

Office of Inspector General Corporation for National and Community Service

**AGREED-UPON PROCEDURES REVIEW OF
CORPORATION FOR NATIONAL AND COMMUNITY
SERVICE PROFESSIONAL CORPS GRANT
AWARDED TO
HEALTH LITERACY FOUNDATION**

OIG REPORT NUMBER 10-15



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Regis & Associates, PC
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Washington, DC 20005

This report was issued to Corporation management on June 4, 2010. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than December 4, 2010, and complete its corrective actions by June 4, 2011. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



OFFICE OF INSPECTOR GENERAL

June 4, 2010

TO: John S. Gomperts
Director, AmeriCorps*State and National

Margaret Rosenberry
Director, Office of Grants Management

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

SUBJECT: *OIG Report 10-15, Agreed-Upon Procedures Review of Corporation for National and Community Service Professional Corps Grant Awarded to Health Literacy Foundation*

Attached is the final report for the above-noted agreed-upon procedures review. We contracted with the independent certified public accounting firm of Regis & Associates, PC (Regis) to perform the procedures. The contract required Regis to conduct its review in accordance with generally accepted government auditing standards.

Regis is responsible for the attached report, dated February 12, 2010, and the conclusions expressed therein. We do not express opinions on the Consolidated Schedule of Award and Claimed and Questioned Amounts, conclusions on the effectiveness of internal controls, or the grantee's compliance with laws, regulations, and grant provisions.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by December 4, 2010. Notice of final action is due by June 4, 2011.

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

Attachment

cc: Dr. Hilton M. Hudson, Chairman of the Board, Health Literacy Foundation/MedServe
William Anderson, Chief Financial Officer, CNCS
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management, CNCS
Bridgette Roy, Administrative Assistant, CNCS
Claire Moreno, Audit Liaison, Office of Grants Management, CNCS
Peter Regis, Partner, Regis & Associates, PC

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

**AGREED-UPON PROCEDURES FOR
FEDERAL ASSISTANCE FUNDS AWARDED TO**

THE HEALTH LITERACY FOUNDATION

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EXECUTIVE SUMMARY

Summary of Results

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Regis & Associates, PC to perform agreed-upon procedures of grant cost and compliance for Corporation-funded Federal assistance provided to The Health Literacy Foundation, Inc. (HLF). As a result of applying these procedures, we questioned Federal-share costs of \$96,316. The detailed results of our agreed-upon procedures (AUP) on claimed costs are presented in Exhibit A, *Consolidated Schedule of Awards, and Claimed and Questioned Costs*. A questioned cost is an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of Federal funds; or a finding that, at the time of testing, such cost is not supported by adequate documentation.

Costs Claimed and Questioned Costs. HLF claimed total grant costs of \$849,830 during the period covered by the AUP.

As a result of testing a randomly selected sample of transactions, we questioned costs as shown below.

Program	Award Number	Funding Authorized	AUP Period	Claimed Within AUP Period	Questioned Costs
AmeriCorps National Professional Corps Grant	04NDHIN002	\$ 849,830	2/5/06-6/30/09	\$ 849,830	\$ 96,316
Total		<u>\$ 849,830</u>		<u>\$ 849,830</u>	<u>\$ 96,316</u>

Details of the questioned costs are discussed in the *Independent Accountants' Report on Applying Agreed-Upon Procedures*.

Compliance and Internal Control. The detailed results of our agreed-upon procedures showed instances of non-compliance with grant provisions, regulations, or Office of Management and Budget (OMB) circulars. The areas of non-compliance identified are presented below and in Exhibit B, Compliance and Internal Control section of the *Independent Accountants' Report on Applying Agreed-Upon Procedures*. The areas of non-compliance are presented below:

- Adequate records were not retained to support claims, and unallowable expenses were incurred
- Assets purchased with grant funds could not be located
- No evidence of U.S. citizenship or legal permanent residency
- Criminal background checks were not conducted
- No properly executed member contract in file
- Program compliance requirements were not followed
 - No position description in member files

- Mid-term and end-of-term evaluations were not performed
- Exit forms were not signed by members
- Members were not enrolled and exited in WBRS within 30 days

Agreed-Upon Procedures Scope

These agreed-upon procedures covered the allowability, allocability, and reasonableness of financial transactions claimed under funding provided by the Corporation for the following awards, as well as grant-match costs for the grant awards and periods listed below.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Professional Corps Grant	04NDHIN002	2/5/06 – 6/30/09	2/5/06 – 6/30/09

We judgmentally selected a sample of 72 members and reviewed their files during this AUP review. We also performed tests to determine compliance with grant terms and provisions. We performed our procedures during the period November 19, 2009, through February 12, 2010.

