

Office of Inspector General Corporation for National and Community Service

PERFORMANCE AUDIT OF CORPORATION GRANTS AWARDED TO ATLANTIC HUMAN RESOURCES, INC. (AHR)

OIG REPORT NUMBER 13-05A



Prepared by:

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This report was issued to Corporation management on May 9, 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 November 12, 2013, and complete its corrective actions by May 9, 2014. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

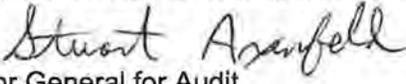


May 9, 2013

TO: Joseph Gaynor
Executive Director, Atlantic Human Resources, Inc.

Erwin Tan
Director, Senior Corps

Rocco Gaudio
Deputy Chief Financial Officer for Grants and FFMC

FROM: Stuart Axenfeld 
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General (OIG) Final Report 13-05A: *Performance Audit of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)*

Attached is the OIG Final Report 13-05A: *Performance Audit of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)*. The performance audit was conducted by Castro & Company, LLC in accordance with standards established by the *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 November 12, 2013. Notice of final action is due by May 9, 2014.

If you have questions pertaining to this report, please contact Stuart Axenfeld at (202) 606-9360 or S.Axenfeld@cncsoig.gov; or Thomas Chin, Audit Manager, at (202) 606-9362 or T.Chin@cncsoig.gov.

Attachment

cc: David Rebich, Chief Financial Officer
Erin McGrath, Director, New Jersey State Program Office
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Thomas Castro, Partner, Castro & Company, LLC

**OFFICE OF INSPECTOR GENERAL
PERFORMANCE AUDIT FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

**GRANTS AWARDED TO
ATLANTIC HUMAN RESOURCES, INC**

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Appendix D – Corporation for National and Community Service Response to Draft Report

EXECUTIVE SUMMARY

More than \$1.4 million in costs claimed by Atlantic Human Resources, Inc. (AHR) under Senior Corps grants during 2008-2011 were duplicative, unsubstantiated and/or incurred improperly, in violation of applicable laws, regulations and grant provisions. These overcharges, which reflect fundamental weaknesses in internal controls, represent 71 percent of the costs charged under the grant. The audit revealed deficient financial management by AHR, including:

- Double-charging of travel expenses
- Inconsistencies between AHR's internal records and its periodic financial reports to the Federal government
- Charges for meals that were not provided
- Direct charges for items that were already included in AHR's negotiated indirect cost rate
- Misapplication of the indirect cost rates
- Failure to ensure income-eligibility for means-tested benefits, as well as other missing eligibility documentation
- Complete lack of basic documentation for the RSVP grant, including the names of volunteers and records of their activities.

The following table summarizes AHR's grant awards, costs claimed and the questioned costs identified by the audit.

Consolidated Schedule of Claimed and Questioned Costs

Grant	Audit Period	Total Grant Funding	Total Costs Claimed	Questioned Costs		Appendix ¹
				Federal	Match	
Foster Grandparent Program Grant 08SFANJ001	09/30/2008 to 09/29/2011	\$1,993,667 ²	\$1,788,058 ²	\$639,580	\$428,232	A
Retired and Senior Volunteer Program Grant 08SRANJ009	07/01/2008 to 06/30/2011	237,698	237,698	\$228,776	\$139,618	B
Totals		\$2,231,365	\$2,025,756	\$868,356	\$567,850	
TOTAL QUESTIONED COSTS				\$1,436,206		

¹ Separate schedules detailing the questioned costs are presented in Appendices A and B.

² Although this grant is closed, the difference of \$205,609 has not been de-obligated by the Corporation pending completion of this audit and resolution of its findings and recommendations.

Overall, the grantee's financial management practices were inadequate to manage Federal funds. The grantee could not provide records to support the majority of the costs that it claimed for volunteer meals, travel, and salaries and fringe benefit transactions. In many cases, its charges against the grant were based on estimates and projections, without any evidence of expenses actually incurred. Its indirect cost methodology was flawed and resulted in duplicative charges.

To communicate the severity of these findings while the fieldwork was in progress, OIG presented a Management Alert Briefing to Senior Corps management and the Corporation for National and Community Service's (Corporation's) New Jersey State Office officials on November 15, 2012. OIG highlighted the questioned costs identified to that date, discussed the past monitoring activities conducted by the Corporation, and presented a recommendation for placing both of AHR's grants on "manual holds" to afford the Corporation more control over AHR's drawdown of additional funds. The New Jersey State Office Director responded that the RSVP grant was already on a "manual hold" until AHR significantly improved its grant performance, and that a similar hold for the FGP grant would also be considered. The Corporation deferred its response until after it received the final report, the auditor's working papers and it completes the audit resolution process with AHR.

This audit was conducted at the request of the Corporation for National and Community Service. The Corporation's Office of Inspector General (OIG) engaged Castro & Company, LLC (Castro) to audit the costs incurred by AHR under grants from FGP and RSVP during a three-year period, in order to determine whether Corporation grants to AHR were administered according to grant terms and complied with all Federal laws and regulations.

The audit procedures were conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The objectives of the audit were to determine whether Corporation-funded Federal assistance provided to AHR was expended in accordance with grant terms and provisions and laws and regulations, and to report upon such compliance, controls, and questioned costs that may result from performing these audit procedures. The procedures included obtaining an understanding of AHR and its policies, procedures, and grants. They also included reviewing documents at AHR related to volunteer eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements.

INTRODUCTION

Atlantic Human Resources, Inc., a private non-profit organization, was established in Atlantic City, New Jersey in 1964. Its mission is to engage children, youth, and families through community-based learning opportunities. Its core programs include Head Start, an education program for pre-school children from low-income families, funded by the U.S. Department of Health and Human Services. It is a longstanding grantee of the Corporation's Senior Corps (at least 15 years), with activities funded through the Foster Grandparent Program (FGP) and Retired and Senior Volunteer Program (RSVP).

FGP supports grants that enable individuals age 55 and over to provide mentoring and support services to children who are academically, socially or financially disadvantaged. These services include one-on-one tutoring, and acting as advocates for youngsters in the child welfare system. FGP participants typically serve between 15 and 40 hours per week, and income-eligible volunteers may receive an hourly stipend of \$2.65. During the period under audit, AHR had an average of 195 volunteers per year serving in FGP.

RSVP grants support programs through which volunteers age 55 and over provide a broad range of services to meet community needs. Examples include delivering meals to homebound seniors, conducting school safety patrols, providing supportive services at disaster relief sites, tutoring children and assisting at food banks. RSVP does not provide financial stipends to volunteers. The New Jersey State Office Director estimated that 230 volunteers currently serve in AHR's RSVP program.

In July 2012, the Corporation requested that the OIG undertake an audit of AHR's administration of Corporation grants, with a particular focus on its financial operations, as a result of a monitoring visit conducted by the New Jersey State Office. The monitoring visit was prompted in part by the resignation of the grantee's RSVP Director earlier in the year, leaving that key position vacant for a period of approximately nine months. Furthermore, the monitoring visit revealed that AHR was charging various general operating expenses to the Corporation grants both directly and through its indirect rate agreement.

FINDINGS

Our audit uncovered numerous violations of applicable grant terms, rules and regulations, many of which resulted in overcharges. Our findings fall into four basic categories:

- Finding No. 1 – AHR's Financial Management Reflects Pervasive Violation of Federal Grant Management Requirements
- Finding No. 2 – AHR Failed to Ensure that Volunteers Met Eligibility Requirements, Including for the Receipt of Stipends
- Finding No. 3 – Required Background Checks Were Not Conducted on AHR Staff
- Finding No. 4 – Federal Financial Reports Were Not Submitted Timely

We discuss them in turn, highlighting the questioned costs³ associated with each finding.

Finding No. 1 – AHR's Financial Management Reflects Pervasive Violation of Federal Grant Management Requirements

³ A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that at the time of testing, such costs were not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

Throughout the three-year grant period which began in 2008, AHR failed to comply with grant agreement terms and Federal rules and regulations that require proper accountability for grant funds. The grantee charged against the grant based on estimates and projections, did not document the actual costs of volunteer meals and travel, and miscalculated indirect costs. A portion of salaries and fringe benefits were not documented due to missing staff timesheets. In some instances, AHR charged twice for the same expenses. In addition, Federal Financial Reports⁴ (FFR) submitted to the Corporation for both grants during the same period were not reconciled to the AHR accounting system. The result was that the accounting system reported amounts that were less than amounts reported on the FFRs. Timely reconciliations would have detected this situation.

