

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

**AUDIT OF  
CORPORATION FOR NATIONAL & COMMUNITY SERVICE  
GRANTS AWARDED TO  
FAMILY SERVICES OF CENTRAL MASSACHUSETTS**

**OIG REPORT 14-05**

Office of Inspector General

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

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This report was issued to Corporation management on December 11, 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 June 11, 2014, and complete its corrective actions by December 11, 2014. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



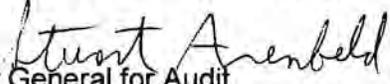
December 11, 2013

**TO:** Stephen Pitcher  
Interim Executive Director, Family Services of Central Massachusetts

Erwin Tan  
Director, Senior Corps

Rocco Gaudio  
Deputy Chief Financial Officer for Grants and FFMC

Sherry McClintock  
Director, Massachusetts State Program Office

**FROM:** Stuart Axenfeld   
Assistant Inspector General for Audit

**SUBJECT:** Office of Inspector General (OIG) Final Report 14-05: *Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts*

Attached is the OIG Final Report 14-05: *Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts*. The 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 June 11, 2014. Notice of final action is due by December 11, 2014.

While the Corporation's state office conducted a monitoring visit in May 2012 and noted various compliance related issues, including lack of staff background checks, inadequate supporting documentation in volunteer files, and lack of signed Memorandum of Understanding, its monitoring visit focused mostly on programmatic aspects. No financial reviews were performed as part of the Corporation's state office monitoring. Based on the financial related findings reported in the draft report, we have an additional recommendation that the Corporation perform a comprehensive financial or fiscal review of the grantee to address the findings in the draft report.

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

Attachment

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Thomas Castro, Partner, Castro & Company, LLC

**OFFICE OF INSPECTOR GENERAL  
AUDIT OF  
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## EXECUTIVE SUMMARY

More than \$1.7 million in Federal costs and nearly \$560,000 in match costs claimed by Family Services of Central Massachusetts (FSCM) under four Senior Corps grants during 2009-2013 were unsubstantiated and/or incurred improperly, in violation of applicable laws, regulations and grant provisions. These overcharges represent more than 71 percent of the Federal costs charged against these four grants, reflecting fundamental weaknesses in the organization's internal controls. The audit revealed deficient financial management and ineffective volunteer station monitoring by FSCM, including:

- Inconsistencies between FSCM's internal records (general ledger) and its periodic financial reports to the Federal government
- Lack of supporting documentation and/or proper approval of claimed costs
- Charges for volunteer travel and meals that were not substantiated
- Failure to ensure income-eligibility for means-tested benefits, as well as other missing eligibility documentation, including background checks and volunteers' written assignment plans
- Lack of formal processes for monitoring its volunteer stations

We note that FSCM's financial and accounting staff appear to be unfamiliar with basic grant accounting requirements and continue to operate under certain noncompliant legacy policies that they do not understand and cannot explain. The grantee's management has not fulfilled its supervisory obligation to ensure that its personnel are adequately trained and their work reviewed for adequacy.

To address the severity of these findings, we recommend that the Corporation withhold additional drawdowns and require supporting documentation prior to any further grant disbursements to FSCM. We also recommend that FSCM improve its grant accounting operations and the related internal controls, by implementing risk-based monitoring plans for volunteer stations, sending accounting personnel to fiscal training and strengthening background checks and volunteers' written assignment plans.

The following table summarizes FSCM's grant awards, the 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 <sup>1</sup> |
|---|--------------------------|---------------------|---------------------|--------------------|------------------|-----------------------|
|   |                          |                     |                     | Federal            | Match            |                       |
| Senior Companion Program Grant 09SCAMA001             | 04/01/2009 to 03/31/2012 | \$1,338,833         | \$942,572           | \$756,036          | \$235,061        | A                     |
| Senior Companion Program Grant 12SCAMA001             | 04/01/2012 to 03/31/2013 | 328,609             | 268,065             | 213,725            | 60,257           | B                     |
| Retired and Senior Volunteer Program Grant 07SRAMA004 | 07/01/2009 to 06/30/2010 | 907,240             | 401,074             | 231,798            | 83,891           | C                     |
| Retired and Senior Volunteer Program Grant 10SRAMA003 | 07/01/2010 to 03/31/2013 | 894,232             | 826,527             | 536,895            | 178,362          | D                     |
| <b>Totals</b>   |                          | <b>\$3,468,914</b>  | <b>\$2,438,238</b>  | <b>\$1,738,454</b> | <b>\$557,571</b> |                       |
| <b>TOTAL QUESTIONED COSTS</b>                         |                          |                     |                     | <b>\$2,296,025</b> |                  |                       |

Overall, the grantee's financial management practices were inadequate to manage Federal funds. The grantee could not provide the necessary documentation to support the majority of the match costs that it claimed. Moreover, it did not properly conduct or document the mandatory background checks for all employees working on the grants. Documentation was also lacking for volunteer meals, travel, salaries and fringe benefits and other direct costs.

This audit was conducted at the request of the Corporation for National and Community Service (Corporation). The Corporation's Office of Inspector General (OIG) engaged Castro & Company, LLC (Castro) to audit the costs incurred by FSCM under grants from the Senior Companion Program (SCP) and Retired and Senior Volunteer Program (RSVP) during a four-year period, in order to determine whether Corporation grants to FSCM were administered according to grant terms and complied with all applicable 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 FSCM 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 FSCM and its policies, procedures, and grants. They also included reviewing documents at FSCM related to volunteer eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements.

<sup>1</sup> Separate schedules detailing the questioned costs are presented in Appendices A through D.

## INTRODUCTION

Family Services Organization of Worcester, Inc., doing business as FSCM, a private non-profit organization, is located in Worcester, Massachusetts. The organization has been serving the Central Massachusetts community since 1889 and was incorporated in 1903. Its mission is to aid individuals and families through life transitions and to serve children and adults by providing counseling, support, guidance, and related services in response to community needs. FSCM received its first Senior Corps grant in 2006, and its activities are funded through the Corporation's Senior Companion Program (SCP) and its Retired Senior Volunteer Program (RSVP).

SCP grants support programs through which volunteers age 55 and older provide supportive, individualized services to help adults with special needs maintain their dignity and independence. A modest stipend of \$2.65 per hour is available to volunteers whose incomes fall below a predetermined threshold pegged to the poverty level. During the audit period, approximately 65 SCP volunteers served at FSCM each year.

RSVP grants support programs through which volunteers age 55 and older 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. During the audit period, approximately 519 RSVP volunteers served annually at FSCM.

## FINDINGS

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

- Finding No. 1 – FSCM's Financial Management Reflects Pervasive Violations of Federal Grant Management Requirements
- Finding No. 2 – FSCM Failed to Ensure that Volunteers Met Eligibility Requirements, Including for the Receipt of Stipends
- Finding No. 3 – Required Background Checks Were Not Conducted or Documented for FSCM Staff
- Finding No. 4 – Disallowance of the Direct Costs Questioned in this Audit Will Render Certain Indirect Costs Unallowable
- Finding No. 5 – FSCM Did Not Adequately Monitor Volunteer Stations
- Finding No. 6 - Federal Financial Reports Were Not Submitted Timely
- Finding No. 7 – FSCM's Record Retention Policy Did Not Meet Grant Requirements

We discuss them in turn, highlighting the questioned costs<sup>2</sup> associated with each finding.

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<sup>2</sup> 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.

**Finding No. 1 – FSCM’s Financial Management Reflects Pervasive Violations of Federal Grant Management Requirements**

Throughout the four-year period beginning in 2009, FSCM failed to comply with grant agreement terms and Federal rules and regulations that require proper accountability for grant funds. FSCM’s internal financial records, maintained in its MAS90 accounting system, show that the organization’s non-Federal share of the program expenses, known as match costs, were lower than reported to the Corporation in its Federal Financial Reports (FFRs).<sup>3</sup> This held true for each of the grants. Timely reconciliations would have detected these discrepancies. In addition, FSCM charged costs against the grants that were not substantiated by adequate documentation and were not properly approved. These improper charges are categorized in the chart below. FSCM’s financial staff was inexperienced in accounting for Federal grants, and that contributed to incorrect charges against the SCP and RSVP grants.

