	<u>5.26%</u>	<u>5.26%</u>
Questioned Administrative Costs	<u>\$78</u>	<u>\$275</u>

- b. We questioned \$1,230 of Federal costs for one sampled Federal cost transaction that was unallowable due to inadequate documentation. Rogers claimed \$1,230 of Federal costs for State criminal history, FBI, and Arkansas Child Maltreatment Registry checks conducted on the Springdale School District AmeriCorps members. The program provided as support a spreadsheet with member names and costs per member, documentation showing how the fees were calculated, and two Springdale School District expense vouchers and check copies totaling \$866. While the expense vouchers included a note that the expenses were for FBI checks, Rogers did not provide any documentation to demonstrate that the FBI checks were for the Springdale AmeriCorps members, or that the expenses were a portion of the \$1,230 of claimed costs. 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.
- c. We questioned \$1,188 of PY 2010-2011 Federal costs for one sampled Federal cost transaction for SEARK's CSH program because the costs were not adequately documented and we questioned \$9,839 (\$2,836 +\$7,003) of administrative costs related to the questioned Federal costs for SEARK's CSH and SS programs as follows:
- In PY 2010-2011, SEARK claimed \$1,188 of non-employee travel expenses and provided a copy of the journal entry as support. It did not provide any additional supporting documentation, such as an invoice or receipt, to support the cost.

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 questioned a total of \$2,836 (\$1,450+\$1,386) for the CSH program and \$7,003 (\$3,367+\$3,636) for the SS program. These amounts are administrative costs related to the questioned Federal costs regarding NSOPW searches for grant-funded staff (Finding 1) and the Federal costs described above.

Questioned Federal Costs	CSH	CSH	SS	SS
	PY	PY	PY	PY
	2010-2011	2011-2012	2010-2011	2011-2012
Finding 1	\$26,387	\$26,353	\$64,016	\$69,120
Finding 3	<u>1,188</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	\$27,575	\$26,353	\$64,016	\$69,120
Administrative Costs Percentage	<u>5.26%</u>	<u>5.26%</u>	<u>5.26%</u>	<u>5.26%</u>
Questioned Administrative Costs	<u>\$1,450</u>	<u>\$1,386</u>	<u>\$3,367</u>	<u>\$3,636</u>

Recommendations: We recommend that the Corporation:

- 3a. Provide additional guidance and instruction to the Commission regarding the documentation requirements in OMB cost circulars and CFR regulations.
- 3b. Verify that the Commission instructed its subgrantees on applicable OMB cost circulars and CFR regulations.
- 3c. Verify that the Commission requires subgrantees to provide all documentation supporting Federal costs reported on reimbursement requests, and that it ensures the costs are:
 - Adequately documented and supported by documentation such as invoices to demonstrate that the costs were actually incurred by the subgrantee.
 - Charged to the correct project.
 - Allocable to the AmeriCorps grant awards, including documentation of the allocation methodology.
 - Incurred during the grant period.
 - Included in the approved or amended budgets.
 - Allowable in accordance with applicable cost principles.
 - In compliance with the daily equivalent of the maximum rate for payments to consultants.
- 3d. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require the Commission to adjust its FFR for the disallowed costs.

Arkansas Service Commission Response: The Commission agrees with the substance of Finding 3 and with Recommendations 3a, 3b, and 3c; however, it only agrees with part of the questioned administrative costs in Recommendation 3d.

Corrective Actions:

- 3a. The Commission agrees that the Corporation should provide additional guidance and instruction regarding the documentation requirements in OMB cost circulars and CFR regulations.
- 3b. The Commission will review applicable OMB cost circulars and CFR regulations with program directors at the January 2014 quarterly meeting.
- 3c. The Commission will provide the Corporation with appropriate documents showing that it requires subgrantees to provide all documentation supporting Federal costs reported on reimbursements, and that it ensures the costs satisfy all stated points.
- 3d. The Commission agrees that \$61 of the \$1,157 in administrative costs related to questioned Federal living allowance payments made to UALR members who did not complete their service terms should be questioned. It does not agree with the remaining questioned administrative costs for the reasons discussed in its responses to Findings 1, 11, and 14, and on the basis of additional documentation that it will provide to the Corporation. The Commission will adjust its FFR for any costs that are ultimately disallowed by the Corporation.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should verify that the Commission reviewed OMB cost circulars and CFR regulations with program directors and should review the documents requiring support for subgrantee cost provided by the Commission.

Finding 4. The Commission and two subgrantees lacked procedures to ensure that claimed match costs were adequately supported, could be verified from records, and were compliant with applicable regulations.

- a. The Commission claimed in-kind match costs on its administrative grant for services donated by trainers, grant reviewers, and conference attendees, as well as on donations of supplies by its own employees; however, it did not perform any procedures or obtain any documentation to show how it or its contributors derived the values calculated for the following contributions.
 - In March 2011, the Commission claimed \$1,716 of match costs for in-kind volunteer services and supplies donated by four individuals who prepared and conducted a training class at a subgrantee service site. As support, the Commission provided in-kind contribution forms, which had been signed by each of the contributors. The Commission did not obtain any documentation as to how the values were derived. After we discussed the sample with the Commission, it provided support for the volunteer rates, cost of handouts, and equipment rates. We did not question the match costs because the Commission did ultimately support the cost.
 - In May 2011, the Commission claimed \$70 of match costs for a necklace made by a Commission employee for a silent auction for America's Service Commission, as well as

for cookies baked by the same employee for a grant review meeting. As support, the Commission provided the in-kind contribution form, which had been signed by the contributor. The Commission did not obtain any documentation as to how the values of the necklace and the cookies were derived. Additionally, the contribution for the necklace would be unallowable because it was for fundraising.

- In November 2011, the Commission claimed \$1,062 of match costs for in-kind volunteer services donated by six individuals who presented at a training event. As support, the Commission provided in-kind contribution forms, which had been signed by each of the contributors. The Commission did not obtain any documentation to show how the rates used to calculate the value of the services were derived.
- In April and May 2012, the Commission claimed \$6,059 of match costs for in-kind volunteer services donated by commissioners and peer reviewers for grant application reviews. As support, the Commission provided its in-kind contribution forms, which had been signed by each of the reviewers. The Commission did not obtain any documentation to show how the rates used to calculate the values were derived.
- In September 2012, the Commission claimed \$4,114 of match costs for in-kind volunteer services donated by three commissioners who attended the AmeriCorps Grantee Conference held in Washington, DC. As support, the Commission provided its in-kind contribution forms, which had been signed by each of the reviewers. The Commission did not obtain any documentation to show how the rates used to calculate the values were derived.
- In October and November 2012, the Commission claimed \$9,528 of match costs for services donated by a consultant to provide citizenship training. As support, the Commission provided its in-kind contribution form, which had been signed by the consultant. The Commission did not obtain any documentation to show how the \$150 hourly rate was derived. Additionally, the consultant's daily rates exceeded the Corporation's maximum daily rate for consultants of \$750 per day for grant year 2012.

A similar finding was reported in the OIG's 2007 agreed-upon procedures report (Repot No. 07-20). In that report, the accountants noted that the Commission did not have adequate controls over match costs. Hourly rates for effort donated by Commissioners and grant reviewers as in-kind services were not verifiable, and documentation was not available to support the value of an in-kind contribution.

We did not question these costs because the Commission had excess match costs for the Administrative grant.

According to 45 CFR § 2541.240, Subsection (b)(6), *Records*, costs and third-party in-kind contributions that count 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 must be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

According to 45 CFR § 2541.240, Subsection (c), *Valuation of donated services*, Subsection (1), *Volunteer services*, unpaid services provided to a subgrantee by individuals must be

valued at rates consistent with those ordinarily paid for similar work in the subgrantee's organization. If the subgrantee does not have employees performing similar work, the rates must be consistent with those ordinarily paid by other employees for similar work in the same labor market.

According to 45 CFR § 2541.240, Subsection (d), *Valuation of third party donated supplies and loaned equipment or space*, if a third party donates supplies, the contribution should 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 the title, the contribution will be valued at the fair rental rate of the equipment or space.

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.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B. *Selected Items of Cost*, 17. *Fund raising and investment management costs*, (a) states that costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.

- b. In PYs 2010-2011 and 2011-2012, SEARK claimed match costs for its CSH and SS AmeriCorps programs that were not verifiable from supporting records as required by 45 CFR § 2541.240, Subsection (b)(6). SEARK's in-kind match contributions also lacked documentation showing how the values donated for personnel services and materials were derived, as required by 45 CFR § 2541.240, Subsections (c) and (d). The in-kind match contributions were not adequately documented as required by 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*.
- In PY 2010-2011, SEARK claimed as match \$777 of materials costs for the CSH program. The materials were purchased by an Arkansas Department of Health program and were used by a consultant in a training event. SEARK provided an in-kind donation form signed by the consultant, as well as a written statement from the consultant stating that they had used the materials for a training event. However, the consultant did not provide an invoice, itemized receipt, or documentation showing that the Department of Health had incurred the expenses.
 - In PY 2011-2012, SEARK claimed as match \$6,336 of rent costs (\$2,304 for the CSH program and \$4,032 for the SS program) for the AmeriCorps office's share of rent expenses at the SEARK administration building. It provided a journal entry from its accounting system, a handwritten calculation performed by its education consultant, and an agreement showing rental rates charged to the public for a room at SEARK. We requested a copy of the lease agreement and copies of checks supporting payment of rent; however, SEARK did not provide these to us.
 - In PY 2011-2012, SEARK claimed as match \$152 of printing and binding costs for the CSH program. The documentation provided by SEARK only supported \$94; the remaining \$58 was unsupported.

- In PY 2011-2012, SEARK claimed a total of \$3,980 in match costs for training, preparation, and evaluation services that a consultant provided to the CSH program. SEARK provided three separate copies of its in-kind contribution form as support. One form showed a total amount of \$2,240, as well as the number of days worked. The second form showed that the consultant worked 30 hours in one month for a total of \$1,200, or a rate of \$40 per hour. The third form showed that the consultant worked 18 hours in one month for a total of \$540, or a rate of \$30 per hour. SEARK subsequently provided a statement from the consultant stating that her hourly rate was based on her annual salary and fringe benefits. SEARK did not provide documentation of the consultant's salary or benefit rate, however, or an explanation of how the hourly rates were calculated.
- SEARK claimed as match \$15,120 of in-kind costs (\$11,340 in PY 2010-2011 and \$3,780 in PY 2011-2012) for SS program site supervisors that conducted member orientation training sessions. SEARK provided an in-kind contribution form for each supervisor that showed a cost of \$540 per day, as well as a SEARK memorandum that stated that the average rate for professional development consultants with a master's degree was \$600 for 6 hours. However, SEARK did not provide any documentation to explain why this rate was applicable for this training, how the \$540 rate was calculated, or how the \$600-per-6-hours rate was established.
- In PY 2011-2012, SEARK claimed as match \$800 of consulting costs for two 4-hour training classes conducted by a consultant for the SS program. SEARK provided a copy of an in-kind contribution form as support for the costs. It did not, however, provide documentation to support the \$100-per-hour rate claimed by the consultant. We noted that this rate was substantially higher than the \$34.65-per-hour rate that the consultant had received as a SEARK employee in PY 2010-2011.

As detailed above, we questioned \$777 of PY 2010-2011 match costs and \$6,342 of PY 2011-2012 match costs for the CSH program because the costs were unallowable. In addition, we questioned \$11,340 of PY 2010-2011 match costs and \$8,612 of PY 2011-2012 match costs for the SS program because the costs were unallowable.

- c. In PYs 2010-2011 and 2011-2012, Rogers claimed match costs that were not adequately documented as required by 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*. These match costs were also not verifiable from supporting records as required by 45 CFR § 2541.240, Subsection (b)(6). In-kind match contributions lacked documentation showing how Rogers and its contributors derived the values for personnel services and materials donated, as required by 45 CFR § 2541.240 Subsections (c) and (d).
- In PY 2010-2011, Rogers claimed \$150 of match rent costs for the rental of an activity center. It provided a copy of its matching funds contribution form as support. The form showed that the activity center had been rented for 3 hours at a cost of \$50 per hour, but Rogers did not provide any documentation to support the hourly rate. After discussing this transaction with the subgrantee, the AmeriCorps program director provided an undated invoice from the activity center supporting the value of the contribution.
 - In PY 2011-2012, Rogers claimed \$228 of match travel costs for a school employee to attend the AmeriCorps program directors' meeting held in July 2011. These costs did

not appear to be allocable to PY 2011-2012, both because the meeting was held two months before the start of PY 2011-2012 and because Rogers's PY 2010-2011 AmeriCorps program was still active. The program director provided a copy of a July 2011 email from a representative of the Commission; the program director believed that the email supported the determination that the costs were allocable to the PY 2011-2012 grant. However, the email had omitted a word, and it appeared to us that the Commission representative stated that the costs were not allocable to PY 2011-2012 and were instead allocable to PY 2010-2011.

- In PYs 2010-2011 and 2011-2012, Rogers claimed \$2,880 of match space costs for the Springdale School District AmeriCorps office (\$1,440 in PY 2010-2011 and \$1,440 in PY 2011-2012). Rogers provided copies of its matching funds contribution forms as support for the costs. Both forms were dated April 26, 2013, the date that Rogers provided us with copies of documentation supporting PY 2010-2011 and 2011-2012 in-kind costs. In addition, both forms showed that the AmeriCorps office was 18 square feet, that the office had a value of \$10 per square foot, and that the contribution was for 8 months. However, Rogers did not provide any documentation to support the amount of space or the value per square foot.

In PY 2011-2012, Rogers claimed \$720 of match space costs for the Rogers School District AmeriCorps office. It provided a copy of its "Matching Funds Contribution Record" form dated January 5, 2012. The form showed that the Rogers AmeriCorps office was 18 square feet, that the office had a value of \$10 per square foot, and that the contribution was for 4 months (September-December 2011). After discussing this transaction with the subgrantee, the AmeriCorps program director provided a June 6, 2013, letter from the business manager for the school district. The business manager stated that when the AmeriCorps program moved into the building, he was asked to come up with a fair lease price of \$18 per square foot for the AmeriCorps office. He also stated the AmeriCorps office was 120 square feet. The business manager did not provide support for this estimate, and did not explain why the rate and amount of office space were different from the amounts reported by Rogers on its form. Finally, because the Rogers School District is the subgrantee, rent expense for the AmeriCorps office is not an in-kind donation, which are donations provided by a third party. Instead, these costs would be considered cash match.

As detailed above, we questioned \$1,590 of PY 2010-2011 match costs and \$2,388 of PY 2011-2012 match costs because they were unallowable.

