OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Audit of the
AmeriCorps Education Awards Program

Audit Report Number 03-10
December 10, 2002

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This report was issued to Corporation Management on January 31, 2003.

Office of Inspector General

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CORPORATION
FOR NATIONAL
SERVICE

January 31, 2003

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This report presents the results of our audit of the AmeriCorps Education Awards Program. This audit is the Office of Inspector General's first review of the program and its operations. Presently, the Corporation for National and Community Service (Corporation or CNCS) manages over $12.4 million in AmeriCorps Education Awards Program grants to 77 grant recipients. Individual grant awards range from $850 to over $2.4 million.

Executive Summary

In our opinion, the Corporation has adequate controls in place to ensure AmeriCorps Education Awards Program grant expenditures are made in accordance with program requirements. Our audit work did not disclose any findings and therefore, no recommendations are provided. We acknowledge the Office of Grants Management's initiative to revise closeout procedures to consider the grantee's accomplishment of required member enrollments since that is directly linked to the grantee's fixed amount award.

Background

The Corporation established the AmeriCorps Education Awards Program (AEAP) in 1996 as a new AmeriCorps initiative. AmeriCorps includes programs that involve thousands of Americans, age 17 and over, in community service and provides education awards in exchange for their service through AmeriCorps*State and National and AmeriCorps*VISTA (Volunteers in Service to America)[1]. The AEAP is authorized under Division C, *National Service Trust Program,* and Division D, *National Service Trust and Provision of National Service Educational Awards*, of the National and Community Service Act of 1990 (NCSA), as amended. The AmeriCorps Education Awards Program's funding is authorized under NCSA's Division H, *Investment for Quality and Innovation.* Division H permits the Corporation to undertake activities to improve the quality of national service programs and to support innovative and model programs.

[1] AmeriCorps*State and National consists of State and local programs. AmeriCorps*VISTA helps low-income neighborhoods.

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The Corporation modeled the AmeriCorps Education Awards Program after the AmeriCorps*State and National Program that makes grants to community-based organizations. These organizations recruit participants, referred to as members by the Corporation, of all ages and backgrounds in service projects that address environmental, educational, public safety, or other human needs at the local level. Upon successful completion of their service, members receive an education award through the National Service Trust.

The Corporation initiated the AmeriCorps Education Awards Program among other efforts to address Congressional interest in reducing the cost of AmeriCorps. The AEAP increased the number of members enrolled while reducing the total cost per member. As an innovative approach, the Corporation designed AEAP grants to be used directly for costs associated with administering and managing a grantee's service projects. In contrast, other AmeriCorps grants, such as those under the AmeriCorps*State and National Program, are used to fund member benefits, including living allowances, health insurance, and childcare service, if needed. The AEAP does not fund such member benefits and, as its name implies, provides education awards only. As a result, the overall cost per member in AmeriCorps network programs was reduced. During fiscal year 2002, this program accounted for approximately 13,000 members as part of AmeriCorps. The AEAP supports a wide variety of service opportunities, including mentoring, tutoring, teacher development and faith-based initiatives.

AmeriCorps Education Awards Program grants are fixed-amount awards. In determining the amount of these awards, the Corporation considers the number of "full-time equivalents" that the grantee agrees to enroll. One full-time equivalent (FTE) equals a full-time education award for which a minimum of 1,700 hours of service has to be completed. Hence, a grantee may enroll members to serve in a combination of full-time, part-time and reduced part-time positions to achieve its total agreed upon FTEs. Significantly, the Corporation sets a limit on the grant support per FTE. That amount has varied over the years due to program funding levels. In fiscal year (FY) 2002, the Corporation set the fixed amount at $400 or less per full-time equivalent. Previously, the fixed-amount award per FTE was set at $1,000 in FY 1997, $800 in FY 1998, $500 for FY 1999 and FY 2000, and $400 in FY 2001. The authorized amount of the fixed-amount award continued to decline from FY 1997 to FY 2001 as the Corporation sought to further reduce the cost per AmeriCorps member. A grantee's total fixed amount award in relation to its total FTEs must not exceed the Corporation-specified fixed price per FTE.