The table below shows the amount of the questioned costs in our tested sample of transactions, for each category, in each of the programs<sup>4</sup>:

| Issues                                      | SCP (09SCAMA001)         |                        | SCP (12SCAMA001)         |                        | Total Questioned Costs | Notes |
|---|--------------------------|------------------------|--------------------------|------------------------|------------------------|-------|
|   | Federal Questioned Costs | Match Questioned Costs | Federal Questioned Costs | Match Questioned Costs |                        |       |
| Differences Between FFRs and General Ledger | \$ -                     | \$130,340              | \$ -                     | \$31,638               | \$161,978              | 1     |
| Salaries and Fringe Benefits                | 6,268                    | -                      | 3,887                    | -                      | 10,155                 | 2     |
| Other Direct Costs                          | 9,947                    | -                      | 2,476                    | -                      | 12,423                 | 3     |
| Volunteer Meals                             | 19,312                   | -                      | 8,169                    | -                      | 27,481                 | 3     |
| Stipend                                     | 1,225                    | -                      | 303                      | -                      | 1,528                  | 4     |
| Match Costs                                 | -                        | 340                    | -                        | 140                    | 480                    | 5     |
| Under Match                                 | 478,767                  | -                      | 123,437                  | -                      | 602,204                | 5     |
| <b>Totals</b>                               | <b>\$515,519</b>         | <b>\$130,680</b>       | <b>\$138,272</b>         | <b>\$31,778</b>        | <b>\$816,249</b>       |       |

<sup>3</sup> 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.

<sup>4</sup> For ease of reference, separate schedules recapping this information for SCP (Appendices A and B) and RSVP (Appendices C and D) appear at the end of this report.

| Issues                                      | RSVP (07SRAMA004)        |                        | RSVP (10SRAMA003)        |                        | Total Questioned Costs | Notes |
|---|--------------------------|------------------------|--------------------------|------------------------|------------------------|-------|
|   | Federal Questioned Costs | Match Questioned Costs | Federal Questioned Costs | Match Questioned Costs |                        |       |
| Differences Between FFRs and General Ledger | \$ -                     | \$44,298               | \$ -                     | \$86,325               | \$130,623              | 1     |
| Salaries and Fringe Benefits                | -                        | -                      | 16,088                   | -                      | 16,088                 | 2     |
| Other Direct Costs                          | 24,042                   | 997                    | 37,311                   | -                      | 62,350                 | 3 & 5 |
| Volunteer Travel                            | 12,784                   | -                      | 27,695                   | 160                    | 40,639                 | 3 & 5 |
| Match Costs                                 | -                        | 4,520                  | -                        | 33,169                 | 37,689                 | 5     |
| <b>Totals</b>                               | <b>\$36,826</b>          | <b>\$49,815</b>        | <b>\$81,094</b>          | <b>\$119,654</b>       | <b>\$287,389</b>       |       |

**NOTES:**

**1. Reconciliation Differences.** We questioned match costs of \$130,340 and \$31,638 on the SCP grants 09SCAMA001 and 12SCAMA001, respectively, and \$44,298 and \$86,325 on the RSVP grants 07SRAMA004 and 10SRAMA003, respectively, based on reconciliation differences between the FFRs and the FSCM general ledger. In each of these cases, the claimed match costs reported on the FFRs exceeded the amounts shown in FSCM's accounting records. Some of the difference resulted from transposition errors when staff manually transferred data from the general ledger into a summary spreadsheet from which the FFRs were prepared. The process lacked quality control and invited mistakes.

In addition, FSCM's general ledger system does not allocate the grant costs between Federal and match costs. Instead, FSCM utilizes the summary analysis spreadsheet to manually allocate costs between Federal and matching shares. FSCM based its allocation of costs (for both the FFR and the general ledger) on the grant budget, rather than by allocating individual transactions consistent with the grant terms. If FSCM's grant budget called for a particular category of expenses to be divided between Federal costs and match, FSCM staff allocated the expenses to the Federal share first, and only then allocated any of the expenses to match. Not only did this approach create a bias in favor of Federal costs, it also means that FSCM cannot specify whether particular expenses were reported as Federal or as match and cannot show the components of the costs reported on the FFRs. Therefore, for reconciliation purposes, we treated as Federal any expenses that could not be definitively identified as match.

These unreconciled differences represent an internal control weakness in FSCM's financial management recordkeeping and transaction processing procedures. In addition, the procedures of accounting for and reporting grant costs were initially developed by a financial manager who is no longer with the organization. The current financial department personnel have striven to follow these procedures; however, they lack the training and knowledge to determine whether these procedures meet Federal requirements or could be more effective if revised.

**2. Salaries and Fringe Benefits.** We questioned salaries and fringe benefit costs where we found that timesheets were missing or unsigned by the employee and/or a supervisor and where an employee's personnel file was missing. In those circumstances, it is impossible to validate the employee's labor charges. For our review of payroll transactions, we selected the following months to review for each grant:

| Grant      | Months   |
|------------|--|
| 09SCAMA001 | May 2009, July 2009, December 2009, May 2010, July 2010, December 2010, May 2011, July 2011, and December 2011 |
| 12SCAMA001 | October 2012 and February 2013   |
| 07SRAMA004 | October 2009 and February 2010   |
| 10SRAMA003 | July 2010, December 2010, May 2011, July 2011, December 2011, May 2012, July 2012, and December 2012           |

Based on our review of the salaries and fringe benefits, we noted the following issues for each grant:

Five employees charged SCP grant 09SCAMA001 during the months reviewed, with a maximum of three individuals charging per month. Five timesheets (relating to three employees) were not signed, for total questioned costs of \$5,682, and one timesheet from another employee was not provided, resulting in unsupported costs of \$586.

FSCM does not require either its employees or their supervisors to date their signatures on the timesheets. There is thus no verification that timesheets were prepared and approved in timely fashion, rather than in advance or long after the fact.

Two employees charged SCP grant 12SCAMA001 during the months reviewed. Two timesheets were not signed and dated by an employee, causing us to question \$2,418. One timesheet was not signed by the employee's supervisor resulting in questioned costs of \$1,469.

Eight employees charged RSVP grant 10SRAMA003, with a maximum of five individuals charging per month. Four timesheets were not signed by an employee, resulting in questioned costs of \$6,282, and three timesheets were not signed by the employees' supervisors, causing us to question an additional \$4,746. No personnel file could be located for one employee, so the organization had no substantiation that she/he was paid at the correct rate. As a result, we questioned that individual's salary for the entire audit period, totaling \$5,060. The employee continues to work on the RSVP grant.

In our discussions with FSCM management, it attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

**3. Other Direct Costs.** We questioned other direct costs due to lack of supporting documentation, improper or no approval for payment, and a lack of explanation on the allocation to the grants. We selected a random sample of other direct costs to review for each grant. Based on our review of the other direct costs, we noted the following issues:

For the SCP grant 09SCAMA001, we reviewed 35 transactions representing \$65,756 of costs charged to the grant. We noted nine transactions, totaling \$7,139, where proper supporting documentation was not provided; and four transactions, totaling \$2,808, that lacked any

evidence that the payments were approved or where the same individual requested the check and approved the payment.

For the SCP grant 12SCAMA001, we reviewed 15 transactions representing \$19,881 of costs charged to the grant. We noted two transactions, totaling \$1,451, that lacked any evidence that they payments were reviewed; and two transactions, totaling \$421, that lacked any supporting documentation; and one transaction charged to SCP grant 12SCAMA001, totaling \$604, where the program supplies costs supported multiple grants and the supporting documentation did not demonstrate how the costs were allocated to SCP and RSVP grants.

For the SCP grants, we noted that FSCM reimbursed the volunteers for meals utilizing an arbitrary rate of \$2.50 per day. The grantee had no evidence to substantiate this rate and the staff could not explain how it was determined. Therefore, we have questioned all volunteer meals paid on both SCP grants resulting in questioned costs of \$19,312 for grant 09SCAMA001 and \$8,169 for 12SCAMA001.

For the RSVP grant 07SRAMA004, we reviewed ten transactions representing \$72,776 of costs charged to the grant. We noted six transactions, totaling \$24,042, that lacked any evidence that the transactions were reviewed and approved

For the RSVP grant 10SRAMA003, we selected a random sample of 27 transactions representing \$134,334 of costs charged to the grant. We noted 11 transactions, totaling \$26,919, where proper documentation was not provided; three transactions, totaling \$9,072, where the payments were not properly approved because support was not maintained to demonstrate how it was approved; and three transactions charged to RSVP grant 10SRAMA003, totaling \$1,320, where the costs supported various grants; however, the supporting documentation did not demonstrate how the costs were allocated to SCP and RSVP grants.