The table below shows the amount of the questioned costs in our tested sample of transactions, for each category, in each of the programs⁵:

Issues	FGP		RSVP		Total Questioned Costs	Notes
	Federal Questioned Costs	Match Questioned Costs	Federal Questioned Costs	Match Questioned Costs		
Detail Transaction Testing and Reconciliation Differences						
Volunteer Meals	\$ -	\$267,868	\$ -	\$ -	\$267,868	1
Volunteer Travel	127,087	110,082	698	1,252	239,119	2
Indirect Costs	11,343	-	7,904	-	19,247	3
Indirect Costs	97,524	2,979	16,910	23,620	141,033	4
Salaries and Fringe Benefits	4,320	-	-	-	4,320	5
Differences Between FFRs and General Ledger	-	47,303	-	114,746	162,049	6
Totals	\$240,274	\$428,232	\$25,512	\$139,618	\$833,636	

NOTES:

1. **Volunteer Meals.** AHR could not provide evidence to support the in-kind match costs that it claimed for volunteer meals in its FGP program. Instead, the in-kind contributions reflect mere assumptions and estimates, which does not comply with 45 CFR §2543.23(a), *Cost sharing or matching*.

When volunteering at a public school, FGP participants were entitled to lunch provided by the school. AHR treated these lunches as part of its obligation to match Federal grant funds with funds from other sources. AHR valued this in-kind contribution by multiplying the number of service days (i.e., the number of days each volunteer was in active service) during the quarter times a rate of \$4.00, which it treated as the value of the meal. Although in-kind contributions

⁴ The FFR is a standardized, consolidated report of Federal grant awards and associated Federal share and match costs claimed which are required to be reported by grantees to the Corporation on a semi-annual basis.

⁵ For ease of reference, separate schedules recapping this information for FGP (Appendix A) and RSVP (Appendix B) appear at the end of this report.

must be valued at market rates or otherwise independently substantiated, as required by 26 CFR §1.170-1(a)(3)(ii)(e) [see the Criteria section on page 9], AHR can neither explain nor substantiate the basis for valuing each meal at \$4.00. In fact, certain schools did not provide meals at all, and others ceased providing meals at varying times during the audit period. Further, AHR made no effort to track whether volunteers at the remaining stations always received meals. In short, AHR claimed match costs for certain meals that were never provided, has no contemporaneous evidence that other meals were in fact received, and has arbitrarily valued each meal at \$4.00 without any evidence to support that valuation.

We noted that the practice of claiming match costs based on the assumption that every volunteer received a meal worth \$4.00 on each service day was in place at the beginning of the audit period. The current FGP director, who began her employment with AHR in 2012, did not know when the practice began. Given that three years' worth of unsupported volunteer meal costs totaled more than \$250,000, a review of similar transactions in prior periods could result in the disallowance of substantial additional costs.

2. Volunteer Travel. Substantial volunteer travel costs for both grants, which AHR records as both Federal and match costs, are questioned for two distinct reasons. First, the procedure used to calculate the reimbursable expenses is based on a cost estimate not supported by documentation that explains the computation method. Second, travel costs were charged to the grants twice. Our review of the detailed transactions, and questions posed to AHR accounting department staff and the FGP director, confirmed the above conclusions and the fact that both grants were affected by the same problems.

At the beginning of their service, volunteers in both programs were required to select and report to AHR the method of transportation (i.e., bus, personal car, etc.) they planned to use to commute to their respective volunteer stations. Based on their chosen method, AHR determined how much to reimburse each volunteer for his/her commute. On a quarterly basis, AHR multiplied each volunteer's service days by the predetermined daily rate, and booked the resulting amount as match costs. AHR did not confirm that volunteers were in fact incurring the estimated costs and could produce no documentation to explain how it arrived at the daily rates; therefore, we question all volunteer travel costs reported as match.

Independent of documentation issues, AHR also charged twice for the same commuting costs. In addition to treating them as match costs on a quarterly basis, it also booked them on a monthly basis. Every month, AHR determined from its payroll records the total paid for volunteer travel, and recorded 82 percent of it as Federal costs and the remaining 18 percent as match costs. The monthly amount recorded in the payroll records is a duplication of the costs reported as match on a quarterly basis, discussed in the previous paragraph; therefore, AHR claimed and reported the same volunteer travel costs twice. For this independent reason, we question all volunteer travel costs reported as both Federal and match costs. In discussions with the auditors, the FGP director conceded that AHR had double-billed these costs, and stated that the same method was used by her predecessor. Both program and accounting

personnel should ensure that the correct calculation method is used for travel costs, and that such costs are properly documented before general ledger entries are processed.

Moreover, the manner in which AHR accounted for both travel and meals reflects a material internal control weakness. By their own admission, accounting personnel, in reliance on directions from the previous FGP director, input transactions into the accounting system without supporting documentation or other basis.

3. **Indirect Costs Rate.** We questioned \$19,247 of indirect costs (\$11,343 for FGP; \$7,904 for RSVP) based on duplication of charges revealed by our detailed transaction testing; and (b) failure to apply the indirect cost rate correctly. We determined that AHR's indirect cost rate was multiplied by the salaries charged to the grant on a monthly basis to determine the amount of indirect costs to charge to the grant. However, in one month, AHR erroneously charged the full month's salary to the grant, rather than the fractional share of salaries that would have resulted from applying the indirect cost rate. This overcharged the grant by \$6,913. Furthermore, AHR did not provide any documentation to support two monthly indirect cost transactions, totaling \$4,430 of Federal costs for the FGP grant, and one monthly indirect cost transaction, totaling \$7,904 of Federal costs, for the RSVP grant. AHR accounting personnel acknowledged these errors.

4. **Indirect Costs.** We questioned indirect costs totaling \$141,033 (\$114,434 Federal plus \$26,599 match) due to various general operating costs AHR charged directly to the grants which were already included in its indirect cost rate. The following table shows the costs that were double-charged.

Type of Costs	FGP		RSVP	
	Federal Costs	Match Costs	Federal Costs	Match Costs
Janitorial Services	\$ 1,329	\$ -	\$ 300	\$ -
Office Rent	25,521	2,800	8,152	22,620
Office Equipment Leases	2,112	-	170	-
Office Supplies	7,524	-	2,113	-
Telephone	18,903	179	410	1,000
Advertising	2,609	-	65	-
Life Insurance - Employer	1,779	-	195	-
Liability Insurance	8,019	-	5,383	-
Payroll Processing Fees	25,578	-	122	-
Utilities	73	-	-	-
Postage	3,254	-	-	-
Exterminator	823	-	-	-
Totals	\$97,524	\$2,979	\$16,910	\$23,620

AHR stated that the practice of charging indirect costs through the indirect cost rate, as well as directly charging to the grant, had been in effect for years. According to AHR, because this practice had not been identified as problematic in prior audits conducted by private auditing

firms under the Single Audit Act, AHR was unaware that it was in fact double-charging the grant.⁶

When the Corporation's New Jersey Program office questioned this dual-charging practice during its March 2012 site visit, AHR ceased charging the FGP and RSVP grants for any indirect costs.

5. **Salaries and Fringe Benefits.** We have questioned salaries and fringe benefit costs due to the lack of employee timesheets, and the improper allocation of payroll taxes to the FGP and RSVP grants. We selected the months of November 2008 and January 2011 for FGP, and the month of October 2009 for RSVP to review salaries and fringe benefit costs. AHR could not provide timesheets to support the two employees charging the FGP grant during January 2011, resulting in unsupported salary costs of \$3,512, and \$497 for the related payroll taxes. In addition, AHR calculated payroll taxes for the two employees as a percentage of total salaries for all AHR employees. Instead, the correct method is to calculate the taxes as a percentage of the proportional hours the employees actually worked on the FGP grant. The erroneous calculation method resulted in an overcharge of \$311 to the FGP grant, and an immaterial amount to the RSVP grant.

Accounting personnel stated that the pay period for which timesheets were not available occurred in the period right before AHR transitioned to electronic timesheets. They believe that either manual timesheets were no longer being completed or the timesheets were misplaced.

6. **Reconciliation Differences.** We questioned match costs of \$47,303 on the FGP grant, and \$114,746 on the RSVP grant, based on reconciliation differences between FFRs and the AHR general ledger. In both cases, the claimed match costs reported on its FFRs exceeded the amounts shown in AHR's accounting records, for which no explanatory documentation could be found. These unreconciled differences represent a further internal control weakness in AHR's financial management recordkeeping and transaction processing procedures.

Criteria

45 CFR §2543, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, .21(b) states:

"Recipients' financial management systems shall provide for the following:

⁶ AHR's indirect costs were specified in a Negotiated Indirect Cost Rate Agreement (NICRA), an individually negotiated agreement between a grantee and the Federal agency that is its largest source of funding (in AHR's case, the Department of Health and Human Services) as to the rates or dollar amounts the grantee may claim for indirect costs against its grants. Indirect costs are those proportional expenses that cannot be attributed to the operation of a specific grant, but may be generally allocated to overall operations.