Recommendations: We recommend that the Corporation:

- 4a. Provide additional guidance and instruction to the Commission regarding the documentation requirements in OMB cost circulars and CFR regulations.
- 4b. Verify that the Commission instructed its subgrantees on applicable OMB cost circulars and CFR regulations.
- 4c. Verify that the Commission requires subgrantees to provide all documentation supporting match costs reported on reimbursement requests, and that it ensures the costs are:

- Adequately documented and supported by documentation such as invoices to demonstrate that the costs were actually incurred by the subgrantee.
 - Charged to the correct project.
 - Allocable to the AmeriCorps grant awards, including documentation of the allocation methodology.
 - Incurred during the grant period.
 - Included in the approved or amended budgets.
 - Allowable in accordance with applicable cost principles.
 - In compliance with the daily equivalent of the maximum rate for payments to consultants.
 - Verifiable from recipient records.
 - Not included as contributions for any other Federally assisted program.
 - Not paid by the Federal government under another award, except where authorized by Federal statute.
- 4d. Calculate the appropriate amount of disallowed costs and related administrative costs based on our costs questioned, and require the Commission to adjust its FFR for the disallowed costs.
- 4e. Monitor Commission and subgrantee matching requirements on these awards and determine at the end of the grant, whether the match requirements were met.

Arkansas Service Commission Response: The Commission agrees with the substance of Finding 4 and with Recommendations 4a, 4b, 4c, and 4e, but disagrees with Recommendation 4d.

Corrective Actions:

- 4a. The Commission agrees that the Corporation should provide additional guidance and instruction regarding the documentation requirements in OMB cost circulars and CFR regulations.
- 4b. The Commission will review applicable OMB cost circulars and CFR regulations with program directors at the January 2014 quarterly meeting.
- 4c. The Commission will provide the Corporation with appropriate documents showing that it requires subgrantees to provide all documentation supporting match costs reported on reimbursements, and that it ensures the costs satisfy all stated points.

- 4d. The Commission disagrees with most of the questioned costs based on additional documentation that it will provide to the Corporation. It will adjust its FFR for any costs that are ultimately disallowed by the Corporation.
- 4e. The Commission will ensure that match requirements are met.

Accountants' Comments: We continue to make the recommendations stated above. During resolution, the Corporation should verify that the Commission reviewed OMB cost circulars and CFR regulations with program directors and should review the documents requiring subgrantee support for match costs provided by the Commission.

Finding 5. The Commission and two subgrantees did not account for and report Federal and match costs in accordance with Federal requirements.

As described below, the Commission, Rogers, and UALR-CI did not adequately account for and report Federal and match costs.

- a. On its State administrative grant, the Commission claimed both Federal costs for costs incurred specifically for the grant and match costs for costs incurred by the DCSNS. However, the Commission did not have a separate account code for the State administrative match costs. Without a separate account code for the State administrative match, the Commission cannot ensure that match costs used for the State administrative match are not used as match on another Federal grant.

According to 45 CFR § 2541.200, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.

The Commission included personnel and fringe benefit costs for DCSNS employees in its State administrative match costs. The Commission supported these personnel costs with after-the-fact personnel activity reports; however, these reports only identified the percentage of time the employees worked on supporting the Commission's AmeriCorps programs. Personnel costs were calculated by multiplying the employees' salary and wage rates by the number of hours worked in the periods. Fringe benefits were not actual costs; instead, the Commission calculated fringe benefits using an estimated fringe benefit rate. It arrived at the estimated fringe benefit rate using the budgeted fringe benefit costs in the DCSNS annual budget. The Commission should have calculated fringe benefit costs using an actual fringe benefit rate.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B *Selected items of Cost*, Paragraph 8. *Compensation for personal services*, h. *Support of salaries and wages* states that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee and must account for the total activity for which each employee is compensated. Further, salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B *Selected items of Cost*, Paragraph 8. *Compensation for personal services*, h. *Support of salaries and wages* states that budget estimates determined before the services

are performed do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes. Further, the Arkansas DHS's *Financial Guidelines for Purchased Services*, Chapter 7, Section 7216, *Compensation for Personal Services* states that budget estimates determined before the services are performed do not qualify as support for cost allocation.

- b. Each month Rogers provided the AmeriCorps program director with an accounting report showing total AmeriCorps expenditures for the period. The report showed total costs because Rogers did not have separate account codes for Federal and match costs. The program director used this accounting report to allocate costs to the Federal and match columns on the reimbursement requests submitted to the Commission. This process was inadequate for the following reasons:
- The program director was required to perform mathematical calculations to combine multiple expense transactions and to allocate portions of expenditure transactions between Federal and match expenditures. This resulted in mathematical errors that were not discovered until we requested that Rogers prepare reconciliations of costs for PYs 2010-2011 and 2011-2012.
 - There was not a consistent methodology for allocating Federal and match costs. The amounts allocated, as determined by the program director, were based on the budget and the amount of funds available in the budget. In addition, the subgrantee did not document calculations and assumptions made when recording costs. As a result, the subgrantee had to spend a significant amount of time re-performing the calculations when preparing the reconciliations.
 - AmeriCorps member living allowance costs at Rogers School District were comingled with the personnel costs for the Rogers AmeriCorps staff. As a result, the AmeriCorps program director had to remove the personnel costs when calculating the amount of AmeriCorps member living allowance and benefit costs.
 - PY 2010-2011 and PY 2011-2012 AmeriCorps member workers' compensation costs claimed by the subgrantee were calculated using estimated rates because workers' compensation was an annual expense. Invoices showing actual workers' compensation expenses for calendar years 2010-2012 did not support the rates used to calculate member workers' compensation costs.
 - Rogers did not account for adjustments to expenditures when preparing the reimbursement requests.

As a result of these deficiencies, Rogers overstated PY 2010-2011 program operating and member match costs by \$11,888 and PY 2011-2012 program operating and member match costs by \$18,264. We questioned the overstated costs. We included \$8,570 of the PY 2010-2011 staff personnel and fringe benefit costs and \$16,735 of the PY 2011-2012 staff personnel and fringe benefit costs in Finding 1.

According to 45 CFR § 2541.200, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program. Further, the 2010 *AmeriCorps Grant Provisions*, Section V. *General Provisions*, Subsection B.1. *General*

states that grantees must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures, as necessary. Financial management systems must be capable of distinguishing expenditures attributable to and not attributable to a grant.

- c. UALR-CI accounted for program costs using three separate cost centers. It had one cost center for AmeriCorps Federal costs, one cost center for CI costs, and one cost center for the UALR general fund costs. It did not, however, have a separate cost center for AmeriCorps match costs. Without a separate account code for the AmeriCorps match, the subgrantee cannot ensure that it does not include match costs used for the AmeriCorps grant as match on another Federal grant.

When UALR-CI prepared its monthly reimbursement requests, it used a spreadsheet to accumulate costs and calculate the AmeriCorps match share amounts. This method was cumbersome because it required UALR-CI to use multiple accounting reports to accumulate costs. As a result, when UALR-CI prepared the reconciliations for PYs 2010-2011 and 2011-2012, it did not provide all accounting reports to support claimed costs. While many of these costs were shown in its spreadsheet, UALR-CI did not provide accounting records for \$14,234 of the PY 2011-12 match costs. We questioned the \$14,234 of unsupported match costs. We included \$13,740 of the questioned match costs in Finding 1 for a lack of NSOPW searches on grant-funded staff. The remaining \$494 is questioned here.

According to 45 CFR § 2543.21, *Standards for financial management systems*, Subsection (b), recipient financial management systems must provide for accurate, current, and complete disclosure of financial results of each Federally sponsored program.

While UALR-CI claimed actual costs for some cost categories, it used an estimate in claiming fringe benefit costs. Instead of calculating the actual amount of fringe benefits that were allocable on each reimbursement request, UALR-CI claimed one-twelfth of the total fringe benefit budget for each program year. Using UALR's accounting reports and spreadsheets for PYs 2010-2011 and 2011-2012, we calculated an actual fringe benefit rate of 24.8 percent for PY 2010-2011 and an actual fringe benefit rate of 22.3 percent for PY 2011-2012. After applying these rates to claimed salary costs, we determined that UALR over-reported match fringe benefit costs by \$1,985 for PY 2010-2011 and \$5,669 for PY 2011-2012. We questioned the overstated match costs. We included these costs in the questioned match costs in Finding 1 for a lack of NSOPW searches on grant-funded staff.

OMB Circular A-21, *Cost Principles for Educational Institutions*, Attachment, *Principles for Determining Costs Applicable To Grants, Contracts, and Other Agreements With Educational Institutions*, J. *General provisions for selected items of costs*, 10. *Compensation for personal services*, c. *Examples of Acceptable Methods for Payroll Distribution*, (2) *After the fact Activity Records* states that the distribution of salaries and wages by the institution will be supported by activity reports that reflect the distribution of activity expended by employees covered by the system. Initial charges may be based on estimates made before the services are performed, if such charges are promptly adjusted if significant differences are indicated by activity records. According to OMB Circular A-21, *Basic Considerations*, *Allocable costs*, a cost is allocable if it is in accordance with the benefits received.

Recommendations: We recommend that the Corporation:

- 5a. Provide additional guidance and instruction to the Commission regarding applicable OMB cost circulars and CFR regulations related to financial management systems.
- 5b. Verify that the Commission instructed its subgrantees on applicable OMB cost circulars and financial management regulations.
- 5c. Verify that fringe benefit costs claimed by the Commission for DCSNS employees on its administrative grant are based on actual fringe benefit costs, are separately identifiable in the accounting system, and are not also claimed as match costs on other Federal grants.
- 5d. Verify that the Commission's program monitoring procedures for subgrantee financial management systems include procedures to ensure:
 - Fringe benefit costs claimed for employees are not estimates, but are based on actual fringe benefit costs.
 - Financial management systems include standard accounting practices, sufficient internal controls, a clear audit trail, and written cost allocation procedures, and are capable of distinguishing whether expenditures are or are not attributable to the grant.
 - Subgrantees reconcile Federal and match costs reported on reimbursement requests submitted to Commission to those reported in the supporting accounting records.
- 5e. Review subgrantee site-visit monitoring reports, completed subgrantee-monitoring tools, and subgrantee reconciliations to verify that all of the Commission's subgrantees have implemented controls over Federal and match costs.
- 5f. Calculate the appropriate amount of disallowed costs based on our costs questioned, and require the Commission to adjust its FFR for the disallowed costs.

Arkansas Service Commission Response: The Commission partially agrees with Finding 5 and the recommendations, as follows:

- The Commission does not have a separate account code for the State administrative match. It maintains that it does not need one, however, because it does not receive any other Federal funds for which it is required to provide match, and there is therefore no danger that matches reported for State administrative funds might be used as match for other Federal funds. Further, the Commission noted that it is a minuscule part of a statewide accounting system and that it would be cost-prohibitive to set up a separate account code.
- The Commission agrees that there were deficiencies in documenting wages and benefits of DCSNS staff reported as match.

- The Commission agrees that Rogers overstated \$3,318 of PY 2010-2011 match costs and \$1,529 of PY 2011-2012 match costs due to mathematical errors.
- The Commission disagrees with the questioning of \$8,570 of Rogers PY 2010-2011 match costs and \$16,735 of Rogers PY 2011-2012 match costs for the reasons stated in Finding 1. Documentation that was available at the time of the audit will be presented to the Corporation.
- The Commission stated that Rogers used its accounting system to prepare the Periodic Expense Report (PER); the Rogers financial system is the system mandated by the Arkansas State Department of Education and is used by all Arkansas school districts. Both the living allowance and the program director and assistant's salaries were paid from the same fund. Funds were not comingled because the district expended its funds, then was reimbursed for allowable expenses. The system allows for reports on each person, so it is clear what expenses are attributable to each person.
- The Commission agrees that the Rogers program director did not use the correct worker's compensation rate.
- The Commission disagrees with the questioning of the UALR-CI match costs. Documentation that was available at the time of the audit will be presented to the Corporation.
- The Commission disagrees that UALR-CI did not have separate accounts for AmeriCorps Federal and match expenditures. The AmeriCorps account is represented by a separate fund number for each year, as is the UALR-CI account. The Commission will provide the Corporation with further documentation.

Corrective Actions:

- 5a. The Commission agrees that the Corporation should provide additional guidance and instruction regarding applicable OMB cost circulars and CFR regulations related to financial management systems.
- 5b. The Commission will review applicable OMB cost circulars related to financial management systems with its program directors at the January 2014 quarterly meeting.
- 5c. The Commission has already started calculating fringe benefit costs on actual rather than budgeted costs. It will cooperate with the Corporation to establish a satisfactory system to make match costs separately identifiable and assure that they are not claimed as match on other Federal grants.
- 5d. The Commission has already revised its monitoring procedures to ensure that all stated points for financial management systems are adequately covered.
- 5e. The Commission will provide the Corporation with subgrantee site-visit monitoring reports, completed subgrantee-monitoring tools, and subgrantee reconciliations to verify that all subgrantees have implemented controls over Federal and match costs.

5f. The Commission disagreed with this corrective action for the reasons stated above.

Accountants' Comments:

- We disagree with the Commission's statements that:
 - It does not receive any other Federal funds for which it is required to provide match. While the Commission itself does not receive other Federal funds, DCSNS, which supports the Commission, operates its own AmeriCorps program and is required to provide match. It is therefore possible that DCSNS personnel costs could be used as match on the Commission AmeriCorps grant.
 - The \$8,570 of Rogers PY 2010-2011 personnel match costs, \$16,735 of Rogers PY 2011-2012 personnel match costs, and \$13,800 of UALR-CI PY 2011-2012 personnel match costs should not be questioned for the reasons provided in the Commission's response. As we discussed above and in Finding 1, the costs are unallowable.
 - Documentation was available during fieldwork to support the remaining Rogers and UALR-CI questioned costs. Without success, we provided Rogers and UALR-CI with multiple opportunities during fieldwork to reconcile and provide support for their costs.
 - Rogers used its accounting system to prepare the PER. The Rogers program director was unable to use the report from the accounting system to prepare the PER because the report only showed total expenses. As a result, the program director had to make mathematical calculations to prepare the PER.
- The Commission's response concerning the member living allowance and personnel costs for Rogers AmeriCorps staff is incorrect. The Commission did not understand the finding. In its accounting system, Rogers records the living allowance paid to members and the salaries paid to the program director and assistant as "Salary Regular Pay" costs. As a result, when the program director prepared the PER, he had to perform a mathematical calculation by subtracting the salaries for himself and the assistant from the "Salary Regular Pay Total" amount. The program director had to perform a similar calculation for the related taxes. As discussed in the finding, this process resulted in the mathematical errors. In addition, as a result of this arrangement, Rogers was unable to provide us with a list of employees without providing a list of both employees and members. Rogers should have set up a separate cost category for the member living allowance costs.
- The Rogers financial management system consists of both the accounting software used by Rogers and the personnel involved in the reporting of costs. In this case, the Rogers AmeriCorps program director is considered part of its financial management system.
- The Commission's corrective actions were responsive to the recommendations. During resolution, the Corporation should review the additional subgrantee monitoring documentation that the Commission agreed to provide.

Finding 6. Commission and subgrantees' timekeeping systems did not comply with Federal and State requirements.

