

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

**AUDIT OF  
U.S. SOCCER FEDERATION FOUNDATION'S  
GRANT FINANCIAL MANAGEMENT SYSTEM**

**OIG REPORT NUMBER 12-03**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

1201 New York Ave., NW  
Suite 830  
Washington, DC 20525

(202) 606-9390

This report was issued to Corporation management on February 10, 2012. 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 August 10, 2012, and complete its corrective actions by February 10, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



February 10, 2012

TO: Paul Carttar  
Director, Social Innovation Fund

Margaret Rosenberry  
Director, Office of Grants Management

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

SUBJECT: *OIG Report 12-03, Audit of U.S. Soccer Federation Foundation's Grant Financial Management System*

Attached is the final report for the above-noted audit, which was performed by OIG staff. This audit was conducted in accordance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this report is due by August 10, 2012. Notice of final action is due by February 10, 2013.

A recent amendment to the Government Auditing Standards (2011 revision, Section 7.44) recommends that OIG audit reports also be distributed to the person(s) charged with governance of the audited entity. Accordingly, we have provided the Chairman of the Board of USSFF with a copy of this report.

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: Ed Foster-Simeon, Chief Executive Officer, USSFF  
Alan Rothenberg, Chairman of the Board, USSFF  
Amy Horner, Chief Operating Officer, LTBD, PC  
William Anderson, Chief Financial Officer, CNCS  
Rocco Gaudio, Deputy Chief Financial Officer, Grants & Field Financial Management  
Claire Moreno, Senior Grants Officer/Audit Liaison, CNCS

**OFFICE OF INSPECTOR GENERAL  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
AUDIT OF U.S. SOCCER FEDERATION FOUNDATION'S  
GRANT FINANCIAL MANAGEMENT SYSTEM**

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Appendix A – US Soccer Federation Foundation’s Response to Draft Report

Appendix B – Corporation for National and Community Service’s Response to Draft Report

**Table of Acronyms**

C.F.R.	Code of Federal Regulations
FY	Fiscal Year
OIG	Office of Inspector General
OMB	Office of Management and Budget
PMS	Payment Management System
SfS	Soccer for Success
SIF	Social Innovation Fund
U.S.C.	United States Code
USSFF	US Soccer Federation Foundation

## EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), performed an audit of the Social Innovation Fund (SIF) issue-based grant awarded (Grant No. 11SIHDC001) to the US Soccer Federation Foundation (USSFF). The purpose of the audit was to determine whether USSFF's financial management system was in compliance with applicable laws, regulations and grant provisions, and whether adequate internal controls were in place. The Corporation awarded SIF grants for the first time in Fiscal Year (FY) 2010. The OIG conducted pre-award financial management system reviews for selected FY 2010 SIF applicants. This SIF financial management system audit was conducted from August 26 to November 28, 2011, after the grant had been awarded, but before USSFF selected any sub-recipients or expended any grant funds.

This is USSFF's first grant from the Corporation and second Federal grant from any source. The SIF grant awarded to USSFF will support the implementation and operations of Soccer for Success (SfS), a no-cost, after-school, sports-based youth development program. The goal of SfS is to improve health by arresting and reducing obesity through physical activity and nutrition education. A secondary indirect goal of SfS is to improve social and academic outcomes. USSFF awards subgrants to 10 to 14 nationally selected organizations. It received unqualified opinions on its financial statement audits for FYs 2010, 2009, and 2008. It did not meet the \$500,000 Office of Management and Budget (OMB) Circular A-133 audit threshold in any of those years.

### SUMMARY OF RESULTS

We found that USSFF's policies and procedures should be updated to include the following areas:

1. Monitoring both programmatic and financial operations of sub-recipients;
2. Guidelines for Federal funds drawdowns;
3. Determining reasonableness, allocability, and allowability of claimed costs; and
4. Treating Federal and non-Federal transactions uniformly.

These topics are discussed in detail in the section entitled Results of Audit.

The OIG selected USSFF for audit shortly after it was selected as a SIF grantee, but before the grant was funded. At the time the grant was awarded, USSFF had not preselected its sub-recipients. The policies and procedures USSFF implements for monitoring sub-recipients will be determined by the selection process and the quality of its designated sub-recipients.