Because AmeriCorps Education Awards Program awards are based on fixed amounts rather than incurred costs, grantees are not required to document their expenditures or submit financial status reports.[2] However, grantees must still comply with Federal administrative requirements as defined in the grant provisions. Grantees must meet the agreed upon number of eligible member enrollments. The Corporation considers member enrollments along with program objectives as the main performance standards under AEAP.

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[2] Between 1996 and 1999, the Corporation did require that recipients of AEAP grants submit financial status reports.

Results in Brief

AmeriCorps Education Awards Program grants are directly linked to member enrollments. Consequently, the Corporation uses enrollments as its performance measure to determine whether AEAP grantees are entitled to their grant funding. The Corporation recently began closeout of expired AEAP grants. Initially, these grants were closed using the same procedures for closing AmeriCorps*State/National grants. Such procedures only involved reconciling grantee drawdowns from the Department of Health and Human Service's (HHS) Payment Management System with the grantee's reported amounts in its final financial status report for the grant's total performance period. Since 1999, however, AEAP grantees have not been required to submit financial status reports, only program reports. During our audit, the Office of Grants Management revised its closeout procedures to more specifically address AEAP grants. The revised closeout procedures now include steps to compare member enrollments that are recorded in the Web-based Reporting System maintained by the National Service Trust against grantee drawdowns from the HHS Payment Management System. OGM uses the results of this comparison to determine whether the grantee was entitled to its AEAP total funding.

Based on our review of ten AEAP grants, we concluded that the Office of Grants Management is properly managing and administering the education award only program and that grant funding is used for authorized purposes under the terms and conditions of the AEAP provisions. Additionally, the Corporation has instituted automated member reporting systems and grant closeout procedures to facilitate timely adjustments to total funding available to specific AEAP grantees if their actual member enrollments are less than the anticipated member recruitments negotiated during the grant award process.

Objectives, Scope and Methodology

The primary objective of the audit was to obtain an understanding of the AmeriCorps Education Awards Program, including documenting and reviewing the management controls over these grants. In addition, the audit evaluated CNCS and grantee compliance with AEAP grant requirements.

To meet the objective of understanding this program, we interviewed responsible grants and program staff, documented and reviewed the program's authorizing legislation, CNCS grant award and monitoring policies and procedures, and key management controls.

To determine compliance with AmeriCorps Education Awards Program grant requirements, we judgmentally (based primarily on dollar value of the award and whether or not the grant was finished) selected ten active and expired AEAP grant awards representing various recipient types. Our selection represents approximately 6 percent of the total number of AEAP grantees. We reviewed these ten awards to determine whether certain AEAP requirements over member enrollments were complied with using documentation from program and official grant files. Specifically, we determined whether changes to member enrollments were properly recorded and supported. In addition, we determined whether

funds were returned to the Corporation or pro-rated in cases where grantees did not achieve their budgeted number of member enrollments.

An exit conference was held with Office of Grants Management representatives on December 10, 2002.

We conducted our audit work at the Corporation's headquarters from August to October 2002 in accordance with audit standards generally accepted in the United States of America and with Government Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the AEAP funds were spent in accordance with program requirements. The scope of our audit work did not include a review of AEAP awards made to State commissions. The Office of Inspector General has ongoing incurred cost audits of grants awarded to selected State commissions. Thus, our work focused exclusively on AEAP grants that the Corporation's headquarters directly awarded. Further, our audit work did not include a review of member enrollment files.

Results

In our opinion, the Corporation has adequate controls in place to ensure AmeriCorps Education Awards Program grant expenditures are made in accordance with program requirements.

I. Controls are in place at the Corporation for monitoring and oversight of grantee performance and compliance with AEAP grant requirements.