Time certifications completed by personnel whose match costs were claimed on the administrative grant did not account for all activities worked. Time certifications for personnel whose match costs were claimed on the AmeriCorps grants were not completed, were not completed timely, did not have dated signatures, and did not account for all activities worked.

- a. Time certifications completed by UALR-CI personnel to support match costs claimed on its PYs 2010-2011 and 2011-2012 AmeriCorps awards did not account for all activities worked on by the employees. All of the employees worked on more than one cost objective; however, the employees only certified the percentage of time they spent working on the AmeriCorps program.

OMB Circular A-21, *Cost Principles for Educational Institutions, Attachment, Principles for Determining Costs Applicable To Grants, Contracts, and Other Agreements With Educational Institutions, J. General provisions for selected items of cost, Paragraph 10.c. Examples of Acceptable Methods for Payroll Distribution* states that the distribution of salaries and wages by the institution will be supported by activity reports that reflect the distribution of activity expended by employees covered by the system and will reflect an after-the-fact reporting of the percentage distribution of activity of employees.

- b. Time certifications completed by DCSNS personnel to support match costs claimed on the Commission's administrative grant award did not account for all activities worked on by the employees. All of the employees worked on more than one cost objective; however, the employees only certified the amount of time they spent working to support the Commission.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment B. Selected Items of Cost, Paragraph 8.h. Support of salaries and wages, Subsection (4)* states that for the distribution of salaries and wages to awards where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in Subsection (5). Subsection (5) states that the personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared at least monthly, coincide with one or more pay periods, and must be signed by the employee.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment B. Selected Items of Cost, Paragraph 8.h. Support of salaries and wages, Subsection (7)* states that salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

- c. Time certifications completed by Rogers site supervisors did not account for all activities worked on by the employees, were not completed timely, and did not include dated signatures. Rogers also over-claimed site supervisor costs.
 - Time certifications completed by Rogers site supervisors to support match costs claimed on Rogers's PYs 2010-2011 and 2011-2012 AmeriCorps awards did not account for all activities that the employees worked on. All of the employees worked on more than one

cost objective; however, the employees only certified the number of hours they spent working on the AmeriCorps program.

- One Springdale School District site supervisor did not date their certification. As a result, we could not verify that the certification was completed after the fact, as required by OMB Circular A-87.
- Two Springdale School District site supervisors did not complete their September 2011 certifications in a timely manner. One of the site supervisors did not sign their certification until December 2011, and the second did not sign their certification until May 2012.
- In September 2011, one site supervisor certified that he spent 4 hours supervising members; however, Rogers claimed 8 hours of supervision costs for the supervisor. As a result, we questioned overstated personnel match of \$223. These costs are included in the questioned personnel costs in Finding 1a.

As previously stated, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B. *Selected Items of Cost*, Paragraph 8.h. *Support of salaries and wages*, Subsection (5) requires after-the-fact personnel activity reports that account for the total activity for which each employee is compensated. These reports must be prepared at least monthly and must be signed by the employee.

- d. SEARK claimed as match the personnel costs for two employees who spent all of their time working on the AmeriCorps award, but did not require the employees to complete certifications identifying the amount of time that they worked on the AmeriCorps program. SEARK believed that the certifications were only required for Federal-funded employees. However, as previously discussed, OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B. *Selected Items of Cost* Paragraph, 8.h. *Support of salaries and wages*, Subsection (7) states that salaries and wages of employees used to meet match requirements of Federal awards must be supported in the same manner as costs claimed under Federal awards. In addition to the missing certifications, the certifications completed for the Federally funded employees did not contain dates for the signatures of the employee and director. As a result, we could not verify that the certifications were completed after-the-fact.

Recommendations: We recommend that the Corporation:

- 6a. Provide additional guidance and instruction to the Commission on applicable OMB cost circulars related to timekeeping.
- 6b. Verify that the Commission instructed its subgrantees on applicable OMB cost circulars related to timekeeping.
- 6c. Verify that the Commission revised its time certifications to include accounting for total employee time paid.
- 6d. Verify that the Commission's program monitoring procedures for employee timekeeping include procedures to confirm that:

- Subgrantees complete certifications and timesheets in accordance with applicable OMB cost circulars and regulations, to include accounting for total employee time paid.
 - Employees and supervisors date their signatures when signing timesheets and certifications.
- 6e. Review subgrantee site-visit monitoring reports, completed subgrantee-monitoring tools, and timesheets and certifications completed by subgrantee employees to verify whether the Commission has properly implemented its monitoring procedures for employee timekeeping.

Arkansas Service Commission Response: The Commission agrees with Finding 6, including the \$223 of overstated Rogers match costs, as well as Recommendations 6a through 6e.

Corrective Actions:

- 6a. The Commission agrees that the Corporation should provide additional guidance and instruction on applicable OMB cost circulars related to timekeeping.
- 6b. The Commission will review applicable OMB cost circulars related to timekeeping with its program directors at the January 2014 quarterly meeting.
- 6c. The Commission has revised its time certifications to include accounting for total employee time paid and will provide documentation as specified to the Corporation.
- 6d. Beginning in October 2013, the Commission will strengthen its monitoring procedures to ensure that subgrantee certifications and timesheets account for total employee time paid, and that employees and supervisors sign timesheets and certifications and date their signatures.
- 6e. The Commission will provide subgrantee site-visit monitoring reports, completed subgrantee-monitoring tools, and timesheets and certifications completed by subgrantee employees as specified by the Corporation.

Accountants' Comments: The Commission's corrective actions are responsive to the recommendations. During resolution, the Corporation should verify that the Commission reviewed applicable OMB cost circulars related to timekeeping with its program directors, and review the documents provided by the Commission.

Finding 7. Subgrantees did not have procedures for tracking fundraising performed by members, and UALR-CI members performed unallowable fundraising activities.

- a. UALR-CI, SEARK, and Rogers did not have procedures for tracking fundraising performed by members.
- UALR-CI representatives stated that the program did not track member fundraising because members did not perform fundraising. According to the members' position descriptions, however, members were required to perform fundraising. Specifically, UALR members were required to "Assist with CI gift distribution, writing sponsor letters,

and participating in CI events.” These activities constitute fundraising activities because CI funds were the primary source of match for the AmeriCorps program, and the grants were funded by sponsor donations.

In addition, three members interviewed indicated they performed fundraising while serving. One member helped children write letters to their CI sponsors. The second member helped children make clay bowls. The children’s parents then bid on the bowls, with the proceeds going to food for the homeless. The member also helped children at summer camp create handmade items that were then sold, with the proceeds going to the charity of their choice. The third member also helped children at summer camp create handmade items to be sold for charity.

- SEARK instructed its members to refrain from fundraising activities. However, one sampled PY 2011-2012 member recorded 4 hours of fundraising activities for a hospital.
- Rogers personnel instructed members to refrain from fundraising, and the program therefore did not establish procedures for tracking member fundraising hours. However, three members interviewed indicated that they performed fundraising activities. One member stated that she participated in a silent auction to raise money for the AmeriCorps program and recorded her time at this event as direct service hours. The second member stated that she participated in a fundraising dinner for the program and recorded her time for the event as direct service hours. The third member stated that she sold tickets to a banquet in order to raise money for the program and recorded her time as fundraising hours on her electronic timesheet.

According to 45 CFR § 2520.45, *How much time may an AmeriCorps member spend fundraising?*, an AmeriCorps member may spend no more than 10 percent of his or her originally agreed-upon term of service, as reflected in the member enrollment in the National Service Trust, performing fundraising activities.

Without procedures for tracking member fundraising hours, the programs cannot ensure that members do not exceed the maximum allowable hours permitted for performing fundraising activities, or verify if members performed unallowable fundraising activities.

- b. We questioned \$109,362 (\$43,884+\$65,478) of education awards because UALR-CI members performed unallowable fundraising activities, as described below:

As previously discussed, UALR-CI AmeriCorps member duties included assisting with CI gift distributions, writing sponsor letters, and participating in CI events. These types of events constitute fundraising activities because the primary source of match for the AmeriCorps program were grants from CI, and the grants were funded by sponsor donations.

According to the CI website, sponsor donations are allocated to programs based on budgets, and not all of CI’s expenditures are used for programs and activities. In 2012, 83 percent of CI’s expenses were for programs and 17 percent were for administration and fundraising. Because a portion of the sponsors’ donations was used for non-program services (i.e., CI’s general operating expenses), we contend that a portion of the fundraising performed by the members was unallowable. According to 45 CFR § 2520.40, *Under what circumstances may AmeriCorps members in my program raise resources?*, AmeriCorps members may raise resources directly in support of a program’s service activities but may not raise funds for an organization’s general operating expenses.

Because UALR-CI members did not record fundraising hours on their timesheets, we could not determine the amount of time that members spent on unallowable fundraising activities. We therefore questioned all education awards for the PY 2010-2011 and 2011-2012 members.

PY	No. of Education Awards Questioned	Education Awards Questioned	Questioned Accrued Interest
2010-2011	25	\$43,884	\$500
2011-2012	27	\$65,478	\$0

Recommendations: We recommend that the Corporation:

- 7a. Provide additional guidance and instruction to the Commission regarding Corporation regulations for member fundraising.
- 7b. Verify that the Commission instructed its subgrantees regarding Corporation regulations for member fundraising.
- 7c. Verify that the Commission's program monitoring procedures include procedures related to member fundraising to confirm that subgrantees:
 - Track allowable and unallowable fundraising performed by members.
 - Verify that members do not exceed the maximum percentage of hours allowed for allowable fundraising activities.
 - Verify that members' hours spent on unallowable fundraising activities are not counted as service hours for the education award.
- 7d. Review subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify whether the Commission has properly implemented its program monitoring procedures for member fundraising.
- 7e. Disallow and recover the appropriate amount of education awards and accrued interest based on our questioned amounts.

Arkansas Service Commission Response: The Commission disagrees with the substance of Finding 7 and with Recommendation 7e; however, it agrees with Recommendations 7a through 7d. Its responses to the finding and recommendations are as follows:

- The Commission agrees that one SEARK member participated in fundraising and recorded the hours as service because the electronic timekeeping system did not allow any other option.

- The Commission disagrees with characterizing the UALR-CI member activities as fundraising and the resultant questioning of the members' education awards. It stated that:
 - All of the activities cited by the auditors were programmatic activities whose primary purpose was educational.
 - Letter-writing is a standard UALR-CI program benefit for children, providing them a structured exercise in written communication each year. Letters are updates on happenings in the child's life. Children are not allowed to make requests or ask for gifts in the letters.
 - Craft activities mentioned by members, such as clay bowls, are directly linked to curricular activities that help UALR-CI promote its educational goals of helping children become self-reliant and community-minded.
 - Each child normally spends 10 to 15 minutes each year writing a letter to his or her sponsor.
 - The children wrote the majority of the letters during school hours under the supervision of a teacher, not an AmeriCorps member. The UALR-CI members provided additional assistance, if needed, in the after-school program.
 - None of the activities were directly tied to raising funds, program or operational, for either UALR or Children International.
 - All money raised by the craft activities were donated to local charities of the children's choice.
- The Commission stated that CI's expenditure of 17 percent of its funds on general operations is not relevant to this finding because:
 - As explained above, the members were not fundraising.
 - The fiscal agent for the program is UALR, not CI.
 - No funds went to either UALR or CI as a result of the members' activities.
- The Commission disagrees with the assertion that members of the Rogers program engaged in fundraising. It will provide further documentation to the Corporation.

Corrective Actions:

- 7a. The Commission agrees the Corporation should provide additional guidance and instruction regarding Corporation regulations for member fundraising.
- 7b. The Commission will review Corporation requirements for member fundraising with its program directors at the January 2014 quarterly meeting and will provide documentation as specified to the Corporation.

- 7c. The Commission has changed My Service Log to allow reporting of fundraising activities. In addition, it will monitor member fundraising activities to:
- Confirm that subgrantees track allowable fundraising and do not permit unallowable fundraising.
 - Verify that members do not exceed the maximum 10 percent allowed for fundraising.
 - Verify that, if a member performs unallowable fundraising activities, those hours are not counted as service hours towards the member's education award.
- 7d. The Commission will revise its subgrantee monitoring procedures, use the revised procedures in monitoring programs, and provide documentation to the Corporation at the time and in the manner specified by the Corporation.
- 7e. The Commission disagrees with the recommendation for the reasons stated in its response above.

Accountants' Comments:

- We disagree that writing letters to sponsors is an educational programmatic activity. While writing is an activity taught in schools, writing to sponsors of the students is a form of fundraising, the purpose of which is to encourage sponsors to continue their sponsorship by informing them how their donation is helping their sponsored child. We believe that the UALR-CI program could better accomplish its objective of providing students with a structured exercise in written communication by participating in a pen-pal program rather than by writing to CI donors.
- The two UALR-CI members interviewed considered the craft activities to be fundraising activities. The members identified these activities as fundraising when responding to the question "Did you perform any fundraising activities while participating as an AmeriCorps member?"
- Craft activities may be directly linked to curricular activities, but if the purpose of creating the crafts is to sell them and donate the proceeds to charity, they are considered fundraising activities. All the time that the AmeriCorps members spent helping children on these activities should therefore be recorded as fundraising hours.
- The Commission's statement that the children wrote the majority of the sponsor letters during school hours under the supervision of a teacher and that the UALR-CI members only provided additional assistance, if needed, in the after-school program is irrelevant. Any hours the members spent assisting with these activities should have been recorded as fundraising.
- The Commission indicated in its response that the members spent a minimal amount of time assisting with the sponsor letters; however, because members did not record fundraising on their timesheets, we could not verify the Commission's statement. Additionally, neither the Commission nor UALR-CI explained why writing sponsor letters was a required duty in the member position description.

- CI's expenditure of 17 percent of its funds on general operations is relevant to the finding because the members were fundraising and, as discussed in the finding, fundraising for the general operations of an organization is an unallowable activity.
- We disagree with the Commission's statement that no funds went to either UALR or CI as result of the members' activities. As discussed in the finding, CI grants funded by sponsor donations were the primary source of match for the UALR-CI AmeriCorps program.
- We disagree with the Commission's characterization of our finding regarding fundraising activities performed by Rogers AmeriCorps members as an assertion. The statements included in our finding were made during interviews conducted with Rogers AmeriCorps members. The members identified these activities when responding to the question "Did you perform any fundraising activities while participating as an AmeriCorps member?"
- The Commission's corrective actions were responsive to the recommendations. During resolution, the Corporation should review the additional documentation that the Commission agreed to provide.

Finding 8. Subgrantees did not accurately record all member timesheet hours, did not have procedures to verify timesheet accuracy, and, in some instances, had timesheets that did not support member eligibility for education awards.