The OIG’s agreed-upon procedures program, dated May 2009 (as revised June 16, 2009, to reduce the scope of testing), provided guidelines for testing compliance with provisions of the grants, and testing claimed grant and matched costs. These procedures are described in more detail in the Independent Accountants’ Report on Applying Agreed-Upon Procedures.

Background

The Health Literacy Foundation, Inc. (HLF) is a 501(c)(3) non-profit organization based in Chicago, Illinois, with satellite offices in Munster, IN, Fresno, TX, and Mitchellville, MD. HLF administered the MedServe Professional Health Corps with funding from the Corporation for National and Community Service (Corporation) under its Professional Corps grant program. HLF was founded in 2003. Its mission was to improve the human condition by serving as the facilitator of health literacy for under-served populations while creating access to healthcare, education and resources for needy citizens.

The HLF MedServe Professional Health Corps (MSPHC) was a medical service project that focused on delivering healthcare in areas with a shortage of health professionals, and in educating individuals about major public health concerns, such as heart disease, stroke, cancer, obesity, HIV and AIDS. MSPHC addressed a variety of community health needs through health education and dissemination of health literacy tools that were culturally and gender sensitive. HLF undertook its initiatives by partnering with community-based organizations and building coalitions. HLF also collaborated with corporate sponsors and non-profit organizations that shared a common vision with HLF.

HLF ceased its operations in 2009 due to a lack of funding.

Exit Conference

We were unsuccessful in several attempts to arrange an exit conference with HLF management at a mutually agreeable time and location. Therefore, the OIG elected to issue this draft report to HLF and the Corporation without receiving the grantee's preliminary responses that would have been available had the conference been conducted.

The customary 30-day comment period to respond to the findings and recommendations was afforded both the grantee and the Corporation. HLF's response is included in Appendix A of this report. Although the Corporation concurred with the findings presented in the draft report and agreed that the questioned costs should be disallowed, it did not respond to the individual findings and recommendations. The Corporation's response is in Appendix B.

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

We have performed procedures described below, which were agreed to by the Office of Inspector General (OIG), solely to assist the OIG in grant-cost compliance testing of Corporation-funded Federal assistance provided to HLF for awards and periods listed below. This agreed-upon procedures engagement was performed in accordance with standards established by the *American Institute of Certified Public Accountants* and *generally accepted government auditing standards*. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or any other purpose.

<u>Program</u>	<u>Award Number</u>	<u>Award Period</u>	<u>Testing Period</u>
AmeriCorps National Professional Corps Grant	04NDHIN002	2/5/06 – 6/30/09	2/5/06 – 6/30/09

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

The procedures that we performed included:

- Obtaining an understanding of HLF's operations and objectives;
- Reconciling claimed and matched costs to the grantee's accounting systems;
- Testing member files to verify that the records supported members' eligibility to serve, and allowability of education awards;
- Testing HLF's compliance with certain grant provisions and award terms and conditions; and
- Testing claimed and matched grant costs to ensure:
 - i. Proper recording of the AmeriCorps grant;
 - ii. Costs were properly matched; and
 - iii. Costs were allowable and supported in accordance with applicable regulations, OMB circulars, grant provisions, and award terms and conditions.

Results

As a result of applying the agreed-upon procedures, we questioned amounts totaling \$96,316. The questioned costs are summarized in Exhibit A, *Consolidated Schedule of Award and Claimed and Questioned Amounts*. The compliance and internal control testing results are summarized in Exhibit B. Issues identified include the following:

- Adequate records were not retained to support claims, and unallowable expenses were incurred
- Assets purchased with grant funds could not be located
- No evidence of U.S. citizenship or legal permanent residency
- Criminal background checks were not conducted
- No properly executed member contract in file
- Program compliance requirements were not followed
 - No position description in member files
 - Mid-term and end-of-term evaluations not performed
 - Exit forms were not signed by members
 - Members were not enrolled and exited in WBRS within 30 days.

EXHIBIT A

THE HEALTH LITERACY FOUNDATION, INC.