## RESULTS OF AUDIT

### **Finding 1. USSFF's written policies and procedures did not include sub-recipient monitoring.**

During our site visit, USSFF's written policies and procedures did not include procedures for sub-recipient monitoring. However, grantee staff was aware of the necessity of monitoring sub-recipients and was developing monitoring policies.

#### Criteria:

45 C.F.R. §2543.5, *Subawards*, states that "[u]nless sections of this Circular specifically exclude sub-recipients from coverage, the provisions of this Circular shall be applied to sub-recipients performing work under awards if such sub-recipients are institutions of higher education, hospitals or other non-profit organizations. State and local government sub-recipients are subject to the provisions of regulations implementing the grants management common rule, 'Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments,' published at 53 FR 8034."

45 C.F.R. §2543.51, *Monitoring and reporting program performance*, states that "[r]ecipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award."

USSFF had not finalized its sub-recipient selection process at the time of our audit. The selection criteria will influence the level of monitoring. Stricter criteria should lead to the selection of sub-recipients having a higher level of competence. Also, selecting highly competent sub-recipients could result in a reduction in required monitoring. USSFF recognizes the importance of monitoring and plans to include both program and financial personnel on its monitoring team.

The absence of policies and procedures for monitoring program management, financial management systems and financial information received from sub-recipients may result in USSFF receiving erroneous, inconsistent or incompatible information. USSFF would be unable to prepare verifiably accurate reports. In addition, receiving inconsistent or incompatible information from the sub-recipients may result in USSFF being unable to consolidate the information into a usable report.

#### **Recommendation:**

We recommend that the Corporation ensure that USSFF develop and implement policies and procedures for monitoring the program management, financial management system, and financial information received from its sub-recipients.

#### **Auditee Comments:**

The Foundation has updated its Accounting Policy and Procedures Manual to include language that Federal funds awarded to a subgrantee will be monitored on a quarterly basis by the Senior Accountant and Director of Finance. When funds are initially awarded, subgrantee accounting staff will be provided with training on the appropriate accounting procedures. Documentation of costs submitted by subgrantees to the Foundation will be reviewed by the Director of Programs and Grants and the Director of Finance prior to being reimbursed and included in the quarterly Federal Financial Report.

#### **OIG Comments:**

This action is responsive to our finding and recommendation. The Corporation should verify that the added language has been included in USSFF's Accounting Policy and Procedures Manual.

**Finding 2. USSFF's written policy and procedures did not include guidelines to determine the reasonableness, allocability and allowability of costs charged to the grant.**

At the time of our site visit, USSFF did not have written policies and procedures in place to determine the reasonableness, allocability and allowability of claimed costs, in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award. USSFF staff was in the process of reviewing and updating the grantee's policies and procedures to comply with Federal cost principles.

**Criteria:**

45 C.F.R. §2543.21(b)(6) *Standards for financial management systems*, subsection (b)(6) states that "[r]ecipients' financial management systems shall provide for the following:...[w]ritten procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award."

USSFF's current policies and procedures governing its financial management system have general safeguards and internal controls in place to promote the efficient use of funds. However, USSFF was not aware of the requirement to have a written policy and procedures to determine the reasonableness, allocability and allowability of costs.

Without clearly communicated guidelines for determining the reasonableness, allocability and allowability of claimed costs, costs may inadvertently be charged to the grant that are not in compliance with Federal cost principles and the terms and conditions of the award.

**Recommendation:**

The Corporation should ensure that USSFF develops and implements written policies and procedures that comply with 45 C.F.R. §2543.21, *Standards for financial management systems*.

**Auditee Comments:**

The Foundation amended its Federal Funds policy to require that all direct costs have approval from the Director of Programs and Grants, with verification by the Staff Accountant, to ensure expenses are reasonable, allocable and allowable according to the grant agreement and Federal cost principles.

**OIG comments:**

The grantee's response addresses its direct costs but is silent on the allocability of indirect costs. We recommend that the Corporation verify that USSFF's revised policy includes language that specifies its allocation methodology, particularly if USSFF does not have an approved indirect cost allocation agreement.