For the RSVP grants, we reviewed six travel costs transactions representing \$40,957 of costs charged to the grant. Based on our review of these travel costs, we noted two transactions, totaling \$2,945, where the supporting documentation was not maintained to show it was approved. In addition, we noted three transactions, totaling \$41, where FSCM reimbursed the volunteers utilizing predetermined flat rates for travel instead of the actual travel costs incurred by the volunteers. FSCM reimbursed volunteers \$1.50 for personally-owned vehicles, \$0.60 for public bus transportation, and \$2.50 for meals; all of these rates were arbitrary and FSCM staff could not explain their basis. Therefore, we questioned all travel costs paid to volunteers, totaling \$12,784 for the 07SRAMA004 and \$24,709, less the specific costs already questioned above for the 10SRAMA003 grant.

In our discussions with FSCM management, it attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

**4. Stipend.** We questioned stipend payments that lacked supporting documentation, including timesheets unsigned by the volunteers and/or their supervisors, and where the hours recorded on volunteers' timesheets differed from the hours for which they were paid. Some of the discrepancies were underpayments and others resulted in overpayments; we questioned only the overpayments.

For SCP grant 09SCAMA001, we selected a random sample of 15 volunteers from the following periods:

| Fiscal Years | Months   |
|--------------|--|
| 2010         | July 2009, September 2009, November 2009, January 2010, February 2010, and March 2010                                      |
| 2011         | April 2010, June 2010, September 2010, December 2010, January 2011, February 2011, and March 2011                          |
| 2012         | April 2011, May 2011, June 2011, August 2011, September 2011, October 2011, November 2011, January 2012, and February 2012 |

We noted nine transactions, totaling \$689, where proper documentation was not provided; four transactions, totaling \$249, where the hours recorded on timesheets were not consistent with the hours for which volunteers were paid; three transactions, totaling \$223, where the volunteer timesheets were not signed by the volunteer; and one transaction, totaling \$64, where a nonstipended (i.e., income-ineligible) volunteer was paid.

For SCP grant 12SCAMA001, we selected a random sample of 15 volunteers from the following periods: March 2013 and April, May, June, July, September, November, and December of 2012. We noted two transactions, totaling \$178, where the volunteer was paid for more hours than reported on the timesheet; and one transaction, totaling \$125, where proper documentation was not provided.

In our discussions with FSCM management, it attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

**5. Match Costs.** We questioned match costs due to lack of supporting documentation and insufficient or no evidence that payments were approved, and also found that the SCP grants did not meet their matching requirements. For each grant, we selected a random sample of match costs to review and noted the following issues:

We reviewed ten transactions for each of the SCP grants, representing \$33,302 and \$16,241 of match costs, respectively. FSCM did not provide adequate support for three transactions for both grants, totaling \$340 and \$106, respectively. Another transaction for \$34 on grant 12SCAMA001 did not have adequate support to demonstrate that it was approved.

For the RSVP grant 07SRAMA004, we reviewed 15 transactions representing \$45,335 of match costs reported. During our review, we noted three transactions, totaling \$4,457, for which there was no supporting documentation to show that the payments were approved; three transactions, totaling \$63, where the amount charged to the grant did not agree to the supporting documentation and also did not reflect how the amount was computed; and one transaction, totaling \$997, where the in-kind documentation did not fully support the amount charged to the grant. This in-kind transaction was related to our testing within Other Direct Costs (note 3). Since FSCM's general ledger system does not allocate the grants costs between Federal and match, we treated this as part of our Federal cost testing.

For RSVP grant 10SRAMA003, we reviewed 14 transactions representing \$126,214 of match costs reported. During our review, we noted five transactions, totaling \$31,978, where no supporting documentation was provided; two transactions, totaling \$1,191, where the supporting documentation was inconsistent with the amount charged to the grant; and one transaction, totaling \$160, where the in-kind voucher did not support the entire amount charged to the grant. This in-kind transaction was related to our testing within Other Direct Costs (note 3). Since

FSCM's general ledger system does not allocate the grants costs between Federal and match, we treated this transaction as part of our Federal cost testing.

In our discussions with FSCM management, it attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

We identified questioned Federal and match costs from note 1 (Reconciliation Differences) and note 5 (Match Costs), and compared the allowable match costs to the amount FSCM is required to match based on the allowable Federal costs. Based on this calculation, we noted that SCP grant 09SCAMA001 fell short of its match requirements by \$172,294. Because the grant required FSCM to match 35.99 percent of Federal costs, this under-matching requires us to question Federal costs of \$478,767. For SCP grant 12SCAMA001, we noted FSCM fell short of its match requirements by \$20,404. Here, the grant required FSCM to match 16.53 percent of the Federal costs, so the match shortfall requires us to question Federal costs of \$123,437.

### Criteria

45 Code of Federal Regulations (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:

- (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, *Cost sharing or matching*, states:

(a) 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.

**Recommendations:**

We recommend that the Corporation:

- 1a. Disallow and recover the questioned costs totaling \$1,103,638;
- 1b. Require FSCM accounting personnel to attend fiscal training to enhance their knowledge of Federal grant accounting requirements and the related internal controls;
- 1c. Ensure that FSCM implements procedures to verify that all costs are adequately documented before entering any costs into its accounting system;
- 1d. Ensure that FSCM revises its timesheet forms for staff and volunteers to require that all signatures, including those of supervisors, be dated;
- 1e. Require that FSCM trains the staff responsible for documenting grant costs to ensure that they completely understand the documentation requirements;
- 1f. Ensure that FSCM's FFRs are consistent with and reconciles to its general ledger, and that supervisory staff review the reconciliations regularly; and
- 1g. Withhold additional drawdowns and require supporting documentation prior to any further grant reimbursements.

FSCM's and Auditor's Response:

FSCM provided its responses for each of the areas discussed within this finding. Our responses to FSCM's responses for each area are noted below:

**1. Reconciliation Differences:**

FSCM's Response: Though FSCM stated that the finding has valid points and the discrepancies noted are serious and deserving of corrective action, they disagreed with the questioned costs because the required matching expenses were met by the end of the grant period.

Auditor's Response: We disagree with FSCM's response and reiterate our recommendations as stated above. This finding was specifically related to the issue that FSCM's general ledger did not agree to the amount of match costs reported on the FFR. FSCM only claimed it met the match requirements, but it did not respond to the unreconciled difference issue.

## 2. **Salaries and Fringe Benefits:**

FSCM's Response: FSCM agreed with the finding and has implemented the following corrective actions:

- Timesheets are reviewed for employee signature and authorized approval by the Fiscal Department.
- Any incomplete or inaccurate timesheets are returned to the appropriate department for correction.
- Sample timesheets are reviewed annually by an outside auditor.
- A missing personnel file was located during the audit process and was properly filed.

Auditor's Response: We agree with FSCM's plan and recommend the Corporation follows up with FSCM to ensure its plan as described above addresses the root cause of the finding and has been properly completed and implemented.

## 3. **Other Direct Costs:**

FSCM's Response: FSCM disagreed with the questioned costs associated with the SCP meals and RSVP local transportation reimbursement because:

- SCP meals rate of \$2.50 was determined in 2008 based on a suggested rate of \$2.00 per meal at an elder dining center with cost of living increases since 2008; and
- RSVP local transportation reimbursement is based on the actual costs associated with using a volunteer's personally-owned vehicle and bus transportation.

FSCM disagreed with the questioned costs associated with the program director's travels due to the lack of approval. FSCM stated that for a number of these transactions, the Program Director was the requestor. FSCM believed that since the check request form was completed and signed by the Program Director as the requesting individual, it was a sufficient approval for the transaction.

Finally, FSCM disagreed with the questioned costs due to the lack of documentation because they stated that the documentation was provided during the course of the audit.

Auditor's Response: We reiterate our recommendations as noted above and disagree with FSCM's position on the SCP meals and RSVP local transportation rates because these rates should be documented to demonstrate they are not arbitrarily determined. In addition, in order for the volunteers to be reimbursed for meals under the SCP grant and for local transportation under the RSVP grant, volunteers are required to have incurred a cost associated with the reimbursement. To ensure the volunteer incurred applicable costs, FSCM should gather information from volunteers documenting their actual costs incurred prior to reimbursements.

