

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

**AGREED-UPON PROCEDURES REVIEW OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANT AWARDED TO
LOWER MISSISSIPPI DELTA SERVICE CORPS**

OIG REPORT 10-13



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

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This report was issued to Corporation management on May 24, 2010. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than November 24, 2010, and complete its corrective actions by May 24, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

May 24, 2010

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

Margaret Rosenberry
Director, Office of Grants Management

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

SUBJECT: *OIG Report 10-13, Agreed-Upon Procedures Review of Corporation for National and Community Service Grant Awarded to Lower Mississippi Delta Service Corps*

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

MHM is responsible for the attached report, dated May 11, 2010, and the conclusions expressed therein. We do not express opinions on the Consolidated Schedule of Award and Claimed Costs, or the Schedule of Award and Claimed Costs for each subgrantee, conclusions on the effectiveness of internal controls, or the grantee's compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by November 24, 2010. Notice of final action is due by May 24, 2011.

If you have questions pertaining to this report, please call me at (202) 606-9360, or Ronald Huritz, Audit Manager, at (202) 606-9355.

Attachment

cc: Valeria Pennington, Executive Director, LMDSC
William Anderson, Acting Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management, CNCS
Bridgette Roy, Administrative Assistant, CNCS
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS
Greg Allender, CPA, Shareholder, MHM

**AGREED-UPON PROCEDURES REVIEW OF CORPORATION FOR NATIONAL AND COMMUNITY
SERVICE GRANT AWARDED TO THE LOWER MISSISSIPPI DELTA SERVICE CORPS**

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EXECUTIVE SUMMARY

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

Results

As a result of applying these procedures, the auditors did not question any claimed Federal-share costs. The cost testing results of our agreed-upon procedures are summarized in the Consolidated Schedule of Award and Claimed Costs.

LMDSC claimed total costs of \$1,154,516 from August 29, 2007, through September 30, 2009. As a result of testing a judgmentally selected sample of transactions, the auditors questioned costs claimed, as shown below.

<u>Description of Questioned Items</u>	<u>Grant Number</u>	<u>Grantee Share</u>
Transactions Not Properly Supported	07NDHMS001	\$ 64,170
Living Allowance Payments Not Made in Equal Increments	07NDHMS001	---
Total		<u>\$ 64,170</u>

The grantee share cost questioned represents a significant amount of the grant match provided by the grantee and could potentially prevent the grantee from meeting its match requirement. However, grant 07NDHMS001 is open and the grantee has until the end of the grant term (8/28/10) to fulfill its match obligation.

AmeriCorps members who successfully complete terms of service are eligible for education awards and accrued interest awards funded by the National Service Trust. These award amounts are not funded by Corporation grants and thus, are not costs claimed by LMDSC. As part of our agreed-upon procedures, however, the auditors determined the effect of audit findings on eligibility for education and accrued interest awards. Using the same criteria described above, we did not question any education awards.

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

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

- A lack of controls or controls that were not implemented during the preparation of the Federal Status Reports;

- A lack of a record retention policy;
- A lack of adequate expense approval policies and procedures;
- A lack of adequate procedures and controls to ensure living allowances are paid in equal increments;
- Late submission of Financial Status Reports, member enrollment and exit forms; and
- Missing mid-term and end-of-term member evaluation forms.

Agreed-Upon-Procedures Scope

The auditors performed the agreed-upon procedures during the period October 5 through December 29, 2009. The agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed by LMDSC between August 29, 2007, and September 30, 2009. The auditors also performed tests to determine LMDSC’s compliance with terms and provisions for the following grants:

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Direct	07NDHMS001	8/29/07 to 8/28/10	8/29/07 to 9/30/09

The procedures performed, based on the OIG’s agreed-upon-procedures program dated May 2009, have been included in the *Independent Accountants’ Report on Applying Agreed-Upon Procedures* section of this report.