- (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. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system. These recipients may develop such accrual data for its reports on the basis of an analysis of the documentation on hand.
- (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.
- (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
- (7) Accounting records including cost accounting records that are supported by source documentation.”

45 CFR §2543.23(a), *Cost sharing or matching*, states:

“All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the recipient's records...”

45 CFR §2543.27, *Allowable costs*, states:

“For each kind of recipient, there is a set of Federal principles for determining allowable costs. Allowability of costs shall be determined in accordance with the cost principles applicable to the entity incurring the costs... The allowability of costs incurred by non-profit organizations is determined in accordance with the provisions of OMB Circular A-122, “Cost Principles for Non-Profit Organizations.” The allowability of costs incurred by commercial organizations and those non-profit organizations listed in Attachment C to Circular A-122 is determined in accordance with the provisions of the Federal Acquisition Regulation (FAR) at 48 CFR part 31.”

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, Attachment A: General Principles, C. Indirect Costs states:

“1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in subparagraph B.2. After

direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.”

26 CFR §1.170-1, *Charitable, etc., contributions and gifts; allowance of deduction*

(a)(3)(ii)(e) The fair market value of the property at the time the contribution was made, showing the method utilized in determining the fair market value.

Foster Grandparents Program Terms and Conditions, *Financial Status Reports* (now renamed Federal Financial Reports)

FSRs must report expenses on a cumulative basis over the performance period of the grant and be submitted according to the following schedule...Programs completing the final year of their grant must submit a final FSR that is cumulative over the entire grant period.

Recommendations:

We recommend that the Corporation:

- 1a. Disallow and recover the questioned costs totaling \$833,636;
- 1b. Ensure AHR accounting personnel attend fiscal training to enhance their knowledge of grant accounting operations and their related internal controls, including the requirements associated with maintaining an accounting system as a recipient of Federal grant funds;
- 1c. Ensure AHR implements procedures to verify that all costs are adequately documented before entering any costs into its accounting system;
- 1d. Ensure AHR conducts training for the specific grantee staff who have responsibility for documenting grant costs to confirm they completely understand the documentation requirements;
- 1e. Ensure AHR performs timely reconciliations of its general ledger to the FFRs and drawdowns, and that supervisory reviews of the reconciliations are conducted periodically; and
- 1f. Withhold additional drawdowns and require supporting documentation prior to any further grant reimbursements.

AHR's Response

The Executive Director (ED) and Chief Financial Officer (CFO) provided the following responses for each of the areas discussed within this finding:

1. **Volunteer Meals.** The ED stated that FGP participants were assigned to programs that provided meals funded by the Child Care and Adult Feeding Programs and provided documentation showing the rates associated with the meals for the effective dates from July 1,

2012 through June 30, 2013. The supporting documentation for these volunteer meals was a signed document that indicated hours worked, and meals and travel incurred. The ED stated that his knowledge was limited to the fact that the Atlantic City Board of Education ceased meal service to volunteers and limited its cash contribution to \$10,000.

The CFO stated that the fiscal department did not have oversight over program-related matters, and vouchers submitted were paid upon the request of the Program Directors.

2. **Volunteer Travel.** The ED stated that upon the beginning of volunteer service, volunteers were required to select and report to AHR their method of transportation to the Volunteer Stations. The volunteers and Program Directors/Site Managers signed a document, which identified hours worked, meal consumed, and travel time, before submitting the document to Fiscal Department for payments.

The CFO stated that the travel expenses were not duplicated and AHR's account chart differentiated between Federal travel and grantee travel match.

3. **Indirect Cost Rate.** The CFO stated that in a few instances, indirect cost rates for previous years were inadvertently used instead of the prevailing rate; however, the adjustment was made at year end. The ED stated that the A-133 audit did not substantiate the issues for the periods noted in this report, while adjustments were made as mentioned by the CFO.

4. **Indirect Cost.** The ED stated that issues noted in this report were not substantiated in the A-133 audit. The CFO stated the Corporation approved both direct and indirect costs; however, AHR currently only charges direct costs for the FGP and indirect costs for the RSVP.

5. **Salaries and Fringe Benefits.** The ED stated that the finding was not identified in the previous A-133 audits.

6. **Reconciliation Differences.** The ED stated that the finding was not identified in the previous A-133 audits.

Auditor's Comments

We disagree with the ED's and CFO's response to the issues noted within this finding.

1. **Volunteer Meals.** The ED's response did not adequately address either the value of the volunteer meals or whether all of the meals claimed as match costs were actually received by volunteers. The Child and Adult Food Program rate sheet offered in AHR's response related to a period outside the audit. Neither during our fieldwork nor with the AHR response did the grantee furnish any documentation to show that volunteers actually received the meals that AHR charged against the grant. In particular, contrary to the ED's assertion, the timesheets we reviewed during fieldwork only showed the time and work assignment completed by the volunteers and contained no reference to meals. Though the ED acknowledged only that the Atlantic City Board of Education ceased providing meals to volunteers, staff members told the auditors that the same was true of other volunteer stations; AHR did not provide documentation to the auditors during fieldwork or with its response to substantiate that the volunteers at any of the volunteer stations received any meals.

Though the CFO takes the position that the accounting department is not responsible for oversight over program-related matters, it is the accounting department's responsibility to

ensure that all costs reported within the accounting system, including meals claimed as match costs, are properly substantiated.

2. **Volunteer Travel.** Similar to the response above regarding volunteer meals, the ED referenced a “signed document” (timesheet) that substantiated volunteer travel. However, the timesheets we reviewed during our audit fieldwork showed only the time that volunteers reported and the work assignment completed for the day and did not indicate how the volunteer reached the service site or incurred expenses to do so. No additional support was provided with the AHR response.

The CFO asserted that travel expenses were not duplicated due to the separate tracking of the Federal and match travel costs. However, the CFO did not refute the documentation we reviewed and our discussion with the FGP Program Director during fieldwork, which supported the finding.

3. **Indirect Cost Rate.** The CFO conceded AHR used incorrect indirect cost rates from previous years and adjustments were made at year end. This confirmed the validity of our finding that AHR applied incorrect indirect cost rate.

4. **Indirect Cost.** The CFO’s response regarding the Corporation’s approval to charge both direct and indirect costs did not address the issue of inappropriate charging. The fact that AHR was allowed to charge both direct and indirect costs did not authorize it to charge twice for the same items. AHR was responsible for properly charging costs to the grants without regard to whether AHR’s auditors discovered the erroneous charges.

5. **Salaries and Fringe Benefits.** The ED’s response that this issue was not identified by the AHR’s independent auditors did not negate the AHR’s responsibility for properly charging costs to the grants in accordance with the requirements.

6. **Reconciliation Differences.** The failure of AHR’s independent auditors to discover the erroneous charges does not relieve AHR of responsibility for them.

The auditors reiterate our recommendation to disallow and recover the questioned costs and that the Corporation ensures AHR strengthen its internal controls as reported in recommendations 1b through 1f.

Finding No. 2 – AHR Failed to Ensure that Volunteers Met Eligibility Requirements, Including for the Receipt of Stipends

AHR failed to conduct critical background checks on its volunteers, maintain essential documentation and, in the case of the FGP, ensure that volunteers were eligible to receive means-tested benefits. For the last reason, we question the \$135,741 in Federal costs that were charged to the FGP grant for the stipends paid to volunteers. The other deficiencies constitute failures to comply with grant agreement terms and applicable laws and regulations.

FGP

FGP is a means-tested program in which participants who fall below an income threshold tied to the poverty level are entitled to a stipend of \$2.65 per service hour. AHR had 585 volunteers for the three budget years in our audit scope, of which we reviewed the files of thirty (30) volunteers who received stipend payments from the FGP grant. In fourteen (14) of these cases, AHR could not demonstrate that it had verified the income of these participants or that they were in fact eligible to enroll in the program and receive the payments. AHR paid a total of \$135,741 to these individuals without ensuring their eligibility.

To protect members of the public served by Senior Corps volunteers, FGP grantees are required to undergo State Criminal Registry Searches and National Sex Offender Public Registry (NSOPR) checks. For 24 of the 30 volunteers in our sample, there were no records in their files to demonstrate that this important safety requirement was met.

We discovered additional deficiencies in the volunteers' files:

- Fourteen (14) volunteer files did not have income verification documentation, and 13 of these also did not have evidence of background checks.
- Eighteen (18) files did not have a photo ID documenting the individual's birth date, although participation in FGP is limited to individuals aged 55 and older.
- Seventeen (17) files did not have documentation of completion of a physical examination.
- Seven (7) files did not contain the volunteer's written acknowledgement of program rules and agreement to comply.
- Twenty-eight (28) files did not include evidence of the volunteers' written assignment plans being completed by the respective volunteer stations.