Additionally, we disagree with FSCM's comment that transactions requested by the Program Director were properly approved. Basic segregation of duties and internal controls require that all transactions be approved by another individual with a management role within the organization separate from the individual who requests or initiates a transaction, regardless of the requester's position or title.

Finally, FSCM submitted additional documentation after the fieldwork and towards the end of finalizing the draft report. Due to the late submission of this documentation not all documentation could be reviewed. We recommend that the Corporation reviews any documentation associated with the unsupported travel transactions and determines if they support the costs reported under the grants.

#### 4. **Stipend Payments:**

FSCM's Response: FSCM agreed with the finding and implemented the following corrective actions:

- SCP staff has been retrained on correct procedures.
- Fiscal staff will periodically audit a sample selection to assure compliance.
- Materiality of the findings is questioned as only overpayments were reported.

Auditor's Response: We agree with FSCM's action plans to retrain the SCP staff and conduct periodic audits. We recommend the Corporation follows up with FSCM to ensure the plan as described above addresses the root cause of the finding and has been properly completed and implemented. FSCM stated in its response that it questioned the materiality of the finding because only overpayments were reported. This is not a corrective action plan and we disagree with this aspect of FSCM's response. FSCM is responsible for ensuring all appropriate and allowable costs are reported under its CNCS' grants.

#### 5. **Match Costs:**

FSCM's Response: FSCM disagreed with the questioned costs because it believed the match requirements were met by the end of the grant period and it also claimed that the match requirement percentages noted in the finding are incorrect. FSCM also disagreed with the RSVP match questioned costs stating that all documentation was provided during the audit.

Auditor's Response: We reiterate our recommendations as stated above and disagree with FSCM's response because its analysis claiming it met the match requirements does not take into consideration the questioned costs reported within this finding and findings 2 and 3. In addition, FSCM submitted additional documentation after the fieldwork and towards the end of finalizing the draft report. Due to the late submission of this documentation not all documentation could be reviewed. We recommend the Corporation reviews any additional documentation associated with the unsupported match transactions and determine if it supports the costs reported under the RSVP grant.

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

FSCM failed to conduct critical background checks on its volunteers, maintain essential documentation and, in the case of the SCP grants, ensure that volunteers were eligible to receive means-tested benefits. For the last reason, we question the stipend payments of \$35,780 charged to SCP grant 09SCAMA001 as Federal costs and \$8,792 in stipend payments charged to SCP grant 12SCAMA001. The other deficiencies constitute failures to comply with grant agreement terms and applicable laws and regulations.

## **SCP**

SCP 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. SCP had approximately sixty-five (65) volunteers for each SCP grant year within in our audit scope. We reviewed the files of sixty (60) volunteers who received stipend payments from the SCP grants, or fifteen (15) volunteers per grant year. In twelve (12) of these cases, FSCM could not demonstrate that it verified volunteers' age, completion of physical examination, income, or that volunteers were in fact eligible to enroll in the program and receive the payments. FSCM paid a total of \$15,431 to these individuals without ensuring their eligibility.

To protect members of the public served by Senior Corps volunteers, SCP grantees are required to undergo State Criminal Registry Searches and National Sex Offender Public Web site (NSOPW) checks. For 27 of the 60 volunteers in our sample, there were no records in their files to demonstrate that this important safety requirement was met. FSCM paid a total of \$29,141 to these individuals. Six of these 27 volunteers also lacked the eligibility documentation discussed in the previous paragraph, so their questioned costs appear there, rather than here.

We discovered additional deficiencies in the volunteers' files:

- One (1) file did not contain the volunteer's written acknowledgement of program rules and agreement to comply.
- None of the sixty (60) files included evidence of the volunteers' written assignment plans being completed by the respective volunteer stations.

## **RSVP**

RSVP had approximately 519 volunteers for each grant year within our audit scope, of which we reviewed sixty (60). Based on our review of these sixty (60) volunteers' files, we noted the following deficiencies:

- Sixteen (16) files did not contain verification of the volunteer's age.
- All sixty (60) files lacked proof of the volunteer's agreeing to serve without compensation.
- Sixteen (16) files did not contain verification of the volunteer's residing in or nearby the community being served.
- All sixty (60) files lacked the volunteer's written acknowledgement of program rules and agreement to comply.
- All sixty (60) files lacked evidence of the volunteer's written assignment plans being completed by the respective volunteer stations.

We did not question any costs for RSVP volunteers because stipends were not paid to RSVP volunteers.

## **Criteria**

45 CFR §2540.200, *To whom must I apply suitability criteria relating to criminal history?*, states:

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

45 CFR §2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?*, states:

- (a) The State criminal registry check must be conducted on Foster Grandparents, Senior Companions, and AmeriCorps State and National participants and grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities, who enroll in, or are hired by, your program after November 23, 2007. For all other covered individuals, the State criminal registry check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.
- (b) The National Sex Offender Public Web site check must be conducted on an individual who is serving, or applies to serve, as a Foster Grandparent, Senior Companion, or AmeriCorps State and National participant or grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities on or after November 23, 2007. For all other covered individuals, the National Sex Offender Public Web site check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.

45 CFR §2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

- (a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and
- (b) Maintain the results of the National Service Criminal History check (unless precluded by State law) and document in writing that you considered the results in selecting the individual.

45 CFR §2551.25, *What are a sponsor's administrative responsibilities?*, states:

A sponsor shall:

[omitted]

- (g) Establish record keeping/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 §2551.41, *Who is eligible to be a Senior Companion?*, states:

(a) To be a Senior Companion, an individual must:

- (1) Be 55 years of age or older;

- (2) Be determined by a physical examination to be capable, with or without reasonable accommodation, of serving adults with special needs without detriment to either himself/herself or the adults 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 §2551.43, *What income guidelines govern eligibility to serve as a stipended Senior Companion?*, states:

- (a) To receive a stipend, a Senior Companion may not 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 200 percent of the poverty line, as set forth in 42 U.S.C. 9902 (2).
- (b) For applicants to become stipended Senior Companion, annual income is projected for the following 12 months, based on income at the time of application. For serving stipended Senior Companion, 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 Senior Companion 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 §2551.44, *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 §2551.42, *What type of criminal convictions or other adjudications disqualify an individual from serving as a Senior Companion or as Senior Companion grant-funded employee?*, states:

Any individual who is registered, or who is required to be registered, on a State sex offender registry, or who has been convicted of murder, as defined under Federal law in section 1111 of title 18, United States Code, is deemed unsuitable for, and may not serve in, a position as a Senior Companion or as a Senior Companion grant-funded employee.

45 CFR §2551.72, *Is a written volunteer assignment plan required for each volunteer?*, states:

- (a) All Senior Companion performing direct services to individual clients in home settings and individual clients in community-based setting, shall receive a written volunteer assignment plan developed by the volunteer station that:
  - (1) Is approved by the sponsor and accepted by the Senior Companion;
  - (2) Identifies the client(s) to be served;
  - (3) Identifies the role and activities of the Senior Companion and expected outcomes for the client(s);
  - (4) Addresses the period of time each client is expected to receive such services; and
  - (5) Is used to review the status of the Senior Companion's services in working with the assigned client(s), as well as the impact of the assignment on the client(s).
- (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:

[omitted]

- (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 \$44,572;
- 2b. Ensure that FSCM staff attend 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;
- 2c. Require FSCM to develop and implement procedures to ensure that volunteer eligibility requirements are met and proper documentation is maintained;
- 2d. Ensure that FSCM volunteer stations create and document volunteers' written assignment plans; and
- 2e. Given the high incidence of absent eligibility documentation, conduct a comprehensive review of all FSCM volunteer files and disallow costs for volunteers whose eligibility is not documented.

FSCM's Response:

FSCM stated that it conducted background checks for all 27 volunteers identified in the report. FSCM claimed it did not identify any issues, and therefore disagreed with the recommendation

to recover the questioned costs. In addition, FSCM stated that the state's background check system no longer maintains historical background check information, which now requires FSCM to maintain printed compliance results and document them in the volunteer file.

FSCM disagreed with the finding and questioned costs and stated that the volunteers were properly verified for eligibility associated with their age and income. In addition, FSCM stated that the volunteer physicals were completed once a year on their anniversary date joining the program and the volunteers selected for audit had not yet reached their anniversary dates.

Finally, FSCM agreed with the portion of the finding that related to the RSVP grant and took these actions:

- RSVP has implemented a checklist to ensure that necessary documents are obtained from each volunteer. This checklist will be maintained within the volunteer's file.
- Human resource staff will periodically audit a sample of volunteer files to ensure compliance.