**Finding 3. USSFF's written policies and procedures did not include guidelines for the drawdown of funds from the Payment Management System (PMS).**

At the time of our site visit, USSFF did not have a written policy or procedures in place to minimize the time elapsing between the grantee's drawdown of funds from PMS and its payment of grant expenditures. Grantee staff was in process of reviewing and updating its policies and procedures to comply with Federal cost principles.

**Criteria:**

45 C.F.R. §2543.21 (b)(5), *Standards for financial management systems*, subsection (b)(5) states that "[r]ecipients' financial management systems shall provide for the following: [w]ritten procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient."

45 C.F.R. §2543.22 (b)(1), *Payment*, states that "[r]ecipients are to be paid in advance, provided they maintain or demonstrate the willingness to maintain: Written procedures that minimize the time lapsing between the transfer of funds and disbursement by the recipient."

The grantee was addressing this issue during our audit. Without clearly communicated policies and procedures, USSFF may draw down funds from PMS in excess of the amount needed to meet its immediate cash needs.

**Recommendation:**

The Corporation should ensure that USSFF develops and implements written policies and procedures that comply with 45 C.F.R. §2543.21, *Standards for financial management systems*, and 45 C.F.R. §2543.22, *Payment*.

**Auditee Comments:**

The Foundation added language to its Federal Funds Policy stating it will draw funds from Federal sources on a reimbursement basis. After the month-end closing process has been completed, the Director of Finance will submit costs incurred during the month for payment through the Payment Management System for reimbursement.

**OIG Comments:**

USSFF's response addresses our recommendation. The Corporation should verify that the added language has been included in USSFF's Accounting Policy and Procedures Manual.

**Finding 4. USSFF's written policies and procedures do not include guidelines for consistent treatment of costs.**

USSFF's written policies and procedures, as of the time of our site visit, did not include steps to ensure that costs for both Federally-financed and other activities of the organization would be treated in a consistent manner.

**Criteria:**

OMB Circular A-122, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and other Non-Profit Organizations*, Attachment A, *General Principles*, Paragraph A.2, Factors affecting allowability of costs, states that "[t]o be allowable under an award, costs must meet the following general criteria: [b]e consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the organization...[b]e accorded consistent treatment."

USSFF was not aware of the requirement that states costs will be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the organization, and that all claimed costs will be accorded consistent treatment.

Without clearly communicated guidelines for the treatment of costs, USSFF may claim grant costs that are deemed unallowable because non-Federally-financed costs are handled in a manner that is inconsistent with the treatment of Federal costs.

**Recommendation:**

The Corporation should ensure that USSFF develops and implements policies and procedures that comply with the consistent treatment provisions of OMB Circular A-122.

**Auditee Comments:**

In addition to the expanded language inserted in its Federal Funds Policy, stated in the response to Finding 2 above, USSFF also updated its Accounting Policy and Procedures Manual to note that the Staff Accountant will ensure that costs are consistent with similar expenses in other Foundation departments and programs.

**OIG Comments:**

The grantee's response addresses our recommendation. The Corporation should verify that the added language has been included in USSFF's Accounting Policy and Procedures Manual.

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

Our objectives were to determine whether: (1) USSFF has a financial management system that is in compliance with applicable law, regulations, and grant provisions or terms and conditions; and (2) the grantee's internal controls are effective.

The scope was limited to the review of USSFF's financial management system and related policies and procedures to evaluate its ability to manage Corporation SIF grant funds, in accordance with the requirements for Federal funds and objectives stated above.

Our procedures included collecting and reviewing appropriate audit documentation, and conducting interviews of grantee staff and contractors, as warranted. We performed our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government audit standards. The scope of this audit was limited to the inaugural FY 2010 SIF award period, during which USSFF was identified by the Corporation as an awardee. We conducted our fieldwork between August 26 and November 28, 2011.

**BACKGROUND**

The purpose of the Social Innovation Fund is to improve the lives of people in low-income communities throughout the United States by increasing the impact and scale of innovative community-based approaches that deliver results in three critical areas: youth development, economic opportunity and healthy futures. The Social Innovation Fund is a vehicle to: (1) promote public and private investment in community-based nonprofit organizations with promising approaches to critical challenges to validate their impact and replicate and expand to serve more communities; (2) through the use of appropriate evidence, identify additional effective approaches to addressing critical community challenges and broadly share this knowledge; and (3) develop the grant-making infrastructure necessary to support the work of social innovation in communities across the country.