CONSOLIDATED SCHEDULE OF AWARD AND CLAIMED AND QUESTIONED AMOUNTS

<u>Program</u>	<u>Award Number</u>	<u>Funding Authorized</u>	<u>Claimed Within AUP Period</u>	<u>Total Questioned Amount</u>
AmeriCorps National Professional Corps Grant	04NDHIN002	\$ 849,830	\$ 849,830	\$ 96,316
Total		<u>\$ 849,830</u>	<u>\$ 849,830</u>	<u>\$ 96,316</u>

The questioned amount is comprised of \$24,626 in education awards, \$625 in accrued interest forbearance, and \$71,065 in program expenses that were unsupported or unallowable. These amounts are attributable to the following exception types:

EXCEPTION TYPES AND QUESTIONED AMOUNTS

<u>Exception Type</u>	<u>Total Questioned Amount</u>
Members' Eligibility	\$ 25,251
Disallowed Program Expenses	\$ <u>71,065</u>
Total Questioned Amount	<u>\$ 96,316</u>

THE HEALTH LITERACY FOUNDATION, INC.

COMPLIANCE AND INTERNAL CONTROL ISSUES

Finding 1. Adequate records were not retained to support claims, and unallowable expenses were incurred

Based on our review of expenses totaling \$131,084, we questioned \$71,065 in unsupported and unallowable charges assessed to the grant. Our test procedures included a review of a sample of expenses selected from HLF's general ledger, including legal and professional fees, consulting fees, travel expenses, and supplies. We selected a sample of 150 transactions totaling \$84,982. We noted the following unsupported and/or unallowable expenses:

- Adequate supporting documentation, such as receipts and invoices, were not provided for 108 expenditure transactions, totaling \$55,953.
- An HLF employee claimed \$1,357 for fund raising activities, which are unallowable according to Title 2 CFR Part 230 (Appendix B, Paragraph 17).
- Duplicate payments totaling \$2,276 were made to a former HLF employee.
- Hotel charges exceeded the maximum allowable lodging per diem rate by \$68.

Additionally, our test procedures included a review of other claimed costs, classified as indirect costs, totaling \$46,102. We noted the following unsupported and/or unallowable expenses:

- Excessive rent charges totaling \$650 were assessed to the grant in the year ending 2006.
- Fines and penalties from an Internal Revenue Service bill totaling \$362, were charged to the grant in December 2008.
- Interest expenses on a loan obtained prior to the award of the grant totaling \$8,159 were charged to the grant.
- Telephone expense of \$122 was charged to the grant in September 2006; however, there was no documentation to support the charges.
- Dues and subscriptions in the amount of \$2,084 were charged to the grant; however, there was no documentation to support the charges.
- Postage and delivery fees totaling \$34 were charged to the grant in December 2007; however, there was no documentation to support the charges.

We found that critical functions of HLF's operations and financial management were outsourced to a consulting firm for the purpose of compiling costs incurred. However, there were inadequate compensating controls over this process. HLF management did not have requisite knowledge of the allowable expenses that could be charged to the grant because it did not have experience with Federal grants. Funds were spent by HLF before the consulting firm engaged to perform its financial management services became aware of the spending.

Furthermore, internal control activities to ensure that supporting documentation, such as invoices, receipts, bills, and evidence of payment approvals were obtained and retained in the accounting files, were nonexistent. As a result, there is a lack of adequate supporting documentation to substantiate the benefit of these expenses to the AmeriCorps program, and the Corporation cannot determine the allowability of the expenses or the possible existence of waste or abuse.

Criteria

The 2007 AmeriCorps Grant Provisions, Section V.E., *AmeriCorps General Provisions, Retention of Records*, states in part,

The grantee must retain and make available all financial records, supporting documentation, statistical records, evaluation and program performance data, member information and personnel records, for 3 years from the date of the submission of the final Financial Status Report (SF 269A).

Section V.B, *AmeriCorps General Provisions, Financial Management Standards*, states in part,

The grantee must maintain financial management systems that include standard accounting practices, sufficient internal controls, a clear audit trail and written cost allocation procedures, as necessary.

Title 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Paragraph 16 of Attachment B, states in part,

Costs of fines and penalties resulting from violations of, or failure of the organization to comply with Federal, State, and local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of an award or instructions in writing from the awarding agency.