Auditor's Response:

We continue to make the recommendations as stated above. The criminal background checks, verification of volunteers' age and income, and completion of physical examination are required SCP regulations that must be performed before the volunteers start with the program and receive stipends. Any stipends paid to volunteers before conducting all necessary background checks and eligibility verifications should not be allowed and should be recovered. Volunteers should be properly cleared with all documentation before they start with the program. Furthermore, the fact that the volunteers' anniversary dates had not been reached does not preclude FSCM's requirements to have volunteer's physicals conducted before they were allowed to start with the program.

We agree with the action implemented by FSCM related to the RSVP grant volunteers' files and recommend the Corporation follows up with FSCM to ensure its procedures have been implemented and address the root cause of the finding.

**Finding No. 3 – Required Background Checks Were Not Conducted or Documented for FSCM Staff**

FSCM was unable to demonstrate that it conducted or documented National Service Criminal History or NSOPW checks for its SCP and RSVP employees, resulting in questioned Federal costs of \$204,737 charged to the SCP 09SCAMA001 grant, \$66,661 charged to the SCP 12SCAMA001 grant, \$194,972 charged to the RSVP 07SRAMA004 grant, and \$440,163 charged to the RSVP 10SRAMA003 grant, for the salaries and fringe benefits associated with these employees. These questioned Federal costs were associated with all six (6) SCP employees and all eight (8) of the RSVP employees. These questioned salaries and fringe benefits amounts do not include the costs questioned within Finding No. 1 above.

FSCM Program Directors claimed that all FGP and RSVP staff have a criminal history check performed; however, the documentation to support that the background checks were performed was not provided by FSCM during the fieldwork. 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.

Once again FSCM management attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

## Criteria

45 CFR §2540.200, *To whom must I apply suitability criteria relating to criminal history?*, states:

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

45 CFR §2540.203, *When must I conduct a State criminal registry check and a National Sex Offender Public Web site check on an individual in a covered position?*, states:

(a) The State criminal registry check must be conducted on Foster Grandparents, Senior Companions, and AmeriCorps State and National participants and grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities, who enroll in, or are hired by, your program after November 23, 2007. For all other covered individuals, the State criminal registry check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.

(b) The National Sex Offender Public Web site check must be conducted on an individual who is serving, or applies to serve, as a Foster Grandparent, Senior Companion, or AmeriCorps State and National participant or grant-funded staff with recurring access to children, persons age 60 or older, or individuals with disabilities on or after November 23, 2007. For all other covered individuals, the National Sex Offender Public Web site check must be conducted on an individual who enrolls in, or is hired by, your program on or after October 1, 2009.

45 CFR §2540.205, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

- (a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and
- (b) Maintain the results of the National Service Criminal History check (unless precluded by State law) and document in writing that you considered the results in selecting the individual.

45 CFR §2551.25, *What are a sponsor's administrative responsibilities?*, states:

A sponsor shall:

[omitted]

(g) Establish record keeping/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 §2551.42, *What types of criminal convictions or other adjudications disqualify an individual from serving as a Senior Companion or as a Senior Companion grant-funded employee?*, states:

Any individual who is registered, or who is required to be registered, on a State sex offender registry, or who has been convicted of murder, as defined under Federal law in section 1111 of title 18, United States Code, is deemed unsuitable for, and may not serve in, a position as a Senior Companion or as a Senior Companion grant-funded employee.

### **Recommendations:**

We recommend that the Corporation:

- 3a. Disallow and recover the questioned costs totaling \$906,533;
- 3b. Ensure that FSCM staff attend training associated with the grant requirements and the proper way to document its compliance with these requirements;
- 3c. Require FSCM to develop and implement procedures to ensure that grant requirements associated with the National Service Criminal History and NSOPW checks for employees are met and documented; and
- 3d. Since none of the staff charged to these grants had undergone or documented the necessary background checks, any costs for their services prior to the audit period should be disallowed. The Corporation should also review the eligibility of any other staff who worked on these grants before the audit period.

### FSCM's Response:

FSCM completed criminal background checks for all required individuals. Since FSCM did not identify any issues and therefore disagreed with the recommendation to recover the questioned costs reported under this finding. In addition, FSCM stated that it would work diligently to ensure required background checks are properly documented in their employee files in the future.

### Auditor's Response:

We continue to make the recommendations as stated above and note that FSCM did not respond to recommendations 3b through 3d. The Corporation should ensure that FSCM implements these recommendations.

### **Finding No. 4 – Disallowance of the Direct Costs Questioned in this Audit Will Render Certain Indirect Costs Unallowable**

FSCM applies its approved indirect cost rate to all direct costs charged to the SCP and RSVP grants, excluding capital expenditures and subawards. Based on the questioned costs

disclosed within this report (Findings No. 1 through 3), we summarized the questioned indirect costs as follows: \$104,381 on SCP 09SCAMA001; \$28,479 on SCP 12SCAMA001; \$34,076 on RSVP 07SRAMA004; and \$74,346 on RSVP 10SRAMA003 grants.

FSCM calculates its indirect cost rate annually and this rate is approved by the Program Support Center, Financial Management Services, Division of Cost Allocations of the Department of Health and Human Services. For each of the fiscal years under audit, the FSCM approved indirect cost rates were as follows:

| Fiscal Year   | Indirect Cost Rate |
|---------------|--------------------|
| June 30, 2010 | 12.1%              |
| June 30, 2011 | 11.6%              |
| June 30, 2012 | 11.6%              |
| June 30, 2013 | 11.6%              |

We applied the above rates to each of the questioned costs, by the fiscal year when the costs were incurred. Based on this procedure, we calculated the questioned costs for each grant as follows:

| Finding No. | SCP 09SCAMA001   |                       | SCP 12SCAMA001   |                       |
|-------------|------------------|-----------------------|------------------|-----------------------|
|             | Questioned Costs | Indirect Cost (Match) | Questioned Costs | Indirect Cost (Match) |
| 1           | \$646,199        | \$ 76,084             | \$170,050        | \$19,726              |
| 2           | 35,780           | 4,217                 | 8,792            | 1,020                 |
| 3           | 204,737          | 24,080                | 66,661           | 7,733                 |
| Totals      | \$886,716        | \$104,381             | \$245,503        | \$28,479              |

| Finding No. | RSVP 07SRAMA004  |                       | RSVP 10SRAMA003  |               |          |          |
|-------------|------------------|-----------------------|------------------|---------------|----------|----------|
|             | Questioned Costs | Indirect Cost (Match) | Questioned Costs | Indirect Cost |          |          |
|             |                  |                       |                  | Federal       | Match    | Total    |
| 1           | \$86,641         | \$10,484              | \$200,748        | \$2,831       | \$20,456 | \$23,287 |
| 3           | 194,972          | 23,592                | 440,163          | 12,807        | 38,252   | 51,059   |
| Totals      | \$281,613        | \$34,076              | \$640,911        | \$15,638      | \$58,708 | \$74,346 |

**Recommendation:**

We recommend that the Corporation:

4. Disallow and recover the questioned costs totaling \$241,282.

FSCM's Response:

FSCM disagreed with the recovery of these questioned indirect costs based on its disagreements with the questioned costs reported in Findings No. 1, 2, and 3.

Auditor's Response:

We disagree with FSCM's assessment on Findings No. 1, 2, and 3; therefore, and as previously stated, we recommend the questioned indirect costs reported in this finding be recovered.

**Finding No. 5 – FSCM Did Not Adequately Monitor Volunteer Stations**

FSCM's SCP and RSVP programs conduct their activities at multiple sites, sixteen (16) volunteer stations in the case of SCP and sixty-three (63) stations for RSVP. Program sponsors are expected to enter into Memoranda of Understanding (MOUs) with each volunteer station, to set forth project requirements and divide responsibilities between the sponsor and the on-site supervisors. The sponsor is also expected to monitor the volunteer sites to ensure that the program achieves its objectives and complies with applicable requirements.

We reviewed FSCM's oversight of ten (10) volunteer stations, divided evenly between RSVP and SCP. None of the SCP sites had a signed MOU. FSCM stated that it is now reviewing all of its SCP volunteer sites and will obtain a signed MOU for each.