- Timesheet hours for UALR-CI members were not always accurately recorded in the Portal and were not always certified by members or supervisors.
 - Timesheet hours did not agree with hours certified in the Portal for one sampled PY 2010-2011 UALR-CI member and one sampled PY 2011-2012 UALR-CI member. For one of these members, the hours documented in their timesheets did not support the member's eligibility for an education award. UALR-CI did not have procedures to verify timesheet accuracy. Without such procedures in place, members could receive education awards to which they are not entitled. As a result, we questioned the prorated portion of the partial education award for the member whose timesheets did not support education award eligibility. We questioned this education award in Finding 7 (Unallowable Fundraising Activities).

PY	Member No.	Hours			Ed. Award Amount
		Portal	Timesheet	Required	
2010-2011	18	398	380	398	\$54 ³

AmeriCorps requirements address policy but do not address specific timesheet procedures. It is, however, good business practice to check the accuracy of hours recorded on timesheets.

³ We calculated the questioned amount as follows: (398 hours/900 hours x \$2,675) – (380 hours/900 hours x \$2,675).

- Timesheets for three sampled PY 2011-2012 UALR-CI members were not signed by the member or supervisor, were missing, or were certified by the member prior to completing the service hours.
 - The August 2012 timesheet for one PY 2011-2012 member was not signed by the member or supervisor.
 - The February 2012 timesheet for one PY 2011-2012 member was not signed by the member or supervisor. Additionally, the member's July 2012 timesheet was incomplete; a handwritten note had been placed in the member's file stating that the member had served 40.5 hours for the month of July.
 - The timesheet for one PY 2011-2012 member was certified by the member prior to completing her service hours. The timesheet had service hours on December 13, 14, and 15, but the member certified the timesheet on December 12.

UALR-CI did not have procedures to ensure that members signed all timesheets. We deducted the unsigned hours from the members' timesheets and recalculated their service hours. As a result of our recalculation, timesheet hours for two members did not support eligibility for education awards. As shown in the table below, we questioned education awards of \$3,582 for the two members. We previously questioned these education awards for unallowable member fundraising in Finding No. 7.

PY	Member No.	Timesheet Hours			Hours Required	Ed. Award Amount
		Total	Unsigned	Adjusted		
2011-2012	31	675	42	633	675	\$2,114
2011-2012	50	451	12	439	450	\$1,468

According to *2010 AmeriCorps Grant Provisions, Section IV. AmeriCorps Special Provisions, Subsection C.5. Timekeeping*, time-and-attendance records must be signed and dated both by the member and by an individual who supervises the member.

- b. Timesheet hours for Rogers members were not always accurately recorded in the Portal and were not always certified by members or supervisors.
 - Timesheet hours did not agree with hours certified in the Portal for two sampled PY 2010-2011 Rogers members. For one of these members, the hours documented in their timesheets did not support the member's eligibility for an education award.

Rogers did not have procedures to verify timesheet accuracy. Without such procedures in place, members could receive education awards to which they are not entitled. As a result, we questioned the prorated portion of the partial education award for the member whose timesheets did not support education award eligibility. We included this education award in questioned education awards in Finding 10b.

PY	Member No.	Hours			Ed. Award Amount
		Portal	Timesheet	Required	
2010-2011	53	864	846	864	\$54 ⁴

As discussed above, it is good business practice to check the accuracy of hours recorded on timesheets.

- Timesheets for four sampled PY 2011-2012 Rogers members were not signed by the member or supervisor, and the timesheets for one sampled PY 2010-2011 member and two sampled PY 2011-2012 members had been certified by the member prior to completing the service hours.
 - One PY 2010-2011 member signed their timesheet for November 1 through December 1, 2010, on November 1, 2010. In addition, the hours for December 1, 2010, were double-counted, as this date was also included on the member's December timesheet.
 - One PY 2011-2012 member signed their December timesheet on December 15, 2011, but the last day of service on the timesheet was December 16, 2011. The member also signed their May 2012 timesheet on May 15, 2012, when the last day of service on the timesheet was May 16, 2012.
 - The June 2012 timesheets for three PY 2011-2012 members were not signed by the members' supervisors.

Rogers did not have procedures to ensure that members and supervisors signed all timesheets. We deducted the unsigned hours from the members' timesheets and recalculated their service hours. As a result of our recalculation, timesheet hours for these members did not support eligibility for education awards. As shown in the table below, we questioned education awards totaling \$5,496 for three members. We included the education award for Member No. 56 in questioned education awards in Finding 10b.

PY	Member No.	Timesheet Hours			Hours Required	Ed. Award Amount
		Total	Unsigned	Adjusted		
2010-2011	54	904	96	808	900	\$2,675
2011-2012	55	901	11	890	900	\$2,775
2011-2012	56	616	15	601	616	\$46 ⁵

According to the *2010 AmeriCorps Grant Provisions*, Section IV. *AmeriCorps Special Provisions*, Subsection C, time-and-attendance records must be signed and dated both by the member and by an individual who supervises the member.

- c. Timesheet hours for SEARK members were not always accurately recorded in the Portal and were not always certified by members or supervisors.

⁴ We calculated the questioned amount as follows: (864 hours/900 hours x \$2,675) – (846 hours/900 hours x \$2,675).

⁵ We calculated the questioned amount as follows: (616 hours/900 hours x \$2,775) – (601 hours/900 hours x \$2,775).

- Timesheet hours did not agree with hours certified in the Portal for one sampled PY 2010-2011 SS member and one sampled PY 2010-2011 FTI member. SEARK did not have procedures to verify timesheet accuracy. Without such procedures in place, members could receive education awards to which they are not entitled. Further, as previously discussed, it is good practice to check the accuracy of hours recorded on timesheet.
- Members and supervisors certified timesheets for two sampled PY 2010-2011 SS members and two sampled PY 2010-2011 FTI members before the members had completed the service hours.
 - One PY 2010-2011 SS member certified her timesheets for September 2010 through April 2011 and for June 2011 prior completing the service. The member's supervisor also certified the September and October 2010 timesheets before the member completed the service hours.
 - One PY 2010-2011 SS member certified her April 2011 timesheet on April 28, 2011, but her last day of service for the month was April 29, 2011. The member also certified her June 2011 timesheet on June 28, 2011, even though her last day of service for the month was June 29, 2011.
 - One PY 2010-2011 FTI member certified her June 2011 timesheet on June 10, 2011, but her last day of service for the month was June 11, 2011.
 - One PY 2010-2011 FTI member certified her August 2010 timesheet on August 5, 2010, but her last day of service for the month was August 30, 2010.

SEARK did not have procedures to ensure that members and supervisors certified timesheets after members had completed their service hours and had signed all timesheets. We deducted the unsigned hours from the members' timesheets and recalculated their service hours. As a result of our recalculation, timesheet hours for one SS member and one FTI member did not support eligibility for education awards. As shown in the table, we questioned education awards totaling \$5,350.

PY	Member No.	Timesheet Hours			Hours Required	Ed. Award Amount
		Total	Unsigned	Adjusted		
2010-2011	57	901	626	275	900	\$2,675
2010-2011	58	922	94	828	900	\$2,675

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

Timesheet Discrepancies	UALR-CI	SEARK
Mathematical errors	2	0
Weekly hours instead of daily hours	1	0
Supervisor signature not dated	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, to record hours daily, and to date signatures. This maintains accountability and ensures that timesheets are consistent with member and management intentions.

Recommendations: We recommend that the Corporation:

- 8a. Verify that the Commission provides its subgrantees with guidance and instruction regarding procedures for member timekeeping.
- 8b. Verify that the Commission's program monitoring procedures include procedures to confirm that:
 - Hours certified in the Portal for members at all of its subgrantee sites are supported by timesheets.
 - Member timesheets at all of its subgrantee sites are signed by members and supervisors, but only after the members complete their service.
- 8c. Review the Commission's subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has properly implemented monitoring procedures for member timesheets.
- 8d. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours.

Arkansas Service Commission Response: The Commission agrees with part of Finding 8 and with Recommendations 8a through 8d, as follows:

- The Commission agrees that subgrantees did not have adequate procedures to verify timesheet accuracy; did not accurately record all member timesheet hours; and, in a few instances, had timesheets that did not support member eligibility for education awards.
- The Commission agrees that the hours for Members No. 53 and 56 were overstated due to human error.
- The Commission disagrees with all other questioned costs.

Corrective Actions:

- 8a. The Commission claimed it would provide additional guidance and instruction to program directors during the October conference call, and would provide documentation as specified to the Corporation.
- 8b. The Commission will provide documentation as specified to the Corporation. It will also strengthen its monitoring procedures to ensure that:
 - Member hours certified in the Portal are supported by timesheets.
 - Timesheets are signed by the member and the supervisor only after the hours for the period are completed.

- Timesheets are accurate and consistent with member and management intentions.
- 8c. The Commission agrees that the Corporation should review its site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has properly implemented monitoring procedures for member timesheets.
- 8d. The Commission disagrees with the questioned education awards, except for those for Members No. 53 and 56. It will provide additional documentation to the Corporation.

Accountants' Comments: Except for Recommendation 8d, the Commission's corrective actions were responsive to the recommendations. During resolution, the Corporation should review the additional documentation that the Commission agreed to provide.

Finding 9. Two subgrantees did not have controls to ensure that members performed allowable service activities.

- a. We questioned the education award for one sampled PY 2011-2012 UALR-CI member who recorded service hours for activities unrelated to the member's position. According to the program application, members were to serve children in Little Rock Public Schools and provide education enrichment, health care, and family assistance. However, the member's May 2012 timesheets recorded 22 service hours working at the office. We deducted these hours from the total hours certified in the Portal for this member. After deducting these hours, the remaining hours did not qualify the member for an education award. We included this education award in questioned education awards in Finding 7.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Deducted	Adjusted		
2011-2012	31	675	22	653	675	\$2,114

- b. We questioned the education award for three sampled FTI members (one PY 2010-2011 and two PY 2011-2012) who recorded service hours unrelated to their member positions. According to the program application, members were to provide tutoring for high-risk children, promote parental and community involvement in the educational process, and attend training specific to student, preschool program, and community needs. However, members performed the following activities:

- Timesheets for one PY 2010-2011 FTI member included 216 service hours on 27 Saturdays, including New Year's Day, and 1 Sunday; the only service activity for these days was washing sheets and blankets. These hours constituted approximately 24 percent of her total service hours.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Deducted	Adjusted		
2010-2011	59	922	216	706	900	\$2,675

- Timesheets for one PY 2011-2012 FTI member showed that the member had served 97 hours over 15 days scrubbing and waxing floors at various locations. These hours constituted approximately 11 percent of her total service hours.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Deducted	Adjusted		
2011-2012	60	903	97	806	900	\$2,775

- Timesheets for one PY 2011-2012 FTI member showed that the member had served 163 hours over 18 days performing administrative activities such as filing papers, typing labels, and preparing mailings. These hours constituted approximately 18 percent of the member's total service hours. In addition, the supervisor who signed all of the member's timesheets was his mother.

PY	Member No.	Timesheet Hours			Hours Required	Questioned Education Award
		Total	Deducted	Adjusted		
2011-2012	61	903	163	740	900	\$2,775

SEARK did not comment on the member whose education award we questioned for washing sheets and blankets. For the other two members, it stated that because the school year only runs from August to May and the program year runs from September to August, some members did not complete their service by the end of May. The program therefore provides members with other opportunities and activities to complete their service hours.

According to 45 CFR § 2520.25, *What direct service activities may AmeriCorps members perform?*, allowable service activities include activities that advance program goals; provide a specific identifiable, measurable service or improvement that otherwise would not be provided; and are included in or consistent with the Corporation-approved grant application.

Recommendations: We recommend that the Corporation:

- 9a. Verify that the Commission provided the subgrantees with guidance and instruction regarding member service activities.
- 9b. Verify that the Commission's program-monitoring procedures for ensuring that members perform only allowable service activities include procedures for ensuring:
 - Members at subgrantee sites maintain both timesheets and daily activity logs describing the duties performed.
 - Program applications and member position descriptions identify member duties and responsibilities.
 - Subgrantees compare member service activities in the program applications and position descriptions to the activities shown on the daily activity logs.

- 9c. Verify that the Commission requires subgrantees to obtain written approval from the Commission before allowing members who were unable to complete service terms during the school year to perform service activities unrelated to their position description and approved grant application.
- 9d. Review the Commission's subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has properly implemented its program monitoring procedures for member activities.
- 9e. Disallow and, if already used, recover the education awards made to members who did not perform allowable service activities.

Arkansas Service Commission Response: The Commission agrees with part of Finding 9 and with Recommendations 9a, 9b, and 9d. It does not agree with Recommendations 9c and 9e. Specifically:

- The Commission agrees that Members No. 59, 60, and 61 performed disallowed activities, but disagrees with questioning the entire amount of the education awards for the three members.
- The Commission disagrees with the finding and the questioning of the education award as it relates to Member No. 31. The Commission will provide further documentation to the Corporation to demonstrate that all 22 of the questioned hours were consistent with the activities in the member's position description.

Corrective Actions:

- 9a. The Commission has already provided technical assistance to the SEARK SS, CSH, and FTI programs related to finding allowable activities for members who do not complete their service hours during the academic year. It will provide documentation as specified by the Corporation.
- 9b. The Commission agrees but clarified that timesheets and the record of daily activity are combined in My Service Log. The Commission's program-monitoring procedures will be refined to ensure that:
 - Members only perform allowable service activities.
 - Members track both service hours and daily activities in My Service Log.
 - Program applications and member position descriptions identify member duties and responsibilities.
 - Subgrantees compare member service activities in the program applications and position descriptions to the activities shown in My Service Log.
- 9c. The Commission disagrees with this recommendation and stated that, with technical assistance from the Commission, subgrantees do identify service activities related to their members' position descriptions and approved grant applications in order to allow members to complete their service terms after the end of the academic year.

- 9d. The Commission will provide the Corporation with subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that it has properly implemented monitoring procedures for member activities.
- 9e. The Commission suggested that it would be more appropriate to prorate the amount for the questioned hours in each education award.

Accountants' Comments:

- Except for the corrective action in response to Recommendation 9e, the Commission's corrective actions are responsive to the recommendations.
- During resolution, the Corporation should review the additional documentation that the Commission agreed to provide.
- We do not agree with the Commission's suggestion that the Corporation should only question a prorated amount of the education awards for the three members that did not perform allowable service activities. Because the members served a significant number of unallowable service hours and their remaining service hours did not support eligibility for education awards, we believe that the full education awards should be questioned.

Finding 10. One subgrantee did not follow AmeriCorps requirements for compelling personal circumstances for exiting members, and two subgrantees did not adequately document members' compelling personal circumstances.

- a. We questioned an education award totaling \$1,202 for one PY 2010-2011 UALR-CI member who was released from the program for compelling personal circumstances and was granted a partial education award, but for whom UALR-CI did not adequately document those circumstances. The only documentation to support the circumstances was a handwritten memorandum from the program director on the back of the member's exit form stating that the member had post-traumatic stress disorder.