In FY 2010, the Corporation awarded a limited number of Social Innovation Fund grants to grant-making institutions, including USSFF, which are referred to as "intermediaries." The intermediaries are required to match every Federal dollar of the grant award in cash. They identify and invest at least 80

percent of their Federal funds (plus identified cash matching funds) in portfolios of promising community-based nonprofit organizations (subgrantees) working in low-income communities in one or more of the issue areas noted above.

To qualify as a SIF intermediary, applicants must demonstrate:

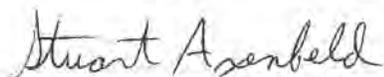
- A track record of selecting, investing, validating, supporting, and monitoring the replication and expansion of their subgrantees;
- The capacity to conduct a competitive process for selecting innovative nonprofit community organizations with effective and potentially transformative approaches;
- Expertise in one or more of the issue areas; and
- Established relationships with stakeholders in one or more priority issue areas and/or specific geographic regions.

The USSFF was established in 1994 and serves as a charitable entity promoting soccer in the United States. With support from donors, corporate partners, and youth development organizations, the grantee has provided over \$51 million in grants, financial support, and loans to programs and projects in all 50 states. The community organizations selected as sub-recipients will receive training and support from the grantee. By supporting the development of places to play, grow and learn, USSFF works to ensure that children in underserved communities have access to soccer programs that support their physical and personal development.

#### **EXIT CONFERENCE**

The contents of this report were discussed with USSFF management and the Corporation at an exit conference held on November 28, 2011. Responses from USSFF and the Corporation are summarized after each recommendation and included in their entirety in Appendices A and B, respectively.

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



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Stuart Axenfeld, Assistant Inspector General for Audit  
Office of Inspector General  
Corporation for National and Community Service  
February 10, 2012

**APPENDIX A**

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**U.S. SOCCER FEDERATION FOUNDATION'S  
RESPONSE TO THE DRAFT REPORT**



February 7, 2012

**Board of Directors**

*Alan Rothenberg*  
Chairman

*Brad Hays*  
Chairman Emeritus

*Kevin Payne*  
Vice Chairman

*Charles Marshall*  
Treasurer/Secretary

*Gianfranco Borroni*

*Jane Delgado*

*Enrico Gaglioti*

*Don Garber*

*Sunil Gulati*

*Brian Klein*

*David Messersmith*

*Donna E. Shalala*

*Juergen Sommer*

*Charles Stimson*

*David Sutphen*

*James Walsh*

*Dana Weintraub*

*Ed Foster-Simeon*  
President & CEO

Ronald Huritz  
OIG Audit Manager  
Office of Inspector General  
Corporation for National & Community Service  
1201 New York Avenue, NW  
Suite 830  
Washington, DC 20525

Dear Mr. Huritz:

Below, please find the U.S. Soccer Foundation's formal response to the recent audit performed by your office. Should you have any further questions or concerns, please do not hesitate to contact us. We are thrilled to have the opportunity to work with the Corporation for National & Community Service and look forward to selecting our Sub-grantees and implementing our Soccer for Success program this fall!

**Finding 1: USSFF's written policy and procedures did not include sub-recipient monitoring.**

The Foundation has updated its Accounting Policy & Procedures Manual, Section XVIII – Federal Funds Policy to include the following:

**E. Sub-grantee / Sub-recipient Financial Data**

In the occasion Federal Funds are awarded by the Foundation to a sub-grantee, those funds will be monitored on a quarterly basis by the Senior Accountant and the Director of Finance. Upon initial award of the funds, the sub-grantee accounting personnel will be provided with training and procedures on the appropriate accounting for funds. Deadlines will be established to coincide with the Federal Financial Reporting deadlines. These are as follows:

- April 15
- July 15
- October 15
- January 15

Financials and appropriate documentation of costs must be submitted by the sub-grantee to the Foundation on or before these dates for the previous quarter. This documentation is reviewed by the Director of Programs and Grants, as well as the Director of Finance, prior to submission for reimbursement and inclusion in the quarterly FFR.

