OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council

Audit Report No. 03-05
January 17, 2003

Financial Schedules and
Independent Auditors' Report
For the Period
October 1, 1998, to March 31, 2002

Prepared by:

COTTON & COMPANY LLP
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Alexandria, Virginia 22314

This report was issued to Corporation management on September 30, 2003. Under the laws and regulations governing audit follow-up, the Corporation must make final management decisions on the report's findings and recommendations no later than March 30, 2004, and complete its corrective actions by September 30, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

Office of Inspector General
Corporation for National and Community Service
Audit Report 03-05

Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council

Introduction

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, tribes and territories to assist in the creation of full- and part-time national and community service programs. Currently, under the Act's requirements, the Corporation awards approximately three-fourths of its AmeriCorps State/National funds to State commissions. The State commissions in turn fund and are responsible for the oversight of subgrantees who execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

The Office of Inspector General (OIG) retained Cotton and Company, LLP to audit Corporation grants to the Ohio Community Service Council for AmeriCorps, Learn and Serve, Program Development Assistance and Training, Promise Fellows, Disability, Education, Make a Difference Day, Ohio Reads Early, Governor's Initiative and Administrative costs from October 1, 1998, through March 31, 2002. The audit's objectives were to determine whether: (1) the Council's financial reports presented fairly the financial results of the awards; (2) the internal controls adequately safeguarded Federal funds; (3) the Council and its subgrantees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions; (4) costs were documented and allowable under the awards' terms and conditions; and (5) the Council had established adequate financial and program management oversight of its subrecipients.

The Council had total claimed costs of $16,410,629, of which the auditors questioned $31,536 for allowability and $1,220,518 for lack of supporting documentation. The total questioned costs amount to 7.6 percent of the total claimed costs. Costs questioned for allowability represent amounts for which documentation shows that recorded costs were expended in violation of regulations or specific award conditions, or costs that require interpretation of allowability. Costs questioned for support require additional documentation to substantiate that the costs were incurred and are allowable. The audit report expresses a disclaimer of opinion on the Consolidated Schedule of Claimed and Questioned Costs because accounting records supporting claimed costs were not available for audit. As support for expenditures reported to the Corporation, the Council provided a database of transactions formulated from financial information provided by the State of Ohio's official accounting system. Because of undocumented adjustments made to the database and the Council's failure to make corresponding adjustments to the State's accounting records, claimed costs were not supported by either the Council's or the State's accounting records.

Inspector General
1201 New York Avenue, NW
Washington, DC 20525

The Office of Inspector General has reviewed the report and the work papers supporting the auditor's conclusions. Our review of the auditor's work papers disclosed no instances where Cotton and Company, LLP did not comply, in all material respects, with generally accepted government auditing standards.

Our office also provided the Council and the Corporation with a draft of this report for their review and comment. Their responses are included in their entirety as Appendices A and B, respectively. The Council disagreed with some of the findings and recommendations in their response to the draft report. The auditors responded to the Commission's comments in Appendix C, as appropriate.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
INCURRED COST AUDIT OF GRANTS AWARDED TO THE
OHIO COMMUNITY SERVICE COUNCIL

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AUDIT SCOPE

Cotton & Company LLP was engaged to perform an incurred-cost audit of costs claimed by the Ohio Community Service Council (the Council) and its subrecipients (listed on the following page) for Program Years 1998-1999, 1999-2000 and 2000-2001. Costs were incurred for these program years from October 1, 1998, through March 31, 2002. The audit scope covered financial transactions, compliance, and internal control testing of the following program awards funded by the Corporation for National and Community Service (the Corporation):

Program	Award No.	Award Period	Audit Period*
Administrative	94SCSOH035	10/01/94-12/31/00	10/01/98-12/31/00
Administrative	01SCSOH035	01/01/01-12/31/03	01/01/01-12/31/01
Program Development Assistance and Training (PDAT)	95PDSOH035	01/01/95-12/31/01	01/01/99-12/31/01
Learn and Serve	95LCSOH008	10/01/95-12/31/00	10/01/98-12/31/00
Disability	97DSCOH035	01/01/98-12/31/00	01/01/99-12/31/00
Disability	01DSCOH035	01/01/01-12/31/03	01/01/01-12/31/01
Make a Difference Day (MDD)	99MDDOH020	10/01/99-10/31/99	10/01/99-10/31/99
AmeriCorps Competitive	94ASCOH036	10/01/94-12/31/00	10/01/98-12/31/00
AmeriCorps Competitive	00ASCOH033	08/01/00-07/31/03	08/01/00-03/31/02
AmeriCorps Competitive	00ASCOH036	01/02/01-12/31/02	01/02/01-12/31/01
AmeriCorps Education Award	97EDSOH010**	04/01/97-12/31/00	10/01/98-12/31/00
AmeriCorps Education Award	00EDSOH010**	09/01/00-08/31/03	09/01/00-12/31/01
Ohio Reads Early	98ARCOH036	01/01/98-12/31/01	01/01/98-12/31/01
Governor's Initiative	99ASHOH036	09/01/99-12/31/00	09/01/99-12/31/00
AmeriCorps Formula	00ASFOH036	08/01/00-07/31/03	08/01/00-12/31/01
AmeriCorps Promise Fellows	98APSOH036**	11/01/98-12/31/99	11/01/98-12/31/99
AmeriCorps Promise Fellows	99APSOH036**	11/01/99-12/31/01	11/01/99-12/31/01

* The end of the audit period is the earlier of the date of grant expiration or the date the Council submitted the last FSR (either December 31, 2001, or March 31, 2002).

** These grants were fixed-amount awards; the Council is not required to submit Financial Status Reports (FSRs). Our audit scope was limited to testing Council compliance with member eligibility and staffing requirements.

Audit objectives were to determine if:

- The Council's financial reports presented financial award results fairly.
- Internal controls were adequate to safeguard Federal funds.
- The Council and its subrecipients had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions.
- Award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions.
- The Council had established adequate financial and program management oversight of its subrecipients.

We used the following subrecipient abbreviations in this report:

Full Name	Abbreviated Name
Buckeye Community Hope Foundation	Buckeye
Center for Alternative Resources (aka Pathways of Licking County)	Pathways
Coalition on Homelessness	COHHIO
Department of Youth Services	DYS
Greater Columbus Arts Council	GCAC
Improved Solutions for Urban Systems	ISUS
Mercy Health Partners	MHP
Ohio University, APPALCorps	APPALCorps
Ohio University, ComCORPS	ComCORPS
United Way of Hancock County	UWHC
United Way of Summit County	UWSC
Urban Appalachian Council	UAC
Youngstown City Schools	Youngstown

SUMMARY OF RESULTS

Our report expresses a disclaimer of opinion on the Consolidated Schedule of Claimed and Questioned Costs because accounting records supporting claimed costs were not available for audit. As support for expenditures reported to the Corporation, the Council provided a database of transactions formulated from financial information provided from the State of Ohio's official accounting system, CAS. Because of undocumented adjustments made to the database and the Council's failure to make corresponding adjustments to CAS accounting records, claimed costs were not supported by either the Council's or the State's accounting records.

COMPLIANCE AND INTERNAL CONTROL FINDINGS

Our report on compliance with laws, regulations, contracts, grants, and internal controls applicable to the audit of the Consolidated Schedule of Claimed and Questioned Costs disclosed a number of matters that require correction, including instances of noncompliance and reportable conditions required to be reported under *Government Auditing Standards*. These findings are as follows:

1. The Council's financial management system is inadequate.

2. The Council has inadequate segregation of financial management duties.

3. The Council's procedures for distributing salaries and wages is inadequate.

4. The Council and certain subrecipients claimed unallowable costs and costs for which no documentation was provided to support allowability.

5. The Council and certain subrecipients submitted untimely financial reports.

6. Certain subrecipients did not comply with program requirements.

7. Certain subrecipients did not comply with record-retention policies.

8. The Council did not adequately perform monitoring of subrecipients.

9. The Council inadequately documented its approval and disapproval of grant funding for its subrecipients.

10. Certain subrecipients were granted partial education awards without adequate justification.

COST FINDINGS

The Council claimed total costs of $16,410,629 for its Corporation grants from October 1, 1998, through March 31, 2002. Of this amount, we questioned claimed costs of $31,536 for allowability and $1,220,518 for lack of support, which is approximately eight percent of total claimed costs. These questioned amounts exclude questioned costs for education awards. Costs questioned for allowability are costs for which documentation shows that recorded costs were expended in violation of laws, regulations, or specific award conditions or costs that require interpretation of allowability by the Corporation. Costs questioned for support require additional documentation to substantiate that the cost was incurred and is allowable.

Grant participants who successfully complete terms of service under the AmeriCorps and Learn and Serve awards are eligible for education awards from the National Service Trust. These award amounts are not funded by Corporation grants, and are thus not included in claimed costs. As part of this engagement, however, we determined the effect of all member eligibility issues on these awards. Using the same criteria described above, we questioned education awards of $16,345 for allowability and $224,501 for support.

Costs and education awards were questioned for the following reasons:

Questioned for Allowability	Costs	Education Awards
Contractor Agreement with Employee	$ 6,582	
Consultant Fees In Excess of Daily Maximum	107	
Costs Claimed In Addition to Per Diem	97	
Costs Not In Approved Budget	597	
Non-Traditional Uniforms	120	
Fees for Legal Consultations	250	
Gifts for Completion of Service	5,535	
Interest Charges	46	
Lack of Compelling Personal Circumstance		$16,345
Indirect Costs Charged as Direct Costs	5,198	
Overpayment of Member Living Allowances	12,616	
Pension Benefit Paid for Member	388	
Total	$31,536	$16,345

Questioned for Support	Costs	Education Awards
Records Lost/No Documentation Provided	$ 176,533	$ 49,615
Inadequate Contractor Agreements	19,431	
Inadequate Mileage Logs	1,953	
Internal Evaluation Costs	750	
Missing Background Checks	10,655	
Missing Eligibility Documentation	170,949	147,119
Missing Timesheets, Employees	639,871	
Missing Timesheets, Members	67,109	27,767
Recalculated Administrative Costs	33,775	
Overclaimed Costs	99,492	
Total	$1,220,518	$224,501

Details of questioned costs and questioned education awards appear in the Independent Auditors' Report. Schedules A through D detail cost and education award exceptions by grant and are summarized below:

		Costs Questioned		Education Awards Questioned		
Grant No.	Claimed	Allowability	Support	Allowability	Support	Schedule
94SCSOH035	$ 1,055,045					
01SCSOH035	456,701					
95PDSOH035	520,463					
95LCSOH008	479,500					
97DSCOH035	17,330					
01DSCOH035	13,583					
99MDDOH020	734					
94ASCOH036	7,006,901	$10,534	$ 811,490	$14,339	$135,538	A
00ASCOH036	2,985,322	8,633	181,656	2,006	27,767	B
97EDSOH010	224,256					
00EDSOH010	0					
98ARCOH036	534,274	6,582	82,375		48,118	D
99ASHOH036	384,462					
00ASFOH036	2,525,990	5,787	144,997		13,078	C
98APSOH036	63,312					
99APSOH036	142,756					
Totals	$16,410,629	$31,536	$1,220,518	$16,345	$224,501	

Exit Conference

We held an exit conference with Council representatives on July 21, 2003. In addition, we provided a draft copy of this report to the Council and the Corporation for comment on July 21, 2003. Their responses, dated August 20, 2003, and August 21, 2003, respectively, are included as Appendices A and B to this report. The Council provided specific comments on compliance and internal control report findings, and we have included these in our report. The Corporation stated that it will respond to all findings and recommendations when the audit report is issued, and it has reviewed the findings in detail.

Follow-Up on Prior Audit Findings

The Corporation's Office of Inspector General performed a Pre-Audit Survey of the Council in Fiscal Year 1999 and issued Office of Inspector General Report Number 00-15 dated November 30, 1999. Our audit followed up on the status of findings and recommendations from that report (see Attachment A).

COTTON & COMPANY LLP
auditors • advisors

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January 17, 2003

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We were engaged to audit costs claimed by the Ohio Community Service Council for Program Years 1998-1999, 1999-2000, and 2000-2001 for the awards listed below. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs and the grant-specific Schedules of Claimed and Questioned Costs (Schedules A through D), are the responsibility of Council management.

Program	Award No.	Award Period	Audit Period*
Administrative	94SCSOH035	10/01/94-12/31/00	10/01/98-12/31/00
Administrative	01SCSOH035	01/01/01-12/31/03	01/01/01-12/31/01
Program Development Assistance and Training (PDAT)	95PDSOH035	01/01/95-12/31/01	01/01/99-12/31/01
Learn and Serve	95LCSOH008	10/01/95-12/31/00	10/01/98-12/31/00
Disability	97DSCOH035	01/01/98-12/31/00	01/01/99-12/31/00
Disability	01DSCOH035	01/01/01-12/31/03	01/01/01-12/31/01
Make a Difference Day (MDD)	99MDDOH020	10/01/99-10/31/99	10/01/99-10/31/99
AmeriCorps Competitive	94ASCOH036	10/01/94-12/31/00	10/01/98-12/31/00
AmeriCorps Competitive	00ASCOH033	08/01/00-07/31/03	08/01/00-03/31/02
AmeriCorps Competitive	00ASCOH036	01/02/01-12/31/02	01/02/01-12/31/01
AmeriCorps Education Award	97EDSOH010**	04/01/97-12/31/00	10/01/98-12/31/00
AmeriCorps Education Award	00EDSOH010**	09/01/00-08/31/03	09/01/00-12/31/01
Ohio Reads Early	98ARCOH036	01/01/98-12/31/01	01/01/98-12/31/01
Governor's Initiative	99ASHOH036	09/01/99-12/31/00	09/01/99-12/31/00
AmeriCorps Formula	00ASFOH036	08/01/00-07/31/03	08/01/00-12/31/01
AmeriCorps Promise Fellows	98APSOH036**	11/01/98-12/31/99	11/01/98-12/31/99
AmeriCorps Promise Fellows	99APSOH036**	11/01/99-12/31/01	11/01/99-12/31/01

* The end of the audit period is the earlier of the date of grant expiration or the date the Council submitted the last FSR (either December 31, 2001, or March 31, 2002).

** These grants were fixed-amount awards; the Council is not required to submit FSRs. Our audit scope was limited to testing Council compliance with member eligibility and staffing requirements.

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The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present costs incurred under the awards in accordance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments,* other applicable OMB circulars, and award terms and conditions. Therefore, these schedules are not intended to be complete presentations of the Council's revenues and expenses. These schedules also identify certain questioned education awards. These awards are not funded by Corporation grants and are thus not included in claimed costs.

Accounting records supporting claimed costs were not available for our audit. As support for expenditures reported to the Corporation, the Council provided a database of transactions formulated from financial information provided from the State of Ohio's official accounting system, CAS. Because of undocumented adjustments made to the database and the Council's failure to make corresponding adjustments to CAS accounting records, claimed costs were not supported by either the Council's or the State's accounting records.

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial schedules referred to above.

We have also issued a report dated January 17, 2003, on our consideration of the Council's internal control and its compliance with laws and regulations. That report should be read in conjunction with this report.