According to 45 CFR § 2522.230, Subsection (a)(3), programs must document the basis for any determination that compelling personal circumstances prevented a participant from completing a term of service. A note or report from a member's attending physician is the best way to document that a disability or serious illness has occurred during the member's term of service, requiring release, to minimize the potential for abuse or improper certification of a partial education award. Most organizations, including UALR, require their employees to furnish such documentation to support eligibility for paid sick leave. In UALR's case, this is required when the employee requests five or more consecutive days of paid sick leave. Further, 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 2.e states that accounting practices of individual colleges and universities must provide for adequate documentation to support costs charged to sponsored agreements.

Because UALR-CI did not adequately document the member (Member No. 18)'s compelling personal circumstances, we questioned the member's prorated education award of \$1,202. We included this education award in the questioned education awards for unallowable fundraising, in Finding 7.

- b. We questioned education awards of \$3,822 for two Rogers members (\$2,419 for one PY 2010-2011 member and \$1,403 for one PY 2011-2012 member) who were exited for compelling personal circumstances but who did not meet the CFR definition of compelling personal circumstances based on the reasons provided by Rogers.
- The PY 2010-2011 member was released from the AmeriCorps program to begin a job in her chosen career path. According to 45 CFR § 2522.230, *Under what circumstances may an AmeriCorps participant be released from completing a term of service, and what are the consequences?*, Subsection (5), compelling personal circumstances do not include leaving a program to obtain employment, other than moving from welfare to work or leaving a program that includes in its approved objectives the promotion of employment among its participants.
 - The PY 2011-2012 member was released from the AmeriCorps program after her father was deported to Mexico and she wanted to spend more time taking care of her family. This is not a compelling personal circumstance as identified by § 2522.230.

According to 45 CFR § 2522.230, *Under what circumstances may an AmeriCorps participant be released from completing a term of service, and what are the consequences?*, Subsection (4), compelling personal circumstances include but are not limited to:

- A participant’s disability or serious illness.
- The disability, serious illness, or death of a participant’s family member if this makes it impossible or difficult to complete a term.
- Conditions attributable to the program or otherwise unforeseeable and beyond the participant’s control, such as a natural disaster, strike, relocation of a spouse, or the nonrenewal or premature closing of a project or program, that makes it unreasonably difficult or impossible to complete a term.

Because the reasons for exiting the members did not meet the CFR definition of compelling personal circumstances, we questioned the members’ education awards.

		Questioned Education Award
PY	Member No.	
2010-2011	62	\$2,419
2011-2012	63	\$1,403

- c. We questioned education awards totaling \$7,143 for three Rogers members (\$2,568 for one PY 2010-2011 member and \$4,575 for two PY 2011-2012 members) who were exited for compelling personal circumstances but whose circumstances Rogers had not adequately documented.
- One PY 2010-2011 member was exited from the program because the member was required to travel to Mexico from June 8 through August 16, 2011, for a grandparent’s illness, and because she was required to miss several days after her return from Mexico

to attend to these issues. However, the only support for these circumstances was an October 2011 memorandum from the program director.

- One PY 2011-2012 member was exited from the program because the member contracted a skin illness while visiting Mexico and was unable to re-enter the country until it healed. However, the only documentation in the member file was a memorandum from the program director.
- One PY 2011-2012 member was exited from the program because she was suspended from July 3 through September 18, 2012, due to family leave issues. The member gave birth on November 5, 2012, and did not return to service. The only support provided for these circumstances was a December 19, 2012, memorandum from the program director.

As noted above, a note from a member's attending physician is the best evidence to document the member's disability or serious illness and to minimize the potential for abuse. Most organizations require a doctor's note to support eligibility for paid sick leave. Rogers' sick leave policy states that the school board may require a doctor's certificate verifying an illness or disability that leads to an extended leave of absence. 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.

Because Rogers did not adequately document the members' compelling personal circumstances, we questioned the members' prorated education awards.

PY	Member No.	Questioned Education Award
2010-2011	56	\$2,568
2011-2012	64	\$1,899
2011-2012	65	\$2,676

Recommendations: We recommend that the Corporation:

- 10a. Verify that the Commission provided the subgrantees with guidance and instructions regarding Corporation requirements concerning compelling personal circumstances and the adequate documentation thereof.
- 10b. Require the Commission to provide a secondary level of review for members exited for compelling personal circumstances, ensuring that the subgrantees' reasons for exiting the members meet AmeriCorps requirements and are adequately documented.
- 10c. Disallow and, if already used, recover education awards made to members who did not meet AmeriCorps requirements for compelling personal circumstances or whose compelling personal circumstances were not adequately documented.

- 10d. Revise the regulations for compelling personal circumstances to include a requirement to obtain a doctor's note when a member is unable to complete their service term due to illness.

Arkansas Service Commission Response: The Commission agrees with Recommendations 10a and 10d but disagrees with Recommendations 10b and 10c:

- For the members with questioned education awards, the Commission will provide documentation to the Corporation to show the validity of the program directors' decisions.
- The Commission disagrees that (1) increased family responsibilities after the deportation of an immediate family member and (2) leaving the program for a job were not compelling personal circumstances. It stated that 45 CFR § 2522.230 Subsection (4) states that compelling personal circumstances include those beyond a participant's control, such as, **but not limited to** (emphasis added by the Commission),
 - A participant's disability or serious illness.
 - The disability, serious illness, or death of a participant's family member if this makes it impossible or difficult to complete a term.

The Commission noted that this list is illustrative, not exhaustive.

- The Commission disagrees with Recommendation 10b regarding the provision of a secondary level of review for members exited for compelling personal circumstances. The Corporation cited *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances* (OIG Report No. 12-04), which states: "The statutory role of the Corporation and State Service Commissions is to oversee how those programs and sponsors carry out their responsibilities, not to usurp part of those responsibilities."

Corrective Actions:

- 10a. The Commission will review Corporation requirements regarding compelling personal circumstances with its program directors at the January 2014 quarterly meeting and will provide documentation as specified to the Corporation.
- 10b. The Commission disagrees with this recommendation for the reasons discussed above.
- 10c. The Commission disagrees with this recommendation for the reasons discussed above. It will provide further documentation supporting the program directors' determinations.
- 10d. The Commission will instruct program directors to comply, whenever possible, with the best practice of obtaining a note from the member's physician in health-related releases and will monitor member files to verify that they do so.

Accountants' Comments:

- The Commission's corrective actions for Recommendations 10a and 10d are responsive to the recommendations.
- During resolution, the Corporation should review the documentation the Commission agreed to provide.
- We disagree with the Commission's statement that the education awards for the members discussed in the finding should not be questioned and continue to make Recommendation 10c.
- We disagree with the Commission's citation from OIG Report No. 12-04. As a grantee, the Commission is responsible for ensuring that subgrantees comply with CFR regulations for compelling personal circumstances. As mentioned by the OIG in its response to OIG Report No. 12-04, adding a secondary level of review is a monitoring control, not an operation control. Without such a monitoring control, the Commission's examination of members exited for compelling personal circumstances would be limited to the small number of member files reviewed during subgrantee site visits, which are conducted several months after the end of the program year.

We believe that by adding this monitoring control, the Commission could detect and prevent, on a real-time basis, the improper certification and payment of partial education awards for potentially ineligible members. Implementing a secondary review immediately following the AmeriCorps program's submission of its member's compelling personal circumstances would allow the Commission to independently evaluate and monitor whether the justification for the compelling personal circumstances complied with the CFR guidelines. Errors could be identified in a timely manner, thereby minimizing the risk of improperly disbursing funds from the National Service Trust and limiting the potential that the AmeriCorps programs would have to repay the Corporation for any improperly certified awards. We consider this secondary review to be a key monitoring (not operational) control for the Corporation in detecting potential compelling personal circumstances issues on a timely basis.

Finding 11. Subgrantees did not comply with AmeriCorps requirements for member performance evaluations.

UALR-CI, Rogers, and SEARK did not comply with AmeriCorps requirements for member performance evaluations.

- UALR-CI could not demonstrate that some sampled members received end-of-term performance evaluations. In addition, end-of-term evaluations for certain members at all three subgrantees did not indicate if the members had completed the required number of service hours to be eligible for education awards. Finally, the end-of-term evaluations for certain SEARK members did not indicate when the members satisfactorily completed assignments, tasks, or projects. The numbers of instances for each area of the noncompliance's for the 13 sampled UALR-CI members, the 19 sampled Rogers members, and the 25 sampled SEARK members are shown below:

Description	UALR-CI	Rogers	SEARK
PY 2010-2011			
End-of-term evaluation missing	2	0	0
End-of-term evaluation missing required hours	6	9	12
End-of-term evaluation missing whether member satisfactorily completed assignments, tasks, or projects	0	0	12
PY 2011-2012			
End-of-term evaluation missing	0	0	0
End-of-term evaluation missing required hours	7	10	13
End-of-term evaluation missing whether member satisfactorily completed assignments, tasks, or projects	0	0	13
Total			
End-of-term evaluation missing	2	0	0
End-of-term evaluation missing required hours	13	19	25
End-of-term evaluation missing whether member satisfactorily completed assignments tasks, or projects	0	19	25

According to 45 CFR § 2522.220, Subsection (d), *Participant evaluation*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps education award without a successful rating for the member's end-of-term evaluation. Further, both 45 CFR § 2522.220 and the Arkansas Service Commission Compliance Requirements for PY 2010-2011 and 2011-2012 require that the end-of-term performance evaluation assess whether the participant completed the required number of hours to be eligible for the education award.

UALR-CI representatives did not know why evaluations were not included in the files for two members. The three subgrantees were unaware that they were required to include the final number of hours completed by members in the end-of-term evaluations. 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 PY 2010-2011 UALR-CI members did not have end-of-term evaluations. One sampled member did not return for a subsequent term, but one sampled member (Member No. 35) was a returning member from PY 2011-2012. We questioned Federal member costs and the member's education award. The education award for this member is included in the questioned education awards in Finding 7.

Member No.	Questioned Federal Member Costs	Questioned Match Member Costs	Questioned Education Award
35	\$4,602	\$815	\$2,114

- Member signatures were missing from the end-term-evaluations for certain members at all three-subgrantees. The number of instances for each subgrantee is shown in the table below.

Description	UALR-CI	SEARK	Rogers
Member signature missing	7	25	8

It is good business practice to ensure that members sign and date end-of-term evaluations and that those evaluations are completed before members exit the program. This maintains accountability and ensures that evaluations are consistent with member and management intentions.

Recommendations: We recommend that the Corporation:

- 11a. Verify that the Commission provided the subgrantees with guidance and instruction regarding the requirements for end-of-term evaluations.
- 11b. Verify that the Commission's program monitoring procedures for end-of-term evaluations include procedures for ensuring that the evaluations:
 - Are completed, with all subgrantee sites retaining documentation of the evaluation for all members.
 - Are signed and dated by all members.
 - Include an assessment of whether the member has completed the required number of hours to be eligible for an education award.
- 11c. Review the Commission's subgrantee site-visit reports, completed subgrantee-monitoring tools, and subgrantee end-of-term evaluations to verify that the Commission has properly implemented its procedures for member evaluations.
- 11d. Disallow and recover the appropriate amount of education awards based on our questioned amounts.
- 11e. Calculate and recover the appropriate amount of disallowed costs based on our costs questioned, and require the Commission to adjust its FFRs for the disallowed costs.

Arkansas Service Commission Response: The Commission agrees with the substance of the finding and with Recommendations 11a, 11b, and 11c. It does not agree with Recommendations 11d and 11e, as follows:

- The Commission disagrees with the questioned Federal and match member costs and questioned education award for Member No. 35 in Recommendations 11d and 11e. The program admitted that human error was the cause of the missing evaluation. UALR-CI is a small subgrantee, and both the director and the site supervisor knew the member and her performance very well. They approved the member for a second year of service based on this knowledge. The program stated that it would have been a different situation if the applicant had come from another program, in which case an end-of-term evaluation would be critical.

Corrective Actions:

- 11a. The Commission will review the requirements for end-of-term evaluations with its program directors at the January 2014 quarterly meeting and will provide documentation as specified by the Corporation.
- 11b. The Commission will refine its program monitoring procedures for end-of-term evaluations to ensure that evaluations are completed and retained, are signed and dated by members, and include an assessment of whether the member has completed the required number of hours to be eligible for an education award.
- 11c. The Commission will provide the Corporation with subgrantee site-visit reports, completed subgrantee-monitoring tools, and subgrantee end-of-term evaluations to verify that it has properly implemented its procedures for member evaluations.
- 11d. The Commission disagrees with the recommendation for the reasons stated in its response above.
- 11e. The Commission disagrees with the recommendation for the reasons stated in its response above.

Accountants' Comments: The Commission's corrective actions are responsive to the recommendations. During resolution, the Corporation should review the documentation that the Commission agreed to provide.

Finding 12. UALR-CI did not follow AmeriCorps and Internal Revenue Service requirements for withholding FICA taxes from members' living allowance payments.

UALR-CI did not withhold FICA taxes (Social Security and Medicare) from living allowance payments made to all PY 2010-2011 and PY 2011-2012 members who were students at UALR, as required by the grant provisions. The program provided copies of IRS rules describing FICA withholding requirements for student employees of universities. These rules do not apply to AmeriCorps members, however, because the members are volunteers participating in a national service program rather than employees of UALR.

Program Year	Living Allowance	Employer Share FICA Tax Liability	Member Share FICA Tax Liability	Total FICA Tax Liability
2010-2011	\$134,606	\$10,297	\$8,503	\$18,800
2011-2012	206,646	9,611	7,410	17,021
Total	<u>\$341,252</u>	<u>\$19,908</u>	<u>\$15,913</u>	<u>\$35,821</u>

The 2010 and 2011 AmeriCorps Grant Provisions, Section IV. *AmeriCorps Special Provisions* Subsection G.3.b. *FICA (Social Security and Medicare taxes)* states: “Unless the grantee obtains a ruling from the Social Security Administration or Internal Revenue Service that specifically exempts its AmeriCorps members from FICA requirements, the grantee must pay FICA for any member receiving a living allowance. The grantee must also withhold 7.65% from the member’s living allowance.” UALR-CI may be required to pay the unpaid taxes with interest, potentially totaling \$35,821, for the period covered by the AUP.

Recommendations: We recommend that the Corporation:

- 12a. Ensure that the Commission requires UALR-CI to obtain a ruling from the Social Security Administration or Internal Revenue Service regarding FICA withholdings for its AmeriCorps members.
- 12b. While UALR-CI is awaiting the ruling from the Social Security Administration or Internal Revenue Service, ensure that the Commission requires UALR-CI to withhold and remit employer and member shares of FICA taxes to the IRS.
- 12c. Require the Commission to determine the amount of unpaid taxes and interest for periods not covered by this review

Arkansas Service Commission Response: The Commission agrees with the finding and noted the following:

- In preparing the initial application for Corporation funds, the program director sought help from the Commission and the Corporation on numerous occasions but did not receive a definitive response.
- The program submitted a budget without FICA for student AmeriCorps members, basing its practice on the State of Arkansas’ Section 218 Agreement with the IRS, and continued to do so in subsequent years.