Background

The Corporation, pursuant to the authority of the National Community Service Trust Act of 1993, as amended, awards grants and cooperative agreements to National Direct grantees, such as LMDSC, and other entities to assist in the creation of full-time and part-time national and community service programs.

LMDSC, based in Cleveland, MS, is a non-profit National Direct grantee that utilizes AmeriCorps members from its various subgrantees to provide tutoring services to children in school, provide after-school enrichment, teach family literacy, transition families from substandard housing conditions, increase the use of computer technology in the classroom, teach parenting skills, teach pregnancy prevention, provide food and shelter to families, and conduct health programs for the elderly.

LMDSC awarded funds to two AmeriCorps subgrantees, Mississippi Delta Service Corps (MDSC) and Arkansas Delta Service Corps (ADSC), during our audit period. All subgrantees maintain their own supporting documentation related to claimed costs and member files. LMDSC received a grant award of \$1,662,464 and claimed Federal costs of \$1,154,516 for the period of August 29, 2007, through September 30, 2009.

Exit Conference

The contents of this report were discussed with representatives from LMDSC and the Corporation at an exit conference held in Cleveland, Mississippi on February 23, 2010. In addition, a draft of this report was provided to officials of LMDSC and the Corporation for their comments on March 31, 2010.

Representatives of LMDSC and the Corporation agreed with most of the issues within each finding. LMDSC and the Corporation's responses are included verbatim as Appendices A and B, respectively, and are summarized in each finding.



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Inspector General
Corporation for National and Community Service

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

We have performed the procedures described below for costs claimed between August 29, 2007, and September 30, 2009. The procedures were agreed to by the OIG solely to assist it in grant-cost and compliance testing of Corporation-funded Federal assistance provided to LMDSC for the award and period listed below, with an award period of August 29, 2007, to August 28, 2010. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants and generally accepted government auditing standards in the United States of America. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Direct	07NDHMS001	8/29/07 to 8/28/10	8/29/07 to 9/30/09

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported to you.

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

Results – Costs Claimed and Questioned Costs

The results of testing costs claimed are summarized on page 5. Testing results related to LMDSC's subgrantees appears in Exhibit A on page 6.

**Consolidated Schedule of Award and Claimed Costs
Corporation for National and Community Service Award
Lower Mississippi Delta Service Corps**

August 29, 2007, to September 30, 2009

<u>Award Number</u>	<u>Program</u>	<u>Awarded</u>	<u>Claimed Costs</u>	<u>Reference</u>
07NDHMS001	AmeriCorps – National Direct	\$1,662,464	\$1,154,516	Exhibit A

Notes to Consolidated Schedule of Award and Claimed Costs

Basis of Accounting

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

Equipment

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

Inventory

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

**Schedule of Award and Claimed Costs
Lower Mississippi Delta Service Corps
August 29, 2007, to September 30, 2009**

<u>Awards</u>	<u>Claimed Costs</u>
<u>07NDHMS001 – National Direct</u>	
Lower Mississippi Delta Service Corps *	\$ 74,077
Mississippi Delta Service Corps*	551,496
Arkansas Delta Service Corps	<u>528,943</u>
Total	<u>\$ 1,154,516</u>

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

Results - Compliance and Internal Control

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

Finding 1. A lack of controls or controls that were not implemented during the preparation of the Financial Status Reports.

LMDSC has been using Excel spreadsheets and invoices as the primary source data for preparing the Financial Status Reports (FSR). The monthly expense journals do not reconcile to the FSRs because adjustments were made to the FSRs but the same adjustments were not made to the journals. In our examination of LMDSC's Operations Manual, the General Ledger (GL) is supposed to reconcile to the monthly expense journals and ultimately the FSRs. The manual explicitly states that there must be an audit trail from the GL to the FSR to the actual invoices. However, there is no clear audit trail; therefore, we were not able to reconcile the FSRs to the GL. As a result, LMDSC recorded Federal expenses, in the amount of \$544, that were not reported in the FSRs.