**Finding 2: USSFF's written policy and procedures did not include guidelines to determine the reasonableness, allocability and allowability of costs charged to the grant.**

The Foundation has updated its Accounting Policy & Procedures Manual, Section XVIII – Federal Funds Policy to include the following:

**C. Federal Funds Disbursement**



**Board of Directors**

*Alan Rothenberg*  
Chairman

*Brad Hays*  
Chairman Emeritus

*Kevin Payne*  
Vice Chairman

*Charles Marshall*  
Treasurer/Secretary

*Gianfranco Borrani*

*Jane Delgado*

*Enrico Gaglioti*

*Don Garber*

*Sunil Gulati*

*Brian Klein*

*David Messersmith*

*Donna E. Shalala*

*Juergen Sommer*

*Charles Stimson*

*David Sutphen*

*James Walsh*

*Dana Weintraub*

*Ed Foster-Simeon*  
President & CEO

All direct costs – invoices, expense reimbursement, credit card receipts – submitted with Federal Funds program codes must have approval from the Director of Programs and Grants. Prior to processing for payment, the Staff Accountant will verify that approval, as well as review the expense incurred to ensure that the expense is reasonable, allocable and allowable in accordance with the terms of the grant award/agreement and the Federal cost principles. The Staff Accountant will also ensure that costs are consistent with similar expenses incurred in other programs or departments of the Foundation.

**Finding 3: USSFF’s written policy and procedures did not include guidelines for the drawdown of funds from the Payment Management System (PMS).**

The Foundation has updated its Accounting Policy & Procedures Manual, Section XVIII – Federal Funds Policy to include the following:

**D. Federal Funds Draw**

The Foundation will draw funds from Federal sources on a reimbursement basis. After the month-end close process has been completed and reviewed, the Director of Finance will submit costs incurred during the month for payment through the appropriate PMS (or similarly named Federal draw system) for reimbursement.

**Finding 4: USSFF’s written policy and procedures do not include guidelines for consistent treatment of costs.**

The Foundation has updated its Accounting Policy & Procedures Manual, Section XVIII – Federal Funds Policy to include the following:

**C. Federal Funds Disbursement**

All direct costs – invoices, expense reimbursement, credit card receipts – submitted with Federal Funds program codes must have approval from the Director of Programs and Grants. Prior to processing for payment, the Staff Accountant will verify that approval, as well as review the expense incurred to ensure that the expense is reasonable, allocable and allowable in accordance with the terms of the grant award/agreement and the Federal cost principles. The Staff Accountant will also ensure that costs are consistent with similar expenses incurred in other programs or departments of the Foundation.

If you would like for us to expand or elaborate on any of our new procedures please do not hesitate to reach out to me directly at 202-872-6657 or via email at [efostersimeon@ussoccerfoundation.org](mailto:efostersimeon@ussoccerfoundation.org)

Sincerely,

Edward Foster-Simeon  
President and CEO

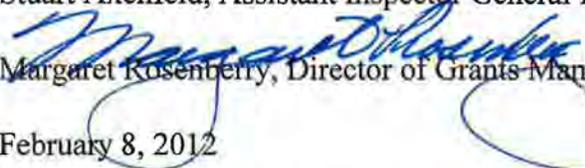
Cc: Wylie Chen, Amy Horner, Rob Kaler

**APPENDIX B**

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

Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

**To:** Stuart Axenfeld, Assistant Inspector General for Audit  
**From:**   
Margaret Rosenberry, Director of Grants Management  
**Date:** February 8, 2012  
**Subject:** Response to OIG Draft Review of Financial Systems of the U.S. Soccer Foundation

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Thank you for the opportunity to review the OIG's draft report on its review of financial systems of the Soccer Foundation, a new recipient of Federal grants funds under the Corporation's Social Innovation Fund. We agree with the recommendations which identify the policies and procedures the Soccer Foundation needs to implement to manage Federal grant funds.

The U.S. Soccer Foundation's response to your draft report also described the additions it has made to its accounting policies and procedures to address all four of the report's recommendations. The Corporation will conduct a site visit to the Foundation in February 2012 to conform the recommendations have been implemented.

**Cc:** William Anderson, Chief Financial Officer  
Valerie Green, General Counsel  
John Gomperts, Director of AmeriCorps