FSCM also has no formal process for monitoring SCP and RSVP volunteer stations. During the audit period, FSCM monitored the stations reactively, as issues came to its attention, rather than based on a systematic risk assessment. The grantee did not document whatever monitoring activities it performed. FSCM advises that the Program Directors for the SCP and RSVP grants are currently developing a formal process for monitoring the volunteer stations.

**Criteria**

45 CFR §2551.23(c), *What are a sponsor's program responsibilities?*, states:

Develop and manage a system of volunteer stations by:

[omitted]

(2) Ensuring that the placement of Senior Companions is governed by a Memorandum of Understanding:

- (i) That is negotiated prior to placement;
- (ii) That specifies the mutual responsibilities of the station and sponsor;
- (iii) That is renegotiated at least every three years; and
- (iv) That states the station assures it will not discriminate against volunteers or in the operation of its program on the basis of race; color; national origin, including individuals with limited English proficiency; sex; age; political affiliation; religion; or on the basis of disability, if the participant or member is a qualified individual with a disability.

45 CFR §2553.23(c)(3), *What are a sponsor's program responsibilities?*, states:

Develop and manage a system of volunteer stations by to provide a wide range of placement opportunities that appeal to persons age 55 and over by:

- (3) Annually assessing the placements of RSVP volunteers to ensure the safety of volunteers and their impact on meeting the needs of the community.

**Recommendations:**

We recommend that the Corporation:

- 5a. Ensure FSCM execute MOUs for all volunteer stations; and
- 5b. Ensure FSCM develops and implements risk-based monitoring plans for all volunteer stations to ensure they are adhering to their grant mission.

FSCM's Response:

FSCM disagreed with our finding. FSCM stated that their MOUs are in compliance with requirements that are renegotiated every three years. In addition, FSCM stated that regulations do not stipulate the need to document volunteer station site visits; however, they stated that they have developed a formal process of volunteer station monitoring, including requirements to document FSCM visits to volunteer stations and communications with volunteer stations.

Auditor's Response:

We continue to make the recommendations as stated above. FSCM only addressed the documentation aspect and requirements of volunteer station monitoring, but it did not address whether it would take a risk-based monitoring approach to its volunteer stations; or if so, how its risk-based monitoring plans would be designed and executed.

We disagree with FSCM's statement regarding the regulations not stipulating the need to document station visits. FSCM should follow 45 CFR §2551.23(c), which addresses the development and management of a system of volunteer stations. Controls developed to monitor a system of volunteer stations should be documented in order to demonstrate compliance with the regulation but also to properly manage the volunteer stations and follow-up on issues noted during the station visits. However, we agree with FSCM's actions to develop a formal process for station monitoring. We recommend that the Corporation follows up with FSCM to verify the effectiveness and proper implementation of FSCM's volunteer station monitoring process and its related internal controls to ensure it addresses the root cause of the finding.

**Finding No. 6 - Federal Financial Reports Were Not Submitted Timely**

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

- One (1) of the seven (7) SCP grant FFRs were submitted 47 days past the due date.

- Two (2) of the six (6) RSVP grant FFRs were submitted late, with one being 17 days past due and the other 18 days past due.

FSCM management again attributed the above exceptions to staff turnover and inexperienced staff not strictly adhering to the FSCM's Accounting Procedures Manual.

When FFR reports are filed late, the Corporation is unable to monitor FSCM'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. Though the delays here were not prolonged, a grantee should be prepared to submit the required reports in timely fashion.

### **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:

- 6a. Ensure FSCM 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; and
- 6b. Ensure FSCM maintains correspondence and all related documentation to support its FFR submissions to the Corporation.

### FSCM's Response:

FSCM agreed with the finding and stated that it implemented corrective actions to address the issues. The corrective actions included implementing internal controls to ensure all expenditures are timely reported in the FFRs by the required due dates. In addition, monthly reconciliations, general ledger detail reports, copies of the FFR submission, and the FFR submission confirmations will be maintained in a file dedicated to each grant program and will be reviewed periodically by the Executive Director.

### Auditor's Response:

We agree with FSCM that internal controls need to be implemented to ensure all expenditures are timely reported in the FFRs by the required due dates; however, FSCM did not provide specific details describing what and how the internal controls would be implemented. Therefore, we recommend the Corporation follows up with FSCM to determine the effectiveness and proper implementation of these internal controls and to ensure FSCM addresses the root cause of the finding.

## **Finding No. 7 – FSCM’s Record Retention Policy Did Not Meet Grant Requirements**

The records retention policies set forth in FSCM’s Accounting Procedures Manual do not comply with the grant requirements established for non-profit organizations. The Manual prescribed the following retention periods:

- Bank Statements for three years
- General correspondence for two years
- General ledgers / year-end trial balances for five years
- Invoices for four years
- Timesheets / cards / slips for four years

Moreover, FSCM calculates the above retention periods from the date on which the documents were created.

FSCM’s retention policies [and practices] are not consistent with the Corporation’s regulation, set forth in 45 CFR §2543.53(b), *Retention and access requirements for records*:

Financial records, supporting documents, statistical records, 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 or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency.

Maintaining adequate supporting documentation is necessary to track expenses, provide support for program accomplishments, and maintain an audit trail that can be reviewed. A record retention policy that is consistent with the Corporation’s regulations would provide uniform guidance to all employees, and would facilitate the retention of financial records for the sufficient length of time required.

### **Recommendation:**

We recommend that the Corporation:

7. Ensure that FSCM revises its Accounting Procedures Manual so that its record retention policy adheres to the applicable regulation, which requires that support for Corporation grants be retained for a minimum of three years after submission of final expenditure report.

### **FSCM’s Response:**

FSCM agreed with the finding and stated that it has updated its Accounting Procedures Manual to reflect a new retention policy of five to seven years, based on the type of document to be retained. For example, bank statements will be retained for seven years and general correspondence for five years.

### **Auditor’s Response:**

We continue to make the recommendations as stated above. FSCM has not adequately addressed requirements from 45 CFR §2543.53(b), which states documentation “shall be

retained for a period of three years from the date of submission of the final expenditure report or ... from date of the submission of the quarterly or annual financial report" (emphasis added). The retention policy should not be based on the type of supporting documentation, but on the submission date of final expenditure report, quarterly or annual financial report. For example, during an ongoing audit/investigation or pending legal actions, documents must be retained for a longer retention period until the audit/investigation is concluded or legal matters are resolved. FSCM should address these situations in its record retention policy and the Corporation should ensure that FSCM includes these further revisions in its record retention policy.

## **OBJECTIVES AND SCOPE**

Castro & Company, LLC was contracted by the OIG to conduct a financial audit designed to determine whether FSCM 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 four-year period from early 2009 to early 2013, during which FSCM received a total of \$3.47 million under four Corporation grant awards. Of this amount, FSCM reported \$2.44 million as claimed costs on its FFRs.

The audit procedures required Castro to obtain an understanding of FSCM and its policies, procedures and grants. They also included reviewing documents at FSCM'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 randomly selecting samples to test costs claimed by FSCM 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 on-site fieldwork at the FSCM offices in Worcester, Massachusetts, from June 3, 2013, to June 14, 2013. We allowed FSCM additional time to gather documents needed to complete our testing procedures; therefore, we extended the fieldwork to June 28, 2013.

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.

## **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. SCP volunteers 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.

FSCM was established in 1889 as a private non-profit organization. Its mission is to aid individuals and families through life transitions, and to serve children and adults by providing counseling, support, guidance, and related services in response to community needs. FSCM received its first Senior Corps grant in 2006, and its activities are funded through the Corporation's SCP and RSVP.

### **EXIT CONFERENCE**

Our exit conference was conducted on August 23, 2013. At the exit conference, we presented each of the findings set forth in this report. The FSCM response was received on November 15, 2013 and is included in the appropriate sections of this report. The Corporation's response was received on November 15, 2013. Both sets of comments in their entirety are included in Appendices E and F, respectively.