Corrective Actions:

The Commission will work closely with the Corporation and the program to resolve the issues identified.

Accountants’ Comments: The Commission’s corrective actions are responsive to the recommendations. During resolution, the Corporation should work with the Commission to resolve the issues identified in the finding.

Finding 13. Practices at the Rogers program did not comply with its approved program applications, OMB Circular A-133 requirements, and the Commission’s hiring requirements for members.

a. Memorandum of Understanding with Springdale School District

Rogers did not follow its approved program application narratives for its PYs 2010-2011 and 2011-2012 grant awards. Both documents stated that Rogers would continue to serve as the fiscal agent of the AmeriCorps program and that another Memorandum of

Understanding (MOU) with Springdale School District would be developed. The purpose of the MOU, which was supposed to be signed by each school superintendent, was to clearly delineate each school district's responsibilities for the AmeriCorps program.

Rogers representatives indicated that they believed the grant documents could and would serve as the MOU between the two school districts. Without an MOU between the two school districts, however, Rogers cannot ensure that Springdale is aware of its responsibilities for the AmeriCorps program, as well its responsibilities for complying with all applicable Federal and State laws, rules, and regulations.

b. Fiscal Year 2012 OMB Circular A-133 Audit Report

Rogers omitted Federal expenditures that it incurred and expenditures passed through to Springdale School District from the SEFA included in its audit report and from data collection forms for the fiscal year ending June 30, 2012. Rogers' treasurer omitted the AmeriCorps expenditures when preparing the SEFA schedule. Because the AmeriCorps funds run through the Arkansas DHS, the expenditures resemble a state grant.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C. 310 *Financial statements*, (b) *Schedule of expenditures of Federal awards* requires auditees to prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. The schedule is required to include a list of individual Federal programs by Federal agency; names of pass-through entities; identifying numbers assigned by the pass-through entities; total Federal awards expended for each Federal program, Catalog of Federal Domestic Assistance (CFDA) numbers or other identifying numbers; and the total amount provided to subgrantees from each Federal program.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C.320 *Report submission*, (b) *Data Collection*, Subsection (2) requires the auditee to submit a data collection form with the amount of expenditures associated with each Federal program in the schedule of expenditures of Federal awards.

c. Member Hired As Employee While Enrolled As Member

One sampled PY 2011-2012 Rogers AmeriCorps member was both a member and an employee of Rogers School District. While some AmeriCorps programs permit members to be both members and employees, the Commission prohibits its AmeriCorps members from being hired as employees until after they complete their service terms.

According to the Commission's PYs 2010-2011 and 2011-2012 Compliance Requirements, "Neither the host agency nor the program will hire an AmeriCorps member as a regular employee before the completion of his/her term of service."

Rogers did not comply with the Commission's requirement because it first hired the member as an employee while the member was enrolled in PY 2010-2011. The member was enrolled on August 19, 2010, and was exited on June 30, 2011. However, the Rogers school board approved the member's hiring as an employee on January 3, 2011, and the member starting working as employee on January 6, 2011. Rogers rehired the member for another position at the school for the 2011-2012 school year on April 19, 2011. The member started the position on August 12, 2011, and also enrolled as an AmeriCorps

member for PY 2011-2012 on September 16, 2011. This member was also an employee and member during PY 2012-2013, the most recent program year.

The AmeriCorps program director stated that the Commission was aware of the situation. On June 6, 2013, however, Commission representatives stated that the Commission did not know that the member was both an employee and member. We did not question any costs or education awards for the member because, based on interviews with the member and her supervisor, the member's AmeriCorps hours were separate from her work hours.

Recommendations: We recommend that the Corporation:

- 13a. Verify that the Rogers and Springdale school districts signed an MOU that clearly delineates each school district's responsibilities regarding the AmeriCorps program.
- 13b. Verify that grant award documents between the Commission and the subgrantees include sufficient detail to prevent subgrantees from misidentifying the expenditures as a State grant from the Arkansas DHS.
- 13c. Verify that the Commission's program-monitoring regarding subgrantees hiring members as employees include procedures to:
 - Obtain members' W-2 (Wage and Tax Statement) forms and compare the total wages on the W-2 forms to the total amount of living allowance paid to the members.
 - Obtain explanations from subgrantees for members whose total W-2 wages are higher than the total living allowance amounts paid to the members.
 - Require that programs submitting requests to hire a member as an employee before the end of the member's term must document the requests in writing.
 - Ensure that subgrantee employees approved by the Commission to serve as AmeriCorps members maintain timesheets segregating AmeriCorps service hours from hours worked.
- 13d. Review the Commission's subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has properly implemented its policies and procedures.

Arkansas Service Commission Response: The Commission agrees with the majority of the finding and recommendations.

Corrective Actions:

- 13a. In August 2013, the Springdale School District assumed responsibility for day-to-day operations of the program, while the Rogers School District remains the fiscal agent. Specific duties of each district are described in a draft MOU on file at the Commission. The final MOU was expected to be signed and dated by October 11, 2013.

13b. The Commission stated that it is already in compliance with the recommendation, as follows:

- Each subgrant award agreement includes the Federal Standard Form (SF) 424, which clearly identifies the source of funds as the Corporation for National and Community Service.
- Rogers's failure to report AmeriCorps funding on its June 30, 2012, SEFA schedule was included in the Rogers School District audit report review letter.
- The Commission and the Department of Human Services Office of Quality Assurance Audit Section (DHS OQA Audit) are monitoring grant award misidentification and noncompliance with OMB Circular A-133 requirements.

13c. During PY 2013-2014, the Commission will change its monitoring procedures to include procedures for:

- Obtaining members' W-2 forms.
- Comparing the total wages on the W-2 forms to the total amount of living allowance paid to members, and obtaining explanations from subgrantees for members whose total W-2 wages are higher than the total living allowance amounts paid to members.
- Requiring that programs submit written requests to hire a member as an employee before the end of the member's term.
- Ensuring that subgrantee employees approved by the Commission to serve as AmeriCorps members maintain timesheets segregating AmeriCorps service hours from hours worked.

After PY 2013-2014, the Commission will no longer include in its compliance requirements the prohibition against hiring a member during their term of service. It will provide information to subgrantees in its Frequently Asked Questions and best practices in order to prevent early termination of members' service, as well as displacement and supplanting of paid staff.

13d. The Commission will provide the Corporation with subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that it has properly implemented its policies and procedures.

Accountants' Comments: The Commission's corrective actions are responsive to the recommendations. During resolution, the Corporation should review the Rogers School District audit report review letter and the documentation the Commission agreed to provide.

Finding 14. Subgrantees did not comply with AmeriCorps requirements for living allowance and verification of citizenship eligibility.

a. Living Allowance

- One sampled Rogers member from PY 2011-2012 received an additional living allowance payment. The member’s contract stated that the member would receive a total living allowance of \$7,000, distributed over 10 months at \$700 per month. However, the member’s timesheet showed that the member began service on October 11, 2011, and ended service on June 26, 2012. The member therefore only performed service for 9 months and was only eligible to receive \$6,300 (9 months x \$700). We questioned \$602 of Federal living allowance costs and \$98 of match costs.
- One sampled PY 2010-2011 UALR-CI member was paid \$5,738 but should have received \$5,260. The member was supposed to receive \$260.82 for 22 periods; however, the member only served 20 periods. We questioned \$459 of Federal costs and \$63 of match costs.
- One sampled PY 2010-2011 UALR-CI member was paid \$5,738 but should have received \$5,539. According to the member’s contract, they were supposed to receive \$291.52 each pay period. The member served for 19 pay periods but received an additional \$199 on top of the payment for the 19 pay periods. We questioned \$175 of Federal costs and \$24 of match costs.
- One sampled PY 2011-2012 UALR-CI member started service on February 21, 2012, but UALR-CI claimed \$616 of living allowance for the member in January 2012. We questioned \$523 of Federal costs and \$93 of match costs.

According to the 2011 AmeriCorps Grant Provisions, Section IV. *AmeriCorps Special Provisions*, Subsection G.1. *Living Allowances, Other In-Service Benefits, and Taxes*, grantees should pay the living allowance in regular increments and must cease when a member concludes a term of service. Further, the Commission’s PYs 2010-2011 and 2011-2012 Compliance Requirements require programs to pay living allowances over the period of service, and payments are limited to the actual months of service.

b. Verification of Citizenship Eligibility

The Commission requires subgrantees to document member citizenship eligibility by completing a form on which the programs mark the type of documentation reviewed to support citizenship or legal resident status. As shown in the table below, we identified several weaknesses with citizenship verification forms:

Citizenship Verification Form Weaknesses	SEARK	Rogers
Forms Missing	1	2
Forms Certified After Members Started Service	5	0
Forms Not Dated	2	0
Program Director Certification Not Complete	1	0
Pre-Dated Signatures	4	0

An AmeriCorps member is not eligible to start service until a program has verified the member’s citizenship eligibility.

According to 2010 AmeriCorps Grant Provisions Section IV. *AmeriCorps Special Provisions*, Subsection H. *Member Records and Confidentiality*, 2. *Verification*, the grantee must obtain and maintain documentation as required by 45 CFR § 2522.200, Subsection (c). The Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as a driver's license or birth certificate, as long as the grantee has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review.

Instructions for the Commission's Citizenship Status Verification Form state that the form is "to be completed and signed by Program Director or authorized representative prior to a member's start date."

Recommendations: We recommend that the Corporation:

- 14a. Verify that the Commission provided the subgrantees with guidance and instruction regarding the requirements for living allowance and citizenship verification.
- 14b. Verify that the Commission's program-monitoring procedures include procedures to:
 - Ensure that members only receive living allowance payments while actively serving in the AmeriCorps program and do not receive living allowance payments before or after their service term.
 - Document explanations for deviations from the living allowance payment amounts listed in the member contract.
 - Complete the citizenship verification form before members start service.
 - Retain the completed citizenship verification form in the member file.
 - Certify the actual date the citizenship verification form was completed instead of pre-dating the forms.
 - Complete the citizenship verification form using an ink-pen signature.
- 14c. Review the Commission's subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that the Commission has properly implemented its policies and procedures regarding living allowance and citizenship verification.

Arkansas Service Commission Response: The Commission agrees with the finding and recommendations.

Corrective Actions:

- 14a. The Commission will give program directors additional training on requirements for living allowance and citizenship verification at the January 2014 quarterly meeting, and will provide documentation as specified to the Corporation.

- 14b. The Commission will enhance its program monitoring procedures to ensure that:
- Members receive living allowance payments only while actively serving in the AmeriCorps program.
 - Explanations are documented for deviations from the living allowance payment amounts listed in the member contract.
 - The citizenship verification form is completed before members start service and the form is kept in the member file.
 - Programs certify the actual date the citizenship verification form was completed instead of pre-dating forms.
 - Programs complete and sign the citizenship verification form with an ink pen.
- 14c. The Commission will provide the Corporation with subgrantee site-visit monitoring reports and completed subgrantee-monitoring tools to verify that it has properly implemented its policies and procedures regarding living allowance and citizenship verification.

Accountants' Comments: The Commission's corrective actions are responsive to the recommendations. During resolution, the Corporation should review the documentation that the Commission agreed to provide.

Finding 15. The Commission did not obtain and review all subgrantee OMB Circular A-133 audit reports or ensure the accuracy of subgrantee SEFA schedules.

The Commission 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 the Commission to ensure that subgrantees undergo audits that meet the circular's requirements. In addition, the Commission did not comply with its internal procedures.

- According to the DHS OQA *Provider Audit Guidelines*, nonprofit organizations and local governments or local government components must provide DHS with a report each fiscal year if they receive \$100,000 or more in funding from DHS. DHS then reviews the audit reports to determine if:
 - Requirements of applicable authorities and DHS audit guidelines were met
 - Material weaknesses in internal control existed
 - Material noncompliance with provisions of grants, contracts, and agreements existed
 - The report included findings, recommendations, and management responses

Several of the Commission's subgrantees underwent OMB Circular A-133 audits because they had more than \$500,000 of Federal expenditures. However, those that received less than \$100,000 in DHS funds were not required to provide DHS with copies of their OMB Circular A-133 audit reports, and the Commission did not review the

reports and the audit results during site visits. Reviewing audit reports is a necessary component of program monitoring, which is the Commission's responsibility according to the DHS OQA *Provider Audit Guidelines*. According to Section V. *General*. Subsection E. *Monitoring and Evaluation By Program Divisions and Offices*, "Individual program financial and compliance reviews as well as other program monitoring procedures will continue to be performed by the respective Divisions and Offices and federal agencies." In addition, by not reviewing these reports, the Commission cannot determine if its own records require adjustment as required by 45 CFR § 2541.260 *Non-Federal audit*, Subsection (b)(4).

- The Commission did not comply with its policy for obtaining subgrantee Circular A-133 audit reports. One PY 2010-2011 subgrantee received more than \$100,000 in DHS funds in State FYs 2011 and 2012; however, the Commission did not review its FY 2011 report.
- The SEFA schedules for several subgrantees misidentified the source of AmeriCorps funds, grant numbers, and comingled expenditures for more than one Corporation award. Specifically, the U.S. Department of Health and Human Services was incorrectly identified as the source of funds on the FYs 2011 and 2012 audit reports for one subgrantee. One subgrantee erroneously identified its AmeriCorps expenditures as Recovery Act expenditures on the FY 2011 SEFA schedule. In another subgrantee's FYs 2011 and 2012 audit reports, it identified the awards and expenditures for separate grant awards as awards and expenditures for one grant award.

Recommendations: We recommend that the Corporation:

- 15a. Verify that the Commission's program monitoring procedures for ensuring that its subgrantees comply with the requirements of OMB Circular A-133 include procedures to:
 - Identify all subgrantees with Corporation expenditures for each State fiscal year and determine which of the subgrantees had undergone OMB Circular A-133 audits of the expenditures.
 - Obtain copies of audit reports from subgrantees that underwent OMB Circular A-133 audits but that were not required to provide copies of the reports to DHS because the subgrantee received less than \$100,000 in funds from DHS.
 - Review the audit reports for findings that affect Corporation grants to determine if Commission records require adjustment.
 - Reconcile subgrantee SEFA expenditures for Corporation grants to DHS payments to the subgrantees to determine if Commission records require adjustment.
 - Determine if subgrantees accurately presented AmeriCorps awards on their SEFA schedules.
 - Retain documentation of Commission reviews of subgrantee audit reports.

- 15b. Verify that subgrantee grant award documents with the Commission include sufficient detail for subgrantees to accurately present AmeriCorps grant awards on their SEFA schedules. These details should include identifying the Corporation as the Federal entity providing the AmeriCorps awards, as well as providing CFDA and award numbers for the AmeriCorps awards.
- 15c. Review documentation of DHS and Commission reviews of all of the subgrantees to verify that the Commission implemented effective procedures for reviewing subgrantee OMB Circular A-133 reports.

