



AmeriCorps
Office of Inspector General

Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA

Audit Report

Number: OIG-AR-24-05

March 29, 2024



AmeriCorps Office of Inspector General

March 29, 2024

MEMORANDUM TO: Sonali Nijhawan
Director, AmeriCorps State and National

FROM: Monique P. Colter *Monique P. Colter*
Assistant Inspector General for Audit

SUBJECT: Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA (OIG Report – AR-24-05)

Enclosed is AmeriCorps Office of Inspector General (OIG) final report on the Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA (OIG-AR-24-05).

AmeriCorps OIG contracted with the independent certified public accounting firm of Saggar and Rosenberg, P.C., to conduct the Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA. Saggar is responsible for the attached final report. We reviewed Saggar's report and related documentation and inquired of its representatives. Our review was not intended to enable us to express, and we do not express, an opinion on the matters contained in the final report. Our review disclosed no instances where Saggar did not comply with the *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States.

If you have any questions or wish to discuss the final report, please contact me at (202) 875-0245 or m.colter@americorpsoig.gov.

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AmeriCorps Office of Inspector General

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Executive Summary

Performance Audit of AmeriCorps Grants

Awarded to YouthBuild USA

Date: March 29, 2024

Report No. OIG-AR-24-05



AmeriCorps
Office of Inspector General

Why We Did This Audit

The AmeriCorps Office of Inspector General (OIG) contracted with Saggar and Rosenberg, P.C., an independent certified public accounting firm, to conduct a performance audit of AmeriCorps grants awarded to YouthBuild USA (YouthBuild) and its subgrantees.

YouthBuild has been an AmeriCorps grant recipient since 1994 and is currently administering AmeriCorps State and National and VISTA Grants as a direct recipient. In YouthBuild AmeriCorps programs, members work toward their GED or high school diploma while learning job skills. Of the \$55,282,828 awarded to YouthBuild between September 30, 2018 and December 31, 2022, \$43,037,010 (approximately 78 percent) was subawarded to its 82 subgrantees.

The audit objective was to determine whether AmeriCorps-funded Federal assistance, including American Rescue Plan Act funds, if any, provided to YouthBuild and its subgrantees, was expended in accordance with grant terms and provisions, laws, and regulations.

How This Audit was Performed

We conducted the performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, as described in **Appendix A** of this report.

What We Found

Our audit found that AmeriCorps was aware of inconsistencies between Federal Statute and Federal Regulations concerning limitations on the Federal share of member living allowance and member support costs beginning in 2009 and neither updated its Federal Regulations nor effectively explained the inconsistencies to grantees.

In addition, YouthBuild did not comply with Federal or AmeriCorps requirements during periods covered by its Federal Financial Report (FFR) expense submissions to AmeriCorps from September 30, 2018 to December 31, 2022. As a result, we questioned \$2,695,430 of Federal costs and \$908,925 of match costs. In addition, we classified \$3,087,971 as funds put to better use and also identified \$1,042,851 of non-compliant match costs, which are errors that occurred during a period when AmeriCorps waived certain grantee match requirements.

Specifically, we identified:

- \$520,827 in Federal costs and \$3,087,791 of funds put to better use resulting from YouthBuild's non-compliant member timekeeping practices.
- \$49,507 in Federal costs, \$8,242 in match costs, and \$123,880 in non-compliant match costs resulting from YouthBuild's inadequate subgrantee monitoring.
- \$2,125,096 in Federal costs, \$900,683 in match costs, and \$918,971 in non-compliant match resulting from violations of The National and Community Service Act of 1990, as amended (NCSA), and Federal Regulations by utilizing subgrantee employees as AmeriCorps members.

See **Audit Results** for more information.

What We Recommend

We made recommendations for AmeriCorps to update its Federal Regulations to align with Federal Statute, recover questioned costs, and ensure that its portfolio managers and its grantees are following all relevant Federal Regulations and AmeriCorps grant terms and conditions.

AmeriCorps generally concurred with our findings and recommendations, except those related to a comprehensive review of all Federal Statutes and Federal regulations to identify inconsistent guidance (Finding 1) and YouthBuild's noncompliant timekeeping practices (Finding 2). Our summary and evaluation of these AmeriCorps' and YouthBuild's responses are included in the Audit Results section of this report. AmeriCorps' response is attached to this report, in its entirety, in **Appendix C**. YouthBuild's response is attached to this report in its entirety, in **Appendix D**.

REPORT NOTICE—NDAA REQUIREMENT

THIS REPORT IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THE AMERICORPS OIG, AMERICORPS, THE PRIME GRANTEE AND/OR SUBGRANTEES REVIEWED, AND U.S. CONGRESS AND IS NOT INTENDED TO BE, AND SHOULD NOT BE, USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES. PURSUANT TO PL 117-263, SECTION 5274, NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES IDENTIFIED IN THIS REPORT HAVE THE OPPORTUNITY TO SUBMIT A WRITTEN RESPONSE FOR THE PURPOSE OF CLARIFYING OR PROVIDING ADDITIONAL CONTEXT TO ANY SPECIFIC REFERENCE. COMMENTS MUST BE SUBMITTED WITHIN 30 DAYS OF THE REPORT ISSUANCE DATE.

FURTHER, PURSUANT TO PL 117-263, SECTION 5274, NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES IDENTIFIED IN THIS REPORT HAVE THE OPPORTUNITY TO SUBMIT A WRITTEN RESPONSE FOR THE PURPOSE OF CLARIFYING OR PROVIDING ADDITIONAL CONTEXT TO ANY SPECIFIC REFERENCE. COMMENTS MUST BE SUBMITTED TO M.COLTER@AMERICORPSOIG.GOV WITHIN 30 DAYS OF THE REPORT ISSUANCE DATE AND WE REQUEST THAT COMMENTS NOT EXCEED 2 PAGES. THE COMMENTS WILL BE APPENDED BY LINK TO THIS REPORT AND POSTED ON OUR PUBLIC WEBSITE. WE REQUEST THAT SUBMISSIONS BE SECTION 508 COMPLIANT AND FREE FROM ANY PROPRIETARY OR OTHERWISE SENSITIVE INFORMATION.

**OFFICE OF INSPECTOR GENERAL
PERFORMANCE AUDIT OF AMERICORPS GRANTS AWARDED TO YOUTHBUILD USA**

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PERFORMANCE AUDIT OF THE GRANTS AWARDED TO YOUTHBUILD USA

I. Introduction

YouthBuild USA (YouthBuild) has been an AmeriCorps grant recipient since 1994 and is currently administering AmeriCorps State and National (ASN) National Direct and VISTA Grants as a direct recipient. YouthBuild's mission is to partner with opportunity youth to build the skillsets and mindsets that lead to lifelong learning, livelihood, and leadership. In YouthBuild AmeriCorps programs, members are low-income young people aged 16-24 who work toward their GED or high school diploma while learning job skills by building affordable housing for homeless and low-income individuals.

The ASN program provides funding to organizations that manage members who serve full or part-time on projects that provide services to local, regional, or national communities. National Direct grantees are ASN grantees operating a program in more than one state or territory, or operating a project in a single state or territory that does not have a State Commission.

The AmeriCorps Volunteers in Service to America (VISTA) program was created to help reduce poverty and build economic opportunity throughout the country. It accomplishes this goal primarily by engaging AmeriCorps members to develop and mobilize resources that create long-term sustainable benefits with community organizations and public agencies.

The AmeriCorps Office of Inspector General (OIG) contracted with Saggar and Rosenberg, P.C., an independent certified public accounting firm, to conduct a performance audit of AmeriCorps grants awarded to YouthBuild USA and its subgrantees. The audit objective was to determine whether AmeriCorps-funded Federal assistance, including American Rescue Plan Act funds, if any, provided to YouthBuild and its subgrantees was expended in accordance with grant terms and provisions, laws, and regulations, and to report on such compliance, controls and questioned costs as may result from performing the audit.

The scope of the audit included expenditure activity by YouthBuild and five of its 82 subgrantees: Crispus Attucks Charter School, Connection Training Services, Philadelphia Youth for Change Charter School, Change Inc., and San Jose Conservation Corps, for two National Direct Grants and one VISTA Grant. Of the \$55,282,828 awarded to YouthBuild, \$43,037,010, or approximately 78 percent, was subawarded to its 82 subgrantees. Additional details regarding the audit scope are included in **Appendix A**.

II. Audit Results

We found AmeriCorps was aware of inconsistencies between Federal Statute and Federal Regulations concerning limitations on the Federal share of member living allowance and member support costs beginning in 2009 and AmeriCorps neither updated its Federal Regulations nor effectively explained the inconsistencies to grantees. In addition, we identified several instances of non-compliance with Federal Regulations and AmeriCorps Grant Terms and Conditions by YouthBuild and its subgrantees resulting in \$6,692,146 of monetary impact – \$2,695,430 of questioned Federal costs, \$908,925 of questioned match costs, and the classification of \$3,087,791 as funds put to better use. We also identified \$1,042,851 of non-compliant match costs, which we are not questioning due to AmeriCorps’ waiver of match requirements for fiscal years 2019, 2020, and 2021 because of the COVID-19 pandemic.

Our findings stem from YouthBuild not maintaining an effective system of internal controls over timekeeping to provide reasonable assurance that it and its subgrantees are adequately managing AmeriCorps funds. We are concerned about the practices at subgrantee San Jose Conservation Corps (SJCC), where prospective and existing SJCC employees were recruited as AmeriCorps members and permitted to earn education awards for hours worked while fulfilling their normal employment duties. We found that YouthBuild’s timekeeping and member training hours policies significantly deviated from Federal Regulations and AmeriCorps’ policy; and YouthBuild did not sufficiently monitor its subgrantees to detect instances of their non-compliance with its policies. Table 1 illustrates the monetary impact of each finding.

Table 1 – Monetary Impact of Audit Findings

Finding Description	Federal Questioned Costs	Match Questioned Costs	Non-compliant Match	Funds Put to Better Use
AmeriCorps’ Federal Regulations Do Not Align with Statutory Updates to Grantee Match Requirements	\$0	\$0	\$0	\$0
YouthBuild’s Member Timekeeping Practices Did Not Comply with Federal Regulations and AmeriCorps Grant Terms and Conditions	\$520,827	\$0	\$0	\$3,087,791
San Jose Conservation Corps Employees served as AmeriCorps Members	\$2,125,096	\$900,683	\$918,971	\$0
YouthBuild Did Not Adequately Monitor Subgrantee Financial and Policy Compliance	\$49,507	\$8,242	\$123,880	\$0
YouthBuild’s Member Training Policy Did Not Comply with Federal Regulations	\$0	\$0	\$0	\$0
Totals	\$2,695,430	\$908,925	\$1,042,851¹	\$3,087,791

¹AmeriCorps waived match requirements for certain AmeriCorps grants during the COVID-19 pandemic for grants awarded in fiscal years 2019, 2020, and 2021, which were within our audit scope. For this reason, we are not questioning \$1,042,851 of non-compliant match costs that fall under this waiver.

Finding 1: AmeriCorps' Federal Regulations Do Not Align with Statutory Updates to Grantee Match Requirements.

According to currently published Federal Regulations, the Federal share of the member living allowance may not exceed 85 percent of the minimum living allowance,² and 85 percent of other member support costs,³ as required by the enactment of the National and Community Service Act of 1990 (NCSA).⁴ By accepting AmeriCorps grant funds, AmeriCorps grantees agree to comply with AmeriCorps General Terms and Conditions, which include applicable Federal Regulations. Regulations are a key source that grantees refer to in administering their grants, and AmeriCorps grantees rely on Federal Regulations to ensure compliance with AmeriCorps grant requirements.

Congress enacted the Consolidated Appropriations Act of 2008⁵ and the Serve America Act (2009),⁶ which revised the NCSA of 1990. In particular, the Consolidated Appropriations Act of 2008 replaced the minimum member support and operating cost match requirements with a single overall minimum match requirement for 2008. The Serve America Act then permanently amended the NCSA by eliminating the 85 percent Federal share limitation for member living allowance and member support costs.⁷

We found that AmeriCorps failed to update the Federal Regulations for amendments to the NCSA regarding grantee match requirements and the 85 percent Federal share limitation.⁸ Specifically, we found three direct statements on the 85 percent limitation on Federal share and 15 percent required grantee match share of member living allowance and member support costs in the following currently published Federal Regulations:

- 45 C.F.R. § 2522.240 (b)(6),
- 45 C.F.R. § 2521.45(a)(1), and
- 45 C.F.R. § 2521.60.

There are several additional instances in the currently published Federal Regulations where these three citations are referenced and need updating.