The GL is being used as a checkbook for the organization rather than as a supporting record. Within the GL, Federal and matching expenditures are not segregated and no adjustments were posted to reflect adjusting entries made on the FSR. In-kind contributions and expenses are generally not recorded in the GL at all.

The Executive Director stated that she did not know about the requirement to reconcile the GL to the FSR. She was also not aware of the policies and procedures in the LMDSC Operations Manual stating the importance of maintaining a clear audit trail. The GL should be reconciled monthly and serve as the primary record for preparation of the financial reports. Additionally, there should be separate accounts in the GL for Federal and matching expenditures. All non-cash transactions (including in-kind transactions) and adjustments should be entered in the GL as well, with supporting documentation maintained by management. Testing samples were drawn from the spreadsheets.

Criteria

The 2007 AmeriCorps General Provisions, Section V.B., *Financial Management Standards, item 1., General*, states in part, "The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary..."

Recommendations

We recommend that the Corporation:

- 1a. Ensure that LMDSC staff reconciles the expense journals to the GL monthly and use the GL as the primary source for the preparation of its financial reports;
- 1b. Ensure that LMDSC creates separate accounts for Federal and matching expenditures; and

- 1c. Ensure that all in-kind transactions and adjustments are properly recorded in the general ledger.

LMDSC's Response

LMDSC stated that the Excel spreadsheet is no longer being used as the primary source for FFR reporting, and that it now has separate accounts for the Federal and matching accounts. Additionally, LMDSC is working with its auditor and board of directors to correctly identify and properly reflect in-kind amounts in the general ledger.

Corporation's Response

The Corporation agrees with the recommendations, and will urge the grantee to either record match in its general ledger, or develop a formal policy and process for tracking and recording in-kind amounts in a separate spreadsheet.

Auditor's Comments

The Corporation should follow up to ensure the proposed actions are implemented and effective.

Finding 2. A lack of a record retention policy.

LMDSC does not have a formal record retention policy in its Operations Manual. LMDSC's staff stated they were unaware of the requirement for a formal document retention policy. They have agreed to implement such a policy.

Without a formal written policy to retain supporting documents, it is possible that LMDSC would not be able to provide sufficient documentation to support grant activity in the event of an audit or other monitoring review authorized by the Corporation.

Criteria

2 CFR Part 215.53, *Retention and access requirements for records*, states in part:

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

Recommendations

We recommend that the Corporation:

- 2a. Ensure that LMDSC implements a formal record retention policy stating that support for Corporation grants will be retained for a minimum of 3 years after submission of the final FSR.

LMDSC's Response

LMDSC stated that the grantee's board of directors is currently revising its operating manual to include a record retention policy.

Corporation's Response

The Corporation agrees with the recommendations and will ensure that LMDSC establishes a written policy.

Auditor's Comments

The Corporation should follow up to ensure the proposed actions are implemented and effective.

Finding 3. A lack of adequate expense approval policies and procedures.

The Executive Director incurred expenses for a rental car that were not approved by the Board President. This transaction, in the amount of \$223, occurred on 4/16/2007. We found that the expense was legitimately related to the grant purpose despite the lack of Board approval, and therefore is not being questioned.

The Executive Director stated, and we confirmed, that the current LMDSC policy requires Board approval of expense reimbursements but does not include expenses paid directly to a vendor on the Executive Director's behalf. The Executive Director stated that the policy will be revised to require Board approval for all expenses incurred by the Executive Director. Without proper approval, it is possible that unallowable expenses could be charged to the grant.

We consider the supporting documentation to be incomplete as expenses incurred by LMDSC staff are not submitted to LMDSC management in an expense voucher; therefore, we found that it was sometimes unclear how expenses were related to the grant purpose based on receipts alone as documentation was incomplete. For those expenses tested during matching costs testing, we were able to determine in all cases that expenses were related to grant purposes through inquiry of the staff. However, we were not satisfied with the supporting documentation provided for two of the matching transactions tested in the amount of \$64,170.