The Corporation issued policies and procedures for management and oversight of AmeriCorps grants, including AEAP grants. CNCS Policy No. CFO-029, *Pre-award Review of Grant Applicant's Financial Management Capabilities*, prescribes specific procedures to be performed by Office of Grants Management staff in determining whether a grant applicant has the financial capabilities and systems in place to manage and safeguard Federal funds. In addition, CNCS Policy No. 600, *Grant Files Management* prescribes procedures for maintenance of hard copy financial and program documents, forms, and memoranda needed to properly award, monitor and closeout CNCS grants, including AEAP grants. CFO-005, *Closeout of Corporation-Funded Grant Awards*, sets forth procedures to finalize grants that have expired.

In addition to policies covering all AmeriCorps awards, Corporation personnel use program guidance documents and monitoring tools tailored to AEAP grantees. Specifically, grant provisions articulate Federal requirements and the grantee's responsibilities. Provision No. 36 emphasizes that fixed amount awards are dependent upon the agreed upon number of member enrollments. A training manual entitled, *Starting Strong and Staying on Track*, provides further guidance on the management of AEAP grants, and explains fixed amount awards and member enrollment requirements. This manual is distributed to new grantees as part of their program orientation. The Corporation established site visit procedures and tools

procedures and tools to assess AEAP grantee performance and compliance in achieving agreed upon member enrollments.

In September 2002, at the time of our fieldwork, the Office of Grants Management developed and implemented revised closeout procedures for AEAP grants. The Corporation has engaged contractors to perform these steps. During the closeout, contractors obtain drawdown information from the HHS Payment Management System. With this information, they review the reported amounts for cash advances and cash disbursements. The contractors also compare the cash disbursements against the amounts reported on the grantee's final cumulative financial status report if one was required (this step applies only to grantees required to submit financial reports before 2000).

II. The Office of Grants Management documents and approves changes to member enrollments in accordance with AEAP grant requirements.

Fixed amount awards under the AmeriCorps Education Awards Program are typically made for multi-year periods. If the grantee fails to recruit its expected number of members, the Office of Grants Management considers this factor at the time of renewal and adjusts funding accordingly. Alternatively, the grantee may request position conversions or request a waiver to extend the one-year limit for enrolling members under AEAP provisions. The grantee may convert its original spaces to another combination of full-time, part-time or less than part-time as long as its total full-time equivalents remain the same.

We observed examples of review and approval of requested position conversions. We also noted a case where a grantee requested and obtained approval to extend the one-year period to enroll members. In the latest AEAP provisions issued in June 2002, the one-year timeframe has been eliminated. The revised provisions emphasize only that the grantee must seek to enroll the number of full-time and less than full-time members agreed upon in its approved application.

III. The Office of Grants Management is performing closeout procedures to determine whether AEAP grantees were entitled to their grants funding based on the actual number of members enrolled.

The Corporation's revised closeout procedures now include additional steps more specific to AEAP grants. For example, the contractor now reconciles the drawdowns with the actual number of members enrolled while considering the cost per full-time equivalent agreed upon under the award. The contractor obtains actual member enrollments directly from the National Service Trust. Office of Grants Management staff emphasized that the grantee is only required to achieve the number of member enrollments despite members who fail to successfully complete their service or separate from the program. If this reconciliation identifies an excess draw down of funds, however, the grantee is required to refund the excess to the Corporation.

We verified that the revised closeout procedures were being performed on closeouts of expired AEAP grants. In doing so, we completed an analysis of these procedures and reviewed the closeout of one expired AEAP award. Our review confirmed that the contractor compared member enrollments in the grant award with the corresponding fixed amount actually awarded. In addition, the contractor obtained member enrollment information from the National Service Trust that covered the grant's full performance period. As part of this step, the contractor also retrieved drawdown amounts from the HHS Payment Management System and reconciled them with the number of actual member enrollments recorded in the Web-based Reporting System.

Our audit work did not disclose any findings and therefore no recommendations are provided. We acknowledge the Office of Grants Management's initiative to revise closeout procedures to consider the grantee's accomplishment of required member enrollments since that is directly linked to the grantee's fixed amount award. Because AEAP grantees are no longer required to submit financial status reports, it is imperative that the Corporation perform such reviews as part of its closeout procedures to ensure that these grantees are entitled to their total claimed grants funding based on actual member enrollments.

Distribution

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

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