AmeriCorps officials were aware of inconsistencies between the Federal Statute and the Federal Regulations since 2009, when the Serve America Act went into effect. We reviewed electronic correspondence between AmeriCorps officials from 2019 that discussed inquiries from AmeriCorps grantees about the Federal share limitations on member living allowance and member support costs included in the Federal Regulations. In that correspondence, AmeriCorps' Associate General Counsel acknowledged that the Federal Regulations were not updated and advised AmeriCorps' Senior Grants Officer to direct grantees to the Federal Statute for the correct guidance.

Not only did AmeriCorps allow the Federal Regulations to remain unchanged, but it did not effectively communicate the changed statutory guidance to all grantees. AmeriCorps communicated the statutory

² 45 C.F.R. § 2522.240 What financial benefits do AmeriCorps participants serving in approved AmeriCorps positions receive; *Living Allowances; Amount*.

³ 45 C.F.R. § 2521.45 What are the limitations on the Federal government's share of program costs.

⁴ Public Law 101-610, November 16, 1990.

⁵ Public Law 110-161, December 26, 2007.

⁶ Public Law 111-13, April 21, 2009.

⁷ Member support costs typically include FICA and healthcare.

⁸ 45 C.F.R. § 2521.45 was last updated on July 8, 2005.

changes for matching AmeriCorps grants in January and February 2008. These communications included an ASN Policy Update Memorandum and Frequently Asked Questions guidance. However, AmeriCorps did not distribute similar communications or reminders in future years, nor did it issue communications to grantees indicating the inconsistencies between the Federal Statute and Federal Regulations. This meant not all grantees were told of or were aware of the change. Based on past OIG work, we know some grantees followed the outdated regulation's 85% Federal share limitation whereas other grantees were able to take advantage of the statutory update and utilize 100% Federal share on member support costs. This raises equity concerns since some grantees were able to utilize more Federal funds for member costs relative to others, depending on whether they relied on the outdated regulation or the not-universally communicated statutory update.

As it pertains to YouthBuild, YouthBuild budgets member costs as 100 percent AmeriCorps share with no YouthBuild match for its direct grant awards, consistent with the amendment enacted by the Serve America Act. YouthBuild subgrantees incurred \$695,757 of Federal member costs for the program years under audit. However, for YouthBuild's AmeriCorps award received as a subaward through a State Commission, YouthBuild budgets and expends Member Costs by meeting a minimum 15 percent match, consistent with the NCSA prior to the Serve America Act amendment and currently published Federal Regulations. This inconsistent application of the guidance by a single grantee in different settings demonstrates a lack of consistent, direct, and transparent guidance to all grantees.

While AmeriCorps notes it modified the match requirement section in subsequent Notice of Funding Opportunity (NOFO) announcements to state that applicants are required to match "*according to the minimum overall share chart found in 45 C.F.R. § 2521.60,*"⁹ the Federal Regulation cited in the NOFO is outdated and requires grantees to meet the minimum requirements in 45 C.F.R. § 2521.45, which places an 85% Federal share limitation on member costs. Having outdated Federal Regulations in place despite new, or modified statutory requirements exposes AmeriCorps to increased risk of fraud or error due to inconsistent grant administration criteria. In addition, AmeriCorps' practice to direct individual grantees to the applicable statutes, which contradict its outdated Federal Regulations, is not a sustainable or equitable practice to ensure grantee compliance with grant administration requirements.

Recommendations: We recommend that the:

1. AmeriCorps' Office of General Counsel update all applicable Federal Regulations addressing Federal share limitations and matching requirements for member living allowance and member support costs to align with the NCSA, as amended by the Serve America Act.
2. AmeriCorps' Office of General Counsel perform a comprehensive review of all Federal Statutes and Federal Regulations to identify inconsistent guidance, make appropriate corrections to the Federal Regulations, and provide the results to AmeriCorps OIG and AmeriCorps Office of Monitoring.
3. AmeriCorps issue consistent, direct, and transparent communication to all AmeriCorps grantees to provide clarification on the current matching requirements for member living allowance and member support costs.

⁹ FY 2023 AmeriCorps State and National Grants Notice of Funding Opportunity Announcement.

Summary and Evaluation of AmeriCorps' Comments for Finding 1

AmeriCorps provided formal written comments in response to our draft report. AmeriCorps concurs with the audit finding and recommendation 3. AmeriCorps stated it will implement the necessary measures to ensure all AmeriCorps grantees are provided with adequate follow-up communication on current matching requirements for member living allowance and member support costs per recommendation 3. AmeriCorps' proposed actions are responsive to the recommendation.

AmeriCorps partially concurs with recommendations 1 and 2 and proposed edits for our consideration. A copy of AmeriCorps' response in its entirety can be found in Appendix C. Below, we summarize AmeriCorps' specific responses that conflict with recommendations 1 and 2, together with our comments thereon.

Summary of AmeriCorps Proposed Edits to Recommendations 1 and 2: AmeriCorps stated it proposed the following edits to Recommendations 1 and 2 to align these recommendations to the audit finding:

1. AmeriCorps' Office of General Counsel updates Federal Regulations addressing Federal share limitations and matching requirements for member living allowance and member support costs to align with the NCSA, as amended by the Serve America Act.
2. AmeriCorps' Office of General Counsel reviews Federal Regulations, for consistency with the Serve America Act's provisions on match requirements and Federal costs, makes appropriate corrections, and provides the results to AmeriCorps OIG and AmeriCorps Office of Monitoring.

Auditor Evaluation of AmeriCorps' Proposed Edits: We do not accept management's proposed revision to recommendation 1. AmeriCorps Management's proposed revision to recommendation 1 is not necessary and will not impact the corrective actions required to address the recommendation. To the extent that the Federal Regulation citations outlined in the audit report are updated, management's planned corrective action will address the finding and recommendation 1.

We do not accept management's proposed revision to recommendation 2. Recommendation 2 is appropriate, reasonable, and aimed at correcting deficiencies identified during the audit. AmeriCorps' internal controls do not provide reasonable assurance that AmeriCorps takes appropriate action to review and update Regulations, as evidenced by AmeriCorps officials' knowledge of the inconsistencies between Federal Statute and Regulation beginning more than a decade ago in 2009 and continuing through today.

Further, recommendations 1 and 2 flow logically from the findings and conclusions and recommend actions to improve programs and operations by resolving the cause of identified deficiencies and findings, as required by GAO's Yellow Book Reporting Standards for Performance Audits. The OIG believes it is critical that Federal Regulations, which grantees rely upon to administer their grants, are up to date, and it is appropriate for AmeriCorps to identify and make all corrections.

Further, AmeriCorps Management's proposed revision fundamentally ignores the effect of the audit finding and would create a risk that AmeriCorps grantees are administering grant activities using outdated or contradictory grant administration criteria, making effective oversight virtually impossible. AmeriCorps' reluctance to ensure all of its Federal Regulations are updated raises significant concerns about the agency's commitment to internal controls and ensuring that all grantees are fairly informed of changes in grant statutes. Specifically, the failure to perform a comprehensive review of all Federal Statutes and Federal Regulations indicates a significant deviation from *Standards for Internal Control in the Federal*

Government (Government Accountability Office's Green Book). In particular, Principal 1 – Demonstrate Commitment to Integrity and Ethical Values, Tone at the Top, which states:

“The oversight body’s and management’s directives, attitudes, and behaviors reflect the integrity and ethical values expected throughout the entity. The oversight body and management reinforce the commitment to doing what is right, not just maintaining a minimum level of performance necessary to comply with applicable laws and regulations, so that these priorities are understood by all stakeholders, such as regulators, employees, and the general public.”

The OIG will keep recommendations 1 and 3 open until AmeriCorps submits documentation to demonstrate the completion and sufficiency of the corrective actions. AmeriCorps has one year from the issuance of this report to finalize its actions. The OIG will keep recommendation 2 open and classify the status of the recommendation as disagreed in its Semiannual Report to Congress.

Summary and Evaluation of YouthBuild’s Comments for Finding 1

YouthBuild provided formal written comments in response to our draft report. YouthBuild reserves comment on this finding but conveys its perspective and a dispute in facts. A copy of YouthBuild’s response in its entirety can be found in Appendix D. Below, we summarize YouthBuild’s specific responses that conflict with the finding, together with our evaluation of their comments thereon.

Summary of YouthBuild’s Perspective: YouthBuild stated it reserves comment except to convey that: (i) it believes relevant instructions on this point have been relatively clear for grantees, and (ii) the statement in the report that YouthBuild receives subawards via State Commissions is incorrect.

YouthBuild states that the ASN application instructions budget section convey the following annually: “You have the flexibility to meet the overall match requirements in any of the three budget areas, as long as you maintain the minimum match of 24% for the first three years and the increasing minimums in years thereafter.”

In addition, YouthBuild states that its ASN funding is all received through national direct awards and though some YouthBuild programs receive funding via State Commissions, any such funding is separate from the funding received through YouthBuild.

Auditor Evaluation of YouthBuild’s Comments: YouthBuild’s anecdotal experiences navigating statutory versus regulatory guidance inconsistencies are not representative of all AmeriCorps grant recipients. Grant data analyzed by the OIG shows that an average of 64 percent of ASN grants from 2019 through 2023 were administered in compliance with the Federal Regulations on member support costs and member living allowance as written. This means the majority of grantees relied on the outdated Regulations and did not receive consistent, direct, and transparent communication from AmeriCorps on the discrepancy between the Federal Statute and the Federal Regulation. YouthBuild may have been fortunate to receive the information, but this experience was far from universal. Further, the budget instruction language cited in YouthBuild’s response omits the last sentence of the instruction, which states “*See 45 C.F.R. § 2521.35– 2521.90 for the specific regulations,*” which contain the outdated regulations mentioned in the audit report.

Finally, living allowances and member support costs were charged to an award (17AFHKY0010013) subawarded to YouthBuild via the Kentucky Cabinet for Health and Family Services (the Kentucky Commission) in fiscal year 2019. YouthBuild USA, Inc. (same name and address as the subject of this audit) is the legal applicant on both the application and notice of grant award for this subaward. These living allowances and member support costs were budgeted under outdated Federal Regulations, which was different than YouthBuild’s National Direct grants, as referenced in the audit finding.

Finding 2: YouthBuild’s Member Timekeeping Practices Did Not Comply with Federal Regulations and AmeriCorps Grant Terms and Conditions.

When AmeriCorps grant recipients accept AmeriCorps grant funds, they are committed to following AmeriCorps’ General Grant Terms and Conditions, which state that the award is subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) located at 2 C.F.R. Part 200, which AmeriCorps also incorporates by reference.¹⁰ Under the Uniform Guidance, grantees must establish and maintain effective internal controls that provide reasonable assurance that they are managing their Federal award in compliance with Federal Statutes, Regulations, and the terms and conditions of the Federal award.¹¹ Additionally, costs must meet certain criteria to be allowable under Federal awards, including that costs must be necessary, reasonable, and allocable; consistent with policies and procedures that apply uniformly to both their federally financed and other activities; and adequately documented.¹²

The *Standards for Documentation of Personnel Expenses* requirements within 2 C.F.R. § 200.430 state that charges to Federal awards “must be based on records that accurately reflect the work performed” and “be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated.”¹³ Further, charges to Federal awards for compensation must be based on records that reasonably reflect the total activity for which a person is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities.¹⁴ Compensation for personal services includes all payments, current and accrued, for services rendered during the period of performance under a Federal Award, including but not necessarily limited to wages and salaries,¹⁵ including AmeriCorps member living allowances and education awards.

Specific to timekeeping practices, the Uniform Guidance requires that records encompass federally-assisted and all other activities compensated by the non-Federal entity on an integrated basis.¹⁶ Additionally, AmeriCorps Grant Terms and Conditions¹⁷ expressly require grant recipients to have a timekeeping system that is compliant with 2 C.F.R. § 200.430 - *Compensation—personal services*, to

¹⁰ AmeriCorps General Terms and Conditions – “Award recipients must read, understand, and implement these Federal Regulations. 2 C.F.R. Part 200, and the August 2020 amendments, thereto are incorporated into these terms and conditions by reference.”

¹¹ 2 C.F.R. § 200.303 Internal Controls

¹² 2 C.F.R. § 200.403 Factors affecting allowability of costs

¹³ 2 C.F.R. § 200.430(i)(1)(i) Standards for Documentation of Personnel Expenses

¹⁴ 2 C.F.R. § 200.430 (i)(1)(iii) Standards for Documentation of Personnel Expenses

¹⁵ 2 C.F.R. § 200.430(a) Compensation – Personal services

¹⁶ 2 C.F.R. § 200.430(i)(1)(iv)

¹⁷ Terms and Conditions for AmeriCorps State and National Grants (2016 through 2022)

document member eligibility for in-service and post service benefits (i.e., living allowances and education awards). This is the same standard required for grant employee compensation.