In-Kind contributed rental space and equipment tested during match cost testing was insufficiently supported. LMDSC is claiming partial rental expense of their headquarters as an in-kind contribution, however, there is no documentation of how the fair market value of the related rental expense was determined, nor is there a current lease agreement with the landlord. LMDSC's equipment and furniture at headquarters was donated by the Board President as an in-kind contribution; however, there is no formal contract or a detailed listing of the equipment. Further, there is no supporting documentation indicating how fair market value was determined. LMDSC is claiming the same amount as in-kind match each year even though the furniture and equipment is several years old.

LMDSC's staff stated that they were unaware that fair market value had to be obtained in order to calculate the value of the in-kind property donated. Without proper support, it is possible that unallowable or overvalued expenses could be claimed as match. Therefore, we questioned \$16,800 claimed as matching expense and \$19,200 that was claimed as an in-kind donation. In addition we questioned \$28,170 for the in-kind furniture rental donation for the aforementioned reasons.

Criteria

The 2007 AmeriCorps Provisions General Provisions, V.B. *Financial Management Standards, item 1., General*, states in part, "The Grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures as necessary."

Corporation regulations at 45 C.F.R. § 2543.21 *Standards for financial management systems*, states in part:

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

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in §2543.51. . .
- (2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- (3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Corporation regulations at 45 C.F.R. § 2541.240 *Matching or cost sharing*, states in part:

(b) Qualifications and exceptions:

(6) Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived.

(d) Valuation of third party donated supplies and loaned equipment or space:

(2) If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

Recommendations

We recommend that the Corporation ensure that LMDSC:

- 3a. Updates its policies and procedures to require board approval for all expenses incurred by the Executive Director;
- 3b. Develop a formal expense voucher that includes fields for grant purpose and the proper approval of the expense by the proper authority;
- 3c. Execute a formal lease agreement with its landlord; and
- 3d. Prepare a written document for in-kind contributions that specifies the fair market value of the contribution and how the value was determined.

LMDSC's Response

LMDSC stated that the board is revising its operating manual to include the approval policy for the Executive Director and LMDSC staff. In addition, the board president has contacted the landlord regarding a detailed lease agreement for the LMDSC office space. Sample expense vouchers and in-kind contribution forms will be included in its revised manual.

Corporation's Response

The Corporation agrees with the recommendations, and will ensure the grantee establishes policies and procedures addressing the travel voucher preparation and approval processes. It will also verify that the grantee prepared a lease agreement and revised its in-kind donation document to clearly determine value.

Auditor's Comments

The Corporation should follow up to ensure the proposed actions are implemented and effective.

Finding 4. A lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

For Program Years 2007-2008 and 2008-2009, we found that 6 of the 14 member files reviewed at the subgrantee, Mississippi Delta Service Corps (MDSC), received a lump sum or make-up living allowance payments during their service.

Five of the members started service after the first pay period and were provided double payments in the following period. An additional member opened a new checking account during the program year, but the bank would not accept a direct deposit credit until after the second pay period as the first pay period was used as a test run. Therefore, a double payment was made in the following period.

The grantee did not follow regulations regarding living allowance payments and how they should be paid; therefore, under such circumstances it is possible for members to receive improper payments.

Criteria

The 2007 AmeriCorps Special Provisions, Section IV.I.1. *Living Allowance Distribution*, states:

A living allowance is not a wage. Programs must not pay a living allowance on an hourly basis. Programs should pay the living allowance in regular increments, such as weekly or bi-weekly, paying an increased increment only on the basis of increased living expenses such as food, housing, or transportation. Payments should not fluctuate based on the number of hours serviced in a particular time period, and must cease when a member concludes a term of service.

If a member serves 1700 hours but is permitted to conclude a term of service before the originally agreed upon date, the program may not provide a "lump sum" payment to the member. Similarly, if a member enrolls after the program's start date, the program must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to "make up" any missed payments.