This report is intended solely for the information and use of the Office of Inspector General, Corporation management, the Council, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Michael W. Gillespie, CPA, CFE
Partner

OHIO COMMUNITY SERVICE COUNCIL
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS*
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Award No.	Program	Approved Budget	Claimed Costs	Costs Questioned		Awards Questioned		Schedule
				Allowability	Support	Allowability	Support	
94SCSOH035	Administrative	$ 1,073,625	$ 1,055,045					
01SCSOH035	Administrative	508,875	456,701					
95PDSOH035	PDAT	553,287	520,463					
95LCSOH008	Learn and Serve	479,500	479,500					
97DSCOH035	Disability	81,381	17,330					
01DSCOH035	Disability	45,000	13,583					
99MDDOH020	MDD	2,000	734					
94ASCOH036	AmeriCorps Competitive	8,621,895	7,006,901	$10,534	$ 811,490	$14,339	$135,538	A
00ASCOH036	AmeriCorps Competitive	4,797,356	2,985,322	8,633	181,656	2,006	27,767	B
97EDSOH010	AmeriCorps Ed Award	260,131	224,256					
00ASCOH010	AmeriCorps Ed Award	92,500						
98ARCOH036	Ohio Reads Early	1,254,221	534,274	6,582	82,375		48,118	D
99ASHOH036	Governor's Initiative	765,172	384,462					
00ASFOH036	AmeriCorps Formula	3,574,279	2,525,990	5,787	144,997		13,078	C
98APSOH036	AmeriCorps Promise Fellows	75,659	63,312					
99APSOH036	AmeriCorps Promise Fellows	138,504	142,756					
Total		$22,323,385	$16,410,629	$31,536	$1,220,518	$16,345	$224,501	

* The above data was compiled from FSRs obtained from the Council and from the Corporation's Web Based Reporting System (WBRS).

SCHEDULE A

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

		Questioned		
	Claimed	Allowability	Support	Schedule
Buckeye	$ 233,281	$ 976	$127,840	A-1
Pathways	585,959		95,650	A-2
COHHIO	889,644			A-3
DYS	413,328	786	24,207	A-4
GCAC	508,074	485	182,575	A-5
ISUS	540,367	3,500	241,586	A-6
MHP	488,397		68,469	A-7
APPALCorps	756,709		50,287	A-8
UAC	214,391	4,787	20,876	A-9
Total	$4,630,150	$10,534	$811,490	
FSR Amount Claimed By Council*	$7,006,901			
Education Awards		$14,339	$135,538	Note

* The FSR date is April 29, 2002. It is marked "incomplete" in WBRS as of the last day of fieldwork.

NOTE

We questioned education awards as described in Schedules A-1 through A-9, as follows:

	Questioned		
	Allowability	Support	Schedule
Buckeye		$ 17,071	A-1
Pathways	$ 5,435	2,863	A-2
COHHIO	3,438	23,560	A-3
DYS		4,725	A-4
GCAC		42,254	A-5
ISUS		10,709	A-6
MHP	5,466	10,731	A-7
APPALCorps		18,900	A-8
UAC		4,725	A-9
Total	$14,339	$135,538	

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

Buckeye			Notes
Approved Budget (Federal Funds)		$242,441	
Claimed Costs		$233,281	
Questioned for Support:			
No Timesheets	$17,924		1
Inadequate Mileage Logs	1,953		2
1998-1999 Accounting Records Lost (Flood)	92,426		3
Inadequate Contractor Agreements	10,725		4
Recalculated Administrative Costs	4,812		5
Total Questioned for Support		$127,840	
Questioned for Allowability:			
Interest Charges	$ 23		6
Non-Traditional Uniforms	120		7
Indirect Costs Charged as Direct Costs	833		8
Total Questioned for Allowability		$976	
Education Awards Questioned for Support:			
Missing Eligibility Documentation	$ 5,256		9
1998-1999 Member Records Lost (Flood)	11,815		3
Total Education Awards Questioned for Support		$17,071	

NOTES

1. Buckeye did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of cost to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.

- Are signed by the employee or a supervisor.

- Are prepared at least monthly and coincide with one or more pay periods.

Thus, we questioned for support $16,400 of labor charges and $1,524 for benefit costs claimed for Program Year 1999-2000.

2. Buckeye did not have adequate mileage logs to support transportation costs. Documentation did not contain descriptions of geographic locations or other information as required by OMB Circular A-122, Attachment A, Subparagraph A.2(g), which states that to be allowable under an award, costs must be adequately documented. We questioned $1,953 of mileage transportation costs for Program Year 1999-2000.

3. Buckeye could not provide member records or accounting transaction records for Program Year 1998-1999, as required by 45 CFR § 2541.420, Retention and Access Requirements for Records, and AmeriCorps Special Provisions, *Record-Keeping*. According to the program director, these records were stored in a basement and were destroyed when it flooded. However, Buckeye could not provide documentation to substantiate the flood. Therefore, we were unable to test costs to source documentation. We questioned post-service education awards of $11,815 paid to members and $92,426 of claimed expenses, because Buckeye did not have records for these expenses.

4. Agreements between Buckeye and contractors hired to work as construction site supervisors were inadequate. OMB Circular A-122, Attachment B, Subparagraph 39.b(8), states that agreements for services provided must:

   - Describe the service to be provided.

   - Estimate the time required to complete the service.

   - Specify the compensation rate.

   - Include termination provisions.

   This information is required in a contractor agreement to determine allowability of contractor costs. Because Buckeye's contractor agreements did not contain the requisite information, we questioned $10,725 of contract labor.

5. Buckeye exceeded its allowable administrative costs in Program Years 1998-1999 and 1999-2000, because of the questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. The budgeted administrative fee for Program Years 1998-1999 and 1999-2000 was four percent. We questioned $4,812 of overclaimed administrative costs for Program Years 1998-1999 and 1999-2000 as follows:

	Program Year 1998-1999	Program Year 1999-2000
Federal Costs Excluding Administrative Costs	$92,426	$136,469
Less Questioned Costs	92,426	31,578
Total Federal Costs per Audit	$ 0	$104,891
Allowable Administrative Costs at 4%	$ 0	$4,196
Administrative Costs Claimed	4,621	4,387
Overclaimed Administrative Costs	$4,621	$ 191

6. Buckeye charged interest costs to the grant, which are unallowable under OMB Circular A-122, Attachment B, Section 23. We questioned $23 of unallowable interest expense for Program Year 1999-2000.

7. Buckeye claimed costs for non-traditional uniforms for six students that exceeded costs Buckeye paid for its traditional uniforms. We questioned the additional $120 paid for the non-traditional uniforms per OMB Circular A-122, Attachment A, Paragraph 3, which states that a cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person, and the cost is of a type generally recognized as ordinary and necessary for an organization's operation or award performance.

8. Buckeye charged overhead costs as direct costs to the program. However, overhead costs are costs reimbursed by the four percent administration fee included in the grant cooperative agreement and claimed on the organization's FSR. We questioned $833 of overhead costs charged as direct costs.

9. We tested seven member files and were unable to determine if the members were U.S. citizens and at least 17 years of age for three of the members. The files tested did not have documentation required by 45 CFR § 2522.200(b)-(c) for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned as unsupported education awards of $5,256 paid to members.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

Pathways			Notes
Approved Budget (Federal Funds)		$720,000	
Claimed Costs		$585,959	
Questioned for Support:			
Missing Eligibility Documentation	$11,725		1
Overclaimed Costs	83,925		2
Total Questioned for Support		$95,650	
Education Awards Questioned for Support:			
Missing Eligibility Documentation	$2,863		1
Education Awards Questioned for Allowability:			
Lack of Compelling Personal Circumstances	$5,435		1

NOTES

1. We tested nine of 23 member files in Program Year 1998-1999 and nine of 19 member files in Program Year 1999-2000 for eligibility. Two of nine member files in Program Year 1998-1999 did not contain documentation to support "compelling personal circumstances" or the member leaving the program as required by 45 CFR § 2522.230. We questioned $5,435 for education awards for these members.

   Also, these two files did not have documentation required by 45 CFR § 2522.200(b)-(c) for proof of U.S. citizenship or lawful permanent resident alien status. The program director did not know why the previous program director did not maintain required documentation. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned living allowance costs of $11,725 for the two members whose files had no proof of U.S. citizenship. We would have questioned education awards for these two members but they are already questioned for lack of documentation for compelling personal circumstances.

   Two additional member files from Program Year 1998-1999 did not contain either a high school diploma or its equivalent. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and

- Agree to obtain a high school diploma or its equivalent before using the education award.

Without evidence of eligibility, we questioned the related education awards of $2,863.

2. Pathways could not provide accounting detail to support $83,925 of costs claimed on its FSRs for Program Years 1998-1999 and 1999-2000. For Program Year 1998-1999, Pathways claimed $630,053 on its FSR, while the accounting transaction detail was $592,955. The $37,098 difference resulted from Pathway's inability to provide transaction detail for the period September 1, 1998, through December 31, 1999. For Program Year 1999-2000, total costs claimed by Pathways on its FSRs were $634,772, while the accounting transaction detail was $587,945. The $46,827 balance resulted from Pathway's inability to provide transaction details for the period October 1, 2000, through December 31, 2000. In accordance with OMB Circular A-122, Attachment A, Subparagraph A.2(g), costs must be adequately documented to be allowable under an award. We questioned the $83,925 difference between claimed costs and costs per the accounting records.

SCHEDULE A-3

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

COHHIO		Notes
Approved Budget (Federal Funds)	$1,034,500	
Claimed Costs	$889,644	
Education Awards Questioned for Allowability: Lack of Compelling Personal Circumstance	$3,438	1
Education Awards Questioned for Support: Missing Eligibility Documentation	$23,560	2

NOTES

1. One member received a partial education award based on compelling personal circumstances in Program Year 1999-2000. The compelling personal circumstance noted in the member file appears to be a release for cause and not a compelling personal circumstance, as defined in 45 CFR § 2522.230(a). The program director was uncertain about what constituted unallowable compelling personal circumstances. We questioned $3,438 for the partial education award received by this member for lack of compelling personal circumstance.

2. We tested 21 member files for eligibility. Three member files in Program Year 1998-1999 and eight in Program Year 1999-2000 did not contain high school diplomas or the equivalent. The program director indicated COHHIO has accepted either a member's high school diploma or GED self-certification. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $7,088 and $16,472 for Program Years 1998-1999 and 1999-2000, respectively.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

DYS		Notes
Approved Budget (Federal Funds)	$476,765	
Claimed Costs	$413,328	
Questioned for Support:		
No Member Timesheets	$24,207	1
Questioned for Allowability:		
Overpayment of Member Living Allowances	$786	2
Education Awards Questioned for Support:		
Missing Eligibility Documentation	$4,725	3

NOTES

1. Five of eight member files in Program Year 1998-1999 and three of five in Program Year 1999-2000 were missing member timesheets. According to DYS, some of the subgrantees were not aware of the requirement to fill out actual timesheets for members. AmeriCorps General Provisions, *Financial Management Provisions*, states that the grantee must keep time-and-attendance records signed by members and individuals with oversight to document eligibility for in-service and post-service benefits. Without evidence of eligibility, we questioned $24,207 for member living allowances not supported by timesheets for Program Years 1998-1999 and 1999-2000.

   Additionally, two member files in Program Year 1998-1999 and one in Program Year 1999-2000 did not contain evidence that member background checks were conducted. According to DYS, the AmeriCorps program was not receiving priority attention in obtaining support for background checks. AmeriCorps Special Provisions, *Member Eligibility, Recruitment, and Selection*, requires background checks of members or employees with substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable. Evidence of background checks must be maintained in member files. Costs related to lack of evidence of background checks have already been questioned for missing timesheets.

2. Two of eight members in Program Year 1998-1999 and two of five in Program Year 1999-2000 were paid living allowances in excess of the annual budget-approved, full-time member living allowance amount of $8,340. The cooperative agreement for Award No. 94ASCOH036 states

that costs claimed must be in the approved budget. According to DYS, living allowances were paid to different members by different subgrantees, resulting in excess payments to some members. We questioned $284 and $502 in overpaid living allowances in Program Years 1998-1999 and 1999-2000, respectively, or $786.

3. We tested 13 member files. Three of eight member files tested did not contain a high school diploma or GED in Program Year 1998-1999. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $4,725.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

GCAC			Notes
Approved Budget (Federal Funds)		$570,280	
Claimed Costs		$508,074	
Questioned for Allowability:			
Costs Claimed in Addition to Per Diem	$ 97		1
Pension Benefit Paid for Member	388		2
Total Questioned for Allowability		$485	
Questioned for Support:			
Missing Eligibility Documentation	$ 63,926		3
No Staff Timesheets	118,649		2
Total Questioned for Support		$182,575	
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$42,254	3

NOTES

1. The GCAC program director attended a conference in Orlando, Florida, and used room service and other hotel facilities. He charged these expenses to the grant in addition to per diem amounts. OMB Circular A-122, Attachment A, Subparagraph A.2(c), Factors Affecting Allowability of Costs, states that to be allowable under an award, costs must be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization. The program director charged these expenses to the AmeriCorps grant, although GCAC policy requires adherence to per-diem rates. Because such costs are included in the per diem rate, we question the $97 claimed in addition to the per diem.

2. GCAC did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

- Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.

- Account for total activity for which the employee is compensated.

- Are signed by the employee or a supervisor.

- Are prepared at least monthly and coincide with one or more pay periods.

We questioned $105,879 for unsupported salary costs charged to the grant ($51,332 in Program Year 1998-1999 and $54,547 in Program Year 1999-2000).

Also, in accordance with OMB Circular A-122, Attachment B, Subparagraph 7.f, we questioned fringe-benefit costs related to questioned labor costs of $12,770 ($5,823 in Program Year 1998-1999 and $6,947 in Program Year 1999-2000).

GCAC also paid pension benefits for a second-term member even though no employer/employee relationship existed under the AmeriCorps program. We questioned $388 of these pension benefits.

3. We tested six member files for eligibility in Program Year 1998-1999 and eight in Program Year 1999-2000. Five of six member files in Program Year 1998-1999 and three of eight in Program Year 99-00 did not have documentation required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien.

   One of eight member files in Program Year 1999-2000 did not have either a high school diploma or its equivalent. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or

   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and

   - Agree to obtain a high school diploma or its equivalent before using the education award.

   We questioned costs for living allowances and education awards for those who did not have a birth certificate and/or proof of U.S. citizenship and the education award for the member without proof of either a high school diploma or its equivalent in accordance with 45 CFR § 2522.200. We questioned $36,606 of living allowances and $20,990 of education awards (Program Year 1998-1999) and $27,320 of living allowances and $21,264 of education awards (Program Year 1999-2000).

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
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ISUS			Notes
Approved Budget (Federal Funds)		$600,012	
Claimed Costs		$540,367	
Questioned for Allowability:			
Indirect Rent Cost Charged as Direct Cost		$3,500	1
Questioned for Support:			
Missing Timesheets	$207,700		2
Internal Evaluation Expense	750		3
Missing Eligibility Documentation	18,717		4
Recalculated Administrative Costs	14,419		5
Total Questioned for Support		$241,586	
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$10,709	4

NOTES

1. ISUS charged overhead costs as direct costs to the program. Overhead costs are, however, reimbursed by the four percent administration fee included in the grant cooperative agreement and claimed on the FSR. We questioned $3,500 of indirect rent cost charged to the grant as a direct expense.