Arkansas Service Commission Response: The Commission disagrees with most of Finding 15 and Recommendation 15b. It partially agrees with Recommendation 15a and agrees with Recommendation 15c. Specifically:

- The Commission stated that Commission subgrantees receiving more than \$100,000 submit OMB Circular A-133 audit reports to the Arkansas DHS OQA Audit for review. As part of the review, OQA Audit determines and reports to the Commission any material weaknesses in internal control or material noncompliance with grant and contract provisions, as well as whether there were findings, recommendations, and management responses that require follow-up. This review is accomplished through mechanisms already in place, such as OQA Audit monitoring of funding levels and receipt of audit reports, the monthly DHS Summary of Subrecipient Audit Reports Reviewed (Audit Resolution) Report, and the annual results of audit review letters from OQA Audit. The Commission addresses findings immediately via correspondence with the program and in subsequent monitoring site visits.
- The Commission agrees that the A-133 audit report of one subgrantee was not obtained or reviewed because the provider had been misidentified as a for-profit entity and therefore not subject to DHS audit.
- The Commission agrees that it does not have a mechanism to identify subgrantees that receive less than \$100,000 from DHS but that undergo an A-133 audit because they receive Federal funds from other sources. The Commission stated that its corrective actions will prevent any future recurrence of these problems.

Corrective Actions:

- 15a. The Commission will strengthen its monitoring procedures by:
 - Providing DHS OQA Audit with a list of subgrantees, including the funding CFDA number, the fiscal year end, and the organizational status (such as nonprofit or local governments/local government components), at the beginning of each program year. This will ensure that the Commission obtains and reviews audits for all of the appropriate entities under the DHS Audit Guidelines; i.e., those receiving AmeriCorps grant awards with DHS disbursements of \$100,000 or more. Before the end of each State fiscal year, the Commission will require all subgrantees to provide a list of CFDA numbers for other Federal grants they have received and present the list to OQA Audit.

- Obtaining copies of audit reports from subgrantees that underwent OMB Circular A-133 audits despite receiving less than \$100,000 from DHS.
 - Presenting the audit reports referred to immediately above (which otherwise would not be reviewed) to OQA Audit for review and follow-up by OQA and the Commission as described above.
 - With counsel from OQA Audit, reconciling subgrantee SEFA expenditures for Corporation grants to DHS payments to subgrantees to determine if Commission records require adjustment.
 - With assistance from OQA Audit, determining whether subgrantees accurately presented AmeriCorps awards on their SEFA schedules.
 - Relying on OQA Audit to continue retaining documentation of its reviews of Commission subgrantee audit reports as it has in the past, and to provide access to them on request.
- 15b. The Commission disagrees with Recommendation 15b and stated that it is able to document that subgrantee grant awards include sufficient detail for subgrantees to accurately present AmeriCorps grant awards on their SEFA schedules. The subgrantee's grant application is incorporated into the subgrantee grant award. The grant application begins with the SF424, which contains the identification of the Corporation as the Federal entity providing the AmeriCorps awards, the CFDA number, and the grant award number.
- The Commission suggested that instead it will send a reminder to each subgrantee's finance manager shortly before the end of the subgrantee's fiscal year, indicating where to find the proper SEFA information and requesting that the subgrantee give the information to the independent auditor.
- 15c. The Commission agrees that the Corporation should review documentation of OQA Audit reviews of all subgrantees to verify that the Commission and DHS implemented effective procedures for reviewing subgrantee OMB Circular A-133 reports.

Accountants' Comments: The Commission's corrective actions are responsive to the recommendations. During resolution, the Corporation should review the documentation that the Commission agreed to provide.

APPENDIX A

Arkansas Service Commission Response to Draft Report

DHS Division of Community Service and Nonprofit Support

Arkansas Department of Human Services



Division
of **Community Service**
and **Nonprofit Support**

Arkansas Service Commission

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October 9, 2013

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:

The Arkansas Service Commission has received and reviewed the draft report of the Office of Inspector General (OIG) Agreed-Upon Procedures for Corporation Grants Awarded to the Arkansas Service Commission. On behalf of the Commission, its staff, subgrantees, and partners, thank you for the opportunity to submit the attached response to the report. We also appreciate the assistance provided by Rick Samson, Audit Manager, in your office during the audit process.

The Commission has already begun implementing recommendations stated in the report. It will continue to work closely with the Corporation Office of Grants Management during audit resolution. As a result of the entire audit process the Commission will be a better public servant and steward of taxpayer dollars.

The Arkansas Service Commission's response was prepared by Albert Schneider, Commission Liaison. If additional information is needed, please do not hesitate to contact him.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sherry Middleton', with a large flourish at the end.

Sherry Middleton, Director
Division of Community Service and Nonprofit Support
Arkansas Department of Human Services

cc: Michael Gillespie, Operations Managing Partner, Cotton & Company LLP
Claire Moreno, Audit Liaison, CNCS Office of Grants Management
Will Roark, Executive Director, Arkansas Service Commission
Edet Frank, CFO, Division of Community Service and Nonprofit Support
Albert Schneider, Commission Liaison

Arkansas Service Commission
Response to Corporation for National and Community Service
Office of Inspector General: Agreed-Upon Procedures Draft Report

Finding 1. Subgrantees did not perform National Service Criminal History Check searches for grant-funded personnel.

Arkansas Service Commission Response

Before addressing specific AUP findings, the Arkansas Service Commission wishes to point out that a Grants Manager at the Corporation spent two and a half days at the Commission April 1-3, 2013. Revision of the Commission's monitoring policies, procedures, and site visit instruments is underway as a result of his visit. When the revision is completed the Commission's monitoring policy will be risk-based, more effective, and more prompt in identifying and correcting problems.

The Arkansas Service Commission agrees with the substance of Finding 1. We do not agree with the questioned costs.

- Because the CNCS requirement of NSOPW background checks for all program personnel was new for PY 2010 (having been published October 1, 2009) the Arkansas Service Commission placed it in its Compliance Requirements for PY 2010-2011 and PY 2011-2012 to stress its importance.
- The director of the SEARK – SS program ran NSOPWs on the program's 17 site supervisors but not on herself or her assistant because she was remembering the earlier CNCS policy which required checks only for staff who had contact with vulnerable populations.
- While the programs were not compliant in whole or in part by not performing NSOPWs on program staff, they were not negligent because they conducted all criminal background checks required by their host agencies. Their actions fulfilled the intent, if not the letter, of the law. Alternative documentation will be provided to the Corporation. To disallow these costs would be needlessly punitive and would have a chilling effect on current and potential AmeriCorps subgrantees in the entire state.

Corrective Action

1a. The Commission agrees. With initial results to audited programs in mind, Commission staff used a significant portion of the scheduled July 15-16 meeting with program directors to re-train them on CNCS requirements for conducting state criminal registry, FBI, and NSOPW searches on grant-funded personnel. The Commission has changed its site visit monitoring tool to meet all the specifications and will use it to assure that subgrantees are in compliance. A desk audit on paid staff criminal background checks will be conducted in October to confirm that all programs are in compliance. At this time only one subgrantee plans to request approval of Alternative Search Procedures; as a safeguard, it has also initiated FBI and state police background checks as required by the Corporation.

1b. The Commission agrees and will provide site visit monitoring reports and completed subgrantee monitoring tools as specified by the Corporation.

1c. The Commission disagrees for the reasons stated above.

1d. The Commission disagrees with extending questioned costs into PY 2012-2013 for the reasons stated above.

1e. The Commission disagrees with extending questioned costs to other subgrantees for the reasons stated above.

Finding 2. Subgrantees did not comply with AmeriCorps requirements for National Service Criminal History Checks on members.

Arkansas Service Commission Response

The Commission agrees with the finding.

Corrective Action

2a. The Commission agrees. With initial results to audited programs in mind, Commission staff used a significant portion of the scheduled July 15-16 meeting with program directors to re-train them on CNCS requirements for conducting state criminal registry, FBI, and NSOPW searches on members.

2b. The Commission agrees and has already modified its site visit monitoring tool and procedures to satisfy all the stated points.

2c. The Commission agrees and will provide site visit monitoring reports and completed subgrantee monitoring tools as specified by the Corporation.

2d. The Commission will look to the Corporation for its decision on revising its Frequently Asked Questions. In the meantime it is instructing program directors to conduct state criminal registry checks in both the state the applicant resided in at the time of application to the program and the state of the applicant's legal residence.

Finding 3. Subgrantees did not ensure that claimed federal costs were adequately supported and compliant with applicable regulations.

The Commission agrees with the substance of the finding

Corrective Action

3a. The Commission agrees.

3b. The Commission agrees and in the January 2014 quarterly meeting will review applicable OMB cost circulars and CFR regulations with program directors.

3c. The Commission agrees and will provide the Corporation with appropriate documents showing that it requires subgrantees to provide all documentation supporting Federal costs reported on reimbursement requests, and that it ensures that the costs satisfy all the stated points.

3d. The Commission agrees with \$61 in administrative costs related to \$1,157 in payments to UALR AmeriCorps members who did not serve during the full program year. The program was under the mistaken impression that members were to receive the full living allowance even if they did not fulfill service hours during every pay period during the program year. The Commission does not agree with the other questioned costs for reasons explained in our responses to Findings 1, 11, and 14, and on the basis of documentation that will be provided to the Corporation later. The Commission will adjust its FFR for any costs that are ultimately disallowed.

Finding 4. The Commission and two subgrantees lacked procedures to ensure that claimed match costs were adequately supported, could be verified from records, and were compliant with applicable regulations.

The Commission agrees with the substance of the finding.

Corrective Action

4a. The Commission agrees.

4b. The Commission agrees and in the January 2014 quarterly meeting will review applicable OMB cost circulars and CFR regulations with program directors.

4c. The Commission agrees and will provide the Corporation with appropriate documents showing that it requires subgrantees to provide all documentation supporting match costs reported on reimbursement requests, and that it ensures that the costs satisfy all the stated points.

4d. The Commission disagrees with most of the questioned costs based on documentation that it will send the Corporation later, but will adjust its FFR for any that are ultimately disallowed.

4e. The Commission agrees and will ensure that match requirements are met.

Finding 5. The Commission and two subgrantees did not account for and report Federal match costs in accordance with Federal requirements.

The Commission agrees in part with Finding 5.

- The Commission does not have a separate account code for state administrative match, but maintains that it does not need one because it does not receive any other federal funds for which it is required to provide match. Thus there is no danger that match reported for state administrative funds might be used as match for other federal funds. Further, the Commission is a minuscule part of a statewide accounting system in which it would be cost prohibitive to set up a separate account code.
- The Commission acknowledges deficiencies in documenting wages and benefits of DCSNS staff reported as match.
- Regarding the Rogers program, the Commission agrees with the finding and questioned costs of \$3,318 (\$11,888 - \$8,570) and \$1,529 (\$18,264 - \$16,735) overstated on PERs due to mathematical errors.

- The Commission disagrees with the questioned costs of \$8,570 and \$16,735 charged to Finding 1 for the reasons stated there.
- The Commission acknowledges that Rogers used its accounting system to prepare the PER. Both the living allowance and the program director and assistant's salaries were paid from the same fund. Funds were not comingled because the district expended its funds then was reimbursed for allowable expenses. The system allows for reports on each person so it is clear what expenses are attributable to each person. The Rogers financial system is the system mandated by the Arkansas State Department of Education and used by all Arkansas school districts.
- The Commission agrees that the director of the Rogers program did not use the correct worker's compensation rate.
- The Commission does not agree with the questioned costs stated in Finding 1 and the questioned costs in this finding. Documentation that was available at the time of the audit will be presented to the Corporation later.
- The Commission disagrees that UALR – CI does not have separate accounts for AmeriCorps Federal and match expenditures. The AmeriCorps account is represented by a separate fund number for each year and the UALR – CI account is also represented by a separate fund number for each year. The Commission will provide the Corporation with further documentation.

Corrective Action

5a. The Commission agrees.

5b. The Commission agrees and in the January 2014 quarterly meeting will review applicable OMB cost circulars and CFR regulations related to financial management systems with program directors.

5c. The Commission agrees and has already begun calculating fringe benefit costs on actual rather than budgeted costs. It will cooperate with the Corporation to establish a satisfactory system to make the match costs separately identifiable and assure that they are not claimed as match on other Federal grants.

5d. The Commission agrees and has already revised its monitoring procedures to ensure that all the stated points for financial management systems are adequately covered.

5e. The Commission agrees and will provide the Corporation with subgrantee site visit monitoring reports, completed subgrantee monitoring tools, and subgrantee reconciliations to verify that all subgrantees have implemented controls over Federal and match costs.

Finding 6. Commission and subgrantees' timekeeping systems did not comply with Federal and State requirements.

Arkansas Service Commission Response

The Commission agrees that time certifications for the administrative grant and cited subgrantees did not account for all employee activities. The Commission agrees that some of the time certifications for the cited subgrantees were not completed, were not completed in a timely

manner, and did not have dated signatures. The Commission and the Rogers program agree that personnel match was overstated by \$223 in September of 2011 due to human error.

Corrective Action

6a. The Commission agrees.

6b. The Commission agrees and in the January 2014 quarterly meeting will review applicable OMB cost circulars related to timekeeping with program directors.

6c. The Commission agrees, has already revised its time certifications to include accounting for total employee time paid, and will provide documentation as specified by the Corporation.

6d. The Commission agrees and will strengthen its monitoring procedures in October 2013 to ensure that subgrantee certifications and timesheets account for total employee time paid and that employees and supervisors sign and date their signatures when signing timesheets and certifications.

6e. The Commission agrees and will provide subgrantee site visit monitoring reports, completed subgrantee monitoring tools, and timesheets and certifications completed by subgrantee employees as specified by the Corporation.

Finding 7. Subgrantees did not have procedures for tracking fundraising performed by members, and UALR – CI members performed unallowable fundraising activities.

Arkansas Service Commission Response

The Commission agrees that one SEARK member participated in fundraising and recorded the hours as service because the electronic timekeeping system did not allow any other option.

The Commission disagrees with the characterization of the UALR member activities as fundraising.

- All of the activities cited by auditors were programmatic activities whose primary purpose was educational. Letter-writing is a standard CI program benefit for children, providing them a structured exercise in written communication each year. Letters are updates on happenings in the child's life. Children are not allowed to make requests or ask for gifts in the letters. Likewise the craft activities mentioned by members (such as clay bowls) are directly linked to curricular activities that help CI promote its educational goals of helping children become self-reliant and community-minded.

- The program director explained that each child normally spent 10 to 15 minutes each year writing a letter to his/her sponsor. The vast majority of the letters were written during school hours under the supervision of a teacher, not an AmeriCorps member. The UALR AmeriCorps members provided additional assistance, if needed, in the after-school program.

- Furthermore, none of these activities are directly tied to raising funds, program or operational, for either UALR or Children International. All money raised by the craft activities was donated to local charities of the children's choice as indicated in the comments members made to the auditors.

- CI's expenditure of 17% of its funds on general operations is not relevant to this matter because 1) the members were not fundraising, as explained above, 2) the fiscal agent for this

program is UALR, not Children International, and 3) no funds went to either UALR or Children International as a result of the member activities.