Several errors found during our audit testing indicated that YouthBuild's system of member timekeeping did not provide reasonable assurance that (a) YouthBuild and its subgrantees were following Federal Regulations and (b) education awards earned by members for successful term completion were accurate, allowable, or properly allocated. For example, we found errors related to discrepancies between member hours reported on timekeeping templates, exit evaluations, and in the eGrants¹⁸ system. We also found errors related to members receiving living allowance payments occurring one to three pay periods after their last day of actual service or after exit from the AmeriCorps program. This is of particular concern because the Terms and Conditions for ASN Grants require the grantee (and any individual or entity acting on its behalf) to be responsible for the accuracy of the member's information certified on the end-of-term certification, which is the basis used to determine whether a member is entitled to receive an education award.¹⁹ These errors were not isolated to one subgrantee but were found at multiple subgrantees, meaning YouthBuild and its subgrantees did not provide assurance that the costs related to member service time met the allowability criteria in 2 C.F.R. § 200.403. We found similar allocability and allowability errors related to grant staff timekeeping, which are reported separately in Finding 4 of this Audit Report.

YouthBuild subgrantees were using YouthBuild's timekeeping template²⁰ to enter the number of AmeriCorps service hours served by each member, but the template was not used for all other activities, as required by Federal Regulations. YouthBuild's timekeeping template is prepared monthly for each member to track cumulative AmeriCorps service time and displays a lump sum of service or training hours performed by a member on a particular day. To do this, a subgrantee staff member would manually transfer AmeriCorps member service time from daily service site logs or school attendance sheets to the YouthBuild timekeeping template. Subgrantees did not adequately document member time by maintaining the daily service logs as source documentation to support the hours reported on the YouthBuild timekeeping template, nor did they take steps to validate that the member service took place. The lack of controls surrounding member timekeeping transfers from daily service site logs or school attendance sheets to the YouthBuild timekeeping template further exposes AmeriCorps, and all funding sources, to increased risk due to error or fraud. This risk was not hypothetical, as timekeeping errors found across subgrantees and involving member timekeeping indicated that YouthBuild was not maintaining an effective system of internal control over member timekeeping for its AmeriCorps awards.

During interviews with subgrantee staff, we determined that the hours transferred to the YouthBuild timekeeping template were not reviewed by another subgrantee staff member to ensure that the transfer was complete and accurate, nor were there controls in place to ensure the total number of hours recorded on the YouthBuild timekeeping template matched the number of hours on the member's exit evaluation and the number of completed service hours recorded in eGrants.

In addition to YouthBuild and its subgrantees' noncompliant timekeeping practices, the YouthBuild member timekeeping policy is not compliant with Federal Regulations and AmeriCorps Grant Terms and Conditions because the policy does not require subgrantees to record the total time AmeriCorps members

¹⁸ eGrants is an online system designed to automate the grants management process, including member management.

¹⁹ ASN Grants Terms and Conditions

²⁰ Monthly Member Hour Log

spend on all activities. Rather, YouthBuild only requires that members record AmeriCorps service time. This is of particular concern because YouthBuild and its subgrantees receive awards from other Federal, state and private entities to which AmeriCorps members could potentially charge their time.²¹ The non-compliant timekeeping policy provides only a partial view of member activity and exposes AmeriCorps, along with YouthBuild’s other funding sources, to increased risk due to error or fraud, to include billing the same hours to multiple funding sources. Without documentation of all the member’s time, there is no way to verify that the hours billed to AmeriCorps were not also billed to another grant or funding source.

All YouthBuild ASN members who earned an education award²² based on successful term completion did so under YouthBuild’s non-compliant member timekeeping practices and policy. Given the insufficient internal controls and documentation, the validity of hours served towards earning these education awards cannot be verified. Therefore, \$12,651,304 related to education awards earned by members of all subgrantees of the two AmeriCorps State and National grants covered by the scope of this audit, 16NDHMA001 and 19NDHMA003, is at risk of non-compliance. Of the \$12,651,304, we question \$520,827 in education awards earned by members of the subgrantees we tested that have already been paid by the Trust as of October 31, 2023. Additionally, we have classified the outstanding \$3,087,791 in education awards yet to be paid to members of subgrantees tested as funds put to better use because the hours charged to attain these awards are not adequately supported or subject to internal controls that give reasonable assurance that they were in compliance with Federal Statutes, Regulations, and the Terms and Conditions of the award. Table 2 below illustrates the impact of education awards earned under this non-compliant policy.

Table 2 – Education Awards

Finding Description	Total Education Awards	Paid Education Awards	Outstanding Education Awards
Education awards to all subgrantees	\$12,651,304	\$1,870,544	\$10,780,760
Education awards: Subgrantees Tested	\$3,608,618	\$520,827	\$3,087,791
Remaining Disbursements at Risk	\$9,042,686	\$1,349,717	\$7,692,969

Recommendations: We recommend that AmeriCorps:

4. Recover from YouthBuild \$520,827 of education awards that were paid to members for subgrantees within the audit scope.
5. Require that YouthBuild pay the \$3,087,791 outstanding AmeriCorps Education awards yet to be distributed to the members of subgrantees within the audit.
6. Assess the remaining \$9,042,686 of at-risk funds to determine if sufficient supporting documentation for the hours claimed exists. If sufficient documentation does not exist, recover

²¹ Per YouthBuild’s 2022 Single Audit Report, YouthBuild received \$20,222,101 of grant and contract income from both public and private sources. \$17,030,331, or 75.6 percent, of its total Federal expenditures (including grants to subrecipients) pertained to AmeriCorps grants.

²² After successfully completing an AmeriCorps term of service and enrolling in the National Service Trust, a member is eligible to receive the Segal AmeriCorps Education Award.

from YouthBuild the \$1,349,717 already paid by the Trust and require that YouthBuild pay the \$7,692,969 outstanding AmeriCorps Education awards yet to be distributed to members.

7. Require YouthBuild to update its member timekeeping policy and procedures to align with Federal Regulations and AmeriCorps Grant Terms and Conditions to include adequate internal controls and documentation to provide reasonable assurance that YouthBuild and its subgrantees are adequately managing AmeriCorps funds.

Summary and Evaluation of AmeriCorps' Comments for Finding 2

AmeriCorps provided formal written comments in response to our draft report. A copy of AmeriCorps' response in its entirety can be found in Appendix C.

AmeriCorps partially concurs with the audit finding. AmeriCorps does not concur with recommendations 4, 5, and 6 and will not implement them, but partially concurs with recommendation 7.

Below, we summarize AmeriCorps' specific responses that conflict with our recommendations, together with our comments thereon.

Summary of AmeriCorps' Proposed Corrective Actions: AmeriCorps considers YouthBuild's timekeeping policy to be consistent with its "intended Terms and Conditions." The Management Comments state that AmeriCorps' error in drafting its Terms and Conditions contributed to YouthBuild's subgrantees subsequently being non-compliant with these Terms and Conditions.

AmeriCorps plans to implement corrective measures by incorporating new language into the FY25 AmeriCorps State and National Terms and Conditions clarifying AmeriCorps' intent. Specifically, AmeriCorps only expects grantees to track a member's AmeriCorps service time because members are not employees under 45 C.F.R. § 2510.20. However, if a grantee uses AmeriCorps' members in other Federal grant activities as an employee, the member and their supervisor must certify, under penalty of perjury, that the member is not double counting their time, duplicating, displacing, or supplanting the other Federal grant activities.

Auditor Evaluation of AmeriCorps' Corrective Actions: AmeriCorps' comments and corrective actions do not address our findings and recommendations. Rather, AmeriCorps actions will hold grantees less accountable and increase the risk of grantees committing fraud, waste, and abuse in the ASN programs, for the reasons stated below.

YouthBuild has Ineffective Internal Controls over Timekeeping. AmeriCorps' comments do not address the fact that YouthBuild did not have effective internal controls over its timekeeping practices and that adequate documentation was not maintained for member time, a serious concern with any grantee, but especially a grantee receiving significant AmeriCorps funding. In addition, AmeriCorps' comment concludes that YouthBuild's policy was consistent with AmeriCorps' "intended" Terms and Conditions. Federal grants, however, are not governed by intentions, but rather by Federal Statutes, Regulations, and AmeriCorps' general and specific Terms and Conditions relevant to the award. AmeriCorps presented no documentation to the OIG supporting its claim that the Terms and Conditions were intended to mean anything other than what they stated on their face. Even if they had, it would be

impossible to maintain a system of proper stewardship of Federal taxpayer funds and fraud risk management based on subjective intentions.

Increased Fraud Risks. AmeriCorps' Management Response mentions an AmeriCorps drafting "error" in the Terms and Conditions that is being raised now, for the first time. Grantee timekeeping issues are not new to the agency. This "error" in the Terms and Conditions, which have included the direct reference to 2 C.F.R. § 200.430 since fiscal year 2016, has never been mentioned by AmeriCorps during any of the OIG's prior audit or investigation work.

Thirty percent of all OIG investigations opened since 2019 relate to allegations of false or problematic timekeeping.²³ This is the single biggest issue that the OIG currently encounters in its audits and investigations, and it continues to have a negative impact on AmeriCorps' core mission and financial statements. The OIG has identified timekeeping issues involving 2 C.F.R. § 200.430 in audit reports and fraudulent member timekeeping in press releases for civil settlements and guilty pleas.²⁴ The issue is so pervasive that the OIG has identified the issue as a Top Management Challenge²⁵ for AmeriCorps related to Prioritizing Grant Fraud Prevention and Detection in its Programs. Absolving YouthBuild of its noncompliance and indicating the agency made an error raises equity concerns both as to other grantees who may have complied with their Grant Terms and Conditions and as to grantees who were held accountable for violating this provision.

Lack of Accountability. The proposed revisions to AmeriCorps' Terms and Conditions reduces accountability. A grantee self-certification is not an appropriate fraud risk management tool. Verifying self-reported information is a leading practice in fraud risk management.²⁶ The revised Terms and Conditions would eliminate the requirement to keep documentation on members' non-AmeriCorps service hours. As a result, there would be no documentation available to verify whether the certification is correct, and no way to determine whether fraud or double billing has occurred.

Additionally, AmeriCorps plans to require self-certification only if a grantee engages an AmeriCorps member as an employee in other Federal grant activities. This does not address members who may be serving in a non-employee capacity on another Federal grant and may be double-counting hours and charging both AmeriCorps and the other Federal grant for the same time. Allowing grantee employees in other Federal grant programs to serve as AmeriCorps members poses these same risks. The proposed revision can also be read to permit members to be employed in the same program in which they are enrolled as a member, as long as their salary is charged to another Federal grant and not to the AmeriCorps award. Permitting this scenario violates the NCSA. Ultimately, AmeriCorps' decision related to this audit finding will harm the OIG's ability to perform effective oversight of grantee timekeeping and put hundreds of millions of dollars at greater risk.

Summary of AmeriCorps' Disagreement with Disallowing Questioned Costs in Recommendations, 4, 5, and 6: Initially, on March 7, AmeriCorps Management provided a formal written response that stated, "AmeriCorps will require that YouthBuild pay any outstanding AmeriCorps Education awards to the

²³ [AmeriCorps OIG Anti-Fraud Advisory, Volume 2 \(March 2024\)](#)

²⁴ See for example, [East St. Louis School District Settles AmeriCorps Fraud Claims](#) and [USF Agrees to Pay over \\$2.5 Million for Alleged False Claims](#)

²⁵ [Top Management Challenges](#)

²⁶ See, e.g., [Self-certification procedures may increase fraud risk in pandemic response programs](#), Pandemic Response Accountability Committee (November 13, 2020)

members of subgrantees in accordance with the audit recommendation 5.” The March 7 Management Comments did not, however, identify AmeriCorps’ position regarding recommendations 4, 6, and 7.

In response to an OIG request to specify the agency’s position on each recommendation, the agency provided updated Management Comments on March 11. The updated Management Comments make no mention of requiring YouthBuild to pay the outstanding education awards in accordance with recommendation 5. Rather, the Management Comments provided on March 11 indicated a change of position— that AmeriCorps does not concur with recommendations 4, 5, and 6 and will not implement them, but partially concurs with recommendation 7.

Also, in its March 11 Management Comments, AmeriCorps said disallowance of these significant funding levels could potentially have an “existential impact on the grantee,” and would be “harsh” given that YouthBuild’s timekeeping policy “aligned with AmeriCorps’ intentions.” AmeriCorps also stated, “...any consequence to [YouthBuild] for its timekeeping system would be unjust.” As a result, AmeriCorps will not disallow any costs or assess the funds at risk associated with this finding.