Title 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Paragraph 17 of Attachment B, states in part,

Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

Title 2 CFR Part 230, *Cost Principles for Non-Profit Organizations*, Paragraph 23 of Attachment B, states in part,

Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-profit organization's own funds, however represented, are unallowable.

Federal Travel Regulation §301-70.1, *How must we administer the authorization and payment of travel expenses?*, states in part (b)

When administering the authorization and payment of travel expenses, you should give consideration to budget constraints, adherence to travel policies, and reasonableness of expenses.

Recommendations

We recommend that the Corporation:

- 1.a. Require HLF to refund to the Corporation the unsupported and unallowable expenses totaling \$71,065.
- 1.b. Require HLF to strengthen its internal controls, and, prior to any subsequent award, demonstrate to the Corporation's satisfaction that it has adequate knowledge of the Federal regulations and cost principles governing Federal grants.

HLF's Response

HLF concurred with the finding and noted that it is taking measures to ensure that appropriate documentation and approvals are obtained before any future reimbursements or payments are made. HLF is seeking forgiveness of \$55,953 of the questioned amount, but would like to work out a repayment arrangement for the remaining costs of \$15,112.

Auditor's Comment

The action proposed by HLF, if implemented, should be adequate to address the finding.

Finding 2. Assets purchased with grant funds could not be located

HLF purchased one laptop computer and a separate hard drive with grant funds in April 2007 for \$1,587. Upon our request, the grantee was unable to locate the items for our inspection.

Based on our discussions with HLF, these items were in the custody of a former employee who left the organization in December 2008. HLF indicated an attempt would be made to locate the items before we completed our fieldwork, but was unable to do so. As a result, these Corporation-funded assets were not being used for the purpose intended.

Criteria

Title 45 CFR §2543.21, “Standards for Financial Management Systems”, states in part b(3):

Recipients' financial management systems shall provide for the effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

Recommendation

- 2. We recommend that the Corporation require HLF to recover the computer assets from the former employee, and ensure that HLF complies with its policies and procedures for controlling grantee property should the grantee receive future awards from the Corporation.

HLF’s Response

HLF concurred with the finding and noted that it will implement a policy to strengthen control over the organization’s assets. The policy will include deducting the value of assets not returned to HLF from the terminated employee’s final paycheck.

Auditor’s Comment

The action proposed by HLF, if implemented, should be adequate to address the finding.

Finding 3. Member files did not include documentation to support U.S. citizenship or legal permanent residency

Our review of 72 member files identified two members whose files did not contain evidence to support that the members had U.S citizenship or legal permanent residency. As a result, we questioned \$7,088 in education awards and \$560 in interest forbearance for these members. The details of this questioned amount are shown in the table below.

Enrollment Type	Number of Members	Questioned Education Award	Questioned Interest Forbearance Amount	Total Questioned Amount
Full Time	1	\$ 4,725	\$ 560	\$ 5,285
Half Time	1	\$ 2,363	\$ 0	\$ 2,363
Total	2	\$ 7,088	\$ 560	\$ 7,648

HLF did not follow its “New Member Enrollment” procedures that required the management to receive and certify eligibility of each member through the receipt of proper documentation. HLF’s procedures are consistent with the requirements of AmeriCorps grant provisions. As a result of not following the procedures, two members received awards to which they were not entitled.

Criteria

HLF's Policies and Procedures Manual 2007-2009, *New Member Enrollment*, states,

The program director will receive and certify eligibility of each member through receipt and review of ...proof of citizenship (birth certificate or passport) or permanent residency (alien registration card or stamped passport allowing residency).

The 2007 AmeriCorps Grant Provisions, Section IV.L., *AmeriCorps Special Provisions, Member Records and Confidentiality*, states in part 2,

To verify U.S. citizenship, U.S. national status, or U.S. lawful permanent resident alien status, the grantee must obtain and maintain documentation as required by 45 CFR § 2522.200 (c). The Corporation does not require programs to make and retain copies of the actual documents used to confirm age or citizenship eligibility requirements, such as a driver's license, or birth certificate, as long as the grantee has a consistent practice of identifying the documents that were reviewed and maintaining a record of the review.

Recommendations

We recommend that the Corporation:

- 3.a. Require HLF to repay the Corporation \$7,648 in education awards and interest forbearance for the two members.
- 3.b. Require HLF to follow its policies and procedures to ensure that, prior to any subsequent award from the Corporation, it obtains supporting documentation for member eligibility in the AmeriCorps program.