Recommendations

We recommend that the Corporation:

4. Ensure that LMDSC emphasizes, during its subgrantee training, the need to follow living allowance payment requirements and to strengthen procedures to fulfill these requirements.

LMDSC's Response

LMDSC stated that it withheld living allowance payments because the members in question had not completed their timesheets when required. When the overdue timesheets were submitted at a later date, the grantee paid the members for both the previous and current living allowances combined, but no member received more than the total amount of living allowance specified by the Corporation. Its response included a chart showing that all members received total amounts of living allowance approved in its grant agreement.

Corporation's Response

The Corporation generally agrees with the recommendations.

Auditor's Comments

We maintain our position that the manner in which the living allowances were paid is clearly not permitted by Section IV.I.1 of the AmeriCorps Provisions, as cited in the criteria above. More specifically where it states, "...if a member enrolls after the program's start date, the

program must provide regular living allowance payments from the member's start date and may not increase the member's living allowance incremental payment or provide a lump sum to "make up" any missed payments." However, we are not questioning the living allowance payments made as the members served during the periods in question. We believe the appropriate action should have been to defer payment of the delayed living allowance to the pay period following receipt of the delinquent timesheets, and to adjust all future payments in subsequent periods in keeping with the intent of the provision, that such payments be made in equal increments.

In addition, the grantee should update its policies to reflect the most up-to-date version of the provisions as they are updated on an annual basis.

Finding 5. Late submission of Financial Status Reports, member enrollment and exit forms.

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

Location	Description of Non-Compliance
LMDSC Headquarters	<ul style="list-style-type: none"> • 1 of 4 FSRs submitted late
Mississippi Delta Service Corps	<ul style="list-style-type: none"> • 6 of 14 enrollment forms submitted late • 5 of 14 exit forms submitted late

Because LMDSC did not submit the FSR when due, the Corporation cannot review the reports in a timely manner and may not be fully aware of the financial status of grants. The Executive Director prepared the FSR in question before the deadline and thought she submitted it. She only realized later, after being informed by the Corporation, that the FSR had not been received. Once she realized the FSR had not been submitted, she took immediate action to submit it.

Per discussion with the MDSC program director, the delay in the submission of the enrollment form for the members was due to a lack of eligibility documentation provided by those members. If members were missing a birth certificate, social security card, or other required document, enrollment was not submitted until the document was received. The grantee may be precluded from reporting accurate program and expenditure information to the Corporation in a timely manner. These delays resulted in the Corporation not having current information on subgrantees, members, and programs.

Criteria

The 2007 AmeriCorps Special Provisions, Section IV.N.1. *Reporting Requirements, Financial Status and Progress Reports*, states in part:

- a. Financial Status Reports.** Grantee shall submit semi-annual cumulative financial status reports, summarizing expenditures during the reporting period using eGrants. Financial Status Report deadlines are as follows:

Due Date
April 30
October 31

Reporting Period Covered
Start of grant through March 31
April 1 - September 30

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

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

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

ii. Change of Status Forms. Member Change of Status Forms must be submitted no later than 30 days after a member's status is changed. By forwarding Member Change of Status Forms to the Corporation, State Commissions and Parent Organizations signal their approval of the change.

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

Recommendations

We recommend that the Corporation ensure that LMDSC:

- 5a. Strengthen procedures to include the confirmation of the submission with the Corporation: and
- 5b. Provides guidance, during its subgrantee training, on proper completion of entrance and exit forms so they are completed and submitted in a timely manner.

LMDSC's Response

LMDSC stated that it will print the confirmation page of its future FFR submissions to verify that the document was properly transmitted. Further, it will provide technical assistance to the subgrantees before the beginning of the program year to ensure that staff is aware of proper documentation to request from the potential members. LMDSC will also conduct a review of the member files after orientation to ensure that all required documentation has been received. In addition, it will provide guidance during subgrantee training to ensure that required evaluations are completed and submitted in a timely manner.