Auditor Evaluation of AmeriCorps’ Comments: In its initial March 7 Management Comments, AmeriCorps shared concerns that the recommended “[d]isallowance of these significant funding levels, would likely put the organization out of business,” but said it would require YouthBuild to pay the more than \$3 million in outstanding AmeriCorps education awards yet to be distributed. Upon our request to clarify its response, AmeriCorps changed its position on disallowing the outstanding education awards. AmeriCorps’ position is that disallowing costs, as recommended, would be “unjust” (March 7 and 11) and “harsh” (March 11). However, YouthBuild’s potential financial hardship does not negate the fact that it failed to follow the Terms and Conditions that it accepted as a condition to receiving AmeriCorps funds. There are avenues available to AmeriCorps that balance potential financial hardship on YouthBuild with the need to hold grantees accountable for maintaining compliant timekeeping practices, such as assessing YouthBuild’s ability to pay and agreeing to a repayment plan over time.

Summary of AmeriCorps’ Partial Concurrence with Recommendation 7: AmeriCorps partially concurs with implementing recommendation 7. AmeriCorps stated it commits to providing training resources to AmeriCorps State and National grantees to ensure that the revisions to its FY25 Terms and Conditions are effectively communicated and understood by all grantees. AmeriCorps will also ensure that YouthBuild’s timekeeping policy is updated to align with the revised Terms and Conditions.

Auditor Evaluation of AmeriCorps’ Comments: AmeriCorps’ proposed changes to the Terms and Conditions do not address recommendation 7 but instead weaken its requirements of grantees, and, as such, do not convey a true partial concurrence. AmeriCorps’ proposed changes to the Terms and Conditions weaken its requirements by relying on grantees and AmeriCorps members to only report their AmeriCorps service time and to self-certify in certain scenarios that members are not double counting their time, duplicating, displacing, or supplanting other Federal grant activities. Therefore, AmeriCorps’ proposed actions to provide training and instruct grantees to update policies on ineffective revised Grant Terms and Conditions are not warranted.

Overall, AmeriCorps’s rejection of the OIG’s finding and the associated recommendation for disallowance has broader implications. As indicated by the monetary impact of Finding 2, timekeeping records relate to a significant amount of AmeriCorps grant funds – at YouthBuild, and with other grantees, especially the larger national direct grantees. It is critical that grantees maintain an adequate system to support these costs and protect taxpayer funds from noncompliant and fraudulent charges.

AmeriCorps' decision increases the likelihood that grantees will adopt fraudulent timekeeping practices and puts a significant amount of AmeriCorps funds at risk.

The OIG will keep recommendations 4, 5, 6, and 7 open and classify the status of the recommendations as disagreed in its Semiannual Report to Congress.

Summary and Evaluation of YouthBuild's Comments on Finding 2

YouthBuild provided formal written comments in response to our draft report. YouthBuild disagrees with our findings. A copy of YouthBuild's response in its entirety can be found in Appendix D. Below, we summarize YouthBuild's specific responses that conflict with our recommendations, together with our evaluation of their comments thereon.

Summary of YouthBuild's Comments Relating to Its Timekeeping Practices: YouthBuild stated it passes its direct AmeriCorps grants through to subrecipients. These subrecipient programs are permitted to adopt their own approaches if they comply with the NCSA, AmeriCorps regulations, and ASN specific and general Terms and Conditions. YouthBuild's Member Hour Logs have been reviewed by AmeriCorps multiple times, including most recently in August 2022, and YouthBuild believes them to be compliant in all respects with ASN requirements.

YouthBuild states that the auditors acknowledge qualifying AmeriCorps hours are (subject to possible rare discrepancies) sufficiently documented on the YouthBuild Member Hour Logs. YouthBuild believes the auditors erroneously and "rigidly" applied the documentation standards of 2 C.F.R. § 200.430 to AmeriCorps member service timesheets based on what is stated in the ASN Terms and Conditions. YouthBuild believes this to be an error.

Auditor Evaluation of YouthBuild's Comments: Based on the findings and criteria outlined in the audit finding YouthBuild's timekeeping practices are not compliant with Federal Regulations and ASN requirements, contrary to what AmeriCorps' response suggests. The auditors did not "acknowledge qualifying AmeriCorps hours are sufficiently documented on the YouthBuild Member Hours Logs." Further, YouthBuild's contentions that the auditors improperly "rigidly" applied Federal Regulations are unfounded, as the report directly and objectively addresses the criteria outlined in the audit report. YouthBuild fails to understand that its members' time was not fully documented, and even the AmeriCorps' portion of member time was not supported by proper source documentation or a system of internal controls that provides reasonable assurance that the hours recorded, or education awards charged to the Trust, are accurate, allowable, or properly allocated.

Summary of YouthBuild's Comments Related to Its Members Receiving No Compensation: YouthBuild asserts that the language of 2 C.F.R. § 200.430 calls for documenting all "compensated" time of an employee for the purposes of facilitating proper allocation of compensation costs among multiple funding streams. YouthBuild states that the AmeriCorps members are primarily less than full-time members who receive no compensation that is charged to the AmeriCorps award, and thus, for AmeriCorps purposes, there is no issue of allocating costs of compensation across activities.

Auditor Evaluation of YouthBuild's Comments: YouthBuild stated that its members receive no compensation charged to the AmeriCorps award. However, its members receive education awards, a remuneration that is accrued by the Trust for services rendered during the period of performance. Time and attendance records are used to document member eligibility for the post-service benefit, or

education award, which is why AmeriCorps requires grantees to have a timekeeping system that is compliant with 2 C.F.R. § 200.430. The timekeeping documentation at issue is therefore directly related to the outlay of Trust funds.

Summary of YouthBuild's Comments Related to AmeriCorps' Member Timesheet Outline: YouthBuild states that the AmeriCorps time log is intended only to record qualifying AmeriCorps time, consistent with AmeriCorps' current "AmeriCorps Member Timesheet Outline." YouthBuild states this outline clearly conveys that only service time must be accounted for on member timesheets, and it instructs that "time-in", and "time-out" should reflect when the member starts and ends their "service hours for the particular date" and that total daily hours reflect total service hours for the member. YouthBuild states that AmeriCorps guidance, taken as a whole, conveys that a grantee is expected to maintain records of qualifying AmeriCorps hours, supported by a "system of internal control which provides reasonable assurance" that the qualifying AmeriCorps hours are accurately documented.

Auditor Evaluation of YouthBuild's Comments: YouthBuild stated that the AmeriCorps Member Timesheet Outline instructs that "time-in", and "time-out" should reflect when the member starts and ends their "service hours for the particular date" and that "total daily hours" is "total service hours for the member." Nonetheless, YouthBuild disregards the first "Overall Requirement," which states that the recipient must have a timekeeping system that is compliant with 2 C.F.R. § 200.430 to document member eligibility for in-service and post-service benefits—the basis for this finding as outlined in the audit report. Additionally, YouthBuild's own Member Hour Log template does not include a "time-in" and "time-out" component, so the use of this as an example of YouthBuild's compliance with the AmeriCorps outline is contradictory.

Summary of YouthBuild's Comments Related to Auditor's Findings: YouthBuild questions the extent to which the auditors observed discrepancies between subrecipient Member Time Logs and data reported in eGrants, stating that its Member Hour Log template mitigates potential errors. YouthBuild states it has no reason to believe errors would be commonplace or widespread and does not believe the auditors observed any significant failure by subrecipients to retain source data for member hours served because each subrecipient had a reasonable system in place.

Auditor Evaluation of YouthBuild's Comments: Written procedures alone do not constitute an effective or properly functioning system of internal controls. The audit identified a number of errors and the auditors communicated these to YouthBuild and its subgrantees during the audit. For example:

- During our exit conference on-site with Change Inc. and YouthBuild staff, we communicated timekeeping errors on six of the 25 samples. This information was also emailed to Change Inc. staff and YouthBuild staff the week following the site visit without objection. Erroneous hours in those timesheets were credited to member service inherently creating a variance between eGrants, AmeriCorps grant management system, and member timesheets.
- Multiple members at Philadelphia Youth for Change Charter School did not sign their member timesheets or provide proof that the timesheets were prepared or certified by the member beyond a generic COVID-19 policy stating members should email their time to their supervisor and the supervisor was to electronically approve via email. Email approval was not provided, and those hours were credited to member service.
- Written procedures provided by YouthBuild to demonstrate Connection Training Services' transfer of time from daily service logs to the YouthBuild timekeeping template were not followed. We followed up with program personnel at Connection Training Services on multiple

occasions to obtain copies of the site service logs as backup to the hours that were recorded as only a portion of the daily logs were kept, as discussed at the site exit with Connection Training Services' staff. YouthBuild USA personnel participated in that exit conference via teleconference. The complete logs were never provided.

Finding 3: San Jose Conservation Corps Employees are AmeriCorps Members.

AmeriCorps grant recipients receive a Notice of Grant Award, which includes the Terms of Acceptance: "By accepting funds under this grant, recipient agrees to comply with [AmeriCorps] General Terms and Conditions... and the Program Terms and Conditions."²⁷ AmeriCorps' General Terms and Conditions state, "this award is authorized by and subject to The National and Community Service Act of 1990, as amended (NCSA)."²⁸

The NCSA further provides that a participant shall not be considered to be an employee of the organization receiving assistance under the national service laws through which the participant is engaging in service.²⁹ In addition, Federal Regulations state that a participant may not be considered to be an employee of the program in which the participant is enrolled.³⁰

YouthBuild subgrantee San Jose Conservation Corps (SJCC) recruits individuals to perform community conservation work under contracts with local government and not-for-profit organizations. These individuals are considered by SJCC to be hourly employees and are paid an hourly wage for work performed under these contracts. During recruitment, SJCC's AmeriCorps staff discuss the AmeriCorps program and required eligibility documentation. It generally takes one to two weeks after employee orientation for individuals to be enrolled into the SJCC AmeriCorps program.

During our review of member timesheets and pay statements, we found that 20 of 25 individuals (80 percent) of AmeriCorps members in our sample are employees and were paid wages for employment activities while also accumulating AmeriCorps service time towards their education award. Member employment status was confirmed during interviews with AmeriCorps members and grant staff. We performed an analysis on SJCC members selected by our audit sample to determine each member's employment status compared to their AmeriCorps service term in Table 3 below.

²⁷ AmeriCorps Notice of Grant Award

²⁸ AmeriCorps General Terms and Conditions

²⁹ 42 U.S.C. § 12511(30)(B)

³⁰ 45 C.F.R. § 2510.20

Table 3 – SJCC Member Sample Summary

Description		Count
Members we confirmed were employees and received a W2 for services performed, which counted as AmeriCorps service hours.		20
	Members where SJCC employment 1) began at least one month prior to AmeriCorps service time, or 2) ended beyond one month after official member exit date.	14
	Members where SJCC employment 1) began less than one month prior to AmeriCorps service time, and 2) ended prior to no later than one month after official member exit date.	6
Members that did not receive a W2 for services performed, however, we could not confirm whether they were compensated in other ways (i.e., cash stipends, independent contractor, etc.)		5
Total Member Sample Count		25

SJCC is in violation of the NCSA, Federal Regulations and AmeriCorps Grant Terms and Conditions by its practice of recruiting employees as AmeriCorps members and allowing these members to earn education awards for hours worked while fulfilling their normal employment duties. This occurred because YouthBuild did not have effective policies and procedures and monitoring in place to ensure its subgrantees complied with the NCSA, nor Federal Regulations regarding the eligibility of program participants.

While AmeriCorps grantees and subgrantees may pay member living allowances and other member support costs using AmeriCorps grant funding, SJCC uses its AmeriCorps grant funds to pay salaries and support costs for its grant and administrative employees along with other program costs. SJCC’s AmeriCorps members do not receive living allowances paid for by AmeriCorps grant funds. SJCC’s AmeriCorps members earn education awards for hours served, which are the same hours SJCC pays employee wages from contracts that SJCC secured and used as matching funds to obtain the AmeriCorps grant funds. SJCC’s website currently states that they no longer have a YouthBuild program. However, they continue to receive AmeriCorps funding.³¹

We consider the entire AmeriCorps award granted to SJCC unallowable based on the lack of AmeriCorps members by definition indicating that SJCC’s costs claimed for the AmeriCorps grant were not reasonable, allocable nor allowable under the circumstances. Therefore, we question \$2,125,096 in Federal costs and \$900,683 in match costs and have identified \$918,971 in non-compliant match costs.³²

Recommendations: We recommend that AmeriCorps:

8. Disallow and recover all grant funds associated with AmeriCorps funding received by SJCC through YouthBuild during the audit period.
9. Assess all current AmeriCorps funding to SJCC for the same violations noted in this report.