*Castro & Company, LLC*

December 9, 2013  
Alexandria, VA

# **APPENDICES**

**FAMILY SERVICES OF CENTRAL MASSACHUSETTS  
SCHEDULE OF QUESTIONED COSTS  
AWARD NO. 09SCAMA001 (SCP)**

| Issues  | Questioned Costs |                  | Totals           | Notes |
|---|------------------|------------------|------------------|-------|
|   | Federal Costs    | Match Costs      |                  |       |
| Inadequate Accounting Operations Controls                 | \$ 515,519       | \$130,680        | \$646,199        | 1     |
| Missing Eligibility Determination                         | 35,780           | -                | 35,780           | 2     |
| Missing Criminal and Sex Offender Documentation for Staff | 204,737          | -                | 204,737          | 3     |
| Indirect Costs  | -                | 104,381          | 104,381          | 4     |
| <b>Totals</b>   | <b>\$756,036</b> | <b>\$235,061</b> | <b>\$991,097</b> |       |

**NOTES:**

1. FSCM's FFRs did not reconcile to its general ledger (\$130,340 Match). The grantee also lacked documentation to support salaries and fringe benefits, other direct costs, stipends and match costs (\$17,440 Federal, \$340 Match). In addition, the volunteer meals were paid based on an arbitrary rate and not substantiated by actual costs incurred (\$19,312 Federal). Finally, the grantee did not meet its match requirements resulting in Federal costs being questioned (\$478,767 Federal). (See Finding No. 1)
2. FSCM lacked written evidence to demonstrate that certain volunteers in our testing sample were eligible to receive means-tested payments. (See Finding No. 2)
3. FSCM did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its employees. (See Finding No. 3)
4. FSCM over reported the indirect costs due to the questioned costs noted during the audit. (See Finding No. 4)

**FAMILY SERVICES OF CENTRAL MASSACHUSETTS  
SCHEDULE OF QUESTIONED COSTS  
AWARD NO. 12SCAMA001 (SCP)**

| Issues  | Questioned Costs |                 | Totals           | Notes |
|---|------------------|-----------------|------------------|-------|
|   | Federal Costs    | Match Costs     |                  |       |
| Inadequate Accounting Operations Controls                 | \$138,272        | \$31,778        | \$170,050        | 1     |
| Missing Eligibility Determination                         | 8,792            | -               | 8,792            | 2     |
| Missing Criminal and Sex Offender Documentation for Staff | 66,661           | -               | 66,661           | 3     |
| Indirect Costs  | -                | 28,479          | 28,479           | 4     |
| <b>Totals</b>   | <b>\$213,725</b> | <b>\$60,257</b> | <b>\$273,982</b> |       |

**NOTES:**

1. FSCM's FFRs did not reconcile to its general ledger (\$31,638 Match). The grantee also lacked documentation to support salaries and fringe benefits, other direct costs, stipends and match costs (\$6,666 Federal, \$140 Match). In addition, the volunteer meals were paid based on an arbitrary rate and not substantiated by actual costs incurred (\$8,169 Federal). Finally, the grantee did not meet its match requirements resulting in Federal costs being questioned (\$123,437 Federal). (See Finding No. 1)
2. FSCM lacked written evidence to demonstrate that certain volunteers in our testing sample were eligible to receive means-tested payments. (See Finding No. 2)
3. FSCM did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its employees. (See Finding No. 3)
4. FSCM over reported the indirect costs due to the questioned costs noted during the audit. (See Finding No. 4)

**FAMILY SERVICES OF CENTRAL MASSACHUSETTS  
SCHEDULE OF QUESTIONED COSTS  
AWARD NO. 07SRAMA004 (RSVP)**

| Issues  | Questioned Costs |                 | Totals           | Notes |
|---|------------------|-----------------|------------------|-------|
|   | Federal Costs    | Match Costs     |                  |       |
| Inadequate Accounting Operations Controls                 | \$ 36,826        | \$49,815        | \$ 86,641        | 1     |
| Missing Criminal and Sex Offender Documentation for Staff | 194,972          | -               | 194,972          | 2     |
| Indirect Costs  | -                | 34,076          | 34,076           | 3     |
| <b>Totals</b>   | <b>\$231,798</b> | <b>\$83,891</b> | <b>\$315,689</b> |       |

**NOTES:**

1. FSCM's FFRs did not reconcile to its general ledger (\$44,298 Match). The grantee also lacked documentation to support other direct costs and match costs (\$24,042 Federal, \$5,517 Match). In addition, the volunteer travel were paid based on an arbitrary rate and not substantiated by actual costs incurred (\$12,784 Federal). (See Finding No. 1)
2. FSCM did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its employees. (See Finding No. 3)
3. FSCM over reported the indirect costs due to the questioned costs noted during the audit. (See Finding No. 4)

**FAMILY SERVICES OF CENTRAL MASSACHUSETTS  
SCHEDULE OF QUESTIONED COSTS  
AWARD NO. 10SRAMA003 (RSVP)**

| Issues  | Questioned Costs |                  | Totals           | Notes |
|---|------------------|------------------|------------------|-------|
|   | Federal Costs    | Match Costs      |                  |       |
| Inadequate Accounting Operations Controls                 | \$ 81,094        | \$119,654        | \$200,748        | 1     |
| Missing Criminal and Sex Offender Documentation for Staff | 440,163          | -                | 440,163          | 2     |
| Indirect Costs  | 15,638           | 58,708           | 74,346           | 3     |
| <b>Totals</b>   | <b>\$536,895</b> | <b>\$178,362</b> | <b>\$715,257</b> |       |

**NOTES:**

1. FSCM's FFRs did not reconcile to its general ledger (\$86,325 Match). The grantee also lacked documentation to support salaries and fringe benefits, other direct costs and match costs (\$53,399 Federal, \$33,169 Match). In addition, the volunteer travel were paid based on an arbitrary rate and not substantiated by actual costs incurred (\$27,695 Federal, \$160 Match). (See Finding No. 1)
2. FSCM did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its employees. (See Finding No. 3)
3. FSCM over reported the indirect costs due to the questioned costs noted during the audit. (See Finding No. 4)

**APPENDIX E**

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**FAMILY SERVICES OF CENTRAL MASSACHUSETTS  
RESPONSE TO DRAFT REPORT**

# Family Services

O F C E N T R A L M A S S A C H U S E T T S

31 Harvard Street • Worcester, Massachusetts 01609 • (508)756-4646 • FAX(508)791-4755

## **Finding No. 1 – FSCM’s Financial Management Reflects Pervasive Violations of Federal Grant Management Requirements**

### *Finding 1.1 – Reconciliation Differences*

While there are valid points to this finding, Family Services does not agree with the calculation of the questioned costs for any of the grant years identified. The discrepancies noted between the FFRs and the General Ledger, while serious and deserving of a corrective action plan, constitute a Cash Management Finding rather than questioned costs. Our basis for this argument is that for each of the grant periods under audit, the required matching expenses were met by the end of the grant period. The finding and resulting costs that are being questioned deal with not allowing costs to be applied to the Organization’s matching requirement. We feel this calculation is incorrect. As shown in the table below, taking the total grant period expenditures (per the general ledger) and subtracting the actual federal cash payments made results in sufficient matching expenses for each grant period. Therefore, based on this analysis, we disagree with the questioned costs amounting to \$ 161,978 for the SCP grants and \$ 130,623 for the RSVP grants.

Table 1:

|                          | SCP Grants        |                   | RSVP Grants       |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
|                          | <u>09SCAMA001</u> | <u>12SCAMA001</u> | <u>07SRAMA004</u> | <u>10SRAMA003</u> |
| Total Grant Expenditures | \$ 933,863        | \$ 280,688        | \$ 394,887        | \$ 870,657        |
| Total Federal Draws      | 770,802           | 206,557           | 279,071           | 568,597           |
| Difference = Match       | <u>\$ 163,062</u> | <u>\$ 74,131</u>  | <u>\$ 115,816</u> | <u>\$ 302,060</u> |
| % of Total Expenses      | <b>17%</b>        | <b>26%</b>        | <b>29%</b>        | <b>35%</b>        |
| Required Match           | 10%               | 10%               | 30%               | 30%               |

*Finding 1.2 – Salaries and Fringe Benefits*

The finding and resulting costs questioned in the audit are not being disputed. A number of timesheets were unsigned or lacked a supervisor's approval. Further there was an employee without a personnel file. We have taken the following steps to remedy this deficiency in our procedures:

- Time sheets are reviewed for employee signature and authorized approval by the Fiscal Department.
- Any incomplete or inaccurate timesheets are returned to the appropriate department for correction.
- Sample timesheets are reviewed annually by an outside auditor.
- Missing personnel file was located during the audit process and was properly filed.

With these corrective actions in place, we feel the problems identified will be adequately remedied.

*Finding 1.3 – Other Direct Costs*

We disagree with the following findings and questioned costs:

- A) **For the SCP grants, we noted that FSCM reimbursed the volunteers for meals utilizing an arbitrary rate of \$2.50 per day.**

This reimbursement rate was determined in 2008 based on the suggested rate of \$2.00 per meal at elder dining centers (Elder Services, Senior Centers, Meals on Wheels) with a cost of living increase added.