2. ISUS did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the individual employee or a responsible supervisor.

- Are prepared at least monthly and coincide with one or more pay periods.

Because ISUS cannot provide any support for labor costs charged to the grant, we questioned $173,100 of labor costs. Also, in accordance with OMB Circular A-122, Attachment B, Subparagraph 7.f, we questioned $34,600 of fringe-benefit costs related to questioned labor costs.

3. ISUS was unable to provide supporting documentation for its internal evaluation expense. OMB Circular A-122, Attachment A, Subparagraph A.2(g), states that costs must be adequately documented to be allowable under an award. We questioned $750 for Program Year 1999-2000.

4. We tested 34 member files for eligibility. Of the 34, ten did not contain either a high school diploma or its equivalent. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $10,709.

   We were unable to determine if members were U.S. citizens and at least 17 years of age for two files in Program Year 1999-2000. The files tested did not have the documentation required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned for support $18,717 of living allowances paid to these members.

5. ISUS exceeded its allowable administrative costs in Program Years 1998-1999 and 1999-2000 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. ISUS documentation was reviewed to determine whether or not the Council took a one percent administrative fee from this subgrantee. Accordingly, the Council required a one percent administration fee from ISUS for the 1998-1999 and 1999-2000 grant years. The budgeted administrative fee for ISUS was four percent. We questioned $14,419 of administrative costs, as follows:

	Program Year 1998-1999	**Program Year 1999-2000**
Federal Costs Excluding Administrative Costs	$245,204	$269,387
Less Questioned Costs	120,317	110,350
Total Federal Costs per Audit	$124,887	$159,037
Allowable Administrative Costs at 4%	$ 4,995	$ 6,361
Administrative Costs Claimed	15,000	10,775
Overclaimed Administrative Costs	$10,005	$ 4,414

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

MHP			Notes
Approved Budget (Federal Funds)		$576,267	
Claimed Costs		$488,397	
Questioned for Support:			
Missing Timesheets	$60,053		1
Missing Eligibility Documentation	2,859		2
Missing Direct Cost Documentation	1,964		3
Recalculated Administrative Costs	3,593		4
Total Questioned for Support		$68,469	
Education Awards Questioned for Allowability:			
Lack of Compelling Personal Circumstances		$5,466	5
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$10,731	2

NOTES

1. MHP did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget or without adequate supporting documentation.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the employee or a supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

MHP used a telephone time-keeping system that did not provide the ability to record an allocation of labor hours. MHP was unable to provide timesheets to support the program director's salary and benefit costs charged to the grant. Accordingly, we questioned $26,862 for Program Year 1998-1999 and $27,858 for Program Year 1999-2000. Also, MHP did not provide personnel activity reports to support labor charges of $5,333 for accounting services provided by St. Vincent's Hospital to the AmeriCorps program in Program Year 1999-2000. Rather, MHP charged budgeted amounts for these services. We questioned $60,053 for labor and fringe-benefit costs for support.

2. We tested 24 MHP member files for Program Years 1998-2000 for eligibility. These files did not contain sufficient documentation to support eligibility for seven of the 16 members as required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. The program director indicated MHP relied on the Immigration and Naturalization Service I-9 form for proof of citizenship. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We were unable to ascertain from these files if four of the members were U.S. citizens. We questioned $2,859 of stipends paid to these members.

   In addition, three other files were missing documentation to show that the members had received high school diplomas (or its equivalent). The program director stated the Council did not require that high school diploma or GEDs be obtained to prove eligibility. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $10,731.

3. MHP was unable to provide supporting documentation for $1,244 of health insurance payments for members in Program Year 1998-1999 and $720 in Program Year 1999-2000. OMB Circular A-122, Attachment A, Subparagraph A.2(g), states that costs must be adequately documented to be allowable under an award. We questioned $1,964.

4. MHP exceeded its allowable administrative costs in Program Years 1998-1999 and 1999-2000 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. The budgeted administrative fee for MHP was five percent and four percent in Program Years 1998-99 and 1999-2000, respectively. We questioned $3,593 of administrative costs, as follows:

	Program Year 1998-1999	Program Year 1999-2000
Federal Costs Excluding Administrative Costs	$228,373	$238,382
Less Questioned Costs	30,965	33,911
Total Federal Costs per Audit	$197,408	$204,471
Allowable Administrative Costs at 5%	$ 9,870	
Allowable Administrative Costs at 4%		$8,179
Administrative Costs Claimed	11,712	9,930
Overclaimed Administrative Costs	$ 1,842	$1,751

5. Two members (one each in Program Years 1998-1999 and 1999-2000) left the program before completing the required number of hours, but earned a partial education award. No documentation was provided for compelling personal circumstances to substantiate these education awards. In accordance with 45 CFR § 2522.230, we questioned $5,466 for these unsubstantiated, partial education awards.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
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APPALCorps	
Approved Budget (Federal Funds)	$820,824
Claimed Costs	$756,709
Questioned for Support: Missing Eligibility Documentation	$50,287
Education Awards Questioned for Support: Missing Eligibility Documentation	$18,900

NOTE

We tested 26 member files for eligibility. The files did not contain sufficient documentation to support the eligibility for seven of the 26 members. The files tested did not have the documentation required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. The APPALCorps program director stated these files were for individuals enrolled before her tenure as director. She further stated the Council did not require copies of these documents to be maintained before Program Year 1999-2000. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned for support the $50,287 Federal share of living allowances paid to these members and $18,900 of education awards in accordance with 45 CFR § 2522.200 and § 2522.230.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 94ASCOH036
OCTOBER 1, 1998, TO DECEMBER 31, 2000

UAC			Note
Approved Budget (Federal Funds)		$225,101	
Claimed Costs		$214,391	
Questioned for Allowability:			
Overpayment of Living Allowance		$4,787	1
Questioned for Support:			
Missing Direct Cost Documentation	$8,993		2
Missing Eligibility Documentation	8,888		3
Recalculated Administrative Costs	2,995		4
Total Questioned for Support		$20,876	
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$4,725	3

NOTES

1. One member received a living allowance of $14,787, although the maximum approved budget for Program Year 1999-2000 for a full-time member was $10,000. The program coordinator stated only one site paid more than the approved budgeted amount, and UAC was not aware that a member could not be paid a different amount for the living allowance. We questioned the overpaid living allowance amount of $4,787.

2. UAC could not provide support for $8,993 of costs claimed to the grant in Program Year 1999-2000. The program coordinator indicated she could not find the support. OMB Circular A-122, Attachment A, Subparagraph A.2(g), states that costs must be adequately documented to be allowable under an award. Unsupported costs were as follows:

Date	Description	Amount
12/16/99	Contract Payments	$ 882
10/21/99	Member Living Allowances	4,519
10/21/99	Contract Expenses	143
03/09/00	Payroll	605
05/25/00	Equipment	586
07/11/00	Out of Town Travel	1,002
08/07/00	Depreciation Expense	224
04/11/02	Reallocation Supplies	1,032
Total		$8,993

3. We tested six member files for eligibility for Program Year 1998-1999 and six member files for Program Year 1999-2000. We were unable to determine if the members were U.S. citizens and at least 17 years of age for three of six member files for Program Year 1999-2000. The files tested did not have the documentation required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned $8,888 of living allowance and $4,725 of education awards for missing member eligibility documentation.

4. UAC exceeded its allowable administrative costs in Program Year 1999-2000 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. The budgeted administrative fee for UAC was four percent. We questioned $2,995 of administrative costs, as follows:

	Program Year 1999-2000
Federal Costs Excluding Administrative Costs	$165,817
Less Questioned Costs	22,668
Total Federal Costs per Audit	$143,149
Allowable Administrative Costs at 4%	$5,726
Administrative Costs Claimed	8,721
Overclaimed Administrative Costs	$2,995

SCHEDULE B

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOH036
JANUARY 2, 2001, TO DECEMBER 31, 2001

		Questioned		
	Claimed	Allowability	Support	Schedule
Pathways	$ 214,285	$ 438		B-1
COHHIO	464,073	5,535	$ 711	B-2
DYS	294,795	2,303	10,655	B-3
GCAC	284,792	357	89,345	B-4
MHP	355,968		80,945	B-5
Total	$1,613,913	$8,633	$181,656	
FSR Amount Claimed By Council*	$2,985,322			
Education Awards		$2,006	$27,767	Note

* The FSR date is January 23, 2001.

NOTE

We questioned education awards as described in Schedules B-1, B-2, B-4, and B-5, as follows:

	Questioned		
	Allowability	Support	Schedule
Pathways		$ 2,363	B-1
COHHIO	$2,006		B-2
GCAC		4,725	B-4
MHP		20,679	B-5
Total	$2,006	$27,767	

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOH036
JANUARY 2, 2001, TO DECEMBER 31, 2001

Pathways		Notes
Approved Budget (Federal Funds)	$280,000	
Claimed Costs	$214,285	
Question for Allowability:		
Indirect Costs Charged as Direct Cost	$438	1
Education Awards Questioned for Support:		
Missing Eligibility Documentation	$2,363	2

NOTES

1. Two of 48 transactions selected for testing were indirect costs charged as direct costs to the grant. According to Pathways, these costs were approved in its budget. Overhead costs are, however, reimbursed by the administration fee included in the grant cooperative agreement and claimed on the FSR. In accordance with OMB Circular A-122, Attachment A, Subparagraph A.2(g), we questioned $438 of indirect costs charged as direct costs: $122 for professional liability cost and $316 for rent allocation.

2. One of six member files tested did not have documentation of a high school diploma or its equivalent as required by 45 CFR § 2522.200. The current program director stated he was unsure why the previous program director did not maintain the required documents. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $2,363.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOH036
JANUARY 2, 2001, TO DECEMBER 31, 2001

COHHIO		Notes
Approved Budget (Federal Funds)	$583,614	
Claimed Costs	$464,073	
Questioned for Allowability:		
Gifts for Completion of Service	$5,535	1
Questioned for Support:		
Recalculated Administrative Costs	$711	2
Questioned for Allowability Education Awards:		
Lack of Compelling Personal Circumstance	$2,006	3

NOTES

1. Two of 53 transactions selected for cost testing were for gifts for members who completed their terms of service. For one transaction, COHHIO spent $200 per person per gift for Palm Pilots for 36 members graduating from the program. COHHIO also purchased 43 grocery store gift certificates for graduating members. Theses costs were unnecessary for COHHIO operation and award performance. We questioned the Federal share of the gifts, or $5,535 in accordance with OMB Circular A-122, Attachment A, Paragraph A.2.

2. COHHIO exceeded its allowable administrative costs as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. The budgeted administrative fee for Program Year 2000-2001 was five percent. We questioned $711 of overclaimed administrative costs as follows:

	Program Year 1999-2000
Federal Costs Excluding Administrative Costs	$441,561
Less Questioned Costs	5,535
Total Federal Costs per Audit	$436,026
Allowable Administrative Costs at 5%	$21,801
Administrative Costs Claimed	22,512
Overclaimed Administrative Costs	$ 711

3. One member received a partial education award for personal compelling circumstances although she left the program so she would continue to receive Social Security benefits in Program Year 2000-2001. This situation does not meet requirements of 45 CFR § 2522.230. The program director stated she was uncertain what constituted an unallowable personal compelling reason. We questioned the prorated partial education award of $2,006.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOH036
JANUARY 2, 2001, TO DECEMBER 31, 2001

DYS		Notes
Approved Budget (Federal Funds)	$350,585	
Claimed Costs	$294,795	
Questioned for Allowability:		
Overpayment of Member Living Allowances	$2,303	1
Questioned for Support:		
No Member Background Checks	$10,655	2

NOTES

1. Two of 11 members were paid $2,303 more in living allowances than the grant-approved amount of $9,000 per year per full-time member. According to DYS, living allowances were paid to different members by different subgrantees, which resulted in excess payment to members. We questioned the $2,303 difference between the approved living allowance amount and the amount paid to members.

2. One of 11 member files tested did not have evidence of a member background check as required. AmeriCorps Special Provisions, *Member Eligibility, Recruitment, and Selection,* requires background checks of members or employees with substantial direct contact with children or who perform service in the homes of children or individuals considered vulnerable. Evidence of background checks must be maintained in member files. Without evidence of eligibility, we questioned the living allowance of $10,655.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOHO36
JANUARY 2, 2001, TO DECEMBER 31, 2001

GCAC			Notes
Approved Budget (Federal Funds)		$333,940	
Claimed Costs		$284,792	
Questioned for Allowability:			
Consultant Fees in Excess of Daily Maximum	$107		1
Legal Fees	250		2
Total Questioned for Allowability		$357	
Questioned for Support:			
Missing Timesheets	$75,908		3
Missing Eligibility Documentation	13,437		4
Total Questioned for Support		$89,345	
Total Education Awards Questioned for Support:			
Missing Eligibility Documentation		$4,725	4

NOTES

1. GCAC invited a guest artist for a day program and charged the grant more than the allowable daily amount for a consultant fee. According to AmeriCorps General Provisions, *Financial Management Provisions*, payments to individuals for consulting services under this grant cannot exceed $443 per day. GCAC's employees stated that they were unaware the grant included consultant cost ceilings. GCAC paid $550 for the consultant. We questioned claimed costs of $107 that exceeded the $443 daily ceiling.

2. GCAC charged $250 for a telephone consultation with a lawyer regarding a potential member's legal status. This fee was charged to the grant as part of member background checks in Program Year 2000-2001. The cost was not included in the cooperative agreement budget. We questioned the $250 legal fee.

3. GCAC did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

- Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
- Account for total activity for which the employee is compensated.
- Are signed by the employee or a supervisor.
- Are prepared at least monthly and coincide with one or more pay periods.

Because the distribution of salaries and wages was not supported by labor distribution reports, we questioned $69,952 of labor costs and $5,956 of labor benefits.

4. We tested eight of 26 member files for eligibility. Two files did not have documentation required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. According to the program coordinator, GCAC did not obtain proof of U.S. citizenship documentation from its members. We questioned $13,437 of living allowances and $4,725 of education awards.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASCOH036
JANUARY 2, 2001, TO DECEMBER 31, 2001

MHP			Notes
Approved Budget (Federal Funds)		$391,950	
Claimed Costs		$355,968	
Questioned for Support:			
No Employee Timesheets	$48,979		1
No Member Timesheets	31,831		2
No Direct Cost Documentation	135		3
Total Questioned for Support		$80,945	
Education Awards Questioned for Support:			
No Member Timesheets		$20,679	2

NOTES

1. MHP did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the employee or a supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

   MHP was unable to provide timesheets to support $46,315 of program director salary costs charged to the grant. MHP used a telephone time-keeping system that did not provide the ability to record an allocation of labor hours. Also, MHP did not provide personnel activity reports to support labor charges of $2,664 for accounting services provided by St. Vincent's Hospital to the AmeriCorps program. Rather, MHP charged budgeted amounts for these services. We questioned $48,979 for labor and fringe-benefit costs for support.

2. Five of eight member files tested did not have timesheets to support hours earned as required. AmeriCorps General Provisions, *Financial Management Provisions*, states that grantees must keep time-and-attendance records signed by members and individuals with oversight to document eligibility for in-service and post-service benefits. The program director stated that individual member hours were tracked via WBRS. Without evidence of eligibility, we questioned $31,831 of living allowances paid to these members and $20,679 of education awards.