³¹ <https://www.sjccs.org/history>

³² AmeriCorps waived match requirements for certain AmeriCorps grants during the COVID-19 pandemic for grants awarded in fiscal years 2019, 2020 and 2021, which was within our audit scope. For this reason, we are not questioning non-compliant match costs that fall under this waiver. Also, we are not questioning the affected education awards as they are already included in the amounts questioned in Finding 2, above.

10. Direct YouthBuild to perform a comprehensive assessment of YouthBuild’s subgrantees and determine whether any of their other subgrantees are following the same non-compliant practices as SJCC and provide the results to AmeriCorps Office of Monitoring and AmeriCorps OIG in a timely manner.
11. Provide additional training to YouthBuild on AmeriCorps policies and subgrantee monitoring.

Summary and Evaluation of AmeriCorps’ Comments for Finding 3

AmeriCorps provided formal written comments in response to our draft report. AmeriCorps concurs with the audit findings and recommendations. A copy of AmeriCorps’ response in its entirety can be found in Appendix C. Below, we summarize AmeriCorps’ comments together with our evaluation of their comments thereon.

Summary of AmeriCorps’ Corrective Actions: AmeriCorps plans to disallow and recover all relevant AmeriCorps funds received by SJCC through YouthBuild. Additionally, AmeriCorps will review all current AmeriCorps funding to SJCC for similar issues. AmeriCorps also plans to direct YouthBuild to conduct a comprehensive assessment of its subgrantees to identify any comparable non-compliant practices and report these findings to AmeriCorps Office of Monitoring and AmeriCorps OIG timely. To mitigate future occurrences, AmeriCorps remains dedicated to providing additional training to YouthBuild with a focus on adherence to AmeriCorps policies and effective monitoring of subgrantees.

Auditor Evaluation of AmeriCorps’ Corrective Actions: AmeriCorps Management’s comments are responsive to the recommendations and the proposed corrective actions address the findings and recommendations.

The OIG will keep recommendations 8, 9, 10, and 11 open until AmeriCorps submits documentation to demonstrate the completion and sufficiency of the corrective actions. AmeriCorps has one year from the issuance of this report to finalize its actions.

Summary and Evaluation of YouthBuild’s Comments for Finding 3

YouthBuild provided formal written comments in response to our draft report. YouthBuild disagrees with our findings. A copy of YouthBuild’s response in its entirety can be found in Appendix D. Below, we summarize YouthBuild’s specific responses that conflict with our findings, together with our evaluation of their comments thereon.

Summary of YouthBuild’s Comments on AmeriCorps Members as Employees: YouthBuild disagreed with the finding and recommendations. YouthBuild said it was aware that “the [National and Community Services Act (NCSA)] provides that participants may not be considered to be an employee of the program in which the participant is enrolled” but stated this does not mean that a participant that might be considered an employee for any purpose is outright excluded from being an AmeriCorps participant. YouthBuild stated that at SJCC, as a job training program in “one of the highest-cost-of-living areas in the United States, participants are paid hourly as trainees.” YouthBuild then stated, “the status of AmeriCorps participants as ‘employees’ has long been a nebulous area causing complications and inconsistencies under Federal and state law.”

YouthBuild further states that there is ample statutory and regulatory evidence, consistent with longstanding AmeriCorps Agency practice, that the above-referenced NCSA language does not have the broad effect of rendering any AmeriCorps participant that might also be, for one or more purposes, considered an “employee,” ineligible for the national service award they have earned. YouthBuild cites a variety of provisions that it says indicate members can be treated as employees in various contexts including under California state law to demonstrate that the statute does not prohibit the treatment of members as employees in all cases.

Auditor Evaluation of YouthBuild’s Comments: We disagree that the status of AmeriCorps members as “employees” has long been a nebulous area causing various complications and inconsistencies under Federal and state law. As explained in full in the audit report, the governing statute, NCSA, states that AmeriCorps members may not be employees of the programs in which they are enrolled.

According to YouthBuild’s own assertion in response to this audit report, SJCC members are paid an hourly wage for AmeriCorps service hours, a direct violation of the NCSA, as described in the audit report. The NCSA does not offer explicit flexibility to grantees in states with higher costs of living, nor does it defer to a particular state’s interpretation of what constitutes an employee. It is clear from the SJCC member timesheets that the hourly wage earned for each hour of member service time were hours worked as SJCC employees. Treatment of members as employees for particular items like FICA tax and income tax on living allowances, workers’ compensation, and unemployment insurance is not relevant to whether SJCC members were in fact employees.

Further, YouthBuild’s response does not address or refute the finding that many SJCC members were counting the same hours for which they were paid as employees towards their AmeriCorps service time. We found that 20 of 25 individuals (80 percent) of AmeriCorps members sampled were employees who were paid wages for employment activities while also accumulating AmeriCorps service time towards their education award for the same hours in a manner directly contradicting 45 C.F.R. § 2522.24. During interviews with AmeriCorps members and grant staff, we also confirmed that individuals that YouthBuild and SJCC claimed to be AmeriCorps members were actually employees. YouthBuild does not directly address this evidence. Instead, YouthBuild cites statutory and regulatory examples to redefine an AmeriCorps member outside of those used to determine AmeriCorps eligibility. Additionally, to combat the audit evidence that members were paid wages in violation of 42 C.F.R. §2522.245, YouthBuild admits that potential enrollment discrepancies exist and its only failure was paying the wages without first seeking a waiver.

Summary of YouthBuild's Comments Related to Hourly Payments, Professional Service Corps, and Waivers: YouthBuild stated that SJCC members are paid hourly and recognized that it is not typical for AmeriCorps participants to be paid any wage. YouthBuild indicated it was unaware of any express program prohibition against the payment of a wage with funds that are neither ASN grant funds nor counted towards ASN program cost share.

YouthBuild asserted that the AmeriCorps Professional Service Corps members provide a useful example of a specifically recognized category of AmeriCorps members that are expected to be paid a salary by an employer. YouthBuild recognizes that 45 C.F.R. §2522.245 typically prohibits the distribution of a living allowance on an hourly basis, but expresses their understanding that waivers are possible and have been granted by AmeriCorps in the past to enable programs to adopt an hourly payment model.

YouthBuild states,

“We concur that SJCC’s program does contain two potential discrepancies. First, in accordance with 42 C.F.R. § 2522.245, SJCC should not have made hourly payments to its participants without first obtaining a waiver from the AmeriCorps Agency to do so. Second, having enrolled entirely half-time, reduced half-time, and quarter-time members, it appears that some of the payments made to SJCC members exceeded the maximum living allowance amounts permitted under applicable program year NOFOs. Although the amounts paid to participants were neither charged to AmeriCorps funds nor counted as match, since the program model is inconsistent with at least the spirit of the ASN program regulations, it is our intention to address the matter prospectively with SJCC.”

Auditor Evaluation of YouthBuild's Comments: The ASN Terms and Conditions state that a living allowance is not a wage, and it must not be paid on an hourly basis. Further, it indicates that payments should not fluctuate based on the number of hours served in a particular time period and must cease when the member’s service ends. These stipulations are one way that AmeriCorps ensures that members are National Service participants and not employees. Additionally, although YouthBuild stated in its response, “the amounts paid to participants were neither charged to AmeriCorps funds nor counted as match,” we found that revenue earned on the labor contracts funding these wages was used as match on the AmeriCorps award.

YouthBuild is not a Professional Service Corps program, and the services provided by YouthBuild’s members do not require specialized knowledge or skill nor do they require a license, certification, or registration, so any references to professional service corps programs are not relevant to this audit finding.

YouthBuild acknowledges that SJCC should not have made hourly payments to its members without first obtaining a waiver from AmeriCorps to do so, which indicates an understanding that SJCC’s operations are not in accordance with the NCSA. As stated above, YouthBuild’s and SJCC’s program model does not meet the requirements of a professional service corps and a waiver of this type is not appropriate.

Finding 4: YouthBuild Did Not Adequately Monitor Subgrantee Financial and Policy Compliance.

Prime grantees are responsible for monitoring the activities of subgrantees to ensure that the subaward is used for authorized purposes, in compliance with Federal Regulations and the Terms and Conditions of the subaward, and that the subaward achieved its performance goals.³³

YouthBuild has written policies and procedures to address subgrantee monitoring requirements. According to its policies, YouthBuild reimburses subgrantees for approved, budgeted monthly expenditures in accordance with the program's subgrantee agreement. Prior to reimbursement, the YouthBuild Financial Staff Team is required to review the subgrantee's AmeriCorps Reimbursement Request (ARR) submissions, which include source documentation for AmeriCorps expenses, to ensure requests are consistent with the budget plan, and sources of match are being generated in the amounts required by the subgrantee agreement. YouthBuild also performs subgrantee risk assessments which lead to site visits or desk reviews to monitor subgrantees' policies and procedures, member files, fiscal match documentation, and criminal history check documentation, among other monitoring topics.

Despite having these written policies to address subgrantee monitoring requirements, YouthBuild's subgrantee monitoring was not sufficient. During our audit testing, we found errors related to subgrantees' match cost reporting, living allowance payments, staff timekeeping, and member exit procedures for Crispus Attucks Charter School, Philadelphia Youth for Change Charter School, and Change Inc. Specifically, we found errors related to:

- Staff timekeeping and match cost reporting due to the use of prohibited Department of Labor (DOL) grant funds. (***Crispus Attucks Charter School***)
- Member living allowance payments and member exit procedures. (***Philadelphia Youth for Change Charter School***)
- Member living allowance payments and match cost reporting stemming from improper match methodology and lack of documentation to support expense allocability. (***Change, Inc.***)

Additional details of each error are included in **Appendix B**. For each error, YouthBuild did not identify instances of non-compliance with Federal Regulations and AmeriCorps Grant Terms and Conditions, nor did YouthBuild identify costs that were inaccurate, unallowable, or unallocable during its monitoring oversight of subgrantees' monthly ARR reporting or during subgrantee monitoring site visits.

Table 4 below illustrates the cumulative impact of each error that was not identified by YouthBuild through subgrantee monitoring.

³³ 2 C.F.R. § 200.332(d) Requirements for pass through entities

Table 4 – Financial Impact of Noncompliance

Subgrantee	Federal Questioned Costs	Questioned Match Costs	Non-compliant Match ³⁴	Total
Crispus Attucks Charter School	\$1,590	\$0	\$29,133	\$30,723
Philadelphia Youth for Change Charter School	\$40,384	\$0	\$0	\$40,384
Change Inc.	\$7,533	\$8,242	\$94,747	\$110,522
Total	\$49,507	\$8,242	\$123,880	\$181,629

Recommendations³⁵: We recommend that AmeriCorps:

12. Disallow and recover \$1,590 in Federal costs from YouthBuild due to staff timekeeping errors at Crispus Attucks Charter School that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.
13. Require YouthBuild to verify that Crispus Attucks Charter School, and all YouthBuild subgrantees, do not use grant funding received from DOL grants to meet matching requirements. If DOL grant funds were used to meet matching requirements, AmeriCorps should disallow the match costs and recover the associated Federal costs from YouthBuild.
14. Disallow and recover \$40,384 in Federal costs from YouthBuild due to ineligible living allowance payments and insufficient member exit procedures at Philadelphia Youth for Change Charter School that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.
15. Disallow and recover \$7,533 in Federal costs and disallow \$8,242 in match costs and recover the associated Federal costs from YouthBuild due to errors at Change Inc. that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.
16. Require YouthBuild to determine the allowability, allocability, and reasonability of Change Inc.’s occupancy expenses and ensure that staff salary costs reported as match costs are charged by grant activity or specific cost objective.

Summary and Evaluation of AmeriCorps’ Comments for Finding 4

AmeriCorps provided formal written comments in response to our draft report. AmeriCorps concurs with the audit finding and recommendations. A copy of AmeriCorps' response in its entirety can be found in Appendix C. Below, we summarize AmeriCorps’ corrective actions together with our evaluation of their corrective actions.

Summary of AmeriCorps Corrective Actions: AmeriCorps concurs with the audit finding and recommendations. AmeriCorps stated it will work with YouthBuild to address the issues identified, including:

³⁴ AmeriCorps waived match requirements for certain AmeriCorps grants during the COVID-19 pandemic for grants awarded in fiscal years 2019, 2020 and 2021, which was within our audit scope. For this reason, we are not questioning non-compliant match costs that fall under this waiver.

³⁵ Refer to Appendix B for detailed error descriptions.