Therefore, we disagree with the recommendation to recover the \$27,481 in costs for meal reimbursements for the SCP grants.

- B) **Family Services reimbursed RSVP volunteers \$1.50 for personally-owned vehicles, \$0.60 for public bus transportation, and \$2.50 for meals; all of these rates were arbitrary and FSCM staff could not explain their basis.**

- The rate of \$1.50 per trip is a stipend consisting of a sum to offset costs of gas and depreciation of personally owned vehicles. Based on current gas and depreciation rates, this represents a trip of less than ½ mile.
- \$0.60 public transportation fee is based on historical costs from the Worcester Regional Transit Authority. The current fee is \$1.50.
- RSVP does not reimburse for meals.

Therefore, we disagree with the recommendation to recover the \$37,493 (\$12,784 & \$24,709) in costs for travel reimbursements for the RSVP grants.

**C) Transactions lacking approval.**

A number of transactions selected and reported as having no evidence of approval were in fact disbursements requested by the particular program director. The check request form was completed and signed by the program director as the requesting individual which is sufficient approval for the transaction. We disagree with the identified questioned costs in the amount of \$ 17,203.

**D) Transactions lacking documentation:**

A few transactions were identified as not having sufficient documentation and ultimately questioned by the audit. Specifically, two transactions totaling \$26,796 that reflected accruing In-Kind expenses applicable to the matching requirement did have a properly completed and signed In-Kind voucher by the donating organization and/or individuals. This documentation was provided during the course of the audit, however it was not reflected in the audit report.

*Finding 1.4 – Stipend Payments*

We agree with the finding and are taking the following corrective actions to address the issues identified:

- SCP staff has been retrained on correct procedure.
- Fiscal staff will periodically audit a sample selection to assure compliance.
- Materiality of the findings are questioned as only overpayments were reported.

*Finding 1.5 – Match Costs*

**SCP**

We disagree with the finding based on the analysis provided under *Finding 1.1*. The matching requirements were met for each of the grant periods under audit. Further, the matching requirement percentages stated in the finding **are incorrect and unsubstantiated**. We disagree with the recommendation to recover the questioned costs totaling \$ 478,767 and \$123,437.

**RSVP**

We disagree with a transaction that was identified as having no supporting documentation. A questioned cost in the amount of \$ 31,942 for In-Kind advertising has an In-Kind Voucher signed by the donating organization. This documentation was provided during the audit but not reflected in the audit report.

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

**SCP**

Family Services has since conducted the required background checks on the 27 identified volunteers lacking evidence in their volunteer files. There were no issues identified in the

criminal history search, therefore we disagree with the recommendation to recover questioned costs of \$29,141 related to this finding. The background checks were originally completed, however, nothing in the files indicated that such a compliance step was performed as the state system, at that time, kept historical information. A change in the state system which eliminated the historical information file now requires us to maintain printed compliance documentation directly in the volunteers file.

We disagree with the recommendation to recover questioned costs of \$15,431 related to this finding regarding verification of volunteers' age, completion of physical examination, income, or that volunteers were in fact eligible to enroll in the program and receive the payments.

- Background checks on the 27 volunteers did include age verification.
- Physicals are done once a year based on the anniversary date. Subsequently, all physicals are up to date. The sample taken during the audit questioned volunteers not yet at their anniversary date.
- Income eligibility was verified by viewing the earnings/benefits statement provided by social security. Going forward, copies of the statement will be stored in each volunteer file.
- Volunteer's written assignment plans are being completed by the respective volunteer stations and will be stored in each volunteer file.
- Human Resources staff will periodically audit a sample selection to assure compliance.

### **RSVP**

We agree with the finding and are taking the following corrective action to address the issues identified:

- RSVP has implemented a checklist to be copied into each volunteers file to assure that the necessary documents have been obtained which includes age verification, residing in or near the community served, a completed CORI check and a signed acknowledgment agreeing to comply with program rules.
- Human resources staff will periodically audit a sample selection to assure compliance.

### **Finding No. 3 – Required Background Checks Were Not Conducted or Documented for FSCM Staff**

We disagree with the recommendation to recover \$906,533 in questioned costs for the grants. All the staff identified subsequently had a criminal background check completed without any identified issues. Family Services has rectified the lack of required documentation in employee files and will work diligently to insure that every required procedure is properly documented in the employee files going forward.

### **Finding No. 4 – Disallowance of the Direct Costs Questioned in this Audit Will Render Certain Indirect Costs Unallowable**

With the disagreements noted above, we disagree with the amount of indirect questioned costs identified in the amount of \$241, 282.

## **Finding No. 5 – FSCM Did Not Adequately Monitor Volunteer Stations**

We disagree with the finding regarding adequately monitoring volunteer stations.

### **SCP**

Regulations require signed MOU's to be renegotiated every three years. Although the newest MOU's were in the review process during the time of the audit, the Senior Companion Program still met the three year requirement for signed MOU's on file based on those from 2012.

Although the regulations do not stipulate that there needs to be specific documentation regarding station visits, SCP has developed a formal process for station monitoring. The SCP staff is in constant contact with the volunteer stations via the telephone, email, and scheduled station visits. New forms are in place to provide consistent documentation of visits and communication with the stations and maintained in files specific to each station.

### **RSVP**

Regulations require signed MOU's to be renegotiated every three years. RSVP's MOUs were current through the end of FY 2013. Every MOU was up for negotiation during the period of our new grant which began 4/1/13. Because the FY '14 grant was among the first to be awarded under re-competition and new program guidelines, each MOU required a station visit to discuss new requirements and guidelines as well as specific work plans affecting the station under the grant. This process is ongoing.

The regulations do not stipulate that there needs to be specific documentation regarding station visits. Rather than being situation-responsive, RSVP has been proactive about contacting volunteer stations via email, the telephone, as well as site visits. To document each encounter with a station, notes are now entered in the Volunteer data collection program known as Volunteer Reporter.

## **Finding No. 6 – Federal Financial Reports Were Not Submitted Timely**

We agree with the finding and are taking the following corrective actions to address the issues identified:

- Family Services realizes the importance of submitting the FFR's in a timely manner. Family Services is implementing internal controls to assure that all expenditures recorded on the FFR's are reported to the Corporation within the required due dates.
- Monthly reconciliations, general ledger detail reports, copies of the FFR submission and the FFR submission confirmations are maintained in a file dedicated to each program – RSVP and SCP respectively and will be audited periodically by the Executive Director.

**Finding No. 7 – FSCM’s Record Retention Policy Did Not Meet Grant Requirements**

We agree with the finding and are taking the following corrective actions to address the issues identified:

- It is the policy of Family Services to retain records as required by law. Family Services maintains that it is best practice to keep records for 5-7 years. Our Accounting Manual has been updated to reflect the new retention policy of Family Services as follows:

|  |         |
|--|---------|
| Bank Statements                          | 7 years |
| Correspondence: General                  | 5 years |
| General ledgers / year end trial balance | 7 years |
| Invoices (to customers, from vendors)    | 7 years |
| Time sheets / cards / slips              | 7 years |

Submitted by;



November 15, 2013

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Stephen M. Pitcher  
Interim Executive Director  
Family Services of Central Massachusetts

## **APPENDIX F**

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

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Stuart Axenfeld, Assistant Inspector General for Audit  
*Rocco J. Gaudio*

**From:** Rocco Gaudio, Deputy CFO for Grants Management and Director, Field  
Financial Management Center

**Cc:** David Rebich, CFO  
Rocco Gaudio, Deputy CFO for Grants and Director FFMC  
Valerie Green, General Counsel  
Doug Hilton, Director of Office of Accountability & Oversight  
Claire Moreno, Senior Grants Officer for Policy & Audit

**Date:** November 15, 2013

**Subject:** Response to OIG Draft Report on the Audit of Corporation  
for National and Community Service Grants Awarded to  
Family Services of Central Massachusetts

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Thank you for the opportunity to review the OIG draft report on the Corporation's grants awarded to Family Services of Central Massachusetts (FSCM). On November 14, 2013, we received a copy of the grantee's response to the draft audit. CNCS will respond to all findings and recommendations in our management decision when the audit working papers are provided and the final audit is issued and will work with the grantee to develop any necessary corrective actions.