Based on the above exceptions, we have questioned stipends totaling \$135,741, paid to the 30 volunteers we tested who served during the audit period. The total amount of stipends paid by AHR during the audit period was \$1,099,229. The high incidence of improper payments in our sample suggests that a substantial percentage of these unaudited payments may be questionable.

AHR asserted that it conducted all of the necessary eligibility verifications and maintained the necessary documentation, but could not explain the absence of the documentation from the files.

RSVP

AHR could produce no records, either electronic or physical, to demonstrate that it conducted the required criminal history and sex offender background checks. Specifically, we did not receive a listing of the volunteers for each budget year, or any of the volunteer files. We therefore have no evidence to verify that volunteers serving in the RSVP program met the basic eligibility requirements.

AHR attributed its inability to locate any volunteer files to the resignation of the individual who directed its RSVP program during the period under audit.

Criteria

45 CFR §2552.41(a), *Who is eligible to be a Foster Grandparent?*, states:

“To be a Foster Grandparent an individual must:

- (1) Be 60 years of age or older; (OIG Note: Age is 55 as of October 1, 2009)
- (2) Be determined by a physical examination to be capable, with or without reasonable accommodation, of serving children with exceptional or special needs without detriment to either himself/herself or the children served;
- (3) Agree to abide by all requirements as set forth in this part; and
- (4) In order to receive a stipend, have an income that is within the income eligibility guidelines specified in this subpart D.”

45 CFR §2552.43, *What income guidelines govern eligibility to serve as a stipended Foster Grandparent?*, states:

“(a) To be enrolled and receive a stipend, a Foster Grandparent cannot have an annual income from all sources, after deducting allowable medical expenses, which exceeds the program's income eligibility guideline for the state in which he or she resides. The income eligibility guideline for each state is the higher amount of either:

- (1) 125 percent of the poverty line as set forth in 42 U.S.C. 9902 (2); or
 - (2) 135 percent of the poverty line, in those primary metropolitan statistical areas (PMSA), metropolitan statistical areas (MSA) and non-metropolitan counties identified by the Corporation as being higher in cost of living, as determined by application of the Volunteers in Service to America (VISTA) subsistence rates. In Alaska the guideline may be waived by the Corporation State Director if a project demonstrates that low-income individuals in that location are participating in the project.
- (b) For applicants to become stipended Foster Grandparents, annual income is projected for the following 12 months, based on income at the time of application. For serving stipended Foster Grandparents, annual income is counted for the past 12 months. Annual income includes the applicant or enrollee's income and that of his/her spouse, if the spouse lives in the same residence. Sponsors shall count the value of shelter, food, and clothing, if provided at no cost by persons related to the applicant, enrollee, or spouse.

- (c) Allowable medical expenses are annual out-of-pocket medical expenses for health insurance premiums, health care services, and medications provided to the applicant, enrollee, or spouse which were not and will not be paid by Medicare, Medicaid, other insurance, or other third party pay or, and which do not exceed 50 percent of the applicable income guideline.
- (d) Applicants whose income is not more than 100 percent of the poverty line shall be given special consideration for enrollment.
- (e) Once enrolled, a Foster Grandparent shall remain eligible to serve and to receive a stipend so long as his or her income, does not exceed the applicable income eligibility guideline by 20 percent.”

45 CFR §2552.44, *What is considered income for determining volunteer eligibility?*, states:

“(a) For determining eligibility, “income” refers to total cash and in-kind receipts before taxes from all sources including:

- (1) Money, wages, and salaries before any deduction, but not including food or rent in lieu of wages;
- (2) Receipts from self-employment or from a farm or business after deductions for business or farm expenses;
- (3) Regular payments for public assistance, Social Security, Unemployment or Workers Compensation, strike benefits, training stipends, alimony, child support, and military family allotments, or other regular support from an absent family member or someone not living in the household;
- (4) Government employee pensions, private pensions, and regular insurance or annuity payments; and
- (5) Income from dividends, interest, net rents, royalties, or income from estates and trusts.

(b) For eligibility purposes, income does not refer to the following money receipts:

- (1) Any assets drawn down as withdrawals from a bank, sale of property, house or car, tax refunds, gifts, one-time insurance payments or compensation from injury.
- (2) Non-cash income, such as the bonus value of food and fuel produced and consumed on farms and the imputed value of rent from owner-occupied farm or non-farm housing.”

45 CFR §2552.42, *May an individual who is subject to a State sex offender registration requirement serve as a Foster Grandparent or as a Foster Grandparent grant-funded employee?*, states:

“Any individual who is registered, or required to be registered, on a State sex offender registry is deemed unsuitable for, and may not serve in, a position as a Foster Grandparent or as a Foster Grandparent grant-funded employee.”

45 CFR §2552.72, *Is a written volunteer assignment plan required for each volunteer?*, states:

“(a) All Foster Grandparents shall receive a written volunteer assignment plan developed by the volunteer station that:

- (1) Is approved by the sponsor and accepted by the Foster Grandparent;
- (2) Identifies the individual child(ren) to be served;
- (3) Identifies the role and activities of the Foster Grandparent and expected outcomes for the child;
- (4) Addresses the period of time each child should receive such services; and
- (5) Is used to review the status of the Foster Grandparent's services in working with the assigned child, as well as the impact of the assignment on the child's development.

(b) If there is an existing plan that incorporates paragraphs (a)(2), (3), and (4) of this section, that plan shall meet the requirement.”

45 CFR §2553.41, *Who is eligible to be a RSVP volunteer?*, states:

“(a) To be an RSVP volunteer, an individual must:

- (1) Be 55 years of age or older;
- (2) Agree to serve without compensation;
- (3) Reside in or nearby the community served by RSVP;
- (4) Agree to abide by all requirements as set forth in this part.”

45 CFR §2553.25, *What are a sponsor's administrative responsibilities?*, states:

“A sponsor shall:

- (g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.”

45 CFR §2553.62, *What are the responsibilities of a volunteer station?*, states:

“A volunteer station shall undertake the following responsibilities in support of RSVP volunteers:

- (a) Develop volunteer assignments that impact critical human and social needs, and regularly assess those assignments for continued appropriateness;”

Recommendations:

We recommend that the Corporation:

- 2a. Disallow and recover the questioned costs totaling \$135,741;
- 2b. Ensure that AHR staff attends training associated with the volunteer eligibility requirements, and the proper way to maintain volunteer file documentation to ensure its compliance with these requirements, particularly when personnel changes (terminations, new hires) occur; and
- 2c. Require AHR to develop and implement procedures to ensure that volunteer eligibility requirements are met and proper documentation is maintained.

AHR's Response

Again, the ED cited the failure of AHR's independent auditors to discover the numerous FGP deficiencies. He noted also that Corporation program staff likewise did not identify them during their reviews. Upon the resignation of the program director in June 2011 and additional reviews conducted by the Corporation program staff, findings were noted but corrective actions were slow to be implemented. AHR currently conducts a file review of all active participants to ensure the files contain all required eligibility documentation.

The ED conceded that AHR could not produce records to demonstrate that it conducted criminal background checks, and was not able to locate RSVP volunteer documentation. AHR has since hired a new Project Director who was assigned to completely reorganize the RSVP by identifying the volunteers and volunteer stations, as well as locating and reviewing volunteer files.

Auditor's Comment

Though AHR is currently conducting reviews of its volunteer files, it did not address the internal controls and training plans that need to be implemented to ensure the volunteer files are properly maintained. Therefore, we reiterate our recommendations 2a through 2c.

Finding No. 3 – Required Background Checks Were Not Conducted on AHR Staff

AHR was unable to demonstrate that it conducted National Service Criminal History or NSOPR checks for its FGP and RSVP employees, resulting in questioned Federal costs of \$263,565 charged to the FGP grant, and \$203,264 charged to the RSVP grant, for the salaries and fringe benefits associated with these employees. These questioned Federal costs were associated with two (2) of the three (3) FGP employees, and both of the RSVP employees.

AHR's Executive Director stated that all FGP and RSVP personnel have a criminal history check performed; however, applicable rules and regulations expressly require not only that the checks be performed but also that the grantee maintains the original documentation of the results.

Criteria

45 CFR §2552.42, *May an individual who is subject to a State sex offender registration requirement serve as a Foster Grandparent or as a Foster Grandparent grant-funded employee?*, states,

“Any individual who is registered, or required to be registered, on a State sex offender registry is deemed unsuitable for, and may not serve in, a position as a Foster Grandparent or as a Foster Grandparent grant-funded employee.”

Recommendations:

We recommend that the Corporation:

- 3a. Disallow and recover the questioned costs totaling \$466,829;
- 3b. Ensure that AHR staff attends training associated with the grant requirements and the proper way to document its compliance with these requirements; and
- 3c. Require AHR to develop and implement procedures to ensure that grant requirements associated with the National Service Criminal History and NSOPR Checks for employees are met and documented.