Corporation's Response

The Corporation agrees with the recommendations. In lieu of printing the confirmation page, the Corporation will accept the grantee adding a step to its FFR preparation and submission procedures to confirm in eGrants that the document was properly submitted. The Corporation will also ensure that LMDSC provides written guidance to its subgrantees on submission requirements for enrollment and exit forms.

Auditor's Comments

The Corporation should follow up to ensure the proposed actions are implemented and effective.

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

MDSC did not perform end-of-term and mid-term evaluations for some of its members during Program Year 2007-2008. Two of fourteen member files reviewed were missing mid-term evaluations. Additionally, one of the two members was also missing an end-of-year evaluation.

Per discussion with the Program Director, the end-of-term evaluation was not performed as one member had health issues that did not allow her to return to complete a final evaluation. The subgrantee stated that the mid-term evaluations for both members were not completed due to a clerical oversight by program staff. When an exit evaluation is not performed, there is no way to determine if the member satisfactorily completed the term of service and is therefore eligible to serve a second term.

Criteria

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

6. **Performance Reviews.** The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full and Half-Time members and an end-of-term written evaluation for less than Half-time members. The evaluation should focus on such factors as:
 - a. Whether the member has completed the required number of hours;
 - b. Whether the member has satisfactorily completed assignments; and
 - c. Whether the member has met other performance criteria that were clearly communicated at the beginning of the term of service.

Recommendation

We recommend that the Corporation ensure that LMDSC:

6. Provides guidance, during its subgrantee training, to ensure that required evaluations are completed and submitted in a timely manner.

LMDSC's Response

LMDSC has implemented a system to track when evaluations are distributed to members and to record when they are received. If they are not received within 10 days, the staff will follow-up through phone calls and written correspondence.

Corporation's Response

The Corporation agrees with the recommendation, and stated that it will review LMDSC's monitoring processes to confirm it checks for completion of evaluations during site and desk reviews.

Auditor's Comments

The Corporation should follow up to ensure the proposed actions are implemented and effective.

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



Bethesda, Maryland
May 11, 2010

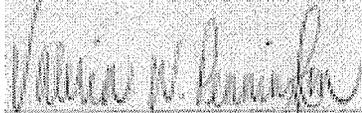
APPENDIX A

**Lower Mississippi Delta Service Corps'
Response to the Draft Report**



**LOWER MISSISSIPPI DELTA SERVICE CORPS
RESPONSE TO THE DRAFT AUDIT REPORT**

Dated: April 30, 2010

Prepared by: 

**Valeria W. Pennington, LDMSC Executive Director
Larry C. Webster, Jr., MDSC State Director**

Finding 1. A lack of controls or controls that were not implemented during the preparation of the Financial Status Reports.

LMDSC's response: The Excel spreadsheet is no longer being used as the primary source for FFR reporting. LMDSC has separate accounts for the Federal and Matching accounts. LMDSC uses Peachtree software to accurately account for all funds. The federal and local matching funds are separated there as well as in different bank accounts. The staff is working with LMDSC's auditor and board to correctly identify and properly reflect in-kind amounts in the GL.

Finding 2. No formal record retention policy.

LMDSC's response: The issue with this finding is that although LMDSC retains all records, no written policy is in place. After receiving the information regarding the policy during our exit conference, the LMDSC board was contacted and advised of the need for a written policy. The board is currently revising the operating manual to include a record retention policy.

Finding 3. A lack of adequate expense approval policies and procedures.

LMDSC's response: The Executive Director receives approval for all expenses incurred by the LMDSC board of directors. However, no written policy was in place to support this statement. Currently, the board is revising the operating manual to include the approval policy for the Executive Director and LMDSC staff. Also to be included in the manual are sample expense vouchers and in-kind contribution forms to be used by LMDSC. In addition, the board president has contacted the landlord regarding a detailed lease agreement for the LMDSC headquarter's office space.