- AmeriCorps will disallow and recover \$1,590 in Federal costs resulting from staff timekeeping discrepancies at Crispus Attucks Charter School.
- AmeriCorps will mandate YouthBuild to implement verification processes, ensuring that neither Crispus Attucks Charter School nor any other YouthBuild subgrantees utilized the DOL grant funds to meet matching requirements. Any funds found to be non-compliant will be subject to recovery processes.
- AmeriCorps will disallow and recoup \$40,384 related to ineligible living allowance payments and insufficient member exit procedures at Philadelphia Youth for Change Charter School
- AmeriCorps will also disallow and reclaim \$7,533 in Federal costs and \$8,242 in match costs due to oversight errors by YouthBuild associated with Change Inc.
- AmeriCorps will require YouthBuild to conduct a thorough review of Change Inc’s occupancy expenses, ensuring that staff salary costs are accurately reported as match.

Auditor Evaluation of AmeriCorps’ Corrective Actions: AmeriCorps’ comments are responsive to the recommendations and its corrective actions address the finding and recommendations.

The OIG will keep recommendations 12, 13, 14,15, and 16 open until AmeriCorps submits documentation to demonstrate the completion and sufficiency of the corrective actions. AmeriCorps has one year from the issuance of this report to finalize its actions.

Summary and Evaluation of YouthBuild’s Comments for Finding 4

YouthBuild provided formal written comments in response to our draft report. YouthBuild concurs with the findings and recommendations 12, 13, and 15.

YouthBuild disagrees with recommendation 14 to disallow \$40,384 in Federal costs from YouthBuild due to ineligible living allowance payments and insufficient member exit procedures at Philadelphia Youth for Change Charter School that were not identified during YouthBuild’ s monthly monitoring or subgrantee site visits. YouthBuild stated it will not fully follow recommendation 16 as more fully explained, below.

Below, we summarize YouthBuild’s specific responses that conflict with our recommendations, together with our evaluation of their comments thereon.

Summary of YouthBuild’s Comments on Philadelphia Youth for Change Charter School (Recommendation 14): YouthBuild stated that the member’s exit date, not the member’s last date of service, informs the cut-off date to distribute the final living allowance payment. YouthBuild believes members were properly provided living allowances through their exit dates.

YouthBuild also stated that its monitoring of member exit requirements relies on IT controls built into the eGrants system, which include that a “no” response to the question “Did the member perform satisfactorily (complete all assignments, tasks, and projects)?” prevents the member from enrolling into a subsequent AmeriCorps service term. YouthBuild agreed that Philadelphia Youth for Change did not follow YouthBuild’s record retention policy to keep their supplemental member reviews, but YouthBuild stated that this did not lead to noncompliance with AmeriCorps requirements.

Auditor Evaluation of YouthBuild’s Comments: The number of days between the member’s official AmeriCorps timesheet and the exit date in eGrants for three members cited in the audit report ranged between 27 and 39 days. As a result, each of the members cited in the audit report received a living allowance that covered at least one pay period beyond the last service date supported by that member’s YouthBuild timesheet. For all three situations, we inquired of Philadelphia Youth for Change Charter School staff about potential missing timesheets from the member file and also submitted a written follow-up to the charter school staff describing the nature of the observation. At the time, the only additional information provided was paycheck history reports to support the stipend amount for pay periods beyond the last observed, but not YouthBuild AmeriCorps timesheets.

The ASN Terms and Conditions state “the recipient (and any individual or entity acting on behalf of the recipient) is responsible for the accuracy of the information certified on the end-of-term certification.” As noted in the audit finding, YouthBuild was unable to provide documentation to support the accuracy of satisfactory performance, which would include an end-of-term evaluation performed by the member’s supervisor at the subgrantee. Relying solely on automated information technology controls in eGrants, while not verifying the information input into the system by a YouthBuild program official, is insufficient.

Summary of YouthBuild’s Comments on Change Inc. Occupancy Expense and Match Costs (Recommendation 16): YouthBuild stated it and Change Inc. do not fully follow the asserted discrepancy, to the extent that the draft finding states the resulting match did not represent allowable and allocable costs. They anticipate that Change Inc. will be able to provide adequate supporting documentation in the course of the audit resolution.

Auditor Evaluation of YouthBuild’s Comments: Change Inc. uses a grant from State Adult Basic Education (ABE) as a source of match expenditures. Instead of tracking and allocating actual match expenditures to support the AmeriCorps program, Change Inc. charged 15 percent under the budget code for “occupancy.” Change did not perform an analysis to ensure the amounts charged were allowable, allocable, and accurate. In addition, the cost base of the 15 percent ABE charges included staff salaries and benefit costs which were already charged to the AmeriCorps grant. AmeriCorps should review the details and ensure the adequacy of any supporting documentation provided by Change Inc. during the audit resolution process. YouthBuild recognized it appears that Change Inc.’s historical cost allocation approach is not well-suited to its current size and complexity.

Finding 5: YouthBuild’s Member Training Policy Did Not Comply with Federal Regulations.

Under Federal Regulations, no more than 20 percent of the aggregate of all AmeriCorps member service hours for a program may be spent in education and training activities.³⁶

YouthBuild’s policies are not compliant with this Federal Regulation.³⁷ YouthBuild has chosen to implement a policy to limit training and education hours for each member on an individual basis rather than for all AmeriCorps members in aggregate, as required by the aforementioned Federal Regulation. YouthBuild stated that implementing education and training policies at the member-level would eliminate the risk that aggregate thresholds would be exceeded. Not only is YouthBuild’s policy non-compliant, but during our testing at a subgrantee, Connection Training Services, we found that two of the seven members selected for testing had completed their AmeriCorps service term and earned an education award by

³⁶ 45 C.F.R. § 2520.50 (a) – *Training*

³⁷ YouthBuild AmeriCorps Member Timekeeping Requirements, Expectations, and Guidance.

completing training activities that exceeded 20 percent of the member’s total hours at exit, a violation of YouthBuild’s own policies. YouthBuild chose to deviate from Federal Regulation and AmeriCorps policy on education and training time limitations in favor of a per-member policy. However, YouthBuild failed to implement oversight of its subgrantees to ensure they were even properly following the policy. We are not questioning the affected education awards as they are already included in the amounts questioned in Finding 2 above.

Recommendations: We recommend that AmeriCorps:

17. Require YouthBuild to enhance member timekeeping policies to align with Federal Regulations for training limitations.
18. Require YouthBuild to verify that all subgrantees’ policies align with Federal Regulations for training limitations.

Summary and Evaluation of AmeriCorps’ Comments for Finding 5

AmeriCorps concurs with the audit finding and recommendations. AmeriCorps will require YouthBuild to enhance its member timekeeping policies in education and training activities, so they align with Federal Regulations. This will include a comprehensive review and update of existing practices. AmeriCorps will also require YouthBuild to verify that all subgrantees adhere to these Federal Regulations to ensure uniform compliance across all YouthBuild subrecipients.

Auditor Evaluation of AmeriCorps’ Comments: AmeriCorps’ comments are responsive to the recommendations and corrective actions address the finding and recommendations.

The OIG will keep recommendations 17 and 18 open until AmeriCorps submits documentation to demonstrate the completion and sufficiency of the corrective actions. AmeriCorps has one year from the issuance of this report to finalize its actions.

Summary and Evaluation of YouthBuild’s Comments for Finding 5: YouthBuild acknowledged that the Federal Regulation requires application of the 20 percent limitation on training and education to be applied to the program in aggregate, but YouthBuild applied it at the individual member level. YouthBuild stated it would update its member timekeeping policies and create a plan to verify that its subrecipients’ policies align with the required aggregate approach.

Auditor Evaluation of YouthBuild’s Comments: YouthBuild’s comments are responsive to the recommendations and corrective actions address the finding and recommendations.

Other Matter: Funding Received Under the American Rescue Plan Act (ARP)

Beginning in Fiscal Year 2021, ASN grantees could request additional ARP funds from AmeriCorps. The purpose of these funds was to provide grantees additional financial support to ease some of the burden caused by having to match the AmeriCorps share of grant funds during economically challenging times.

YouthBuild was awarded \$945,000 in ARP assistance by AmeriCorps for the 19NDHMA003 grant. We obtained an understanding of YouthBuild’s processes and procedures surrounding ARP funds and determined that the additional funds were administered and expended in the same manner as routine

grant funds. As of January 2023, \$716,500 of the additional funds had been allocated to YouthBuild's subgrantees in a manner similar to the subgrantees' pro-rata shares of routine grant funds. The remaining \$228,500 had not been allocated to subgrantees.

Since ARP funds are administered and expended in the same manner as routine non-ARP grant funds, we did not identify any additional issues or risks related to ARP funded grant assistance provided to YouthBuild.

Saggar & Rosenberg, P.C

A handwritten signature in cursive script that reads "Saggar & Rosenberg, PC". The signature is written in black ink and is positioned below the typed name.

Rockville, Maryland
March 29, 2024

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether AmeriCorps-funded Federal assistance, including American Rescue Plan Act funds, if any, provided to YouthBuild USA (YouthBuild) and its subgrantees was expended in accordance with Grant Terms and provisions, laws, and Regulations, and report upon such compliance, controls, and questioned costs as may result from performing the audit.

The scope of our audit included YouthBuild grants as follows:

Table 5 – AmeriCorps Grants in Scope

Grant No./Type	Total Grant Amount (Federal Funds Authorized)	Federal Expenses Included in Scope	FFR Expense Periods Covered
16NDHMA001 (National Direct)	\$26,106,363	\$16,021,946	September 30, 2018, to December 31, 2020.
19NDHMA003 (National Direct)	\$27,726,465	16,024,540	March 31, 2021, to September 30, 2022.
21VSFMA002 (VISTA)	\$1,450,000	\$1,046,085	December 31, 2021, to December 31, 2022.
Total	\$55,282,828	\$33,092,571	

Of the \$55,282,828 awarded to YouthBuild, \$43,037,010, or approximately 78 percent, was sub awarded to its 82 subgrantees. We performed a risk assessment based on multiple criteria such as funding amount, member enrollment, YouthBuild subgrantee monitoring results, geographic location, among other factors, and selected the following five YouthBuild subgrantees for inclusion in our audit:

- Crispus Attucks Charter School
- Connection Training Services
- Philadelphia Youth for Change Charter School
- Change, Inc.
- San Jose Conservation Corps.

To accomplish our objectives, we:

- Reviewed policies and procedures to obtain an understanding of YouthBuild, and subgrantees' grant activities, processes, and internal controls over grant expenditures.
- Interviewed grantee and subgrantee personnel to gain an understanding of internal controls over Federal programs and expenditures.
- Interviewed grantee personnel to gain an understand the amount of American Rescue Plan funding received and how that funding was used.
- Requested and reviewed financial and grant award documentation.
- Reviewed YouthBuild and its subgrantees' staff and member files, including background check documentation.

- Selected judgmental samples of costs claimed by YouthBuild and its subgrantees and tested for compliance with grant agreements and applicable Federal Regulations. The questioned costs were not projected.