AHR's Response

The ED stated that the original background checks files of former AHR staff may have been misplaced but now all AHR staff have their background checks on file. Since AHR did not find any negative findings with background checks, it requested that the questioned costs of \$466,829 be allowed.

Auditor's Comment

Although AHR conducted background checks for its employees subsequent to our reporting of the issues; these background checks were not conducted timely. Also, AHR did not address the internal controls that need to be implemented to ensure the background checks are performed and documented. Therefore, we reiterate our recommendations that the Corporation disallow and recover the questioned costs and to ensure AHR strengthen its controls of employee background checks as recommended in 3b and 3c.

Finding No. 4 - Federal Financial Reports Were Not Submitted Timely

AHR is required to prepare and submit a Federal Financial Report (FFR) to the Corporation on a semi-annual basis. This document is a standardized, consolidated Federal cash and expenditure report showing the amount of grant funds awarded to AHR, and the costs, both Federal share and match share, claimed by the grantee against those funds. During our testing of FFRs prepared by AHR for both the FGP and RSVP grants, we found that the following reports were submitted late:

- Five (5) of the six (6) FGP grant FFRs were submitted significantly late, ranging from 26 days to 756 days past due.

- Two (2) of the six (6) RSVP grant FFRs were submitted significantly late, with one being 94 days past due and the other 154 days past due.

AHR informed the auditors that its FFRs were submitted to the Corporation in a timely manner. Subsequently, according to AHR, the Corporation advised AHR that it identified some reconciliation issues that required the FFRs to be revised. AHR could not provide written evidence to confirm when the originals were submitted. When FFR reports are filed late, the Corporation is unable to monitor AHR's grant administration and expense activity on a timely basis, which could adversely affect the program goals and participants' ability to serve the program recipients.

Criteria

45 CFR §2543.52(iv), *Financial reporting*, states,

"The Federal awarding agency shall require recipients to submit the SF-269 or SF-269A (an original and no more than two copies) no later than 30 days after the end of each specified reporting period for quarterly and semi-annual reports, and 90 calendar days for annual and final reports. Extensions of reporting due dates may be approved by the Federal awarding agency upon request of the recipient."

Recommendations:

We recommend that the Corporation:

- 4a. Ensure AHR develops and implements internal controls and procedures to assure that all program expenditures recorded on FFRs are reported to the Corporation in a timely manner.
- 4b. Ensure AHR maintains correspondence and all related documentation to support its FFR submissions (including corrected reports) to the Corporation.

AHR's Response

Both the ED and the CFO stated that the FFRs were not reported late to the Corporation. AHR provided documentation of issues associated with the Payment Management System where the Corporation stated that FFR dates within eGrants were not correct. In addition, AHR responded that it will develop and implement internal controls and procedures to address recommendations 4a and 4b.

Auditor's Comment

We agree with AHR's response to implementing internal controls to address recommendations 4a and 4b. We recommend that the Corporation follow up with AHR to ensure these controls are implemented and properly address the issues noted in this report. Finally, though we agree that the FFR dates noted were resubmission dates, AHR did not provide any documentation during our fieldwork or clearly identify the dates when the original FFRs were submitted to the Corporation.

Auditor's Crosscutting Observation

We note the unusual phenomenon of receiving separate responses from the grantee's two most senior executive officers. The division indicated by their inability to collaborate on a single response is something that the Corporation should address as it may have implications for administration of the grants.

OBJECTIVES AND SCOPE

Castro & Company, LLC was retained by the OIG to conduct a performance audit designed to determine whether AHR expended Corporation-funded Federal assistance in accordance with applicable requirements, and to report any resulting findings on questioned costs, internal controls, and compliance with laws and regulations. The audit covered a three-year period from mid-2008 to mid-2011, during which AHR received a total of \$2.23 million under two (2) Corporation grant awards. Of this amount, AHR reported \$2.03 million as claimed costs on its FFRs.

The audit procedures required Castro to obtain an understanding of AHR and its policies, procedures and grants. They also included reviewing documents at AHR's offices related to volunteer eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements. Our audit procedures included judgmentally selecting samples to test costs claimed by AHR for compliance with its Corporation grant agreements and other Federal requirements. The questioned costs detailed in this report are based on this limited sample; the total costs questioned might have been higher if we had tested all of the expenditures incurred during the audit period, and we have not projected or estimated the amounts that would have been questioned had all of the claimed costs been tested. We conducted our fieldwork at the AHR offices in Atlantic City, New Jersey, from October 8, 2012, to October 26, 2012.

This audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We note, however, that, after the conclusion of fieldwork, we learned of an allegation that AHR misdirected grant funds received from other Federal agencies. None of the allegations related to the Corporation's programs. Rather than expanding the scope of this audit, the OIG referred the matter to its Investigations Section for further inquiry. That investigation may result in discovery of additional unsupported or improper expenditures in connection with AHR's Corporation-funded grants, which could be material.

BACKGROUND

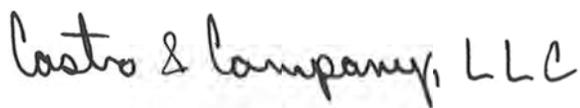
The Corporation, under the authority of the National Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through these grantees, volunteers perform service to meet educational, human, environmental, and public safety needs. Foster Grandparents who meet an income-eligibility threshold related to the poverty level receive a nominal stipend of \$2.65 per service hour for their participation; RSVP volunteers are not compensated.

AHR was established in 1964 as an anti-poverty agency under the Federal Economic Opportunity Act of 1964. Its mission is to support and strengthen community efforts for planning and coordinating Federal, State, and local assistance that is directed toward the elimination of poverty. It seeks to develop and implement its programs with the maximum participation of the low-income residents it serves.

EXIT CONFERENCE

Because of water damage and a resulting loss of electricity sustained by the grantee during Hurricane Sandy at the end of October 2012, and delays associated with the Christmas and New Year's holidays, our exit conference did not take place until January 10, 2013. At the exit conference, we presented each of the findings set forth in this report. A discussion draft report was provided to AHR and the Corporation. The AHR response was received on April 8, 2013 and is included in the appropriate sections of this report. The Corporation's response was received on April 24, 2013. Both sets of comments in their entirety are included in Appendices C and D, respectively.

We note that, although AHR sustained substantial damage from Sandy after the conclusion of audit fieldwork, we do not believe that storm damage accounts for the lack of documentation. To the contrary, that documentation was outstanding since the beginning of our fieldwork on October 8, 2012, and continued to be outstanding at the time the storm affected Atlantic City on October 29, 2012, notwithstanding repeated requests from the auditors.



Castro & Company, LLC
May 9, 2013

APPENDIX A

**SCHEDULE OF QUESTIONED COSTS
AWARD 08SFANJ001
FOSTER GRANDPARENTS GRANT**

**ATLANTIC HUMAN RESOURCES, INC.
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 08SFANJ001 (FGP)**

Issues	Questioned Costs		Totals	Notes
	Federal Costs	Match Costs		
Inadequate Accounting Operations Controls	\$240,274	\$428,232	\$668,506	1
Missing Eligibility Determination	135,741	-	135,741	2
Lack of Supporting Documentation and Improper Calculation Method for Payroll and Fringe Benefits Charges	263,565	-	263,565	3
Totals	\$639,580	\$428,232	\$1,067,812	

NOTES:

1. AHR lacked documentation to support costs incurred for volunteer meals and travel, salaries and fringe benefits, and indirect costs (\$240,274 Federal, \$380,929 Match). The grantee also charged the grant for meals that were not provided, and for duplicated travel and indirect expenses. In addition, its FFRs did not reconcile to its general ledger. (\$47,303 Match). (See Finding No. 1)
2. AHR lacked written evidence to demonstrate that certain volunteers in our testing sample were eligible to receive means-tested payments. (See Finding No. 2)
3. AHR used an incorrect calculation method for the allocation of payroll and fringe benefit costs of its grantee staff. In addition, there is no evidence that it conducted the required National Service Criminal History and NSOPR Checks for its employees. (See Finding No. 3)

APPENDIX B

**SCHEDULE OF QUESTIONED COSTS
AWARD 08SRANJ009
RSVP GRANT**

**ATLANTIC HUMAN RESOURCES, INC.
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 08SRANJ009 (RSVP)**

Issues	Questioned Costs		Totals	Notes
	Federal Costs	Match Costs		
Inadequate Accounting Operations Controls	\$ 25,512	\$139,618	\$165,130	1
Lack of Supporting Documentation and Improper Calculation Method for Payroll and Fringe Benefits Charges	203,264	-	203,264	2
Totals	\$ 228,776	\$139,618	\$368,394	

NOTES:

1. AHR lacked documentation to support costs incurred for volunteer meals and travel, salaries and fringe benefits, and indirect costs (\$25,512 Federal, \$24,872 Match). The grantee also charged nonexistent meals, and duplicated travel and indirect expenses to the grant. In addition, its FFRs did not reconcile to its accounting system (\$114,746 Match). (See Finding No. 1)

2. AHR used an incorrect calculation method for the allocation of payroll and fringe benefit costs of its grantee staff. In addition, there is no evidence that it conducted the required National Service Criminal History and NSOPR Checks for its employees. (See Finding No. 3)

APPENDIX C

**ATLANTIC HUMAN RESOURCES, INC.
RESPONSE TO DRAFT REPORT**

ATLANTIC HUMAN RESOURCES, INC.

