



Avoiding Common Audit Findings

Session Objectives

1. Recognize the primary compliance findings from OIG audits & New Yorkers Volunteer Program Audits
2. Understand the Potential Consequences of common pitfalls
3. Identify Preventive Actions to “Sail through site visits & survive audits”

Common Findings: Reflections from site visits, audits and grantee experiences

- *Member eligibility* to serve is not documented
- Criminal History Check not properly done or documented
- Inadequate time and activity records for grant *staff*
- Deficient AmeriCorps *member management*:
 - *Eligibility; not sufficient documentation*
 - *Timesheets - Service hours record-keeping*
 - *Member contracts; incorrect living allowances*
 - *Member Evaluations; lack of mid-year and end of term evals*
 - *Education award certifications*

Common Findings continued

- Inadequate or no *documentation for match*
- Inadequate documentation of *in-kind donations*
- *Financial reports* don't reconcile with general ledger
- Inadequate financial systems and *internal controls*
- Lack of *written policies and procedures*
- *Administrative Costs exceed allowable rates*

Member Eligibility

Finding: Lack of documentation of

- Member's age
- Criminal record/sex offender check
 - **Note: After Oct 1, 2009** all new members must have a National Criminal History Check
- U.S. Citizen or Permanent Resident Alien
 - Note: SS# card not acceptable
- High school degree or agree to attain it (or exemption)
- Tutoring qualifications for tutoring programs

Member Eligibility

Potential Consequences:

- All payments (any living allowances, health and child care benefits, or member reimbursements) may be disallowed
- AmeriCorps education awards for members may be disallowed
- Extent and severity of findings could result in grant termination or other actions
- If all/most members are undocumented or ineligible, all grant funds may be disallowed

Member Eligibility (cont.)

Preventive Actions:

- Ensure staff understand detailed regulatory requirements
- Document age eligibility, educational attainment and any related agreement and preserve copies of documents
- Conduct appropriate National Service Criminal History Checks
 - Understand requirements for staff & member/participants
 - As of Oct 1, 2009 checks must be conducted on all grant-funded *staff* & enrolled *members*
- Understand and document program specific participant requirements for eligibility, such as qualifications for tutoring programs or for professional corps
 - Enhanced as of Oct 1, 2009 – *high school degree & curriculum requirements*

Member Eligibility (cont.)

- Create written policies and procedures that clearly delineate the requirements for eligibility documentation, screening, and maintenance of records
- Be sure to initiate necessary reviews, deciding eligibility and final signoff for 'enrolling' and 'exiting' members
- Incorporate internal controls that provide review of documentation by the Project Director
- Conduct periodic sampling of member files

Time & Attendance – Members

Finding:

AmeriCorps Members

- Timesheets not signed by BOTH member & supervisor
- Timesheets do not support certification of hours for education award
 - Hours do not add to total
 - Missing timesheets

Time & Attendance – Members

- **Consequences:** Unsupported time can result in disallowed living allowances and education awards
- **Preventative Actions:** Written Policies & Procedures. Periodic sampling. Use timesheets that provide required information for the member:
 - Daily record all time and activity
 - Member **and** supervisor: sign & date
 - Time allocation for fund-raising, if being done

Note: *Professional corps* programs may follow the timekeeping practices of their profession and certify members have completed the minimum required hours with approval from the CNCS

Sample:

AmeriCorps Member Timesheet Instructions

- Complete service log and submit in a timely manner
- Only hours served should be documented, do not include lunch breaks as service hours
- Divide your total hours according to the activities you performed, i.e., direct service, training or fundraising; record these activity hours in the appropriate columns
- All totals should be mathematically correct
- All service logs must be **signed and dated by member and site supervisor**
- Sites must maintain a file with the original service logs
- Never use whiteout to make corrections – throw it out!!!
- Use a permanent means to document all time, i.e., never use pencils or erasable pen

Other Member Findings

- **Member Contracts** are signed late, after the member begins service, do not include the correct living allowance payment or other required information
 - **Note:** Beginning in 2010, the member contract must specify the amount (\$) of the education award upon successful completion
- **AmeriCorps Appraisals/Evaluations** are not conducted or maintained; members serve a second term without formal evaluations supporting successful completion of the first term
 - **Note:** In 2010, mid-term & final evaluations for Full (1700 hours) and Half-time (900 hour) members; Final evaluation for lesser term members

Time & Attendance – Staff Activity Reports

Finding:

- Inadequate time and activity documentation to support charges to the grant of a non-profit
 - Salaries and wages charged to the grant for NON-PROFITS:
 - On the basis of budgeted amounts
 - Based on estimates
 - On the basis of the AmeriCorps grant activity only, when also involved in other activities
 - Unsigned timesheets
 - Time not allocated among various activities
 - Rules for STATE and HIGHER ED grantees vary to some degree

Time & Attendance – Staff Activity (cont.)