HLF's Response

HLF is seeking forgiveness of the questioned costs due to its financial condition and inactive status. However, it concurred with the finding and noted that it will conduct quarterly internal audits to ensure that its policies and procedures are being routinely adhered to and required documentation is maintained. HLF also acknowledged that its program manager will be provided more direct oversight in the future.

Auditor's Comment

The grantee recognized that its procedures were not consistently followed in enrolling new members. As a result, we believe the Corporation should pursue recovery of the questioned education awards and interest.

Finding 4. Member files did not have documentation to support the conduct of criminal background checks

Our review of 72 member files identified 26 members whose files did not contain evidence that criminal background checks were conducted prior to or during their terms of service. Also, four files did not contain position descriptions. Therefore, we were unable to determine if the members interacted with vulnerable populations.

We noted further that four of these individuals began service after November 23, 2007, when AmeriCorps requirements to obtain background checks changed. We questioned \$12,813 in education awards and \$65 in interest forbearance for the four members who began service after that date. The detail of this questioned amount is shown in the table below.

Enrollment Type	Number of Members	Questioned Education Award	Questioned Interest Forbearance Amount	Total Questioned Amount
Full Time	2	\$ 9,450	\$ 65	\$ 9,515
Half Time	1	\$ 2,363	\$ 0	\$ 2,363
Minimum Time	<u>1</u>	\$ <u>1,000</u>	\$ <u>0</u>	\$ <u>1,000</u>
Total	<u>4</u>	<u>\$ 12,813</u>	<u>\$ 65</u>	<u>\$ 12,878</u>

HLF did not follow its “New Member Enrollment” procedures that required the management to certify eligibility of each member through receipt and review of criminal background checks. These procedures were consistent with the requirements of AmeriCorps grant provisions.

As a result, the members continued to participate in the AmeriCorps program, and received education awards to which they were not entitled. The absence of required criminal background checks increases the risk that a member, who should not have been serving children or persons age sixty and older, had direct contact with those groups, resulting in a potential liability for HLF and the Corporation, and potentially endangering program beneficiaries.

Criteria

HLF’s Policies and Procedures Manual 2007-2009, *New Member Enrollment*, states,

The program director will receive and certify eligibility of each member through receipt and review of ...criminal background check.

Title 45 CFR § 2522.205, *To whom must I apply suitability criteria relating to criminal history?*, states:

You must apply suitability criteria relating to criminal history to an individual applying for, or serving in, a position for which an individual receives a

Corporation grant-funded living allowance, stipend, education award, salary, or other remuneration, and which involves recurring access to children, persons age 60 and older, or individuals with disabilities.

Recommendations

We recommend that the Corporation:

- 4.a. Require HLF to repay the Corporation \$12,813 in education awards and interest forbearance in the amount of \$65 awarded to the four members noted above.
- 4.b. Require HLF to conduct, and maintain documentation for, criminal background checks for all members resulting from any subsequent grant awards.

HLF's Response

HLF is seeking forgiveness of the questioned amounts. However, it concurred with the finding and stated it will conduct quarterly internal audits to ensure that its policies and procedures are being routinely adhered to and required documentation is maintained.

Auditor's Comment

HLF acknowledged that it did not adhere to its policies for obtaining criminal background checks. Therefore, we believe the Corporation should pursue recovery of the questioned education awards and interest.

Finding 5. Program compliance requirements were not followed

One member contract was not prepared: One member file did not contain a contract signed by the member. The file also did not contain an enrollment form or evidence that the member attended pre-service orientation. We questioned the \$4,725 education award granted to this member.

HLF did not adhere to its "Member File Maintenance and Retention" policy that required contracts to be signed by the members, and retained in the member files prior to their participation in the AmeriCorps program. As a result, the individual was granted an education award to which he was not entitled. Without a signed contract, the member cannot be held accountable for his/her actions under the AmeriCorps program, resulting in potential liability for HLF and the Corporation.

Criteria

HLF's Policies and Procedures Manual 2007-2009, *Member File Maintenance and Retention*, states,

Member Contract: Each member must sign a contract for participation in the AmeriCorps Program. This contract lays out the responsibilities and expectations for the members. The contract includes the Service Description, Grievance Procedures, Prohibited Activities, suspension and termination rules, and acceptable conduct. If the member is under the age of 18, a Parental Consent signature must be obtained.