One South New York Avenue, Suite 303
 Atlantic City, New Jersey 08401
 Phone: 609-348-4131/Fax: 609-345-5750
www.atlhmr.com

**Office of Inspector General Corporation for National and Community Service
 Performance Audit of Corporation for National and Community Service
 Grants Awarded to
 Atlantic Human Resources, Inc.
 OIG Report Number 13-XX**

Atlantic Human Resources, Inc. has been a Grantee for the Foster Grandparent Program since 1974 and became the Grantee for the Retired and Senior Volunteer Program a few years later.

During that period we have never experienced the situation we are currently encountering. We regret that these programs have been affected in this way because they have been extremely beneficial to the seniors, children, non-profit organization and the community at large.

During our tenure as sponsor we have been audited and monitored each year by a Certified Public Accountant and a staff person from the Corporation for National and Community Service as identified below.

GRANT YEAR - FGP
 09/30/2008-09/29/2009
 09/30/2009-09/2-/2010
 09/30/2010-09/29/2011

AUDITOR
 Lawrence Belcher, Jr.
 Kontrena Clark
 Reznick Group

CNCS STAFF


GRANT YEAR - RSVP
 07/01/2008 - 06/30/2009
 07/01/2009 - 06/30/2010
 07/01/2010 - 06/30/2011

AUDITOR
 Lawrence Belcher, Jr.
 Kontrena Clark
 Reznick Group

CNCS STAFF


The findings and recommendations resulting from  monitoring report were not issues of either the previous auditor or the CNCS staff person.

Finding 1 AHR's Financial Management Reflects Pervasive Violation of Federal Grant Management Requirements	<p>NOTE: 1</p> <p><u>Volunteer Meals</u> AHR could not provide evidence to support the in-kind match costs that it claimed for volunteer meals in its FGP program.</p> <p><u>Executive Director Response:</u></p> <p>The majority of the Foster Grandparent participants are assigned to Public Schools, Day Care Centers or Head Start Centers. Each of these programs provide meals funded by the Child Care and Adult Feeding Programs this program provides breakfast, lunch and a pm snack to the children and the Foster Grandparent who are most often required to sit with the children to assist them when these meals are served. This is where the \$4.00 cost per meal was derived and used as in-kind. The supporting documentation was a signed document that indicates hours worked meals and travel signed by the</p>
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volunteer and Program Director submitted to Fiscal for payment. Program staff are supposed to document that volunteers were,

- a.) at work
- b.) used public conveyance to get to the job site and,
- c.) did eat a meal or meals while at the site

During the 2011 year to my knowledge only the Atlantic City Board of Education ceased meal service to volunteers and limited their cash contribution to \$10,000. The commitment to providing meals or pay for travel cost or any other in-kind service is memorialized in the Memorandum of Understanding with each participating organization and is documented as outlined above.

Chief Financial Officer Response:

Finding: Charges for meals that were not provided.

Fiscal does not have oversight over program-related matters; vouchers submitted were paid upon request of the Program Director. The CFO has no oversight duties relative to program management. Comparison of actual and budget expenditures does not reveal grant compliance requirements.

Finding: 1

NOTE: 2

Volunteer Travel

Executive Director Response:

At the beginning of the volunteer service, volunteers in both programs were required to select and report to AHR the method of transportation (i.e. New Jersey Transit Bus, personal car or Atlantic City Jitney, mini bus vehicles)

- New Jersey Transit Bus cost \$1.35 per trip for seniors
- Atlantic City Jitney cost \$.75 per trip for seniors
- Auto \$1.35 flat charge regardless of mile traveled due to limitations or funding available for the activity
- Head Start Bus \$1.35 per trip based upon New Jersey Transit fare

Confirmation of such travel was determined by a document signed by the Volunteers, Program Directors or Site Manager and the document summarized and submitted to Fiscal for payment again, the submitted document identified hours worked, meal consumed and travel times. The appropriate rates to obtain the result to be paid to the volunteer.

Program Staff should have been able to explain the procedure. In summary the MOU memorializes the contribution of in-kind from the participating site, the time sheet submitted to the program signed by the Site Manager documents attendance, meals consumed or travel and is further signed by Program Staff who usually go to each site to collect these documents and deliver stipend checks.

Chief Financial Officer Response:

Travel expenses were not duplicated. The account chart differentiated between Federal travel account #25-40-7516 and grantee travel match #25-41-7516. There was an allocation of federal travel expenses to grantee match of approximately 47% of the total cost. We are reviewing our ledgers to determine if these grantee allocations were drawn down earlier.

Finding 1

NOTE: 3 Indirect Cost Rate

Indirect costs – AHR failed to apply the Indirect Cost Rate correctly.

Executive Directors Response:

These claims made by the OIG Auditors in these years were not substantiated in the A-133 Audit for the periods; suggesting that the adjustments were made as stated by the Chief Financial Officer below.

Chief Financial Officer Response:

In a few instances, applicable Indirect Cost Rates for previous years were inadvertently used, rather than the prevailing Indirect Cost Rates, these were subsequently adjusted at year end.

Finding 1

Note: 4 Indirect Costs

Executive Director Response:

This claim made by the OIG auditors in these years were not substantiated in the A-133 audit for this period.

Chief Financial Officer Response:

The Corporation for National Services has approved both Direct Cost (Audit fees, liability, insurances, payroll processing and rent since 2002). (See 2008-2011 approved awards enclosed)

We now charge only direct cost to the FGP Program and Indirect Cost only to the RSVP Program.

Finding 1

Note 5

Salaries and Fringe benefits

Executive Directors Response:

This finding was not identified during the A-133 audit for the period, had that occurred staff could made appropriate adjustments to resolve the matter i.e. have staff reproduce timesheets and adjust allocations of payroll taxes.

	<p>Finding 1 Note 6</p> <p>Reconciliation Differences</p> <p>Executive Director Response:</p> <p>This finding was not identified during the A-133 audit for periods, had that occurred staff could have made appropriate adjustments to resolve the matter.</p>
<p>Finding 2</p> <p>AHR failed to insure that volunteers met eligibility requirements, including for receipt of stipends</p>	<p>FGP</p> <p>Executive Directors Response:</p> <p>During the period the audit reviewed the Foster Grandparent Program. [REDACTED] was Program Director, [REDACTED] was the CNCS State Director and on site auditor and Lawrence Belcher Jr, CPA was the auditor. [REDACTED] directed the program from 9/30/2008 until her resignation in June 28, 2011. Neither auditor Kontrena Clark, The Reznick Group nor the CNCS staff [REDACTED] or [REDACTED] identified any of these issues outlined in these Findings. [REDACTED] staffed the project for several months until she was hired as the Director. During the period of [REDACTED] on sit monitoring these findings were identified and corrective actions were initiated upon review of the findings. However, the process was slow due to the fact that the project was under staffed. Currently project staff have conducted a file review of all active participants to insure that:</p> <p>Every volunteer meets the eligibility requirements to include</p> <ul style="list-style-type: none"> ➤ Proof of income below the poverty 125% level ➤ Photo identification documenting individuals birth date ➤ The participant has a complete physical examination ➤ The participant agrees to abide by all requirements of the program ➤ The participants file contains a document outlining the volunteers assignment <p>Of the 30 files reviewed by the auditors staff have identified that</p> <ul style="list-style-type: none"> ➤ 4 are deceased ➤ 20 are active ➤ 6 are no longer in the program ➤ All were income eligible and over 60 ➤ All active volunteer files now contain all appropriate documents as required <p><u>RSVP</u></p> <p>AHR could not produce records either electronic or physical to demonstrate that it conducted Criminal Background Checks. Project Director [REDACTED] was terminated on July 19, 2012 for cause. At the time of her termination program documentation to include active volunteers and supporting documentation was not retrieved from the Salem County office. And subsequently, staff did not make these documents available to the auditors.</p> <p>[REDACTED] was hired on October 5, 2012 and was assigned to completely reorganize the project. [REDACTED] initial assignment included identifying active</p>