What are the Potential Consequences?:

- Entire claimed salaries & wages over the course of the grant may be disallowed; or grantee staff spend excessive time on alternative documentation years after the fact

Preventive Actions:

- Understand Federal requirements for timekeeping by organization type:
 - Non-profit Organizations – 2 CFR § 230 (OMB A-122)
 - Educational Institutions – 2 CFR § 220 (OMB A-21)
 - State, Local & Indian Tribal Governments – 2 CFR 225 (OMB A-87)

Note: *Fixed Amount grants are exempt* from the Cost Principles above and timekeeping for staff

Time & Attendance – Staff Activity (cont.)

Preventive Actions:

- Use timesheets aligned with the payroll period that provide information on all activities of the employee, both on the grant and other projects/functions
- Support for salaries & wages charged to grant:
 - Documented payroll reports approved by responsible official of the organization
- Time and activity report for employee time allocated to grant as Federal cost or match:
 - After-the-fact determination of actual activity
 - Account for total activity of each employee
 - Signed by employee and/or responsible supervisor knowledgeable about employee's activities
 - At least monthly & coincide with one or more pay periods

Match (not applicable to Fixed Amount Grants)

Findings:

- Match not met, undocumented, unreasonable, not approved in budget or uses unauthorized Federal funds:
 - Cash and in-kind amounts not supported by adequate documentation or not verifiable from grantee's records
 - Other Federal funds used as match for programs without authority
 - Match claimed was not necessary to operate grant

Match (not applicable to Education Award grants)

Findings:

- Match amounts were unreasonable or excessive
- Match was inadequately supported to determine if it was allowable and allocable
- Claimed match was not related to a cost included in the approved *budget*
- Match covered expenses incurred outside of the grant award period

Match

Consequences:

- Undocumented, unmet or unacceptable match can reduce some or all of the allowable costs paid with Federal funds by the amount of required match not met for the program

Preventive Actions:

- Know the statutory and other match requirements:

For example - AmeriCorps:

- Minimum statutory match of 24%
- Statutory match for years of AmeriCorps grants: 24 -50%

Match

Note:

- The same requirements apply to match and Federal costs. All costs must be:
 - reasonable
 - allocable
 - allowable
 - provided consistent treatment
 - expensed in the accounting system
 - supported by adequate & appropriate documentation

Match – In-Kind

- Ensure in-kind match documentation includes:
 - Name and signature of the donor
 - Date and location of donation
 - Detailed description of contributed items or services
 - Value of contribution, how value was determined, and who determined value
 - Printed name & title of official representing donor
 - Signature of official accepting contribution and printed name & title
 - Donor restrictions, if any, such as Federal funds

Match

- Maintain all documentation of match and ensure any subgrantees do also
- Apply the same standards of documentation for match expenditures as for Federal funds
- Do not record in-kind or other match until the documentation is obtained and sufficient
- Record claimed match in the accounting system required by financial accounting standards (FASB 116) = *nonprofit* organizations
- Do not record the same costs on two separate National Service programs either as match or direct expenses or combination thereof

Expenditures & Reconciliation

- **Findings:** Grantees/subgrantees not reconciling expenditures in their accounting systems to amounts in PERs
- **Consequences:** Costs not allowed for differences between accounting system and PER
- **Preventive Action:** By policy, regularly reconcile differences among the reports and the accounting system. Prepare cross-walks, if necessary, to track PER reports to the accounting system detail

Other Findings

Financial Systems and Internal Controls Findings:

- Accounting systems and internal controls are inadequate to report grant expenditures, or management controls are insufficient to safeguard Federal funds
- Financial reporting is incomplete, most recent A-133 audit has not been sent to the Federal Clearinghouse yet
- Records do not identify cost by programmatic year, by budget line item, or do not differentiate between direct and indirect costs or administrative costs
- Lack of written policies and procedures
- Inadequate internal controls for separation of duties

Activity

- This Activity will consist of small groups examining different scenarios and:
 - Reviewing specific issues
 - Considering potential consequences
 - Identifying Remedies

Taking it Home!



1. Learn from the mistakes of others
2. Use information to review organization strengths, challenges
3. Create systems and written policies and procedures to rectify challenges
4. Resources and sample forms may be found at:
<http://www.nationalservicerresources.org>

Questions?