The 2007 AmeriCorps Grant Provisions, Section IV.D., AmeriCorps Special Provisions, Training, Supervision and Support, states in part 2,

Member Contracts. The grantee must require that members sign contracts that, at a minimum, stipulate the following:

- a. The minimum number of service hours and other requirements (as developed by the program) necessary to successfully complete the term of service and to be eligible for the education award;
- b. Acceptable conduct;
- c. Prohibited activities, including those specified in the regulations;
- d. Requirements under the Drug-Free Workplace Act (41 U.S.C. 701 *et seq.*);
- e. Suspension and termination rules;
- f. The specific circumstances under which a member may be released for cause;
- g. The position description;
- h. Grievance procedures; and
- i. Other requirements as established by the program.

Recommendations

We recommend that the Corporation:

- 5.a. Require HLF to repay the Corporation \$4,725 for the education award granted to the member noted above.
- 5.b. Require HLF to follow its policies and procedures to ensure that signed contracts are maintained in the member files for all members resulting from any subsequent grant awards.

HLF's Response

HLF concurred with the finding but is seeking forgiveness of the questioned amount.

Auditor's Comment

Our comment remains unchanged from previous findings.

Position descriptions were not prepared: Twenty-one member files (29 percent of the items sampled) did not contain position descriptions for members who were enrolled in the AmeriCorps program. The number of members whose files were missing position descriptions is shown by program year in the table on the following page.

<u>Program Year</u>	<u>Number of Members</u>
2004-2005	2
2006-2007	7
2007-2008	12
Total	21

HLF did not follow its “Member File Maintenance and Retention” policy that required position descriptions to be included as part of the member contracts and retained in the respective files. Without position descriptions, HLF would not be able to determine whether a member is performing tasks in accordance with the expectations of that position.

Criteria

HLF’s Policies and Procedures Manual 2007-2009, *Member File Maintenance and Retention*, states,

Member Contract: Each member must sign a contract for participation in the AmeriCorps Program. This contract lays out the responsibilities and expectations for the members. The contract includes the Service Description, Grievance Procedures, Prohibited Activities, suspension and termination rules, and acceptable conduct. If the member is under the age of 18, a Parental Consent signature must be obtained.

Record Retention: Each file must be kept in accordance with the following record retention policy: In accordance with the Grant Provisions for the AmeriCorps member program, each AmeriCorps program will maintain member files, financial records, evaluation reports, and other supporting documentation for a period of seven years from the date of submission of the final Progress Report. Such records will be maintained beyond the seven-year period if an audit is under way. This policy will remain in effect until further notice from the Corporation for National and Community Service.

The 2007 AmeriCorps Grant Provisions, Section IV.D., AmeriCorps Special Provisions, Training, Supervision and Support, states in part 1,

Planning for the Term of Service. The grantee must develop member position descriptions that provide for meaningful service activities and performance criteria that are appropriate to the skill level of members. The grantee must ensure that each member has sufficient opportunity to complete the required number of hours to qualify for a post-service education award.

Recommendation

- 5.c. We recommend that the Corporation require HLF to follow its policies and procedures to ensure that position descriptions are developed as part of the member contracts and are retained in the member files.

HLF's Response

HLF concurred with the finding and noted that it will conduct quarterly internal audits to ensure that HLF's policies and procedures are being routinely adhered to and required documentation is maintained.

Auditor's Comment

The actions proposed by HLF, if implemented, should be adequate to address the finding.

Mid-term and end-of-term evaluations were not performed: Twenty-eight member files (39 percent of the items sampled) did not contain documentation of mid-term and end-of-term member evaluations performed by their respective supervisors. The number of members whose files did not contain evaluations is shown in the table below by program year.

<u>Program Year</u>	<u>Number of Members</u>
2004-2005	10
2006-2007	6
2007-2008	12
Total	28

HLF did not adhere to its "Exiting Members Policy" that requires management to review the member files and ensure complete documentation, including evaluations, were placed in the files prior to their exit from the AmeriCorps program. Another factor contributing to this condition was that members, instead of the Site Supervisors, were required to submit the evaluations at the end of their terms of service. Without evaluations, HLF would not be able to determine whether a member satisfactorily completed his/her term of service, was eligible for an education award, or was eligible to serve a subsequent term.