	<p>volunteers and volunteers stations, locate and review volunteers files and with the assistance of the Executive Director prepare and submit response to monitoring report and resubmit an application for refunding.</p> <p>██████████ has been able to complete with these assigned task and is prepared to present same for review (we are presenting same for review).</p>																				
<p>Finding 3</p> <p>Required background checks were not conducted on AHR staff</p>	<p>Background Checks</p> <p>Executive Directors Response</p> <p>The program monitoring performed by ██████████ identified this issue. Subsequently, all staff have criminal background Checks on file. I believe that the original check on older staff member's files may have been misplaced during the changes in AHR staff and office locations. There were no negative findings with the background check performed. We request that this disallowed costs totaling \$466,829 be allowed.</p>																				
<p>Finding 4</p> <p>Federal Financial Reports Were Not Submitted Timely</p>	<p>Federal Financial Reports</p> <p>Executive Directors Response</p> <p>I find it difficult to accept that AHR was in fact late for extended periods in filing the FFR's as indicated my familiarization with the system suggests that when FFR's are late the grantee is locked out of the PMS System and therefore cannot draw down funds to continue operating until the FFR's is submitted. I have knowledge that the CFO did revise several reports for the FGP operations during the period.</p> <p>Chief Financial Officers Response:</p> <p>Federal Financial reports were reported timely. Please find numerous correspondences enclosed ascertaining the veracity of AHR fiscal response. There were a number of factors that contributed to the re-submission of Federal financial reports (FFR's) during the three (3) year cycle. During year two the reporting dates had to be manually changed by CNCS/FGP officials in E-grant. AHR submitted an FFR on time, and ██████████ attempted to correct the dates, which were wrongly stated but E-grants won't allow the change. The App. ID was #09SF103190 and corrected dates of AHR reports were as follows:</p> <table border="1" data-bbox="467 1696 1235 1833"> <thead> <tr> <th>FGP</th> <th>Due date</th> <th>Date submitted</th> <th>Re-submitted Date</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Year 1 - 3</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>End Mar 31, 2009</td> <td>4/30/2009</td> <td>04/30/09</td> <td>5/26/2011</td> <td>on-time</td> </tr> <tr> <td>End Sept 30, 2009</td> <td>10/31/09</td> <td>10/31/09</td> <td>5/6/2011</td> <td>on-time</td> </tr> </tbody> </table>	FGP	Due date	Date submitted	Re-submitted Date	Comment	Year 1 - 3					End Mar 31, 2009	4/30/2009	04/30/09	5/26/2011	on-time	End Sept 30, 2009	10/31/09	10/31/09	5/6/2011	on-time
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End Mar 31, 2009	4/30/2009	04/30/09	5/26/2011	on-time																	
End Sept 30, 2009	10/31/09	10/31/09	5/6/2011	on-time																	

End Mar 31, 2010	4/30/10	4/30/10	5/26/2011	on time
End Sept 30, 2010	10/31/10	10/29/10	5/26/2011	on-time
End Mar 31, 2011	4/30/11	4/29/11	5/26/2011	on-time
End Sept 30, 2011	12/29/11	10/28/11	5/26/2011	on-time
RSVP				
Year 1 – 3				
End Sept 30, 2008				
End Dec. 31, 2008		01/30/2009	5/26/2011	
End June 30, 2009		08/03/2009	5/26/2011	
End Dec 31, 2009	1/31/10	03/11/2010	5/26/2011	late
End June 30, 2010	7/31/10	7/29/2010	5/26/2011	on-time/early
End Sept 30,2010	1/31/11	1/26/2011	05/26/2011	on-time/ early
End June 30, 2011	9/30/11	7/29/2011	5/26/2011	on-time early

Footnote:

CNCS System errors prevented submission of semi-annual reporting, but Payment management reporting dated for same periods as in CNCS/FGP and RSVP Reporting shows AHR reports Federal Financial Reports on time.

AHR accounting procedures prepares PMS and CNCS System FFR'S at the same time, There were issues dealing with active volunteers and calculation of Direct Benefit Ratio Requirements for both federal and non-federal expenditures.

Fiscal officers have relied on the following regulations to comply with project funding requirements.

2552.92 What are project funding requirements?

2552.93 What are grants management requirements?

CFR 2543 Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, Standards for Financial Management Systems.

Recommendations

AHR response:

4a & 4b) AHR will develop and implement internal controls and procedures to assure that all program expenditures recorded on FFR's are reported to the corporation in a timely manner. Internal Controls at AHR currently are as follows:

- 1) AHR fiscal officers are only allowed to disburse payments as awarded by the grant
- 2) Grants from September 30, 2008 through September 29, 2011, three-year cycle of the grant in question were properly disbursed in keeping with AHR accounting manual procedures as with all federal and grantee match.
- 3) Fiscal is responsible for quarterly and semi-annual reporting based on Actual cost incurred, not based on estimates. These costs were pulled from AHR G/L as summarized in account detail reports submitted to the

	<p>reviewers. Federal financial reporting forms (FFR's) and semi-annual SF 269 reporting forms were then compiled from account detailed reports.</p> <p>4) AHR has distinct separate cash-related responsibilities</p> <p>5) AHR internal controls may have been inadequate and the accounting system proved to be cumbersome but not inconsistent. Volunteer Expenses (federal) were reported correctly, so were Volunteer Expense (non-federal) cumulative expenses.</p> <p>6) The financial management system was changed in May 2010 to facilitate reconciliation between the GL and FFR reports.</p> <p>7) ONLY CNCS/FGP allowable volunteer federal expenses and volunteer non-federal expenses were reported on the FFR's.</p> <p>09/30/2009 through 03/31/2010 04/01/2010 through 09/29/2010</p> <p>Payment Management System (PMS) stopped us from drawing down funds because their HHS system was triggered when CNS system indicated a report was due for 12/31/2009.</p>
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AHR's Response on FGP Recommendations:

1a.) AHR disagrees with questioned costs totaling \$833,636, and will provide hard copies of original documentation submitted on each FFR to show proof that however inadequate the financial system was at the time, at no time did AHR fiscal officers manufacture numbers to report to the Federal Government. FFR's are always pulled from the general ledger in keeping with accounting procedures.

1b.) AHR's accounting personnel have attended Head Start and Early Head Start as well as NJ State Community Service Block Grant (DCA) fiscal training annually over the last decade. AHR fiscal officers are familiar with grant accounting operations, and their related internal controls, including the requirements associated with maintaining an accounting system as a recipient of grant funds. Together with my deputy, we single handedly migrated and installed a State of the art accounting system (Financial Edge by Blackbaud) in 2010 that functions better than the twenty year old outdated (Fundware) accounting system we inherited when we came on board (Robert in 1999) (██████ in 2001) respectively. The problem is program coordination, evaluation, monitoring and oversight in its entirety (not in segments fiscal vs. program), lack of communication and coordination between program managers and the fiscal officers. Program managers are encouraged to deal directly with the Executive Director, even on fiscal issues. The Executive director in turn follows up with fiscal on such matters and vice-versa.

1c) AHR will implement procedures to verify that all costs are adequately documented before entering any costs into the system. This will imply a change in oversight and program monitoring procedures as the role of fiscal officers in the future.

1d) Fiscal officers will continue to attend grant management and fiscal training to enhance their knowledge of program requirements

1e) Reconciliation between the GL and the FFR's and drawdown's will be conducted periodically.

1f) AHR will ensure that drawdown's are necessary, required within 2-3 days and well documented and supported before reimbursement.

AHR's Response on RSVP Recommendations

2a) No context by fiscal to questioned cost totaling \$135,741

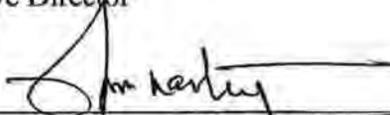
3b) AHR's fiscal staff will continue to attend training associated with grant requirements and the proper way to document its compliance with these requirements.

We look forward to working with to resolve these critical issues. Should you require additional information regarding this matter, please contact this office.

Sincerely,



Joseph E. Gaynor
Executive Director



Signature, Robert Nartey, Chief Financial Officer

JEG/vlb

cc: Board of Directors
Robert Nartey, Chief Financial Officer

Enclosures

APPENDIX D

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
RESPONSE TO DRAFT REPORT**



April 24, 2013

TO: Stuart Axenfeld
Assistant Inspector General for Audit

Robert Walters
Assistant Inspector General for Investigations

FROM: David Rebich 
Chief Financial Officer

SUBJECT: Corporation for National & Community Service's (CNCS) comments on the Office of Inspector General (OIG) Supplemental Report on *Performance Audit for Grants Awarded to Atlantic Human Resources, Inc. (AHR)*

The Corporation has reviewed the initial draft audit, preliminary response from AHR and the supplemental report for the audit of AHR. As a result of the preliminary findings in the draft audit report requested by CNCS, CNCS instructed AHR to suspend all operations of their Foster Grandparent Program (FGP) and RSVP program immediately as of April 17, 2013, upon receipt of the official letter. We will respond to all findings and recommendations in the draft audit in our management decision after we receive the final report and the auditor's working papers and complete the audit resolution process with AHR.