Finding 4. A lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

LMDSC's response: The audit review of the \$5,059 was found to be payments due to members-the manner in which payments were made caused the findings. No member

received more than the total amount specified by the Corporation for National and Community Service. The Executive Director met with the subgrantees to discuss payment schedules for members. The 2010-2011 policy manual will include the 2007 AmeriCorps Special Provisions, Section IV.I.1. Living Allowance Distribution statement as our rule.

The following six members were selected for review during the audit. The chart reflects that all members received a total amount approved in LMDSC's grant agreement.

<i>Member</i>	<i>Start Date</i>	<i>End Date</i>	<i>Total Hrs. Served</i>	<i>Total Living Allowance</i>	<i>Total Living Allowance Received</i>
#1	9/5/2007	9/4/2008	1830	\$11,099.88	\$11,099.88
#2	9/27/2007	8/31/2008	1755	\$11,099.88	\$11,099.88
#3	9/4/2007	8/3/2008	1733	\$11,099.88	\$11,099.88
#4	8/29/2007	7/31/2008	1922	\$11,099.88	\$11,099.88
#5	9/15/2008	8/14/2009	1783	\$11,399.96	\$11,399.96
#6	10/11/2007	4/30/2008	474	\$11,099.88	\$ 5,549.94

Finding 5. Late submission of Financial Status Reports, member enrollment and exit forms.

LMDSC's response: Financial Status Report: The FSR in question was prepared and submitted in a timely manner, due to technical errors, it was not received by the Corporation by the due date. Once this error was discovered, the report was successfully submitted. To ensure proper transmission in the future, LMDSC will print the confirmation page as verification. **Member enrollment and exit forms:** LMDSC will provide technical assistance to the subgrantees before the beginning of the program year to ensure that the staff is aware of what documentation to request from the potential members. Also, LMDSC will conduct a review of the member files after orientation to ensure that all required documentation has been received. In addition, LMDSC will provide guidance during the subgrantee training, to ensure that required evaluations are completed and submitted in a timely manner.

Finding 6. Missing mid-term and end-of-term member evaluations.

LMDSC's response: A tracking system has been implemented to track when evaluations are disbursed to members and to record when they are received. If they are not received within 10 days, the staff will follow-up through phone calls and written correspondence.

APPENDIX B

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

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Inspector General for Audit 
From:  Margaret Rosenberry, Director of Grants Management
Date: April 30, 2010
Subject: Response to OIG Draft of Agreed-Upon Procedures of Grants Awarded to the Lower Mississippi Delta Service Corps

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures report of the Corporation's grants awarded to the Lower Mississippi Delta Service Corps (LMDSC). The Corporation reviewed the OIG report, met with the OIG Audit Manager and the grantee and reviewed the LMDSC draft response to the audit. We are addressing all draft findings at this time. If the OIG concurs with our decisions, the Corporation will complete confirmation of corrective action on all six compliance recommendations within 90 days of the audit issue date.

Finding 1. A lack of controls or controls that were not implemented during the preparation of the Financial Status Reports.

The auditor recommends that the Corporation:

- 1a. Ensure that LMDSC staff reconciles the expense journals to the GL monthly and uses the GL as the primary source for the preparation of its financial reports;
- 1b. Ensure that LMDSC creates separate accounts for Federal and matching expenditures; and
- 1c. Ensure that all in-kind transactions and accounting adjustments are properly reflected in the GL.

Corporation Response: The Corporation agrees with the finding and recommendations 1a and 1b and will ensure LMDSC establishes controls to prepare its FFR based on data from its accounting system and controlled by its general ledger. The Corporation will verify LMDSC enhances its accounting practices for more accurate and timely financial reporting and prepares written policies and procedures for its financial management system. Furthermore, the Corporation will verify the LMDSC accounting system includes separate accounts for Federal and matching expenditures. The Corporation agrees with the intent of Recommendation 1c, but will recommend LMDSC either record match in its GL as income and expenditure or, if that is not practical, develop a formal policy and process for tracking and recording in-kind in a separate spreadsheet. The alternative policy and process must ensure full accountability and receipt of donations and ensure it is supported with the same level of documentation as Federal share costs.