3. MHP was unable to provide supporting documentation for a $135 employee bonus paid on June 1, 2001. The employee bonus was also not included in the cooperative agreement's approved budget, and we questioned this amount.

SCHEDULE C

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFOH036
AUGUST 1, 2000, TO DECEMBER 31, 2001

		Questioned		
	Claimed	Allowability	Support	Schedule
Buckeye	$127,867	$1,047	$ 39,182	C-1
ISUS	221,511		87,121	C-2
UAC	213,490	4,740	18,694	C-3
Total	$562,868	$5,787	$144,997	
FSR Amount Claimed By Council*	$2,525,990			
Education Awards			$13,078	Note

* The FSR date is April 29, 2002. It is marked "incomplete" in WBRS.

NOTE

We questioned education awards as described in Schedules C-1 through C-2, as follows:

	Questioned for Support	Schedule
Buckeye	$ 8,651	C-1
ISUS	4,427	C-2
Total	$13,078	

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFOH036
OCTOBER 1, 2000, TO DECEMBER 31, 2001

Buckeye			Note
Approved Budget (Federal Funds)		$128,732	
Claimed Costs		$127,867	
Questioned for Support:			
No Timesheets or Personal Activity Reports	$25,817		1
No Direct Cost Documentation	3,363		2
Inadequate Contractor Agreements	8,706		3
Recalculated Administrative Fee	1,296		4
Total Questioned for Support		$39,182	
Questioned for Allowability:			
Interest Charges	$ 23		5
Costs Not In Approved Budget	597		6
Indirect Costs Charged as Direct Costs	427		7
		$1,047	
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$8,651	8

NOTES

1. Buckeye did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the individual employee or a responsible supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

We question for support $23,223 of labor costs and $2,594 for fringe-benefit costs.

2. Buckeye could not provide documentation to support $3,363 for travel, training meeting, and e-video costs charged to the grant as required by OMB Circular A-122, Attachment A, Subparagraph A.2(g). We questioned this amount.

3. Agreements between Buckeye and its contractors were inadequate. OMB Circular A-122, Attachment B, Subparagraph 39.b(8), contractual agreements for service provided must:

   - Describe the service to be provided.
   - Include an estimate of time required to complete the service.
   - Provide a compensation rate.
   - Include termination provisions.

   All of the above information is required in a contractor agreement to determine allowability of contractor costs. Because Buckeye's contractor agreements did not contain the requisite information, we questioned $8,706 of contract labor.

4. Buckeye exceeded its allowable administrative costs in Program Year 2000-2001 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Buckeye's budgeted administrative fee for this program year was five percent. We questioned $1,296 of overclaimed administrative costs as follows:

	Program Year 2000-2001
Federal Costs Excluding Administrative Costs	$122,398
Less Questioned Costs	38,933
Total Federal Costs per Audit	$ 83,465
Allowable Administrative Costs at 5%	$4,173
Administrative Costs Claimed	5,469
Overclaimed Administrative Costs	$1,296

5. Buckeye charged unallowable finance charges to the grant. We question $23 in accordance with OMB Circular A-122, Attachment B, Subparagraph 23.a(1).

6. Buckeye claimed $93 for lodging for a program representative and $504 of car insurance expenses not included in the original budget. Grant Agreement No. 00ASFOH036-Y7-F-13, Paragraph 1, states that only grant-approved costs approved are allowable. We questioned $597 as unallowable.

7. Buckeye claimed $427 of indirect cell phone charges to the grant. Although the cell phones were issued to staff, the program was funded by several grants. OMB Circular A-122, Attachment A, Subparagraph B.1, states that direct costs are those that can be identified specifically with a particular final cost objective, such as a particular award. Therefore, these cell phone costs costs should not be charged wholly to the AmeriCorps program. We questioned $427.

8. Six of seven member files tested did not contain documentation of citizenship as required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned post-service education awards of $8,651 as unsupported.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFOH036
OCTOBER 1, 2000, TO DECEMBER 31, 2001

ISUS			Notes
Approved Budget (Federal Funds)		$310,628	
Claimed Costs		$221,511	
Questioned for Support:			
Missing Timesheets	$84,841		1
Missing Direct Cost Documentation	247		2
Recalculated Administrative Costs	2,033		3
Total Questioned for Support		$87,121	
Education Awards Questioned for Support:			
Missing Eligibility Documentation		$4,427	4

NOTES

1. ISUS did not have adequate documentation for its method of allocating costs charged to the grant. It allocated labor costs to the grant based on its annual AmeriCorps grant budget.

   According to OMB Circular A-122, Attachment A, Subparagraph A.4, the allocation of costs to Federal awards must be in relation to the benefits received. Also, OMB Circular A-122, Attachment B, Subparagraph 7.m(2), requires labor costs to be supported by personnel activity reports that:

   - Reflect an after-the-fact determination of actual activity of each employee. Budget estimates do not qualify as support for charges to awards.
   - Account for total activity for which the employee is compensated.
   - Are signed by the employee or a supervisor.
   - Are prepared at least monthly and coincide with one or more pay periods.

   Because ISUS could not provide support for labor costs charged to the grant, we questioned $76,198 for claimed labor costs and $8,643 of fringe-benefit costs associated with questioned labor costs.

2. ISUS was unable to provide supporting documentation for $247 for an Internal Evaluation expense. OMB Circular A-122, Attachment A, Subparagraph A.2(g), states that a cost must be adequately documented to be allowable under an award. We questioned $247.

3. ISUS exceeded its allowable administrative costs in Program Year 2000-2001 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. The budgeted administrative fee for Program Year 2000-2001 for ISUS was four percent. We question $2,033 of overclaimed administrative costs for Program Year 2000-01 as follows:

	Program Year 2000-2001
Federal Costs Excluding Administrative Costs	$214,309
Less Questioned Costs	85,088
Total Federal Costs per Audit	$129,221
Allowable Administrative Costs at 4%	$5,169
Administrative Costs Claimed	7,202
Overclaimed Administrative Costs	$2,033

4. We tested 17 ISUS member files for eligibility. Two of these files did not contain sufficient documentation as required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. ISUS indicated it did not maintain member eligibility documents in AmeriCorps member files. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. We questioned for support $4,427 of education awards paid to these members.

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 00ASFOH036
OCTOBER 1, 2000, TO DECEMBER 31, 2001

UAC			Note
Approved Budget (Federal Funds)		$233,630	
Claimed Costs		$213,490	
Questioned for Allowability:			
Overpayment of Living Allowance Amount		$4,740	1
Questioned for Support:			
Missing Eligibility Documentation	$ 1,110		2
Unsupported Costs	15,567		3
No Direct Cost Documentation	465		4
Recalculated Administrative Costs	1,552		5
Total Questioned for Support		$18,694	

NOTES

1. One member received living allowance payments in excess of the approved budget amount of $10,000 per year. The program coordinator stated that only one site paid more than the approved budgeted amount, and UAC was not aware that a member could not be paid different amounts for living allowances. We questioned the excess living allowance of $4,740.

2. One of six member files tested for eligibility did not contain documentation as required by 45 CFR § 2522.200(b)-(c), for proof of U.S. citizenship or lawful permanent resident alien status. To be eligible for AmeriCorps membership, the member must be a citizen, national, or lawful permanent resident alien. UAC stated it was not aware of the requirement to maintain a copy of a birth certificate in member files to fulfill the member eligibility requirement. We questioned for support $1,110 of living allowances paid to the members.

3. UAC could not reconcile its FSRs with its accounting detail. The costs reported on the FSR exceeded costs in the accounting records. UAC claimed $323,796 on its FSR, while the accounting transaction detail was $308,229. The finance manager was not available to provide an explanation for the variance. According to OMB Circular A-122, Attachment A, Subparagraph A.2(g), costs must be adequately documented to be allowable under an award. We questioned for support $15,567 claimed in excess of costs incurred.

4. UAC could not provide support for $465 of depreciation, telephone, and miscellaneous costs claimed to the grant. The Program Coordinator stated she could not find all necessary support.

OMB Circular A-122, Attachment A, Subparagraph A.2(g), states to be allowable under an award, costs must be adequately documented. We questioned $465.

5. UAC exceeded its allowable administrative costs in Program Year 2000-2001 as the result of question claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. Although the statutory limit for administrative fees for a subgrant is five percent, the Council had a practice of taking a one percent administrative fee from certain subgrantees. The Council's one percent fee was calculated on total costs claimed on the FSR by the subgrantee. The budgeted administrative fee for UAC was four percent. We questioned $1,552 of administrative costs, as follows:

	Program Year 2000-2001
Federal Costs Excluding Administrative Costs	$204,628
Less Questioned Costs	21,882
Total Federal Costs per Audit	$182,746
Allowable Administrative Costs at 4%	$7,310
Administrative Costs Claimed	8,862
Overclaimed Administrative Costs	$1,552

SCHEDULE D

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98ARCOH036
JANUARY 1, 1998, TO DECEMBER 31, 2001

		Questioned		
	Claimed	Allowability	Support	Schedule
MHP: Toledo Reads Early	$143,979	$6,582	$14,251	D-1
Youngstown	252,411		68,124	D-2
Total	$396,390	$6,582	$82,375	
FSR Amount Claimed By Council*	$534,274			
Education Awards			$48,118	Note

* The FSR date is April 29, 2002. It is marked "not yet finalized" in WBRS.

NOTE

We questioned education awards as described in Schedules D-1 and D-2, as follows:

	Questioned for Support	Schedule
MHP	$ 7,088	D-1
Youngstown	41,030	D-2
Total	$48,118	

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98ARCOH036
SEPTEMBER 15, 1999, TO DECEMBER 31, 2001

MHP: Toledo Reads Early			**Notes**
Approved Budget (Federal Funds)		$229,500	
Claimed Costs		$143,979	
Questioned for Allowability: Contractor Agreement with Employee		$6,582	1
Questioned for Support:			
No Direct Cost Documentation	$ 816		2
Missing Member Timesheets	11,071		3
Recalculated Administrative Fee	2,364		4
Total Questioned for Support		$14,251	
Education Awards Questioned for Support:			
No Member Timesheets		$7,088	3

NOTES

1. MHP executed a contractor agreement with the AmeriCorps program director to work on the Toledo Reads Early grant as a contractor. The AmeriCorps program director was not named in the Toledo Reads Early approved cooperative agreement budget. Fifty percent of the employee's regular time salary was paid from an AmeriCorps grant, and the contractor agreement was used to fund the "overtime" beyond the exempt salary. However, MHP could not provide timesheets to support the claim of overtime hours. OMB Circular A-122, Attachment B, Subparagraph 39.a, states that the cost of professional consultant services is allowable if rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the organization. We questioned $6,582 as unallowable.

2. MHP was unable to provide supporting documentation for $816 for uniforms, mileage, and unidentified expenditures. MHP indicated that supporting documentation may have been lost while in storage. OMB Circular A-122, Attachment A, Subparagraph A.2(g), states that costs must be adequately documented to be allowable. We questioned $816.

3. We tested two member files and neither included timesheets to support hours earned. AmeriCorps General Provisions, *Financial Management Provisions*, states that grantees must maintain time-and-attendance records signed by members and individuals with oversight to document eligibility for in-service and post-service benefits. The AmeriCorps program director

stated that individual member hours are tracked via WBRS. We questioned $11,071 of living allowances and $7,088 of education awards as unsupported.

4. MHP exceeded its allowable administrative costs in Program Years 1999-2000 and 2000-2001 as the result of questioned claimed costs. AmeriCorps General Provisions, *Administrative Costs*, states that administrative costs cannot exceed five percent of total Corporation funds. The budgeted administrative fee for MHP was five percent. We questioned $2,364 of administrative costs, as follows:

	Program Year 1999-2000	**Program Year 2000-2001**
Federal Costs Excluding Administrative Costs	$64,184	$71,567
Less Questioned Costs	5,321	13,148
Total Federal Costs per Audit	$58,863	$58,419
Allowable Administrative Costs at 5%	$2,943	$2,921
Administrative Costs Claimed	4,750	3,478
Overclaimed Administrative Costs	$1,807	$ 557

OHIO COMMUNITY SERVICE COUNCIL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
AWARD NO. 98ARCOH036
JANUARY 1, 1999, DECEMBER 31, 2001

Youngstown			Notes
Approved Budget (Federal Funds)		$311,045	
Claimed Costs		$252,411	
Questioned for Support:			
Member Files Not Provided		$68,124	1
Education Awards Questioned for Support:			
No Member Files	$37,800		1
No Eligibility Documentation	3,230		2
Total Education Awards Questioned for Support		$41,030	

NOTES

1. Youngstown could not provide any member files for review for Program Year 1998-1999 as required by 45 CFR § 2541.42, Retention and Access Requirements for Records, and AmeriCorps Special Provisions, *Record-Keeping*. The Youngstown program coordinator stated that it did not retain these documents. Because we could not determine member eligibility, we questioned Program Year 1998-1999 living allowance costs of $68,124 and education awards of $37,800.

2. One of three member files tested in Program Year 1999-2000 did not contain a high school diploma or GED, as required by 45 CFR § 2522.200. According to 45 CFR § 2522.200(a)(2), AmeriCorps participants must:

   - Have a high school diploma or its equivalent; or
   - Not have dropped out of elementary or secondary school to enroll as an AmeriCorps participant; and
   - Agree to obtain a high school diploma or its equivalent before using the education award.

   Without evidence of eligibility, we questioned the related education awards of $3,230.

OHIO COMMUNITY SERVICE COUNCIL
NOTES TO SCHEDULES OF CLAIMED AND QUESTIONED COSTS
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS

Summary of Significant Accounting Policies

Basis of Accounting

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

Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expense reflected in the Schedules of Award Costs includes the cost of equipment purchased during the period rather than a provision for depreciation. The Council owns equipment acquired while used in the program for which it was purchased or in other future authorized programs. The Corporation has, however, reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefore, is subject to Federal regulations.

Inventory

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

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January 17, 2003

Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We were engaged to audit the Financial Schedule of Costs Claimed by the Ohio Community Service Council to the Corporation for National and Community Service for the following awards in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States:

Program	Award No.	Award Period	Audit Period*
Administrative	94SCSOH035	10/01/94-12/31/00	10/01/98-12/31/00
Administrative	01SCSOH035	01/01/01-12/31/03	01/01/01-12/31/01
Program Development Assistance and Training (PDAT)	95PDSOH035	01/01/95-12/31/01	01/01/99-12/31/01
Learn and Serve	95LCSOH008	10/01/95-12/31/00	10/01/98-12/31/00
Disability	97DSCOH035	01/01/98-12/31/00	01/01/99-12/31/00
Disability	01DSCOH035	01/01/01-12/31/03	01/01/01-12/31/01
Make a Difference Day (MDD)	99MDDOH020	10/01/99-10/31/99	10/01/99-10/31/99
AmeriCorps Competitive	94ASCOH036	10/01/94-12/31/00	10/01/98-12/31/00
AmeriCorps Competitive	00ASCOH033	08/01/00-07/31/03	08/01/00-03/31/02
AmeriCorps Competitive	00ASCOH036	01/02/01-12/31/02	01/02/01-12/31/01
AmeriCorps Education Award	97EDSOH010**	04/01/97-12/31/00	10/01/98-12/31/00
AmeriCorps Education Award	00EDSOH010**	09/01/00-08/31/03	09/01/00-12/31/01
Ohio Reads Early	98ARCOH036	01/01/98-12/31/01	01/01/98-12/31/01
Governor's Initiative	99ASHOH036	09/01/99-12/31/00	09/01/99-12/31/00
AmeriCorps Formula	00ASFOH036	08/01/00-07/31/03	08/01/00-12/31/01
AmeriCorps Promise Fellows	98APSOH036**	11/01/98-12/31/99	11/01/98-12/31/99
AmeriCorps Promise Fellows	99APSOH036**	11/01/99-12/31/01	11/01/99-12/31/01

* The end of the engagement period is the earlier of the date of grant expiration or the date the Council submitted the last FSR (either December 31, 2001, or March 31, 2002).