Concerning the supplemental report, while we recognize it is not an audit and did not follow the collaborative process we are accustomed to in the audit process, we concur with the overall premise that CNCS should review and look for improvements to our current grant management processes (pre-award through close-out). However, we do not believe the supplemental report is an accurate portrayal of the role CNCS' monitoring function played in coming to the decision with this grantee. The supplemental report (internal document) did not recognize any of the successful efforts of the CNCS grant monitoring function, acknowledge the results of the monitoring efforts, or acknowledge the productive working relationship during this engagement. Ensuring the proper management of taxpayer dollars through strong internal controls is an organizational priority. To that end, CNCS is undertaking a comprehensive internal control improvement initiative across the organization to improve our grant management processes, as well as our financial management processes.

In response to CNCS' grant monitoring function in relation to AHR, please consider the following clarification regarding the agency's role. CNCS believes that the monitoring process and working relationship among the New Jersey (NJ) State Director, FFMC Grants Specialist and OIG coordinating staff prior to and during this audit engagement is consistent with existing policies and procedures. The staffs of each organization engaged in open dialogue and information sharing. At the management alert briefing in November 2012, the Inspector General acknowledged this partnership and the execution of the monitoring and referral process. Furthermore, it ultimately resulted in the

outcome expected from CNCS' monitoring function. To that point, CNCS Grant Specialists and/or the NJ State Director took the following actions regarding the monitoring of the AHR grant:

- Identified a pattern of inappropriate management of Federal grant funds through compliance monitoring and subsequent desk review (March/April 2012),
- Issued a monitoring feedback letter requesting supporting and other documentation from AHR (April 9, 2012) **Attachment 1**,
- Reviewed the documentation submitted by AHR and determined that the problems at AHR were systemic, thus requiring an in-depth audit by the IG (May 2012),
- Notified the IG of AHR's financial and programmatic issues and requested a formal [OIG] audit (June 12, 2012) – **Attachment 2**,
- Issued monitoring feedback letter requesting clarification of issues found during CNCS March 12 monitoring visit – **Attachment 3**
- Communicated CNCS' chief concerns regarding AHR to the OIG – **Attachment 4**,
- Placed the RSVP program on manual hold 9/12/2012
- Placed a manual hold on the FGP grant due to concerns with AHR management of funds and lack of adequate documentation (October 2, 2012),
- Issued monitoring feedback letter summarizing and closing out programmatic issues and deferring fiscal issues pending the conclusion of the OIG audit (October 16, 2012) – **Attachment 5**,
- Released the manual hold after AHR provided documentation requested by CNCS (October 26, 2012),
- Identified the original anomaly concerning the volunteer checks not being honored due to insufficient funds (November 2012),
- Notified the sponsor (AHR) immediately,
- Followed up contact with a surprise in-person visit on November 15, 2012 to speak with the AHR Executive Director (ED) and Chief Financial Officer (CFO) who explained that the bounced check was an isolated incident and would not occur in the future,
- Issued a follow-up letter on November 27, 2012 to the AHR ED, CFO, and FGP Project Director, reinforcing the seriousness of the situation and seeking assurances that it was rectified and that any affected grandparents would be compensated for bank fees -- with funds independent of the FGP grant. – **Attachment 6**,
- Followed up with the affected grandparent who verified that she had been made whole,
- Contacted the ED again in early December regarding the issue after receiving a hard copy letter from the affected grandparent, which had been delayed in delivery. The ED of AHR provided additional response in writing – **Attachment 6**,
- Notified the OIG of the bounced check issue,
- Re-established the manual hold on the FGP program at AHR,
- Independent of the OIG's follow-up investigation into the bounced checks, the CSO Director discovered that while the specific instance brought to her attention in November had been rectified, a number of grandparents continued to have trouble cashing checks (April 1, 2013),
- After speaking directly with grandparents and AHR project staff the CSO Director reached out to the OIG investigative team to discuss the ongoing issue,
- The OIG investigative team confirmed that their investigation had also uncovered the check bouncing issues and obtained a full list of affected grandparents from the project staff at AHR which he shared with the CNCS Grants Officer upon request,
- CNCS issued a letter to AHR on April 5, 2013 requesting an immediate response – (Response Received April 8, 2013) – **Attachment 7**, and
- CNCS issued a Summary Suspension on April 16 requiring AHR to suspend all activity as of April 17.

The OIG supplemental report raises concern about CNCS grant monitoring, specifically regarding action and follow-up on identified AHR grant management issues discovered by CNCS prior to our findings in March/April 2012. In addition to the actions that we have undertaken, we also agree that we could have been even more vigilant in our grant monitoring action and follow-up; and if we had been, we may have taken action earlier than we did. We are addressing these areas for improvement in our internal control plan by making strong internal controls more prominent in the culture at CNCS, implementing better risk mitigation assessments prior to grantee award, and increasing our vigilance in our grant monitoring processes. We look forward to working closely with the OIG to leverage resources to ensure proper audits are conducted when potential grantee mismanagement of Federal funds is identified through CNCS grant monitoring processes. We made improvements in our compliance monitoring process when we provided robust project compliance monitoring training for all state office staff in 2009, 2010, and 2011. The training agenda and supplemental materials included case studies, updated tools, and instruction on Generally Accepted Accounting Principles (GAAP) and Internal Controls. This training strengthened our fiscal grant monitoring which is evident in the extensive chain of actions identified above and led the Corporation to request this full OIG audit.

Below are our responses to the recommendations contained in the Summary Report.

S1. The Corporation should review the costs charged by AHR against the FGP and RSVP grants for the years preceding the audit period to determine whether the irregularities identified in the audit and investigation reports occurred during those years and, if so, the amounts to be disallowed as a result.

CNCS Response:

CNCS will request additional financial information from AHR and determine the best course of action regarding the years preceding the audit during audit resolution after we receive the final audit and working papers.

S2. When requiring a manual hold because of indications that a grantee has misdirected Federal funds, the Corporation should consider whether protection of Federal financial interests counsels in favor of requiring the grantee to hold Corporation grant funds in an account separate from funds for unrelated purposes and to make all disbursements related to the grant from that account.

CNCS Response:

The Code of Federal Regulations (45 CFR 2543.22 Payment) does not require a grantee to keep separate accounts. However, CNCS can suggest separate accounts as advantageous and as a best business practice in this specific case. Business practices in which keeping separate accounts may prove advantageous are: when automatic payments are being drawn from that account; when legal reasons require maintaining a separate account, such as when administering a flexible spending account into which employee deductions are deposited and from which a plan administrator withdraws funds; when keeping a small number of separate accounts will make bank reconciliations easier to perform; and finally, when CNCS has evidence that grantees are not able to pay their members or expending CNCS funds on programs other than CNCS programs. With the exception of these few cases, CNCS will keep the number of accounts to a minimum. CNCS has long held that the intent of the regulation is to streamline and ease the burden of the grantees, reducing the number of bank accounts to a minimum resulting in greater efficiency to the overall cash operation of the

organization. Therefore, CNCS will not direct all grantees to keep separate depository accounts as this would be in violation of our own regulations.

53, *“The Corporation should perform a comprehensive review of its internal controls over grant monitoring, including a review of its fiscal monitoring tools and manual hold processes. The review should be performed by someone independent of FFMC.”*

CNCS Response:

Prior to receiving the Supplemental Report, CNCS was implementing an 18-month risk mitigation effort to include financial analysis assessments of the grantee in the pre-decision phase for all CNCS grant-making programs. We have decided to accelerate the effort through a pilot project which will consider financial analysis in the pre-decision phase of the FY 2013 AmeriCorps State and National Grantee selection process. CNCS will assess the results of the pilot prior to finalizing the financial analysis assessment operating procedures moving forward. As part of our ongoing internal control improvement initiative, CNCS will also analyze our current manual hold implementation and release processes.

Given these activities, CNCS believes we have already begun initiating the recommendation that, *“the Corporation should perform a comprehensive review of its internal controls over grant monitoring, including a review of its fiscal monitoring tools and manual hold processes. The review should be performed by someone independent of FFMC.”*

Attachments

cc: Robert Velasco, COO
Rocco Gaudio Deputy CFO, Director FFMC
Rosemary DiRita, Grants Management Specialist, FFMC
Erin McGrath, Director, New Jersey State Program Office
Claire Moreno, Audit Liaison
Angela Roberts, Associate Director, Senior Corps
Margaret Rosenberry, Director, Office of Grant Management
Dr. Erwin Tan, Director, Senior Corps