Finding 2. No formal record retention policy.

The auditor recommends that the Corporation ensure that LMDSC implements a formal record retention policy requiring that supporting documentation for Corporation grants be retained for a minimum of three years after submission of the final Federal Financial Report.

Corporation Response: The Corporation agrees with the finding and recommendation and will ensure LMDSC establishes a written policy.

Finding 3. A lack of adequate expense approval policies and procedures.

The auditors recommend that the Corporation ensure that LMDSC:

- 3a. Updates its policies and procedures to require board approval for all expenses incurred by the Executive Director;
- 3b. Develops a formal expense voucher that includes fields for grant purpose and the proper approval of the expense by the proper authority;
- 3c. Prepares a lease agreement with its landlord; and
- 3d. Prepares a written document for in-kind contributions that specifies the fair market value of the contribution and how the value was determined.

Corporation Response: The Corporation agrees and will ensure LMDSC establishes written policies and procedures that address the travel voucher preparation and approval processes. We will verify that LMDSC prepares a formal lease agreement and revises its in-kind donation document to clearly determine value.

Finding 4. A lack of adequate procedures and controls to ensure living allowances are paid in equal increments.

The auditors recommend that the Corporation:

- 4a. Resolve the questioned costs of \$5,059, and recover disallowed costs; and
- 4b. Ensure that LMDSC emphasizes, during its subgrantee training, the need to follow living allowance payment requirements and to strengthen procedures to fulfill these requirements.

Corporation Response: The auditors questioned \$5,059 in living allowance costs paid to members because it appeared they were overpaid in specific time periods. Corporation staff met with the LMDSC Executive Director who demonstrated that none of the six questioned members were overpaid. Program staff had withheld living allowance payments because members had not completed timesheets. When the members later submitted the overdue timesheets they were paid for the previous time period at the same time they received their living allowance payment for the next time period. The grantee concurs that its payment practice gave the appearance of overpayment in one time period and did not provide a clear audit trail. The Corporation reviewed the audit workpapers and additional member data provided by the grantee and has verified that LMDSC did not make lump sum, duplicate or overpayments, the costs are allowed. Furthermore, the Corporation will ensure strengthened procedures are implemented and subgrantees are trained on living allowance distribution provisions.

Finding 5. Late submission of Financial Status Reports, member enrollment and exit forms.

The auditors recommend that the Corporation ensure that LMDSC:

- 5a. Strengthen procedures to include confirmation with the Corporation of its FFR submission; and
- 5b. Provides guidance, during its subgrantee training, on proper completion of entrance and exit forms so they are completed and submitted in a timely manner.

Corporation Response: The Corporation concurs with the audit findings and recommendations. In its response to the draft audit, LMDSC indicated it will print the screen shot from the Corporation's electronic system (eGrants) to confirm the Corporation received the electronic submission of its FFR. While this corrective action addresses the finding, printing the confirmation page from an electronic system is not in keeping with government advances in paperless initiatives and records management. Therefore, the Corporation will also accept, as adequate corrective action, that LMDSC add a step to its FFR preparation and submission procedures to review its submission data in eGrants to confirm submission. The Corporation will also ensure that LMDSC provides written guidance to subgrantees on submission requirements for enrollment and exit forms and includes review of submission dates in its monitoring protocols.

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

The auditors recommend that the Corporation ensure that LMDSC provides guidance, during its subgrantee training, to ensure that required evaluations are completed and submitted in a timely manner.

Corporation Response: The Corporation concurs. In its response to the draft audit, LMDSC indicated it will provide guidance to its subgrantees to ensure they meet AmeriCorps requirements for mid-term and end-of-term evaluations. The Corporation will also review LMDSC monitoring processes to confirm it checks for completion of evaluations on site visits and in desk reviews.

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Summary: The Corporation is allowing all \$5,059 of the Federal questioned costs. The Corporation will ensure LMDSC completes corrective action on the recommendations as described in our responses.