** These grants were fixed-amount awards; the Council is not required to submit FSRs. Our audit scope was limited to testing Council compliance with member eligibility and staffing requirements.

Our report dated January 17, 2003, stated that based on the matters discussed in the third paragraph therein, we were unable to express, and we did not express, an opinion on the financial schedules.

COMPLIANCE

Audits performed in accordance with the above standards require that, as part of obtaining reasonable assurance about whether the financial schedules of the Council are free of material misstatements, the auditor perform tests of compliance with certain provisions of laws, regulations, and the grant, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. Instances of noncompliance were identified that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings. See Findings three through ten.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Council's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules. See Findings one through seven, and finding ten.

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Consideration of the internal control over financial reporting would not necessarily disclose all matters in internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions in Findings one, two, three, five, and ten below to be material weaknesses.

FINDINGS

1. The Council's financial management system is inadequate.

The Council's financial records do not support claimed costs reported to the Corporation. The Council maintains, as its primary accounting records, a database of financial information formulated from financial information provided from the State of Ohio's official accounting system, CAS. The Council utilizes the information in its database as the basis for all financial reporting related to Corporation grants, including the FSRs filed with the Corporation and budget reports provided to its Board.

The Council's Director of Internal Operations routinely moved expenditures in the database from one Corporation grant to another. The justifications for many of the adjustments were not adequately documented and, accordingly, an audit trail did not exist to support reasonableness and allowability. One reason given by the director for some adjustments was that he sometimes intentionally charged expenditures to the incorrect grant, because funds were not available in the correct grant, and that he later made corrections. In addition, the information in the database was not periodically saved, weekly or monthly, as most accounting systems would do. Accordingly, the Council was unable to provide details of expenditures reported to the Corporation in prior months or to support specific reports.

DOA was not notified of all adjustments and therefore the State's accounting records were inaccurate and did not reconcile with the database or with expenditures reported to the Corporation. DOA

was concerned about the number of adjustments being requested by the Council, and it sent a letter to the Council requesting that the Council takes steps to ensure that financial information was entered correctly the first time. It appears that, subsequent to the Council's receipt of the letter, it notified DOA of even fewer adjustments to the database.

Because of the Council's financial management policies and procedures, expenditures reported to the Corporation on FSRs could not be supported, and the State's accounting records, including expenditures in its OMB Circular A-133 audit reports, are incorrect.

According to 45 CFR § 2541.200, grantee financial management systems must be sufficient to permit preparation of reports required by the grant, and the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of applicable statutes.

Council representatives stated they had to use the database because the State's financial system could not record in-kind data or produce budget-to-actual reports as required by the Council's Board. They further stated that the differences between the database and the State's records were timing differences that will disappear as each grant is closed out.

Recommendation

We recommend that the Council use the DOA records as the official accounting records and prepare supplemental records as needed to track budget information.

2. The Council has inadequate segregation of financial management duties.

The Director of Operations has been performing almost all of the financial management duties at the Council. He is responsible for:

- Obtaining a copy of the State's financial information, making adaptations to that data and incorporating it into the Council's financial database.
- Making adjusting entries and deleting entries to/from the Council's financial database without obtaining secondary approvals or maintaining documentation which provides the historical record of the changes.
- Notifying the State of Council financial activity.
- Reconciling Council financial information to State financial information.
- Compiling subrecipient financial information.
- Initiating and approving vouchers for payment, approving, screening and monitoring vouchers (both at the Council level and subrecipient level) for payment.
- Creating all Council financial reports, including budgetary reports.
- Creating and submitting FSRs to the Corporation.

Additionally, the Director of Operations has been signing the Executive Director's name to documents without using the officially sanctioned signature format.

Key duties such as authorizing, approving, and recording transactions and making payments should be assigned to separate individuals to minimize the risk of loss to the Federal government. According to 45 CFR § 2541.200, grantee financial management systems must have effective control and accountability over all grant funds and assets.

Recommendation

We recommend that the Council separate the financial procedures of authorizing, approving, and recording transactions and prohibit the Director of Internal Operations from signing, under any circumstances, the Executive Director's name to documents.

3. The Council's procedures for distributing salaries and wages is inadequate.

Salaries and wages of employees are not being charged to Corporation grants based on timesheets. The Administrative Standards Review performed by the Corporation in July 1999 noted that the Council was not requiring employees to complete timesheets detailing activities performed. It was distributing salaries and wages based on estimates of work performed by employees. In response to the finding in the Standards Review, the Council began requiring employees to complete timesheets detailing time spent on grants and other activities in March 2001. The Council's Director of Operations has not, however, used these timesheets to distribute salaries and wages to grants. He stated that he had planned to compare actual costs per the timesheets to the budgeted distributions on an annual basis. To date, no comparisons or adjustments had been made.

OMB Circular A-87, Attachment B, Section 11, states that charges to Federal awards for salaries and wages where employees are expected to work solely on a single Federal award or cost objective will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports and must reflect an after-the-fact distribution of the actual activity of each employee, be prepared at least monthly, and must coincide with one or more pay periods. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that comparisons of actual costs to budgeted distributions based on the monthly activity reports are made at least quarterly. Because our report expresses a disclaimer of opinion, we did not question any Council costs.

Recommendation

We recommend that the Council revise its procedures for the distribution of salaries and wages to be in compliance with OMB Circular A-87.

4. The Council and certain subrecipients claimed unallowable costs and costs for which no documentation was provided to support allowability.

The results of our subgrantee visits identified several sites that claimed unallowable costs or costs for which there was no supporting documentation. In some cases, subgrantees were not aware that costs had to be claimed in accordance with cost principles, or they were not aware of certain requirements contained in the cost principles. Additionally, the Council did not charge labor costs to Corporation grants in accordance with OMB Circular A-87.

Additionally, subrecipients claimed other direct costs that were unallowable in accordance with the applicable cost circular. Subrecipients claimed unallowable costs for consulting fees that exceeded daily limits, charged indirect costs as direct costs to grants, and claimed unnecessary costs and interest charges to grants. This is evidence that the subrecipients were not aware of the cost principles or certain provisions of the applicable circulars.

We also noted that subrecipients could not always support claimed costs. Documentation may have been lost, or proper support may not have been claimed.

The notes to Schedules A through D describe questioned costs in the amount of $31,536, which are summarized in the table on page 4, included in the Summary of Results. These questioned costs consist of costs claimed for which documentation shows that recorded costs were expended in violation of laws, regulations, or specific conditions of awards or were costs that require interpretation of allowability by the Corporation.

In addition, the notes to Schedules A through D describe unsupported costs in the amount of $1,220,518; this amount consists of costs claimed that require additional documentation to support allowability. These unsupported costs are also summarized in the table on page 4, included in the Summary of Results.

Additionally, we noted the following exceptions at the Council. Because our report expresses a disclaimer of opinion, we did not question any Council costs.

1. The Council could not provide timesheets or personal activity reports as required by OMB Circular A-87, Attachment B, Section 11.

2. The Council could not provide payroll registers or other support for certain labor costs charged to Corporation grants.

3. The Council claimed costs for consultant fees but could not provide a contract with the consultant as required by OMB Circular A-122, Attachment B, Subparagraph 39.b(8).

4. The Council charged to its Corporation grant costs beyond customary rates for hotel rooms in Columbus, and Newark, Ohio, as well as costs for hotel fees for individuals living in Columbus to stay in hotels in Columbus.

5. We noted two instances where vouchers submitted for payment by the Council were disapproved by the Ohio Department of Aging. The Council made changes to the supporting documentation of these vouchers in order to make the vouchers payable by the Department of Aging.

6. The Council transferred costs between Corporation grants, but did not provide adequate documentation to support that the costs were allowable and chargeable to the grant to which they were transferred.

7. The Council could not provide support for some costs charged to Corporation grants as required by 45 CFR § 2541.200(b)(2), Standards for Financial Management Systems, Accounting Records.

8. The Council purchased gifts for retiring personnel and charged the entire amount of the gifts to a Corporation grant. This purchase was not necessary and reasonable for proper and efficient performance or administration of the grant as required by OMB Circular A-87, Attachment A, Subsection C.2.

9. Food and beverages were charged to a Corporation grant, but such costs were not included in the grant budget.

10. The Council was unable to provide accounting detail for the amount of in-kind match it claimed on its FSRs for Program Year 1999-2000. The amounts reported on the FSR exceeded the amounts of the documentation the Council could provide.

Recommendation

We recommend that the Corporation follow up with the Council to determine if questioned and unsupported amounts should be disallowed and recovered.

5. The Council and certain subrecipients submitted untimely financial reports.

The Council did not submit its FSRs in a timely manner. Reports submitted on a quarterly or semiannual basis are due 30 days after the date the reporting period ends according to 45 CFR § 2541.410(b)(4). We tested 54 FSRs submitted during the audit period and determined that 27 of these were submitted late, as follows:

ProgramYear	Tested	Late
1998-1999	28	10
1999-2000	10	5
2000-2001	16	12

We also noted that, as of the last day of fieldwork, January 17, 2003, the Council had still not submitted its grant closeout form for Administrative Grant No. 94SCSOH035 for Program Years 1998-1999, 1999-2000 and 2000-2001. The grant period ended December 31, 2000. As of January 2003, that closeout FSR was more than two years late.

In addition, several of the Council's subrecipients filed late FSRs as follows:

		Late by Program Year			
Subrecipient	Tested	1998-1999	1999-2000	2000-2001	Total
Buckeye*	12	0	1	0	1
Pathways	12	0	1	0	1
COHHIO**	12	1	3	0	4
GCAC	8	2	2	0	4
ISUS	15	0	0	1	1
MHP***	22	0	4	2	6
APPALCorps	11	1	1	1	3
ComCORPS	4	0	0	1	1
UWSC	4	4	0	0	4
UAC****	4	0	2	0	2

* Subrecipient also required to submit PERs. One PER submitted late.
** Subrecipient also required to submit PERs. In Program Year 1999-2000, 3 of 4 PERs were submitted late.
*** Includes AmeriCorps and Toledo Reads Early FSRs.
**** Subrecipient also required to submit PERs. In Program Year 1999-2000, 3 of 4 PERs were submitted late.

Failure to prepare and submit FSRs in a timely manner with accurate information hinders Corporation oversight of the Council's financial performance and could result in funding delays.

Recommendation

We recommend that the Council implement procedures to ensure the timely submission of all FSRs and grant closeout documents.

6. Certain subrecipients did not comply with program requirements.

As part of its monitoring requirements, the Council is responsible for ensuring that subrecipients are adequately trained in programmatic provisions and maintaining required documentation accordingly. Our testing of subrecipient member files disclosed that some subrecipients were not complying with all program requirements, as follows:

- Member files at five subrecipients were missing documentation on mid-term and/or final evaluations. Grantees are required to conduct at least mid-term and end-of-term evaluations of each member's performance (AmeriCorps Provisions, AmeriCorps Special Provisions, *Member Records and Confidentiality*), documenting that the member has:

  - Completed the required number of hours.
  - Satisfactorily completed assignments.
  - Met other performance criteria that were clearly communicated at the beginning of the service term.

  The following subrecipient files were missing these evaluations:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Evaluations**
Buckeye	1999-2001	14	10
Pathways	1998-2001	24	13
COHHIO	1998-2001	26	18
DYS	1998-2001	24	6
ISUS	1998-2001	39	30

- Additionally Pathways, DYS, APPALCorps, and COHHIO had subrecipients with second-term members who did not have mid-term and/or final evaluations in their files as required by 45 CFR § 2522.220(d).

- Member files at eight subrecipients did not always include high school diplomas or equivalent records. If a member does not have a high school diploma or equivalent at enrollment time, the grantee must obtain a record of the elementary or high school drop-out date and the member's written agreement to obtain a high school diploma or equivalent before using the education award (AmeriCorps Provisions, AmeriCorps Special Provisions, *Member Records and Confidentiality*). Failure to obtain this information could result in education awards to ineligible individuals. Member files were missing high school diplomas or equivalent information, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Pathways	1998-2001	24	3
COHHIO	1998-2001	28	11
DYS	1998-2001	24	3
GCAC	1998-2001	22	1
ISUS	1998-2001	39	10
Youngstown	1999-2001	8	1

- Several subrecipients' files were missing complete member agreements, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Agreements
ISUS	1998-2001	51	25
APPALCorps	1998-2001	26	1

- Member agreements at ISUS were also missing the signature of the program director or certifying officer. Of 51 member files tested for Program Year 1998-2001, 25 files contained member agreements missing the signature of the program director or certifying officer.

- Ten of 11 member contracts at APPALCorps for Program Year 1999-2000 did not contain position descriptions. UAC member contracts did not include minimum hour requirements necessary to obtain a partial education award and also allowed for the deduction of fines from member living allowances. Buckeye's member contracts did not include the minimum number of service hours required to achieve an education award, did not stipulate a GED must be achieved prior to usage of the education award, and did not include prohibited activities. Grantees must require members to sign contracts stipulating (AmeriCorps Provisions, AmeriCorps Special Provisions, *Living Allowances, Member Contracts*):

  - Minimum number of service hours necessary to be eligible for the education award.
  - Acceptable conduct.
  - Prohibited activities.
  - Requirements under the Drug Free Workplace Act.
  - Suspension and termination rule.
  - Specific circumstances under which a member may be terminated.
  - Position description.
  - Grievance procedures.
  - Other requirements as established by the program.

- Additionally, neither UAC's member contract or member handbook indicates that a member may not receive both a living allowance and academic credit for service activities unless the service activities require a time commitment beyond that expected for the credit earned, as required by 45 CFR § 2519.320.

- During Program Year 1998-1999, ISUS's member contract included a fine provision; member testing also indicated fines were deducted from Living Allowance paychecks of some AmeriCorps members.

- Several subrecipients' files did not contain evidence that background checks were performed on members working with children, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**No Background Checks**
Pathways	1998-2001	24	8*
DYS	1998-2001	24	4
GCAC	1998-2001	22	1

* One Program Year 1999-2000 member also had an arrest record.

Programs with members who have substantial direct contact with children must conduct criminal record checks on these members and maintain related documentation in member files (AmeriCorps Provisions, AmeriCorps Special Provisions, *Criminal Record Checks*). Failure to perform these background checks could result in children being exposed to members with histories of criminal violations.