Criteria

HLF's Policies and Procedures Manual 2007-2009, *Exiting Members Policy*, states,

Program Directors should take the following steps to complete End of Term Forms for their current members and exit them from WBRs:

- Check the member's file for complete documentation.
- End of Term Forms (and thereby education awards) will not be approved until the above steps have been completed and all required member documentation is on file.

The 2007 AmeriCorps Grant Provisions, Section IV.D., AmeriCorps Special Provisions, Training, Supervision and Support, states in part 6,

Performance Reviews. The grantee must conduct and keep a record of at least a midterm and end-of-term written evaluation of each member's performance for Full

and Half-Time members, and an end-of-term written evaluation for less than Half-Time members.

Title 45 CFR § 2522.220 (c), *Eligibility for second term*, states:

A participant will only be eligible to serve a second or additional term of service if that individual has received satisfactory performance review(s) for any previous term(s) of service in accordance with the requirements of paragraph (d) of this section. Mere eligibility for a second or further term of service in no way guarantees a participant selection or placement.

Recommendation

- 5.d. We recommend that the Corporation require HLF to adhere to its policies and procedures to ensure future member files, related to any subsequent grant awards, contain complete documentation, including evaluations, and that evaluations are submitted by the Site Supervisors or appropriate officials to the Program Director.

HLF’s Response

HLF concurred with the finding and offered the same corrective actions as in the previous responses.

Auditor’s Comment

Same as previous comments.

The Corporation’s National Service Trust was not notified within 30 days of the members’ enrollment or exit from the program: HLF did not notify the National Service Trust within 30 days of members’ enrollment or exit, as appropriate, using WBRs. Specifically, we noted the following:

Exception Type	Program Year			Total
	2004-2005	2006-2007	2007-2008	
Members not enrolled in WBRs within 30 days	2	5	5	12
Members not exited in WBRs within 30 days	3	5	2	10
Members neither enrolled nor exited in WBRs within 30 days	2	0	0	2

In addition, eight member files did not contain exit forms.

HLF had a lack of adequate internal controls in the enrollment and exit processes for its AmeriCorps members. Based on our discussions with management, delays in the processing of information and verification of documents by program officials resulted in late approvals in WBRs. Late approval of enrollment and exit forms in WBRs deterred HLF from properly tracking the true status of those members. In the absence of exit forms, there is an increased risk of members not being exited from the program properly or being certified on a timely basis for their education awards.

Criteria

The 2007 AmeriCorps Grants Provisions, Section IV.N., *AmeriCorps Special Provisions, Reporting Requirements*, states in part 2:

AmeriCorps Member-Related Forms. The grantee is required to submit the following documents to the National Service Trust at the Corporation on forms provided by the Corporation. Grantees and sub-grantees may use WBRS to submit these forms electronically. Programs using WBRS must also maintain hard copies of the forms.

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

* * *

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

Recommendation

5.e. We recommend that the Corporation, prior to any subsequent grant awards, require HLF to strengthen its internal control policies and procedures to ensure that future member enrollment and exit forms are approved in the AmeriCorps Portal (successor to the WBRS system) within 30 days of the events, and that hardcopy forms are signed and retained in the member files.

HLF's Response

HLF concurred with the finding and offered the same corrective actions as in previous responses.

Auditor's Comment

Same as previous comments.

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

Regis & Associates, PC

Regis & Associates, PC
February 12, 2010

APPENDIX A

**HEALTH LITERACY FOUNDATION'S
RESPONSE TO THE DRAFT REPORT**

June 10, 2010

Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW Suite 830
Washington, DC 20525

Dear Mr. Axenfeld:

I appreciate the opportunity to respond to the OIG report for The Health Literacy Foundation/Medserv. Please find my comments below.

First I would like to say that I acknowledge many of the deficiencies that were stated in the report and in fact had come to realize, unfortunately towards the end of the program, that the program manager who had been running the program was not adequately performing her job. That person was terminated in December 2009.