We conducted the audit between October 2022 and December 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B

SCHEDULE OF SUBGRANTEE MONITORING ERRORS

Federal Questioned Costs

Subgrantee	Error Description	Amount
Philadelphia Youth for Change Charter School	Living Allowance Payments: Philadelphia Youth for Change Charter School continued to pay three full-time members a living allowance after the last day on the members' timesheets and up to the date they were exited from the AmeriCorps program. These living allowance payments were charged to the AmeriCorps grant.	\$2,702
Philadelphia Youth for Change Charter School	Member Exit Procedures: Philadelphia Youth for Change Charter School did not retain exit evaluations for nine sampled members. Of these nine members, two members served a second term. According to 45 § C.F.R. 2522.220 <i>what are the required terms of service for AmeriCorps participants</i> , these members are ineligible to serve a second term because they did not have an exit evaluation form from the prior term. Philadelphia Youth for Change Charter School charged the AmeriCorps grant for living allowances and FICA member support costs for these two members during their second term.	\$37,682
Change Inc.	Living Allowance Payments: Change Inc. continued to pay two half-time members a living allowance after the last day on the members' timesheets after they were exited from the AmeriCorps program. These living allowance payments were charged to the AmeriCorps grant.	\$7,533
Crispus Attucks Charter School	Staff Timekeeping: Crispus Attucks Charter School requested reimbursement and charged the AmeriCorps grant for staff salaries for labor hours that did not agree to the signed and dated employee timesheets.	\$1,590
Total		\$49,507

Match Questioned Costs

Subgrantee	Error Description	Amount
Change Inc.	Match Cost Reporting: Change Inc uses inconsistent methodologies to account for Federal and match staff salary costs. Specifically, Change Inc. did not allocate employees' time who charged match expenses by grant activity or specific cost objective in accordance with 2 C.F.R. §200.430(i), <i>Compensation – Personal Services</i> . Employees who charged match used sign-in sheets to record daily work hours, but the sheets did not contain details on how the time was allocated and charged between different grant programs.	\$8,242
Total		\$8,242

Non-Compliant Match

Subgrantee	Error Description	Amount
Change Inc.	Match Cost Reporting: Change Inc uses a grant from State Adult Basic Education (ABE) as a source of match expenditures, which allows Change Inc. to use 15 percent of the grant as match funds. However, rather than tracking and allocating actual expenditures to support the AmeriCorps program, Change Inc. charges an even 15 percent under the budget code "occupancy". Change	\$82,986

	Inc. did not perform an analysis to ensure the amounts charged were allowable, allocable, and accurate. In addition, the cost base of the 15 percent ABE charges includes staff salaries and benefit costs which were already charged to the AmeriCorps grants.	
Change Inc.	Match Cost Reporting: Change Inc. uses inconsistent methodologies to account for Federal and match staff salary costs. Specifically, Change Inc. did not allocate employees' time who charged match expenses by grant activity or specific cost objective in accordance with 2 C.F.R. §200.430(i), <i>Compensation – Personal Services</i> . Employees who charged match used sign-in sheets to record daily work hours, but the sheets did not contain details on how the time was allocated and charged between different grant programs.	\$11,761
Crispus Attucks Charter School	Match Cost Reporting: Crispus Attucks used Federal grant funding provided by DOL as match funds for January 2021. DOL prohibited its Federal grant funds to be used as match on AmeriCorps grants beginning July 16, 2018.	\$29,133
Total		\$123,880

AMERICORPS MANAGEMENT’S RESPONSE



To: Monique P. Colter
Assistant Inspector General for Audits

From: Edris Shah, Deputy Director, Office of Audit and Debt Resolution

Cc: Michael D. Smith, Chief Executive Officer
Stephen Ravas, Acting Inspector General
Fernando Laguarda, General Counsel
Jenny Mauk, Chief of Staff
Danielle Melfi, Chief Program Officer
Sonali Nijhawan, Director, AmeriCorps State and National
Jennifer Bastress Tahmasebi, Deputy Director, AmeriCorps State and National
Iyauta Green, Director, Office of Grant Administration
Amy Hetrick, Deputy Director, Grant Administration
Erin McGrath, Director, Regional Operations
Gina Cross, Chief Operating Officer
Malena Brookshire, Chief Financial Officer
Jill Graham, Chief Risk Officer
Rachel Turner, Audits and Investigations Program Manager
Blake Fetrow, Senior Attorney Advisor, Office of General Counsel
Caroline Fernandez, Acting Director, Office of Monitoring

Date: March 11, 2024

Subject: Response to OIG Reissuance of Draft Report (OIG-AR-24-05), Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA

**EDRIS
SHAH** Digitally signed
by EDRIS SHAH
Date: 2024.03.11
18:50:02 -0400

AmeriCorps thanks the Office of the Inspector General for their work in performing this audit and issuing the draft report. In the draft report, the OIG identified 5 findings, 18 recommendations and 1 Other Matter. The comments below summarize AmeriCorps’ initial response. AmeriCorps will make its final determination for all findings, recommendations, and questioned costs after receipt of the final report and after reviewing the auditors’ working papers and grantee’s corrective action plans. We will work with the grantee staff and internally to ensure corrective actions adequately address all findings and recommendations.

Finding 1: AmeriCorps’ Federal Regulations Do Not Align with Statutory Updates to Grantee Match Requirements.

The Serve America Act in 2008 permanently amended the NCSA by eliminating the 85 percent Federal Share limitation for member living allowance and member support cost. The auditors found that AmeriCorps did not update Federal Regulations for amendments to the NCSA.





The auditors recommend that AmeriCorps:

1. AmeriCorps' Office of General Counsel update all applicable Federal Regulations addressing Federal share limitations and matching requirements for member living allowance and member support costs to align with the NCSA, as amended by the Serve America Act.
2. AmeriCorps' Office of General Counsel perform a comprehensive review of all Federal Statutes and Federal Regulations to identify inconsistent guidance, make appropriate corrections to the Federal Regulations, and provide the results to AmeriCorps OIG and AmeriCorps Office of Monitoring.
3. AmeriCorps issue consistent, direct, and transparent communication to all AmeriCorps grantees to provide clarification on the current matching requirements for member living allowance and member support costs.

Management Response: AmeriCorps concurs with the audit's finding and recommendation 3. AmeriCorps will implement the necessary measures to ensure all AmeriCorps grantees are provided with adequate follow up communication on current matching requirements for member living allowance and member support costs. AmeriCorps partially concurs with recommendations 1 and 2. To align recommendations 1 and 2 with the actual audit finding, AmeriCorps proposes edits to these two recommendations for the Office of Inspector General's consideration, to reflect the following:

1. AmeriCorps' Office of General Counsel update Federal Regulations addressing Federal share limitations and matching requirements for member living allowance and member support costs to align with the NCSA, as amended by the Serve America Act.
2. AmeriCorps' Office of General Counsel review of Federal Regulations, for consistency with the Serve America Act's provisions on match requirements and Federal costs, make appropriate corrections, and provide the results to AmeriCorps OIG and AmeriCorps Office of Monitoring.

Finding 2: YouthBuild's Member Timekeeping Practices Did Not Comply with Federal Regulations and AmeriCorps Grant Terms and Conditions.

The auditors found that the grantee's member timekeeping policy did not require its subgrantees to maintain member service time in accordance with Federal regulations and AmeriCorps grant terms and conditions.

The auditors recommend that AmeriCorps:

4. Recover from YouthBuild \$520,827 of education awards that were paid to members for subgrantees within the audit scope.
5. Require that YouthBuild pay the \$3,087,791 outstanding AmeriCorps Education awards yet to be distributed to the members of subgrantees within the audit.
6. Assess the remaining \$9,042,686 of at-risk funds to determine if sufficient supporting documentation for the hours claimed exists. If sufficient documentation does not exist, recover from YouthBuild the \$1,349,717 already paid by the Trust and require that YouthBuild pay the \$7,692,969 outstanding AmeriCorps Education awards yet to be distributed to members.
7. Require YouthBuild to update its member timekeeping policy and procedures to align with Federal regulations and AmeriCorps grant terms and conditions to include adequate internal controls and documentation to provide reasonable assurance that YouthBuild and its subgrantees are adequately managing AmeriCorps funds.



Management Response: AmeriCorps partially concurs with the audit's finding. With regards to recommendations, AmeriCorps does not concur with recommendations 4, 5, and 6 and will not plan to implement these recommendations. AmeriCorps will partially implement recommendation 7.

For recommendations 4, 5, 6, and 7, AmeriCorps would like to highlight that we consider the grantee's timekeeping policy consistent with AmeriCorps' intended Terms and Conditions. AmeriCorps acknowledges that an error in the drafting of the Terms and Conditions contributed to the subgrantee's subsequently being non-compliant with those same Terms and Conditions. Due to this internal error, AmeriCorps will not plan to disallow any costs or assess the funds at risk associated with this finding. Although disallowance of these significant funding levels could potentially have an existential impact on the grantee, and such an outcome would be harsh, the reality is that the grantee's timekeeping policy aligned with AmeriCorps' intentions. With this in mind, any consequence to this grantee for its timekeeping system would be unjust.

To prevent this from future occurrence and reduce risk and exposure in alignment with recommendation 7, AmeriCorps will implement corrective measures, by incorporating the highlighted language below to the AmeriCorps State and National FY25 Terms and Conditions.

"The recipient is required to ensure that time and attendance recordkeeping is conducted by the AmeriCorps member's supervisor. This time and attendance record is used to document member eligibility for in-service and post service benefits. The recipient must have a timekeeping system that is compliant with 2 CFR § 200.430; however, because AmeriCorps members are National Service Participants and not employees per 45 CFR 2510.20, there is not an expectation that the recipient track time beyond a member's AmeriCorps service. If a recipient engages an AmeriCorps member in other Federal grant activities as an employee, the member and supervisor must certify, under penalty of perjury, that the member is not double counting their time, duplicating, displacing, or supplanting the other Federal grant activities, as outlined in 45 CFR 2540. If a Professional Corps program wants to follow the timekeeping practices of its profession and certify that members have completed the minimum required hours, excluding sick and vacation days, it must get advance written approval from AmeriCorps via a special condition on an amendment. If a State Commission Formula-funded Professional Corps program wants to follow the timekeeping practices of its profession and certify that members have completed the minimum required hours, excluding sick and vacation days, it must get advance written approval from the State Commission."

This additional language outlined above clarifies AmeriCorps' intent to help prevent fraud and double-counting of time while balancing additional administrative burden for AmeriCorps grantees, which is consistent with the AmeriCorps Strategic Plan.

Furthermore, in response to recommendation 7, AmeriCorps commits to providing training resources to AmeriCorps State and National grantees to ensure that the revisions to the FY25 Terms and Conditions outlined above are effectively communicated and understood by all grantees. AmeriCorps will also ensure that YouthBuild's timekeeping policy is updated to align with the revised Terms and Conditions.



Finding 3: San Jose Conservation Corps Employees are AmeriCorps Members.

The auditors found that the 80 percent of AmeriCorps members in the auditor's sample are employees and were paid wages for employment activities while also accumulating AmeriCorps service time towards their education award.

The auditors recommend that AmeriCorps:

8. Disallow and recover all grant funds associated with AmeriCorps funding received by SJCC through YouthBuild during the audit period.
9. Assess all current AmeriCorps funding to SJCC for the same violations noted in this report.
10. Direct YouthBuild to perform a comprehensive assessment of YouthBuild's subgrantees and determine whether any of their other subgrantees are following the same non-compliant practices as San Jose Conservation Corps and provide the results to AmeriCorps Office of Monitoring and AmeriCorps OIG in a timely manner.
11. Provide additional training to YouthBuild on AmeriCorps policies and subgrantee monitoring.

Management Response: AmeriCorps concurs with the audit's finding and associated recommendations. AmeriCorps will disallow and recover all relevant AmeriCorps funds received by SJCC through YouthBuild. Additionally, AmeriCorps will review all current AmeriCorps funding to SJCC for similar issues. AmeriCorps will also direct YouthBuild to conduct a comprehensive assessment of its subgrantees to identify any comparable non-compliant practices and report these findings to AmeriCorps Office of Monitoring and AmeriCorps OIG timely. To mitigate future occurrences, AmeriCorps remains dedicated to providing additional training to YouthBuild with a focus on adherence to AmeriCorps policies and effective monitoring of subgrantees. This effort aligns well with AmeriCorps' ongoing commitment to maintain highest standards of program integrity.

Finding 4: YouthBuild Did Not Adequately Monitor Subgrantee Financial and Policy Compliance.

The auditors found that Despite having written policies to address subgrantee monitoring requirements, YouthBuild's subgrantee monitoring was not sufficient.

The auditors recommend that AmeriCorps:

12. Disallow and recover \$1,590 in Federal costs from YouthBuild due to staff timekeeping errors at Crispus Attucks Charter School that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.
13. Require YouthBuild to verify that Crispus Attucks Charter School, and all YouthBuild subgrantees, do not use grant funding received from DOL grants to meet matching requirements. If DOL grant funds were used to meet matching requirements, AmeriCorps should disallow the match costs and recover the associated Federal costs from YouthBuild.
14. Disallow and recover \$40,384 in Federal costs from YouthBuild due to ineligible living allowance payments and insufficient member exit procedures at Philadelphia Youth for Change Charter School that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.



15. Disallow and recover \$7,533 in Federal costs and disallow \$8,242 in match costs and recover the associated Federal costs from YouthBuild due to errors at Change Inc. that were not identified by YouthBuild during monthly ARR reporting or subgrantee site visits.
16. Require YouthBuild to determine the allowability, allocability, and reasonability of Change Inc.'s occupancy expenses and ensure that staff salary costs reported as Match costs are charged by grant activity or specific cost objective.

Management Response:

AmeriCorps concurs with the audit's finding and associated recommendations and is committed to taking appropriate action. AmeriCorps will work with YouthBuild to address the issues identified. This includes disallowing and recovering \$1,590 in Federal costs resulting from staff timekeeping discrepancies at Crispus Attucks Charter School. Additionally, AmeriCorps will mandate YouthBuild to implement verification processes, ensuring that neither Crispus Attucks Charter School nor any other YouthBuild subgrantees utilized the DOL grant funds to meet matching requirements. Any funds found to be non-compliant will be subject to recovery processes. In response to the issues at Philadelphia Youth for Change Charter School, including ineligible living allowance payments and insufficient member exit procedures, AmeriCorps will disallow and recoup \$40,384. With regard to Change Inc., AmeriCorps will also disallow and reclaim \$7,533 in Federal costs and \$8,242 in match costs due to oversight errors by YouthBuild. Lastly, AmeriCorps will require YouthBuild to conduct a thorough review of Change Inc.'s occupancy expenses, ensuring that staff salary costs are accurately reported as Match, aligned with specific grant activities and cost objectives.