- Member files at several subrecipients lacked sufficient information to document member enrollments and exits. Member enrollment forms must be submitted to the Corporation no later than 30 days after a member is enrolled, and member exit/end-of-term-of-service forms must be submitted no later than 15 days after a member exits the program (AmeriCorps Provisions, AmeriCorps Special Provisions, AmeriCorps Member-Related Forms). Subrecipient failure to obtain and submit this information promptly results in inaccurate Corporation member enrollment records. We noted that enrollment and end-of-term-of-service forms were missing or lacked certification dates, as follows:

		Number of Files	
Subrecipient	**Period**	**Tested**	**Missing Information**
Buckeye	1999-2001	14	3
GCAC	1998-2001	22	4
APPALCorps	1998-2001	26	13

In addition, we noted that enrollment, change of status, and exit forms were not submitted within the required period, as follows:

Subrecipient	Period	Number of Files	
		Tested	Submitted Late
Buckeye	1999-2001	14	11
Pathways	1998-2001	24	1
COHHIO	1998-2001	28	14
DYS	1998-2001	24	11
ISUS	1998-2001	39	65*
APPALCorps	1998-2001	26	4
Youngstown	1999-2001	8	7

* This number includes 32 enrollment and 33 exit forms. Four enrollment forms did not have the signature of the program's certifying official.

- UAC had five members listed on Corporation rosters that were not listed on its internal roster. UAC also did not maintain records of its internal roster for Program Year 1999-2000.

- Several subrecipients could not provide sufficient information to support member eligibility either because the member file was missing or the eligibility documentation was not in the file. Grantees must maintain verifiable records that document each member's eligibility to serve based upon citizenship, birth date, and level of educational attainment (AmeriCorps Provisions, AmeriCorps Special Provisions, *Record-Keeping*). Records kept in some recipient member files did not include adequate eligibility documentation, as follows:

Subrecipient	Period	Number of Files	
		Tested	Missing Information
Buckeye	1999-2001	14	9
Pathways	1998-2001	24	2
COHHIO	1998-2001	28	12
ISUS	1998-2001	39	3
APPALCorps	1998-2001	26	7
UAC	1999-2001	12	4

- Several subrecipients did not submit progress reports in a timely manner: Buckeye, Pathways, GCAC, and ISUS. Particularly, in Program Year 1999-2000, UAC submitted three out of four progress reports late (the fourth program report was missing). Buckeye submitted 5 of 10 required progress reports late. Of the required progress reports, 3 of the 10 were not submitted at all. Quarterly reports are due 30 days after the reporting period according to 45 CFR § 2541.400(b)(1).

We also noted instances of non-compliance with member time reporting as required by AmeriCorps Grant Provisions, *Member Records and Confidentiality* as follows:

- Some member time sheets at ISUS were not signed by supervisors and were not dated.

- At DYS, five of 24 member files tested for Program Years 1998-2001 did not contain member timesheets.

The Federal regulation that requires monitoring and reporting of grant and subgrant activities, 45 CFR § 2541.400(a), states:

> Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function, or activity.

Recommendation

We recommend the Council strengthen its program monitoring procedures to ensure the requirements of 45 CFR § 2541.400(a) are met. Specifically, the Council should ensure that subrecipients are:

- Aware of and complying with all significant member eligibility and notification requirements.
- Aware of and complying with grant requirements for conducting and retaining member evaluations.
- Maintaining required educational information.
- Maintaining all member agreements and including all required provisions in these agreements.
- Obtaining member background checks when warranted.
- Documenting member enrollments and exits promptly and submitting this information to the Corporation in a timely manner.
- Maintaining sufficient information to support member eligibility.
- Complying with member time keeping requirements.
- Complying with grant reporting requirements.

7. Certain subrecipients did not comply with record-retention policies.

The Council has not ensured that subrecipients complied with grant documentation retention requirements. Several subrecipients were unaware of record-retention requirements under their subgrant agreement with the Council. According to 45 CFR § 2541.420(b), grant records are to be retained for three years from the date that the grantee submits its final expenditure report. We noted the following:

- Although the Council conducted monitoring visits at UAC, the subrecipient advised us the Council did not inform it of the member eligibility requirement for maintaining a copy of member birth certificates in member files until July 7, 2000.
- Pathways' member files lacked several documents, including training records, pay files, and health insurance waiver forms. APPALCorps could not provide W-4s for eight of its 26 members, or W-2s for three of its 26 members. However these files were required as part of grant documentation requirements.

- UAC could not provide either Progress reports or FSRs for the Program Year 1999-2000 planning grant it received from the Council.

- COHHIO did not have a written record retention policy but indicated "no records are ever thrown away." MHP's records retention policy did not specifically cover AmeriCorps records retention requirements. Buckeye did not have record retention policies in its organization and could not provide any member or cost documentation for Program Year 1998-1999. Although Buckeye indicated the documents were lost due to a flood, it also could not provide documentation to substantiate the occurrence of the flood.

- Youngstown could not provide any member files or supporting documentation for Program Year 1998-1999. For Program Years 1999-2001, W-2s were missing from Youngstown member files. It also did not maintain internal rosters of its members for Program Years 1998-2001.

Recommendation

We recommend the Council take steps to ensure that all subrecipients are informed of and comply with the Corporation record-retention requirements by incorporating record-retention requirements in its subgrant agreements and by providing training and education.

8. The Council did not adequately perform monitoring of subrecipients.

The Council did not perform financial monitoring of its subrecipients on an adequate basis. For the audit period October 1998 through March 2002, the Council indicated there were three Ohio Reads Early, five Learn and Serve, 11 Promise Fellow, and 35 AmeriCorps subrecipients. According to our review of the Council's monitoring records, we noted the following that received monitoring: zero of the three Ohio Reads Early, zero of the five Learn and Serve, one of the 11 Promise Fellows, and 32 of 35 AmeriCorps subrecipients. Thus, the Ohio Reads Early, Learn and Serve, and Promise Fellow recipients did not receive Council monitoring. Of the AmeriCorps subrecipients monitored by the Council, monitoring files for 13 of the 32 AmeriCorps subrecipients (approximately 40 percent of the population) indicated the same unresolved issues existed for several consecutive years.

Two monitored subrecipients had the same outstanding unresolved issues and had been placed on probation according to the records of the Council: Buckeye and ISUS. However, during our site visits to these organizations, personnel at both organizations were unaware that their organization had been placed on probation. Moreover, issues cited in the Council's monitoring records for prompting the probation still existed at the time of our site visits, e.g., member eligibility, member time reporting, and allowable costs.

Additionally, the Council stated that its financial monitoring of subgrantees consists of testing documented support for cost category claimed on the PER, such as staff travel or training, but that the costs tested are immaterial to overall Federal expenditures of the grant. Council personnel also acknowledged that most grant expenditures are labor related, but they do not conduct any monitoring tests related to labor.

In our audit of selected subrecipients, we also noted the following conditions:

- GCAC's program director did not prepare time sheets as required by OMB Circular A-122, even though 50 percent of his compensation was charged to the AmeriCorps grant. Likewise, salary costs and personnel benefits charged to the grant were based on budget estimates.

- ISUS and Buckeye employees working on AmeriCorps grants also did not maintain timesheets with labor distribution information, or maintain certification documents as required by OMB Circular A-122.

- At MHP, no time sheets were provided for Program Director labor costs charged to the AmeriCorps grant.

- Pathways, UAC, and MHP could not provide reconciliations of their accounting detail with their FSRs.

- MHP, UAC, Buckeye, and ISUS could not provide documentation to support all direct cost charges tested.

- UAC paid one member a living allowance in excess of its approved budget and paid another member less than the approved budgeted living allowance. DYS paid six of the 24 members tested living allowances in excess of the approved budget.

- Pathways did not have internal controls in place to ensure invoices were approved for payment by an authorized person before payment.

- Neither ISUS, Buckeye, nor GCAC had proper controls in place to ensure labor costs charged to the AmeriCorps grant reflected personnel hours actually worked on the grant. Staff fringe costs charged to the ISUS and GCAC grants were also based on budgeted, and not actual, labor hours worked. Additionally, member timesheets at GCAC and ISUS were edited with white-out, or modified by crossing out of data without the placement of initials or other control marking to determine who or why changes were made to the timesheets.

- ISUS and Buckeye charged consultant's fees to their grants without having executed contractual agreements with its contractors for services rendered. Such agreements should include a description of the service, estimate of time required, rate of compensation, and termination provisions as required by OMB Circular A-122, Attachment B, Subparagraph 39.b(8). Buckeye also did not have adequate controls to ensure consultants were not paid beyond the Federal maximum daily rate.

- Buckeye did not have a set methodology for claiming employee benefits to the grant. Rather, it charged benefits based upon amounts available in the budget at the program director's discretion. The organization also had an inadequately documented cost allocation methodology. Additionally, Buckeye did not maintain a consistent methodology for reporting the recipient's share of costs in its FSRs, and such costs were not easily identifiable in its accounting system.

- Buckeye and MHP have internal control deficiencies. At Buckeye, there is a lack of segregation of duties: the same person who processes accounts payable also reconciles the bank statements and receives goods. At MHP, there is a segregation of duties issue related to accounts receivable and the cash match: the person responsible for issuing invoices also receives payments. There is also no recording of accounts receivable in the accounting system at MHP.

- MHP charged employee contract labor expenses to the Toledo Reads Early program, which is unallowable per OMB Circular A-122.

- ISUS' manually-prepared budget-to-actual spreadsheet is so complex even the current finance personnel at the organization had difficulty explaining how calculations are made for some of the budgeted line items. At Buckeye, the accounting system budget module is not used to track budget to actual data. Instead, manual processes are used which could result in data manipulation or data input errors.

- ISUS paid member living allowances based on attendance and not in increments, despite the requirements of AmeriCorps Provisions, AmeriCorps Special Provisions. During Program Year 1998-1999, members were paid $50 per day for each day they attended the AmeriCorps program.

- GCAC did not obtain appropriate in-kind matching support records to allow it to validate the value of contributions it received from donors, as required by both AmeriCorps Provisions, General Provisions, and OMB Circular A-110, Section 23, Cost Sharing or Matching. Additionally, GCAC calculated the value of its in-kind contributions based on their budget narrative. It also accounted for the same in-kind contribution of $1,879 twice on its FSR.

- Buckeye met their matching requirements through the use of Federal funds and could not provide documentation to support those matching funds claimed on its FSRs. MHP did not maintain adequate documentation to support the in-kind match it claimed on its FSRs and acknowledged in-kind amounts reported on its FSRs are based on budgeted dollars.

The Council is responsible for ensuring that its subrecipients are aware of and complying with all grant financial management requirements in accordance with the AmeriCorps Provisions, *Responsibilities Under Grant Administration*. Unless these requirements are properly communicated, and subrecipient performance is monitored, conditions such as those described above can occur and not be detected in a timely manner.

Recommendation

We recommend that the Council review its financial monitoring procedures and revise them as necessary to ensure that all significant grant financial requirements are communicated to subrecipients, that subrecipients comply with these requirements on a consistent basis, and that follow-up procedures are included to ensure that the resolution of deficiencies identified by the Council occurs in a timely manner. We also recommend that the Council extend its monitoring activities to other than AmeriCorps grant recipients.

9. The Council inadequately documented its approval and disapproval of grant funding for its subrecipients.

We noted two matters with respect to the Council's subgrant award process:

- The Council has inadequate documentation for the approval and disapproval of grant funding. Additionally, the grading sheets for the individual reviewers are not maintained to support funding recommendations.

- The Council does not have documented policies and procedures in place to select officials to review grant applicants.

The Federal regulations on awarding of program grants, 45 CFR § 2521.30(a)(4), states that "in making subgrants with funds awarded by formula or competition ... a State must: (i) Provide a description of the process used to select programs for funding."

Recommendation

We recommend the Council develop and implement policies and procedures for the approval and disapproval of grant funding.

10. Certain subrecipients were granted partial education awards without adequate justification.

Pathways and MHP granted partial education awards to members who prematurely exited the program without documenting the "compelling personal circumstances" necessary to merit a partial education award. COHHIO granted partial education awards to one member who was terminated due to job performance issues and to another member who decided to leave the program so she would continue to receive Social Security benefits.

The AmeriCorps regulation on release of members from terms of service, 45 CFR § 2522.230(a)(4), states that a "program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service."

Subsection (a)(6) of the regulation states that:

> Compelling personal circumstances do not include leaving a program: (i) To enroll in school; (ii) To obtain employment, other than in moving from welfare to work or in leaving a program that includes in its approved objectives the promotion of employment among its participants.

Recommendation

We recommend the Council provide training to its subrecipients to ensure they are familiar with and understand the requirements for awarding partial education awards.

This report is intended solely for the information and use of the Office of Inspector General, Corporation Management, the Council, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

By: _____
Michael W. Gillespie, CPA, CFE
Partner

ATTACHMENT A

STATUS OF FINDINGS FROM THE PRE-AUDIT SURVEY OF THE OHIO COMMUNITY SERVICE COUNCIL OFFICE OF INSPECTOR GENERAL REPORT NO. 00-15

The findings listed below are taken from Office of Inspector General Report No. 00-15. The status of each finding is addressed below:

Renewal Application Does Not Include Prior Evaluations by Selection Officials

The Council does not consider prior evaluations by Selection Officials and does not address prior program year performance in the Renewal Application Process.

Current Status: The Council indicated it had developed and implemented policy and procedures related to the consideration of prior evaluations by Selection Officials in its Renewal Application Process. However, these policies and procedures are not documented in writing and included in the Council's policies and procedures manuals. We consider this finding open. See our report on Internal Control and Compliance, Number Eight for the related audit finding and recommendation.

Inconsistent Application of Polices and Procedures in the Selection of Learn and Serve Subrecipients

There is an inconsistent application of policies and procedures in the selection of subrecipients for Learn and Serve Grants.

Current Status: The Council indicated it had developed and implemented policies and procedures for the selection of Learn and Serve Subrecipients. However, these policies and procedures are not documented in writing and included in the Council's policies and procedures manuals. We consider this finding open. See our report on Internal Control and Compliance, Number Eight, for the related audit finding and recommendation.

Lack of Written Procedures to Address Grievance Suits

The Council lacks written procedures to address grievance suits related to the selection process.

Current Status: The Council has created and implemented written procedures to address grievance suits related to the selection process. We consider this finding closed.

Consideration of Applicant's Prior A-133 Audit Reports During Selection Process

The Council does not consider an applicant's prior OMB Circular A-133 audit reports, if applicable, during the subrecipient selection process. It also does not consistently review these reports throughout the grant term.

Current Status: The Council has established procedures entitled "Audit Process" for reviewing A-133 reports both during the subrecipient selection process and on an annual basis. There are also Supplementary Provisions delineating additional A-133 requirements for Ohio subrecipients. Additionally, the Council advised that grant funds are not released until A-133 reports have been obtained and reviewed. We consider this finding closed.

Lack of Procedures to Determine Accuracy of Information Processed through State's Financial System

The Council lacks procedures to determine the accuracy of information processed through the State's financial systems.

Current Status: The Council advised us that each year it reviews the Independent Auditor's report on the processing of transactions by the statewide accounting system to ascertain if proper controls are maintained over data integrity and financial reporting. However, this process has not yet been committed to a formal written policy or procedure. Additionally, the Council could not provide either details regarding the processes and procedures it uses to review the State's audit report or documentation to support that reviews were completed. See our report on Internal Control and Compliance, Number One, for the related audit finding and recommendation. We consider this finding open.