Finding 1:

Most of the expenditures for which there was not adequate supporting documentation occurred in the first 6 to 9 months of the grant period and most of it was for travel expenses. During that time the organization had a corporate credit card that staff used to book trips to various member site locations. The costs involved during this period were mostly for travel involving the initial setup for member sites. The travel expenses charged to the credit card were incurred without the knowledge of the financial management consultant. Staff did not keep sufficient documentation for the travel incurred. In August of 2009 at the recommendation of the consultant the credit card was discontinued and staff was instructed to use travel reimbursement forms and to attach documentation and obtain management approval both prior to and after the travel. None of earlier charges and failure to maintain proper documentation was done intentionally or maliciously, the staff thought they were acting in the best interest of the organization in getting the project up and running and were unfortunately not prudent in maintaining their receipts. I respectfully request forgiveness of the amount totally \$55,953. At this time the organization has no funding and it would be a considerable hardship to have to repay that amount.

I understand the other unsupported or questioned costs in this finding that total \$15,112. As I stated early the organization does not currently have any funds to pay this amount, but I would like to work out a payment arrangement for those items.

Going forward we have a new President in place (who is currently working on a volunteer basis) that will ensure that appropriate documentation and approvals are obtained before any reimbursements or payments are made.

Finding 2:

The organization will put a policy in place to strengthen control over assets used in the field. Upon termination the value of any assets not returned will be deducted from an employee's final paycheck.

Findings 3, 4 and 5:

I am appalled that the proper procedures were not consistently followed with regards to member enrollment, criminal background checks and program compliance with regards to member contracts. It is obvious that going forward the program manager position will require more direct oversight. We will conduct quarterly internal audits to ensure that HLF's policies and procedures are being routinely adhered to.

The disallowed program expenses:

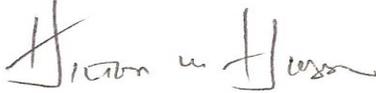
Lack of documentation to support U.S. Citizenship or legal permanent residency	\$7,648
No evidence of criminal background checks	\$12,878
No contract file for member	\$4725

I understand the gravity of failing to adhere to the procedures which resulted in the questioned costs for the above activities of \$25,251, but given the current financial situation and inactivity of the organization I would like to again respectfully request forgiveness of that amount. I do not believe there was any willful intent to disregard policy, but a situation where one staff person was performing more duties than they should have been and one that was not performing at the level she should have been. As I stated earlier in the future we will conduct internal audits to ensure that all procedures and required documentation are in place.

I am hopeful that we can come to some reasonable financial agreement on the findings.

We would have welcomed an audit during the course of the grant when we could have taken corrective action during the grant period.

Sincerely,

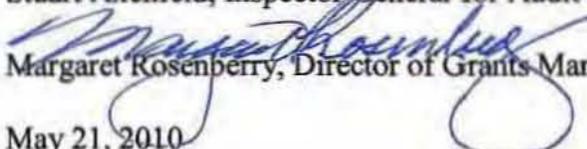


Hilton M. Hudson, MD
Chairman of the Board
Health Literacy Foundation/MedServe

APPENDIX B

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S
RESPONSE TO THE DRAFT REPORT**



To: Stuart Axenfeld, Inspector General for Audit
From:  Margaret Rosenberry, Director of Grants Management
Date: May 21, 2010
Subject: Response to OIG Draft of Agreed-Upon Procedures Review of the Health Literacy Foundation Professional Corps Grant.

Thank you for the opportunity to review the Office of the Inspector General draft Agreed-Upon Procedures Review of the Health Literacy Foundation, Inc. (HLF) Professional Corps grant. The Corporation reviewed the OIG report, the grantee's response and audit work papers concerning questioned education awards and we are addressing all findings at this time.

The Corporation concurs with the findings noted in the draft audit and agrees the questioned costs should be disallowed. The Health Literacy Foundation is no longer a grantee of the Corporation. The end date on its Corporation grant was June 30, 2009 and it will be closed pending resolution of this report. Because the Foundation is no longer a grantee the Corporation will not confirm corrective action on the compliance and internal control findings at this time. We will initiate debt collection on the disallowed federal claimed costs and education awards.

If HLF successfully applies for a grant in the future, the Corporation will conduct a full financial capacity assessment before awarding any funds. We will confirm that all corrective actions related to the compliance and internal control findings are completed and that adequate systems are in place to comply with federal grant management requirements, the OMB Circulars and Corporation statutory and regulatory requirements. The Corporation's eGrants system will be updated to reflect this requirement.

Cc: William Anderson, Acting Chief Financial Officer
Rocco Gaudio Deputy CFO, Grants and Field Financial Management
Lois Nembhard, Acting Director of AmeriCorps*State and National
Bridgette Roy, Administrative Assistant, OCFO