The Commission disagrees with the assertion that members of the Rogers program engaged in fundraising. Further documentation will be provided to the Corporation.

Corrective Action

7a. The Commission agrees.

7b. The Commission agrees and will review 45 CFR 2520.40 and 45 CFR 2520.45 with program directors at the January 2014 quarterly meeting.

7c. The Commission agrees and has changed My Service Log to allow reporting of fundraising activities. The Commission will monitor member fundraising activities to confirm that subgrantees track allowable fundraising and do not permit unallowable fundraising; will verify that members do not exceed the maximum 10% allowed for fundraising; and will verify that, if a member happens to perform unallowable fundraising activities, those hours are not counted as service hours for the education award.

7d. The Commission agrees, will revise its subgrantee monitoring procedures, will use the revised procedures in monitoring programs, and will provide documentation to the Corporation at the time and in the manner specified by the Corporation.

7e. The Commission disagrees for the reasons stated above.

Finding 8. Subgrantees did not accurately record all member timesheet hours, did not have procedures to verify timesheet accuracy, and, in some instances, had timesheets that did not support member eligibility for education awards.

Arkansas Service Commission Response

The Commission agrees that subgrantees did not have adequate procedures to verify timesheet accuracy, in some instances did not accurately record all member timesheet hours, and in a few instances had timesheets that did not support member eligibility for education awards. The Commission and the programs agree with the questioned costs of \$54 for a member at UALR – CI and \$54 for a member at Rogers because of undetected human errors that led to over-reporting member hours.

The Commission disagrees with all the other questioned costs and will provide further documentation to the Corporation.

Corrective Action

8a. The Commission agrees, will provide additional guidance and instruction to program directors during the October conference call, and will provide documentation as specified by the Corporation.

8b. The Commission agrees, will strengthen its monitoring procedures to ensure that member hours certified in the Portal are supported by timesheets, that the timesheets are signed by member and supervisor after the hours for the period are completed, and that the timesheets

are accurate and consistent with member and management intentions. The Commission will provide documentation as specified by the Corporation.

8c. The Commission agrees.

8d. The Commission disagrees with all the questioned costs except for one at UALR and one at Rogers as described above. Additional documentation will be provided to the Corporation.

Finding 9. Two subgrantees did not have controls to ensure that members performed allowable service activities.

Arkansas Service Commission Response

The Commission agrees that three SEARK FTI members performed activities that were not allowed but disagrees with the questioning of the entire amount of the three education awards.

The Commission disagrees with the finding and questioned costs for the UALR – CI member. Further documentation will be provided to the Corporation to demonstrate that all 22 of the questioned hours were consistent with the activities in the member’s position description.

Corrective Action

9a. The Commission agrees and, in view of the initial results of the AUP, has already provided technical assistance to all three SEARK subgrantees on finding allowable activities for members who do not complete their service hours during the academic year. Documentation will be provided as specified by the Corporation.

9b. The Commission agrees while adding this clarification; timesheets and a record of daily activity are combined in My Service Log. The Commission’s program monitoring procedures will be refined to ensure that members perform only allowable service activities, that members track both service hours and daily activities in My Service Log; that program applications and member position descriptions identify member duties and responsibilities; and that subgrantees compare member service activities in the program applications and position descriptions to the activities shown in My Service Log.

9c. The Commission disagrees with this recommendation because subgrantees will, with technical assistance from the Commission, identify service activities related to their members’ position descriptions and approved grant applications to allow members to complete their service terms after the end of the academic year.

9d. The Commission agrees and will provide the Corporation with subgrantee site visit monitoring reports and completed subgrantee monitoring tools to verify that it has properly implemented monitoring procedures for member activities.

9e. The Commission disagrees. Instead, the Commission suggests that a pro-rated amount for the questioned hours in each education award would be more appropriate.

Finding 10. One subgrantee did not follow AmeriCorps requirements for compelling personal circumstances for exiting members, and two subgrantees did not adequately document members’ compelling personal circumstances.

Arkansas Service Commission Response

The Commission does not agree with the questioning of the cost of any of the education awards related to this finding. Full details will be provided to the Corporation to show the validity of the program directors' decisions.

The Commission disagrees with the out-of-context citation of 45 CFR 2522.230, subsection (4) regarding compelling personal circumstances. The pertinent section reads as follows: "(4) Compelling personal circumstances include: (i) Those that are beyond the participant's control, such as, but not limited to (emphasis added): (A) A participant's disability or serious illness; (B) Disability, serious illness, or death of a participant's family member if this makes completing a term unreasonably difficult or impossible." The list in the legislation is illustrative, not exhaustive. Two good examples of circumstances beyond a member's control that make completion of the term or service unreasonably difficult or impossible are having to leave the program to take a job to support one's family and increased family responsibilities due to the deportation of one's father.

Corrective Action

10a. The Commission agrees, will review with program directors the Corporation requirements regarding compelling personal circumstances at their January 2014 meeting, and will provide documentation as specified by the Corporation.

10b. The Commission disagrees with the recommendation to provide a secondary level of review for members exited for compelling personal circumstances. In this context, on November 9, 2011 the Corporation stated in *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances*: "The statutory role of the Corporation and State Service Commissions is to oversee how those programs and sponsors carry out their responsibilities, not to usurp part of those responsibilities."

10c. The Commission disagrees with the questioned costs and will provide further documentation supporting the program directors' determinations.

10d. The Commission agrees and will instruct program directors to comply, whenever possible, with the best practice of obtaining a note from the member's physician in health-related releases and will monitor member files to verify that they do so.

Finding 11. Subgrantees did not comply with AmeriCorps requirements for member performance evaluations.

Arkansas Service Commission Response

The Commission agrees with the substance of the finding, but not the questioned costs.

Corrective Action

11a. The Commission agrees, will give program directors additional training on end-of-term evaluation requirements at the January 2014 Program Directors' meeting, and will provide documentation as specified by the Corporation.

11b. The Commission agrees to refine its program monitoring procedures for end-of-term evaluations to ensure that evaluations are completed and retained, signed and dated by members,

and include an assessment of whether the member has completed the required number of hours to be eligible for an education award.

11c. The Commission agrees and will provide the Corporation with subgrantee site visit reports, completed subgrantee monitoring tools, and subgrantee end-of-term evaluations to verify that it has properly implemented its procedures for member evaluations.

11d. and 11e. The Commission disagrees with the questioned member costs, match costs, and education award costs for the member based on a missing final evaluation. The program admits that human error led to the missing evaluation. But UALR – CI is a small program, the director and site supervisor knew the member and her performance very well, and on that basis approved her for a second year of service. All of these circumstances are very different from those in which an applicant comes from another program in another part of the state or from out of state, in which case a completed evaluation for a previous year of service would be a critical part of the screening process.

Finding 12. UALR – CI did not follow AmeriCorps and Internal Revenue Service requirements for withholding FICA taxes from members' living allowance payments.

Arkansas Service Commission Response

The Commission agrees with the finding. We must, however, plead the case of the program. In preparing the initial application for Corporation funds, the program director sought help from the Commission and the Corporation on numerous occasions but did not receive a definitive response. She was dealing with two large, bureaucratic structures (IRS and SSA), the university's work-study regulations, and the Corporation's often confusing requirements (such as AmeriCorps members are not employees, but members must pay taxes on their living allowance; programs in Arkansas must pay Worker's Compensation insurance on the members who are not employees; and many states – but not Arkansas – require programs to pay unemployment insurance on members, who are not employees). The program submitted a budget without FICA for student AmeriCorps members, basing its practice on the State of Arkansas' Section 218 Agreement and continued to do so in subsequent years.

Corrective Action

12a, 12b, and 12c. The Commission will work closely with the Corporation and the program to resolve the issues identified in the AUP.

Finding 13. Practices at the Rogers program did not comply with its approved program applications, OMB Circular A-133 requirements, and the Commission's member hiring requirements.

Arkansas Service Commission Response

The Commission agrees with the finding.

Corrective Action

13a. The Commission agrees. In a reorganization during the month of August the Springdale School District assumed responsibility for day-to-day operations of the program while the Rogers School District remains the fiscal agent. Specific duties of each district are described in a Memorandum of Understanding now on file at the Commission.

13c. The Commission agrees and is already in compliance. Each grant award agreement includes the SF 424 which clearly identifies the source of funds as the Corporation for National and Community Service. The lack of reporting CNCS AmeriCorps funding, CFDA number 94.006 passed through DHS, on the Rogers School District fiscal year June 30, 2012 SEFA is included in the Rogers School District audit report review letter instructing compliance in future years. Grant award misidentification and noncompliance with OMB Circular A-133 requirements are being monitored by the Commission and DHS OQA Audit.

13d. The Commission agrees in part. During PY 2013-2014 it will change its monitoring procedures to include obtaining members' W-2 forms, comparing the total wages on the W-2 forms to the total amount of living allowance paid to members and obtaining explanations from subgrantees for members whose total W-2 wages are higher than the total living allowance amounts paid to members; requiring that programs submitting requests to hire a member as an employee before the end of the member's term must document the request in writing; ensuring that subgrantee employees approved by the Commission to serve as AmeriCorps members maintain timesheets segregating AmeriCorps service hours from hours worked. The Commission considers it unduly burdensome to obtain a list of subgrantee employees and compare the list of subgrantee employees to the list of AmeriCorps members. Some of the subgrantees have as many as 7,000 employees. Further, the list would not provide significant information beyond what is contained in the members' W-2s and living allowance specified in the member contract. Further, after PY 2013-2014 the Commission will no longer include in its compliance requirements the prohibition against hiring a member during the term of service. It will provide information to subgrantees in its FAQs and best practices to prevent early termination of members' service, as well as displacement and supplantation of paid staff.

13e. The Commission agrees and will provide the Corporation with subgrantee site visit monitoring reports and completed subgrantee monitoring tools to verify that it has properly implemented its policies and procedures.

Finding 14. Subgrantees did not comply with AmeriCorps requirements for living allowance and verification of citizenship eligibility.

Arkansas Service Commission Response

The Commission agrees with the finding.

Corrective Action

14a. The Commission agrees, will give program directors additional training on requirements for living allowance and citizenship verification at the January 2014 Program Directors' meeting, and will provide documentation as specified by the Corporation.

14b. The Commission agrees and will enhance its program monitoring procedures to ensure that members receive living allowance payments only while actively serving in the AmeriCorps program; document explanations for deviations from the living allowance payment amounts listed in the member contract; complete the citizenship verification form before members start service and keep the form in the member file; certify the actual date the citizenship verification form was completed instead of pre-dating forms; complete and sign the citizenship verification form with an ink pen.

14c. The Commission agrees and will provide the Corporation with subgrantee site visit monitoring reports and completed subgrantee monitoring tools to verify that it has properly implemented its policies and procedures regarding living allowance and citizenship verification.

Finding 15. The Commission did not obtain and review subgrantee OMB Circular A-133 audit reports.

The Commission disagrees with much of this finding. Commission subgrantees receiving more than \$100,000 submit A-133 audit reports to the Arkansas Department of Human Services Office of Quality Assurance Audit Section (hereafter OQA Audit) for review. As part of the review it is determined and reported to the Commission if there were material weaknesses in internal control, material noncompliance with grant and contract provisions, and if there were findings, recommendations, and management responses that require follow-up. This is accomplished through mechanisms already in place, OQA Audit monitoring of funding levels and receipts of audit reports, the monthly DHS Summary of Subrecipient Audit Reports Reviewed (Audit Resolution) Report, and annual results of audit reviewed letters from OQA Audit. The Commission addresses the findings immediately in correspondence with the program and in subsequent monitoring site visits.

The Commission agrees that the A-133 audit report of one subgrantee was not obtained or reviewed because the provider was misidentified as a for-profit entity and not subject to DHS audit. In addition, it has not had a mechanism to identify subgrantees that receive less than \$100,000 from DHS but undergo an A-133 audit because they receive federal funds from other sources. The corrective actions described below will prevent any future recurrence of these problems.

Corrective Action

15a. The Commission agrees substantially with this recommendation. The Commission will strengthen its monitoring procedures by

- Providing DHS OQA Audit, at the beginning of each program year, a list of subgrantees, the funding CFDA number, the fiscal year end, and the organizational status (such as nonprofit or local governments/local government components) to assure that audits for all of the appropriate entities under DHS Audit Guidelines receiving AmeriCorps grant awards with DHS disbursements of \$100,000 or more are obtained and reviewed. In addition, before the end of each state fiscal year the Commission will require all subgrantees to provide a list of CFDA numbers for other Federal grants received by the subgrantees and present the list to OQA Audit.

- Obtaining copies of audit reports from subgrantees that underwent OMB Circular A-133 audits even though they received less than \$100,000 from DHS.
- Presenting the audit reports referred to immediately above that would otherwise not be reviewed to OQA Audit for review and follow-up by OQA and the Commission as described above.
- With counsel from OQA Audit reconciling subgrantee SEFA expenditures for Corporation grants to DHS payments to subgrantees to determine if Commission records require adjustment.
- With assistance from OQA Audit determining whether subgrantees accurately presented AmeriCorps awards on their SEFA schedules.
- Relying on OQA Audit to continue retaining documentation of its reviews of Commission subgrantee audit reports as it has in the past and to provide access to them on request.

15b. The Commission disagrees with this corrective action. The Commission can document that subgrantee grant awards include sufficient details for subgrantees to accurately present AmeriCorps grant awards on their SEFA schedules. The subgrantee's grant application is incorporated into the subgrantee grant award. The grant application begins with the SF424, which contains the identification of CNCS as the Federal entity providing the AmeriCorps awards, the CFDA number, and the grant award number. The Commission suggests this corrective action instead: it will send a reminder to the finance manager with each subgrantee shortly before the end of the subgrantee's fiscal year indicating where to find the proper SEFA information and requesting the subgrantee to give the information to the independent auditor.

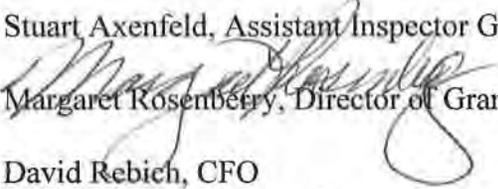
15c. The Commission agrees with Corporation review of documentation of OQA Audit reviews of all subgrantees to verify that the Commission and DHS implemented effective procedures for reviewing subgrantee OMB Circular A-133 reports.

APPENDIX B

**Corporation for National and Community Service
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: David Rebich, CFO
Valerie Green, General Counsel
Doug Hilton, Director Office of Oversight and Accountability

Date: October 17, 2013

Subject: Response to OIG Draft of Agreed-Upon Procedures Report for
Corporation for National and Community Service (CNCS) Grants
Awarded to the Arkansas Service Commission

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of CNCS's grants awarded to the Arkansas Service Commission. We will respond to all findings and recommendations in our management decision after the final audit is issued; the OIG has provided us with the audit working papers; and we have worked with the commission to develop appropriate corrective action.