Inability to Compare Budget to Actual Expenses by Budget Line Item

Because of system limitations, the Council does not compare budget to actual expenses by budget line item for its Administrative and PDAT grants.

Current Status: Every two months a report entitled "OCSC Operating Budget vs. YTD Expenditures" is prepared by the Council. This report includes budget line items and presents data for budget funds, expenditure activity to date, budget funds remaining, and percentage of budget funds remaining. However, the Council's financial management system is inadequate and unreliable, and the Council did not adequately monitor its subrecipients. See our report on Internal Control and Compliance, Numbers One, Six, and Seven for the related audit finding and recommendation. We consider this finding open.

No Financial Site Visit Checklist

The Council does not have a checklist developed for financial site visits.

Current Status: The Council has developed checklists for financial compliance testing. These checklists have also been incorporated into the Council's Policies and Procedures Manual. However, the Council does not perform thorough subrecipient reviews, i.e., the financial review process consists of sampling from the "smallest dollar cost category." In our audit of selected subrecipients, we also noted conditions such as accounting records containing less costs than costs claimed on FSRs, inability to provide direct cost documentation, and unallowable costs charged to grants. See our report on Internal Control and Compliance, Number Seven for the related audit finding and recommendation. We consider this finding open.

Lack of Policies and Procedures Related to Resolution of Deficiencies Identified by the Council

The Council does not have written policies and procedures related to the resolution of deficiencies identified by the Council through site visits, review of OMB Circular A-133 reports, and/or review of quarterly progress reports.

Current Status: The Council's Policies and Procedures Manual contains guidance for the resolution of deficiencies identified by the Council through site visits, review of OMB Circular A-133 reports, and/or the review of quarterly progress reports. We consider this finding closed.

Lack of Procedures to Ensure Progress Reports Timely Received

The Council has procedures to determine that all progress reports are received in a timely manner. However, for the quarters ending June and September 1999, the master list was not completed. Therefore, the Council was not readily able to verify that all progress reports were received and reviewed.

Current Status: In October 1999, the Council began using the Web Based Reporting System, which electronically records the date subrecipients submit their progress reports to the Council. We consider this finding closed.

Timely Council Review of Progress Reports

Council procedures indicate the review of progress reports and submission of results to the subrecipients is to be completed within three weeks of receipt. Instead, the Council provides feedback on progress reports to the subrecipients within three months of the completion of the review.

Current Status: The three-week time frame was self-imposed by the Council and differed from the Corporation's three-month requirement. The Council has changed its procedures to reflect the Corporation's requirement. We consider this finding closed.

No Site Visits or Written Feedback for Learn and Serve Subrecipients

Council procedures do not include (1) site visit performances for Learn and Serve subrecipients, or (2) written feedback submission on quarterly progress reports submitted by Learn and Serve subrecipients.

Current Status: During fieldwork, the Council advised us it had developed and implemented a set of procedures for the performance of site visits and the submission of feedback and that these procedures were applicable to all programs, including Learn and Serve. However, during fieldwork we noted there were no monitoring files for any of the Learn and Serve grant recipients. Our testing of Learn and Serve subrecipients indicated there was no documentation to support the Council having ever monitored their programs. See our report on Internal Control and Compliance, Number Six, for the related audit finding and recommendation. We consider this finding open.

APPENDIX A

COUNCIL'S RESPONSE TO DRAFT AUDIT REPORT

OHIO
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COUNCIL

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August 20, 2003

Mr. J. Russell George
Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. George:

Attached is the formal response of the Ohio Community Service Council to Audit Report No. 03-05, prepared by Cotton & Company. Our response includes thoughtful comments on each finding enumerated in the draft, plus attachments which support or clarify the response. In general, I believe that many of the statements in the audit report are vague, misleading, and/or unsubstantiated. The attachments provided with this response were also provided to the auditors (sometimes on more than one occasion). It is somewhat disconcerting, then, to find in the report statements which are refuted by this documentation.

With that said, the Ohio Community Service Council is committed to continuous improvement. Council members and staff will seriously consider the auditors' recommendations and make appropriate changes where warranted. We look forward to the upcoming negotiations with CNCS staff and feel confident that all audit issues will be successfully resolved.

Thank you for the assistance provided by the Office of the Inspector General throughout the audit process.

Sincerely,

Katherine A. Buresu

Katherine A. Buresu
Executive Director

Enclosure (1)

Ohio Community Service Council

Response to Audit Report No. 03-05

Audit conducted by Cotton & Company, LLP
on behalf of the Inspector General of the Corporation for National and Community Service

1. Finding: The Council's financial management system is inadequate.

(a) This finding distorts the true picture of OCSC finances.

This sweeping finding, and the decision to decline an opinion on the accuracy of the Council's financial records, are based on auditors' issues with the OCSC Financial Management System (FMS). This belies the fact that **FMS became operational for reporting use only in the last six months of the audit period.** Until that point OCSC relied directly on data from the State of Ohio Central Accounting System (CAS) – the very method cited as the auditors' recommendation below. *By failing to distinguish between the two reporting methods used during the audit period, Cotton & Company have unfairly distorted the true picture of the Council's financial management practices in grant years 1998-99, 1999-2000, and 2000-01.*

(b) FSR reconciliations cited as support for this finding are based on inappropriate methods.

OCSC fiscal staff recognized the potential for confusion engendered by the change in accounting methods and alerted Cotton & Company of this fact during the opening conference. [Of particular concern to management was the fact that Phase II of the FMS implementation remained ongoing at the time of the audit. This process involved the review of some 3,000 transactions dated prior to July, 2002, to add program year and federal budget class information so as to be commensurate with the structure of the FMS database.] For example, OCSC fiscal staff suggested that when attempting to reconcile previously reported amounts, the proper source documentation would be the financial records as they existed *at the time the reports were prepared.* Cotton & Company eschewed this suggestion and instead insisted on trying to match data from the new FMS to reports that were prepared before FMS existed. When the inevitable differences were observed (due to shifts in reporting period between the old and new systems) the auditors concluded that "the Council was unable to provide details of expenditures reported to the Corporation in prior months or to support specific reports." [p. 51]. No attempt was made to reconcile the data by referring to the original source. In a further distortion, the differences were reported as support for the inadequacy of FMS, despite the fact that *the data from FMS was actually more accurate than had been reported originally.*

(c) Some details presented in support of this finding are inaccurate and/or disregard information provided by Council staff.

<u>Adjustments were not adequately documented</u> [p. 51]: (i) "Structural" adjustments which add missing data fields or correct errant data without changing the funding source to which a transaction applies or the transaction amount are made within a "working" copy of the data, while an archive table preserves the data in its original format as in CAS. One need only compare the tables to find the changes. (ii) Other adjustments are made within a separate adjustments table and are coded with a unique trancode making them readily

apparent. Save for three "composite" adjustments that apply to multiple payroll records, each adjustment transaction references the original CAS transaction number to maintain an audit trail. A "comment" field in the adjustments table documents the reason for the adjustment.

Database was not periodically saved [p. 51]: The database was backed up approximately once per quarter, although no formal protocol existed. A CD-RW drive was purchased for this sole purpose. Copies were stored offsite.

Intentionally charged expenditures to the incorrect grant [p.51]: The report omits the example provided by OCSC. In program year 2001 the PDAT award was severely delayed due to administrative machinations at CNCS; we were advised by the Corporation that the funds would be forthcoming eventually and that we could proceed to spend funds under our PDAT budget. The costs were charged to the administrative grant initially, then moved to PDAT when the award was finally received in August.

DOA involvement in adjustments [p. 52]: (i) DOA's role as fiscal agent is to serve as the Council entry point to CAS. Prior to the implementation of FMS, all adjustments were made via CAS so required a memo to DOA; there was no other "notification" required. The reason there were fewer requests to DOA toward the end of the audit period is due to the implementation of FMS; adjustments were posted there unless they involved a change in fund (i.e. federal vs. state money). (ii) DOA concern about adjustments is complete conjecture on the part of the auditors. It stems from observation of a form letter sent by ODA on our behalf to State Accounting requesting an adjustment that could not be entered online. Because State Accounting discourages adjustments unless truly necessary, the letter ended with a statement that staff have been reminded to process transactions correctly the first time. *DOA uses the same form letter for adjustment requests it submits on its own behalf.* DOA has no authority over Council operations so would not have issued the purported admonishment.

FMS-CAS reconciliation process [Omitted]: The audit report fails to mention the written protocol, twice demonstrated to auditors, that is used to ensure that (i) the sum of all FMS adjustments is zero; and (iii) the sum and transaction count of items in the working table of CAS data matches the sum and transaction count of items in the CAS archive table. This protocol is applied every month as new CAS data is imported into the FMS database.

(d) FMS was developed by OCSC in response to a directive from CNCS. The Cotton & Company recommendation for this finding contradicts the CNCS mandate.

The audit recommendation is that the Council use CAS for financial reporting (as was done until mid-2001). But a 1999 Administrative Standards Review by CNCS mandated that the Council change its reporting system. The budget amounts in CAS represent state allocations by fiscal year, which bear no relationship to grant budgets by calendar year. Although CAS does have a modest grant function, it does not allow for grant budgeting. Further, CAS budgets are stated by state objects of expenditure, which are not consistent with the budget categories used by CNCS. As a result, the Council's position on the federally-required budget-to-actual capacity had been to rely simply on the bottom line budget total compared to the reported expenditure total. The CNCS review deemed this

practice unacceptable; in its final report ***CNCS mandated that OCSC develop a budgetary reporting system that could generate budget-to-actual reports by funding year at the expense class level.***

One option open to the Council (and reportedly used in some states) would have been to purchase a commercial accounting package and operate a "shadow system"– processing each transaction both in CAS and again in-house. This was judged to be impractical, given the limited administrative staff. Another option was to develop some type of "crosswalk" to translate state object codes into the budget classes used by CNCS. However, this would not have solved the issue of defining transactions by budget year. The solution adopted was to activate "user-optional" codes in CAS to represent grant year and federal expenditure class. An Access database was created based on the revised CAS coding and downloaded CAS data was imported to create the first of three primary "modules" within FMS. [The other primary modules, for budgetary and in-kind data, were adapted from existing spreadsheets.] This was practical and cost-effective, requiring only five additional keystrokes per voucher. And with budget and in-kind data now recorded in the same database as expenditure data, the new Financial Management System not only met the criteria imposed by CNCS, it provided a single lens through which to view the entire OCSC financial picture. [See Attachment 1.]

Following an introduction to FMS at the start of the audit process, Cotton & Company auditors complimented the Council's ability to develop and implement such a complex system in-house in less than two years. This initial positive reaction to FMS on the part of the auditors has served to magnify the Council's concern with the ultimate finding of inadequacy presented in the audit report. A careful reading of the report reveals that <u>the weaknesses cited can be distilled to the single issue of adjustments to the FMS data</u>. In particular, the observations of Cotton & Company regarding the impact of non-CAS adjustments on state A-133 audit reports are most instructive as they address a dimension that had not previously been considered by Council fiscal staff. During the upcoming resolution phase of the audit we will counsel with CNCS to resolve the conflict between the recommended course of action and the existing reporting mandate, and will take whatever actions are necessary to ensure a financial system that is both functional and compliant.

2. Finding: The Council has inadequate segregation of financial management duties.

We concur with this finding, but disagree with the assessment of materiality and the auditors' recommendation for addressing the problem.

Considering the limited number of administrative staff within the Council office, segregation of duties has always been a challenge. Addition of a Business Manager position in 1998 had helped to mitigate the issue. The position became vacant in March, 2002, and could not be refilled because of a hiring freeze imposed by executive order of the Governor to combat state budget shortfalls. Thus Cotton & Company observed the Director of Internal Operations (DIO) handling duties previously assigned to the Business Manager as well as his own managerial duties of expenditure approval, budgeting, reporting, etc. Had they witnessed Council operations during the audit period (Program Years 1998-99 to 2000-01) they would have observed the Business Manager initiating all day-to-day transactions (purchase orders, vouchers, requests for payment, etc.); serving as the primary financial contact with DOA, vendors, and other clientele; maintaining financial files; and managing computer/network resources.

In the fall of 2002 it became apparent that funding for the Business Manager position would not be restored and Council supervisory staff began devising a plan for reorganizing of job duties within the office. The restructuring occurred in April, 2003, creating a greater separation than had existed with the Business Manager position. The computerized Workflow system was reconfigured to eliminate voucher initiation by the Director of Internal Operations. That phase of the fiscal operation has been delegated to the Program Assistant (subgrant-related transactions) and the Executive Secretary (other payments). Approval of subgrant transactions now is assigned to the Grants Officer; the DIO continues to approve transactions initiated by the Executive Secretary. The Executive Secretary receives any checks which are received by mail, and restrictively endorses them upon receipt prior to forwarding to the DIO for preparation of deposit paperwork. She also prepares the documents for drawing funds from HHS to cover processed vouchers; the DIO reviews and signs the final submission before it is sent to the Department of Aging. Actual draft of federal funds and deposit of all funds in CAS continues to be handled by DOA staff. The Executive Secretary is the primary contact for vendors and the Department of Aging. The DIO is the only person in the office with the expertise to handle computer systems at present, but we have retained a volunteer intern to assist in this effort. [The report mistakenly identifies the DIO as responsible for compiling subrecipient financial information; this task is assigned to the Grants Officer.]

We disagree with the assessment of Cotton & Company that this finding represents a material weakness. To reach such a conclusion the auditors apparently overlooked the inherent separation of duties that exists within the state government structure but outside the bounds of the Council office. *All payments require action at DOA and at State Accounting in order for a state warrant to be generated.* This automatically reduces the risk of misappropriation of funds to a relatively low level, which definition contra-indicates an assessment of materiality. Nevertheless, segregation of duties to the extent possible within the Council office remains an important element in our risk-reduction efforts, serving to forestall false allegations of impropriety which can be as damaging as actual illicit activity.

As regards the Cotton & Company recommendation that the DIO not sign documents on behalf of the Council, we note that the Executive Director is, by state law, the only legal signator for Council documents. State law also spells out the parameters within which signature authorization may be delegated to other staff, and the present delegation is within those parameters. Additionally, Council policy prohibits both the DIO and Executive Director from approving payments to themselves. We will take under advisement the auditors' recommendation but feel that the restructuring of duties outlined above is a more appropriate response to preventing over-concentration of authority in one staff member.

3. **Finding: The Council's procedures for distributing salaries and wages is *(sic)* inadequate.**

The facts as stated in the audit report on this issue are incorrect, leading to an incorrect conclusion. The true facts are as follows:

Through 12/31/2000, staff salaries were not split among multiple grants. All salaries were paid from the Administrative grant (or related state match), except for one FTE which was paid from PDAT. Circular A-87 requires time and effort documentation only in cases where time must be distributed to multiple grants. Lacking the need for distribution, the timesheets submitted each pay period by employees met the requirement for certification of hours worked. *This fact was acknowledged by the Corporation during the 1999 Administrative Standards Review.*

While accepting the Council position that reporting to date met the standards of Circular A-87, the 1999 Review Team recommended that a system for time distribution be developed in event that multi-grant distribution became necessary, and to avoid the potential for audit questions.

The Council developed a revised Microsoft Excel-based time sheet that included time and effort reporting, then forwarded to CNCS a proposal for a cost distribution procedure based on the time sheet data. Because state payroll reports do no break out the cost of each employee's salary and benefits, the proposed distribution system was based on a complicated pro-ration of costs based on hourly rates, time on duty, etc. CNCS rejected the cost distribution system as proposed, claiming that because it was based on a single pay period it could skew the distribution of vacation and leave costs. OCSC was instructed to devise a system where the distribution period encompassed "at least three months".

A new system was devised and forwarded to CNCS for approval. In the mean time, staff continued to use the "new" timesheets containing the time and effort component. Due to staffing changes and other administrative delays at CNCS, approval for the new system was not received until February 20, 2002. With the loss of the Business Manager position, the efforts to devise and implement the new Financial Management System, and the demands of the Cotton & Company audit, adjustments based on the approved time and effort distribution system were delayed and had not been accomplished at the time of the audit.

During the audit field work, the DIO advised Cotton & Company staff of his intent to process time and effort cost distributions on an annual basis as part of closing out each budget year. The auditors pointed out the Circular A-87 requirement as cited in the report that distributions be made at least quarterly. Accordingly, the *plans for annual distribution of costs have been abandoned.*

The fact that cost distributions had not been booked at the time of the audit reflects the time it took to get CNCS approval of the distribution mechanism and the relative urgency of the distributions as compared to other responsibilities such as the audit. *It does not follow that Council procedures are inadequate* as claimed in the report. In March, 2003, the revised distribution system was used to enter distributions in FMS for all staff time between January, 2001 and March, 2003. Adjustments were processed as of June 30th for time and effort reported in the second quarter and the quarterly adjustment schedule will be continued in the

future. Worksheets showing the calculation of all adjustment amounts are retained as documentation.

[We note for clarification that OCSC employees have completed timesheets since the creation of the Council in 1994. This is indisputable, considering that the state payroll system requires timesheets for generation of paychecks. The wording in the report [p.53] may give the impression that timesheets were not used until March, 2001.]

4. **Finding: The Council and certain subrecipients claimed unallowable costs and costs for which no documentation was provided to support allowability.**

We recognize that Cotton & Company are obliged by Governmental Accounting Standards to report exceptions noted in the course of the audit. We also recognize that it is the Corporation, and not Cotton & Company, that will ultimately make the determination as to allowability of the questioned costs. For that reason, we simply acknowledge the $31,536 plus $1,224,742 in questioned and unsupported subgrantee costs, respectively, noted in Schedules A through D; and we assert our willingness to work with the Corporation and the individual subgrantees to resolve said costs in an appropriate manner, including where necessary recovery of disallowed costs from the subgrantees. Our legal counsel in the state Attorney General's Office has advised us that the state can assist us in collection efforts, should that become necessary.

Similarly, questioned costs from Council administrative operations also will be resolved directly with the Corporation. However, due to the public nature of this report, we feel obliged to address briefly the alleged exceptions at the Council:

1) Missing timesheets: There was ONE payroll expenditure for which the payroll file could not be located. The payroll files in the Council office are actually duplicates; the originals are retained by the Department of Aging. However, when we attempted to obtain the original file from DOA, they could not locate it either. This is simply a filing problem. That time sheets did in fact exist is irrefutable, given that employees cannot be paid without time sheets.

2) Payroll registers: Payroll registers are filed with the corresponding time sheets, so again ONE pay period was missing. See above.

3) Consultant fees: One contractor was paid $886 for two days of service as a meeting facilitator. The voucher presented to Cotton & Company in support of the transaction included a "contract letter" spelling out the terms of the contract; this is standard state policy for agreements of $1,000 or less, per the State Accounting Manual. Auditors acknowledged receipt of the contract letter but refused to accept it as appropriate.

4) Hotel rooms: One payment was for a "room rate" which included a meals package and so appeared to be over customary rates; in another case, hotel costs were paid for Council staff who spent the night at a Columbus hotel as chaperones for the Ohio Youth Action Council.

5) Disapproval of vouchers by DOA: *The Department of Aging has no authority to approve or reject Council transactions.* If vouchers are rejected by State Accounting, they are returned to OCSC via DOA; a cover sheet provides instruction for correction and resubmission. This is entirely within state policy.

6) Transfers: Except for three "aggregate" entries, the FMS database includes a reference to the original transaction number in CAS and a "Comment" field noting the reason for the adjustment.

7) Transaction support: Cotton & Company requested documentation for 103 transactions. Nine of the 103 items were duplicates, making a net request of 94 documents. Council staff produced 92 of the requested 94 documents. One of the missing items was the payroll record noted in Item #1, above. ONE other document could not be found in the files.

8) Gifts: The "gifts" referred to here are recognition items for retiring Council members (who serve as unpaid volunteers) – not for paid personnel. Average cost of the items was approximately $50, less than the federal *de minimus* standard. We submit that this is a reasonable cost, considering that some recipients had served on the Council for six years without compensation. [The recognition items have been eliminated in the last two budgets due to lack of available funds.]

9) Food and beverages: These were costs for meetings, and were included in the budget as such.

10) In-kind match: All in-kind match is documented by a receipt signed by the provider. Our notes to the audit referenced no issues with match documentation; without specifics we can offer no further explanation.

The Council is strongly committed to effective stewardship of federal funds as guided by federal cost principles and OMB Circulars. We remain confident that the Corporation will find these costs to be both reasonable and allowable.

5. **Finding: The Council and certain subrecipients submitted untimely financial reports.**

The Council makes every attempt to file FSR's in a timely manner, but acknowledges the need for further improvement in this effort. We note for the record that of the 54 FSR's tested, 17 were "aggregate" reports for which Council timeliness is dependent on the receipt of all subgrantee FSR's. All 17 of these aggregate reports were filed at least one day late. Even so, a fair number of FSR's for Council administrative funding were less than timely.

By contrast, during the same period there were 12 PMS-272 reports filed, and not one of these was late. We will take appropriate actions to improve our FSR reporting to a similar standard.

Several grant closeouts remained outstanding as of the end of the audit field work in January, 2003. We had been in ongoing contact with the Grants Office at CNCS regarding the delay. The closeouts that remained unresolved in January, 2003, stemmed from our inability to access records from the Department of Youth Services (DYS), which served as the Council's fiscal agent until July, 1997. Because this issue resulted from the fact that CNCS had allowed some awards to run for six years before initiating closeout, there was a willingness on their part to accommodate our situation. As of July, 2003, CNCS has certified the completion of all pending grant closeouts.

As noted above and in the chart on page 55 of the audit report, timely reporting by subgrantees has been an ongoing problem. The noticeable improvement in performance in program year 2000-01 is due to changes in policy/practice implemented to curb late reporting by subgrantees, including: (i) distribution of past due notices; (ii) withholding of payments to subgrantees pending submission of reports; (iii) inclusion of subgrantee reporting record as an element of consideration in the renewal funding process. With continued emphasis on the need for timely reporting and reminders of upcoming reporting deadlines at quarterly subgrantee meetings, the improvement seen in 2000-01 has continued to the present.

6. Finding: Certain subrecipients did not comply with program requirements.

We reject the conclusion implicit in the recommendation for this finding, that subrecipient non-compliance is an indication of faulty monitoring procedures. Throughout the brief history of AmeriCorps, program requirements and/or their interpretations have changed. The Council routinely updates its monitoring protocol to reflect the most current program requirements. By contrast, the auditors' testing procedures were based on current program requirements; proper testing would have been based on the program requirements as they existed for the period under scrutiny.

The Council takes seriously its responsibility to inform and educate subrecipients about program requirements. [Refer to Attachment #2 for a summary of training provided to subrecipients during the audit period.] We acknowledge that our training efforts have not been able to eliminate all instances of subgrantee non-compliance. We will continue to search for ways to make training more effective in promoting compliance in subgrantee programs.

7. Finding: Subrecipients did not comply with record-retention policies.

We acknowledge that some Subrecipients did not comply with record retention policies. At the same time, we contend that the Council has taken every reasonable step to inform all subrecipients to maintain records for three years following the final FSR submission. The requirement is included in our grant provisions, and is highlighted at the annual subgrantee orientation. Our monitoring protocol queries subgrantees about their retention policies. The requirement is reiterated in instructions provided to subgrantees for closeout of annual budgets and once again in close-out letters sent to recipients at the end of each budget year and grant cycle. In May, 2002, the Council issued a memo to subgrantees, following receipt of clarification from CNCS that the retention period begins with submission of the Council's final FSR (as opposed to the subgrantee's final FSR, as had been assumed in the past).

8. Finding: The Council did not adequately perform monitoring of subrecipients.

During the audit period (and continuing to the present) the Council used a risk-based approach to subrecipient monitoring which does not require an in-depth, site visit monitoring protocol for subgrants of less than $50,000. This practice was endorsed by the Corporation as prudent and practical during the pre-audit survey conducted for the Inspector General in Program Year 2000-01. Progress and financial reports (except for fixed-award grantees), required quarterly meetings, and regular communication are part of the ongoing interaction with these subrecipients. (Site visits are not ruled out, depending on the situation.) For subrecipients receiving more than $50,000 an annual program monitoring is the norm. The Council's sampling protocol calls for review of 15-25% of member files, depending on program size. This was found to be acceptable during the Administrative Standards Review process. Financial monitoring is conducted using on-site visits or a desk-review procedure, on a rotating schedule. [See Attachment #3 for a copy of the Council policy and protocol for program and financial monitoring.]

The auditors' claim that there were no monitoring tests related to labor is in error. Council staff did review time sheets for program staff; however, copies had not been retained to document this fact.

In support for the claim of inadequate monitoring, the auditors list reportable conditions that they uncovered in their audit of subgrantees. This argument is fallacious in two respects. First, Cotton & Company did not cross-check the conditions against Council monitoring reports; we may well have reported the same conditions. Second, the argument fails to recognize the difference between monitoring and auditing. Even in the most intensive monitoring visit, some of the reportable conditions would likely go unnoticed. We monitor our programs, we do not audit them.

We acknowledge that during part of the audit period our procedures for follow-up on monitoring issues was lacking. In June, 2000, the Council instituted new practices to track non-compliance issues, including a defined timeline for correction. [See Attachment #4.]

9. **Finding: The Council inadequately documented its approval and disapproval of grant funding for its subrecipients.**

The report asserts that reviewer rating sheets are not maintained by the Council. This is incorrect. Rating sheets of individual reviewers are maintained on file at the Council office. Council staff have no recollection of a request by Cotton & Company to review the rating sheets. During the audit process, Council staff maintained a centralized record of auditor requests and copies of the materials provided in response to the requests. Review of these records confirms that the rating sheets were not requested by Cotton & Company.

The report further states that the Council has no documented policies and procedures for the selection of grant reviewers. The criteria utilized to select reviewers are contained in the *Ohio Community Service Council Funding Review Process.* [See Attachment #5.]

10. Finding: Certain subrecipients were granted partial Education Awards without adequate justification.

The cases cited in the report are those in which members were released due to "compelling personal circumstances" and thus were entitled to a partial education award. The report states that certain cases in which members claimed compelling personal circumstances, the situation did not justify approval of the member claim. This may be true, based on the present definition. However, the grant provisions during the program years being audited cite the "discretion of the program director" as the standard for determining compelling personal circumstances; in the cases cited, the program director approved the member claim.

Standards related to compelling personal circumstances have since been defined more strictly by the Corporation. Since that time, our monitoring protocol has included a review of all exits involving compelling circumstances to ensure compliance to the new standards. The revised standards are included in grant provisions provided to subgrantees, and this topic is reviewed with program directors during the annual orientation meeting at the start of each grant year.

APPENDIX B

CORPORATION'S RESPONSE TO DRAFT AUDIT REPORT

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: J. Russell George, Inspector General

From: Peg Rosenberry, Director of Grants Management

Date: August 21, 2003

Subj: Response to OIG Draft Audit Report 03-05: Incurred Cost Audit of Grants Awarded to the Ohio Community Service Council

We have conducted a preliminary review of the draft audit report of the grants to the Ohio Commission. Due to the limited timeframe for response and the disclaimer of opinion from the auditors, we are not commenting at this time. We will respond to all findings and recommendations when the audit is issued and we have reviewed the findings in detail. We will work with and provide assistance to the Ohio Commission as needed to ensure corrective action is completed.

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APPENDIX C

COTTON & COMPANY LLP's COMMENTS ON THE COUNCIL'S RESPONSE TO DRAFT AUDIT REPORT

APPENDIX C

COTTON & COMPANY LLP'S COMMENTS ON THE COUNCIL'S RESPONSE TO DRAFT AUDIT REPORT

The following paragraphs present Cotton & Company LLP's comments on the Council's responses to the findings and recommendations included in this report.

1. The Council's financial management system is inadequate.

The Council stated that our decision to decline an opinion based on the issues with the financial records was incorrect and that we should have relied on the records as they existed at the time the records were prepared. The object of the audit was to provide an opinion on whether the expenditures reported to the Corporation were supported by financial records at the time of the audit. We were not provided financial records that supported expenditures at the time of our audit and therefore had no alternative but to issue a disclaimer of opinion.

2. The Council has inadequate segregation of financial management duties.

The Council concurred with this finding but, because of other controls that exist within the State government structure, disagreed with our assessment of its materiality. Our assessment of the weakness as material is based on our observations during fieldwork.

3. The Council's procedures for distributing salaries and wages are inadequate.

The Council stated in its response that OMB Circular A-87 requires time and effort documentation only in cases where time is distributed to multiple grants. That statement is incorrect; certifications are required for employees that work solely on a single Federal award.

4. The Council and certain subrecipients claimed unallowable costs and costs for which no documentation was provided to support allowability.

The Council stated that questioned costs from its administrative operations will be resolved directly with the Corporation. The report did not question any of the Council's costs; it simply identified exceptions noted in our testing that will be reviewed in the Corporation's subsequent audit.

5. The Council and certain subrecipients submitted untimely financial reports.

We have no comment on the Council's response.

6. Certain subrecipients did not comply with program requirements.

The Council stated that we used current program requirements instead of program requirements as they existed for the period under scrutiny. We disagree, and in all cases used the program requirements that were in effect at the time of the expenditure or event.

7. Certain subrecipients did not comply with record-retention policies.

We have no comment on the Council's response.

8. The Council did not adequately perform monitoring of subrecipients.

The Council stated that its staff did perform monitoring tests of labor-related costs, but copies documenting these tests were not retained. We do not understand why documentation supporting these tests was not retained or, if these tests were performed, so many subgrantees were not in compliance with OMB Circular A-87 labor distribution requirements.

9. The Council inadequately documented its approval and disapproval of grant funding for its subrecipients.

The Council stated that rating sheets of individual reviewers are maintained on file at the Council's office and that Cotton & Company LLP did not request to review the rating sheets. During fieldwork we met with the Council's Director of Programs, Mr. William Hall, who stated that the sheets were destroyed. We recommend that the Council provide copies of the sheets to the Corporation during the audit resolution process or in the subsequent audit.

10. Certain subrecipients were granted partial education awards without adequate justification.

The Council stated that during the program years audited, the determination of adequate justification was completely at the discretion of the program director. We recommend that the determination of the reasons the members were released be resolved with the Corporation during the audit resolution process.