Finding 5: YouthBuild's Member Training Policy Did Not Comply with Federal Regulations.

The auditors found that the YouthBuild chose to deviate from Federal regulation and AmeriCorps policy on education and training time limitations in favor of a per-member policy and failed to implement oversight of its subgrantees to ensure they were properly following the policy.

The auditors recommend that AmeriCorps:

17. Require YouthBuild to enhance member timekeeping policies to align with Federal regulations for training limitations.
18. Require YouthBuild to verify that all subgrantees' policies align with Federal regulations for training limitations.

Management Response:

AmeriCorps concurs with the audit's finding and associated recommendations. AmeriCorps will require YouthBuild to enhance its member timekeeping policies in education and training activities, ensuring they align with the Federal regulations. This will include a comprehensive review and update of existing practices. Additionally, AmeriCorps will require YouthBuild to verify that all subgrantees adhere to these Federal regulations, thereby ensuring uniform compliance across all YouthBuild's subgrantees.

Other Matter: Funding Received Under the American Rescue Plan Act (ARP)

Beginning in Fiscal Year 2021, ASN grantees could request additional ARP funds from AmeriCorps. The purpose of these funds was to provide grantees additional financial support to ease some of the burden caused by having to match the AmeriCorps share of grant funds during economically challenging times.



YouthBuild was awarded \$945,000 in ARP assistance by AmeriCorps for the 19NDHMA003 grant. We obtained an understanding of YouthBuild's processes and procedures surrounding ARP funds and determined that the additional funds were administered and expended in the same manner as routine grant funds. As of January 2023, \$716,500 of the additional funds had been allocated to YouthBuild's subgrantees in a manner similar to the subgrantees' pro-rata shares of routine grant funds. The remaining \$228,500 had not been allocated to subgrantees.

Since ARP funds are administered and expended in the same manner as routine non-ARP grant funds, we did not identify any additional issues or risks related to ARP funded grant assistance provided to YouthBuild.

Management Response: Acknowledged.

YOUTHBUILD USA MANAGEMENT'S RESPONSE



March 6, 2024

Monique P. Colter
Assistant Inspector General for Audits
Office of Inspector General
AmeriCorps
250 E Street, SW
Suite 4100
Washington, DC 20525

Subject: YouthBuild USA Comments Regarding the Office of Inspector General Draft Report Reissuance, *Performance Audit of AmeriCorps Grants Awarded to YouthBuild USA*, OIG-AR-24-05

Ms. Colter:

Thank you for the opportunity to review and comment on the subject draft report prepared by Saggar & Rosenberg, P.C., covering awards 16NDHMA001, 19NDHMA003, and 21VSFMA002 claimed on Federal Financial Reports (FFRs) submitted to AmeriCorps between September 30, 2018, through December 31, 2022.

YouthBuild USA's AmeriCorps program activities are focused on partnering with opportunity youth — young adults between the ages of 16 and 24 who are neither in school nor employed — and organizations that serve, support, and educate opportunity youth, to build the skillsets and mindsets that lead to lifelong learning, livelihood, and leadership. Within the opportunity youth population, the YouthBuild movement primarily serves young people who lack a high school diploma and financial resources. Members participate in academic training that leads to a high school diploma or equivalent. They also participate in occupational skills training and are encouraged to pursue postsecondary education or additional career training, including registered apprenticeship programs, creating a career-ready workforce. Participants receive counseling support services, training in financial literacy, and other life skills, while also participating in youth and leadership development activities.

As an AmeriCorps National Direct grantee since 1994, YouthBuild USA has managed AmeriCorps funds through cost-reimbursement grants to its network of subgrantee programs for decades. YouthBuild USA's extensive experience implementing this comprehensive program model in accordance with federal requirements has been noted through previous monitoring and audit efforts and is a core responsibility that makes its impact possible.

In the nearly 30 years since YouthBuild USA became an AmeriCorps grantee, more than 26,000 YouthBuild AmeriCorps members have successfully completed their service terms, with 16.5 million hours served. At more than 120 subgrantee programs sponsored and managed by local community-based nonprofits, community colleges, and public agencies, YouthBuild AmeriCorps members have had a direct impact on their local communities by building and refurbishing over 8,500 homes for low-income individuals and families across the country.

No two YouthBuild programs are exactly alike. Locally, programs may vary in scope, focus, and duration, according to local community needs, funding, and partnerships. Each and every YouthBuild program, however, is built on the five core elements of the model — plus love. YouthBuild USA manages a network of YouthBuild program affiliates who hold fidelity to the model, supported by both public and private funding. Each YouthBuild program implements this core model within their local context, adhering to the rules and requirements specific to each funder.

Consistent with its core mission and its critical partnership with AmeriCorps, YouthBuild USA is dedicated to compliance in all respects with federal requirements, as well as to assisting and overseeing its subrecipient partners in matters of compliance. We have carefully reviewed the draft audit report with the affected programs. As can be seen from our detailed comments below, we do not agree with many of the draft findings. To the extent that we disagree, we have endeavored to clearly convey our reasoning and will, through separate correspondence, provide additional supporting documentation for reference where appropriate. We ask that the supporting reference documentation not be published in the final report to protect the privacy interests of members and the financial data of our subrecipient partners, although we understand that this letter will be published.

YouthBuild USA appreciates this opportunity to comment on the draft report. We are happy to discuss any of the comments below or to provide any additional information that may be required. We further look forward to working with the AmeriCorps Agency's audit resolution team in the coming months to fully address any findings that the final report may contain.

Detailed Comments on Draft Findings

Finding 1: AmeriCorps' Federal Regulations Do Not Align with Statutory Updates to Grantee Match Requirements

YouthBuild USA appreciates that the draft audit report has been reissued with the recognition that AmeriCorps State and National ("ASN") program grantees are not prohibited from charging more than 85 percent of the cost of member living allowances and benefits to their awards, a flexibility often termed "single match."¹ As the revised Finding 1 pertains only to the auditors' view of whether ASN regulations should be updated, YouthBuild USA reserves comment,

¹ See AmeriCorps Agency FAQ on "single match" of February 27, 2008, available at the following web address and further provided as **Reference A**: <https://americorps.gov/sites/default/files/documents/Single%20Match%20FAQs.pdf>

except to convey: (i) we believe relevant instructions on this point in the ASN application process have been relatively clear for grantees, and (ii) the statement in the revised finding that YouthBuild USA receives subawards via State Commissions is incorrect.

With respect to the first point, the ASN application instructions budget section conveys the following annually:

You have the flexibility to meet the overall match requirements in any of the three budget areas, as long as you maintain the minimum match of 24% for the first three years and the increasing minimums in years thereafter.

With respect to the second point, YouthBuild USA's ASN funding is all received through national direct awards. It is the case that some YouthBuild programs receive funding via State Commissions, but any such funding is separate from any funding received through YouthBuild USA.

Finding 2: YouthBuild USA's Member Timekeeping Practices Did Not Comply with Federal Regulations and AmeriCorps Grant Terms and Conditions

By our read of the draft report, the auditors engaged by the OIG identified four concerns with respect to YouthBuild USA's member timekeeping guidance and subrecipient program timekeeping practices: (1) the AmeriCorps Member Hour Log contained only hours for qualifying AmeriCorps service or training time, excluding other time a member may have been present at a program site but not performing eligible AmeriCorps activities; (2) monthly aggregating hours on final Member Hour Log forms based upon other daily activity logs; (3) alleged discrepancies between Member Hour Logs, hours reported in eGrants, and hours reported on exit forms; and (4) implied failure by one or more subrecipients to retain source documentation beyond the Member Hour Logs.

As a result, the draft report appears to question the validity of all education awards for all members of each program for which Member Hour Logs were reviewed. For the reasons discussed below, we respectfully disagree with both the substantive findings and the suggested impact.

YouthBuild USA Program and Timekeeping Background

As discussed above, YouthBuild USA's ASN award is implemented through subawards to more than sixty programs. As ASN program models vary greatly depending upon need and approach most appropriate to the community served by the subrecipient, YouthBuild USA subrecipient programs are permitted to adopt their own approaches, so long as they are compliant with the National and Community Service Act of 1990 ("NCSA," as amended), AmeriCorps regulations, and ASN award terms and conditions.

YouthBuild USA provides guidance to subrecipient programs on the topic of recording qualifying AmeriCorps participant service time through its "YouthBuild AmeriCorps Member

Timekeeping Requirements, Expectations, and Guidance” document, a copy of which has previously been provided to the auditors and which is further provided with this comment letter as Reference B. YouthBuild USA also provides a sample monthly Member Hour Log for subrecipient programs to use, a copy of which has previously been provided and which is provided with this comment letter as Reference C.

YouthBuild USA’s Member Hour Logs have been reviewed by the AmeriCorps Agency multiple times, including most recently in August 2022, and we believe them to be compliant in all respects with ASN requirements. Relevant to this finding, the YouthBuild USA Guidance (Reference A) instructs that, although participants may engage in activities at their program sites that further the instructional and mentoring benefit they receive, not all such time may be counted toward qualifying AmeriCorps service. To that end, it instructs:

- Programs may use their typical time and attendance systems to measure time and attendance more broadly;
- Qualifying AmeriCorps hours (as “service” time or “training” time) must be further specified via a YouthBuild USA Member Hour Log, or other similar service hour log developed by the subrecipient program; and
- The time logged on the YouthBuild USA Member Hour Log must correlate closely to time entered in eGrants for each member.

Documenting Only Member Service Time on the YouthBuild USA Time Log

The draft report asserts that AmeriCorps member timesheets must document all time a member spends at a service site. The auditors’ apparent basis for this assertion is the fact that ASN terms and conditions state, in Subsection H of Section V (Supervision and Support):

“The recipient is required to ensure that time and attendance recordkeeping is conducted by the AmeriCorps member’s supervisor. This time and attendance record is used to document member eligibility for in-service and post-service benefits. The recipient must have a timekeeping system that is compliant with 2 CFR § 200.430.”

Based upon this language, the auditors have rigorously applied the documentation standards of 2 C.F.R. § 200.430 to AmeriCorps member service timesheets. We believe this to be in error, both generally as well as specifically under the circumstances reviewed by the auditors.

As emphasized by the auditors in their draft finding, the language of 2 C.F.R. § 200.430 calls for documenting all “compensated” time of an employee. This is for the purpose of facilitating proper allocation of the cost of compensation to personnel among multiple funding streams. The AmeriCorps members at issue are primarily reduced half-time, quarter-time, or minimum-time members, who receive no compensation that is charged to the AmeriCorps award. As such, for AmeriCorps purposes, there simply is no issue of allocating costs of compensation to AmeriCorps and non-AmeriCorps activities.

Rather, the AmeriCorps time log is intended to simply record qualifying AmeriCorps time. This approach to timekeeping is consistent with the AmeriCorps Agency's current "AmeriCorps Member Timesheet Outline," which clearly conveys that only service time must be accounted for on member timesheets. The "Timesheet Outline" was posted February 29, 2020 (well after the ASN terms and conditions began to cross-reference 2 C.F.R. § 200.430), and is currently available at the following link:

https://americorps.gov/sites/default/files/document/2020_02_28_Member_Timesheet_Outline_Outline_PDF_ASN.pdf. It instructs that "time-in" and "time-out" should reflect when the member starts and ends their "service hours for the particular date" and that "total daily hours" is "total service hours for the member."

In short, the AmeriCorps guidance, taken as a whole, conveys that a grantee is expected to maintain records of qualifying AmeriCorps hours, supported by a "system of internal control which provides a reasonable assurance" that the qualifying AmeriCorps hours are accurately documented. *See* 2 C.F.R. § 200.430(i).

The auditors acknowledge that qualifying AmeriCorps hours are (subject to possible rare discrepancies discussed below) sufficiently documented on the YouthBuild USA Member Hour Logs. Yet, the auditors then seem to read the reference to 2 C.F.R. § 200.430 appearing in the ASN terms and conditions so rigidly as to reach an illogical result—asserting that failure to account for non-qualifying AmeriCorps time on an AmeriCorps time log must lead to questioning of the member's fully documented qualifying AmeriCorps time.

Monthly YouthBuild USA Member Time Logs, Compiled from Subsidiary Data and Certified by the Member and the Member's Supervisor

The draft report also contends that the transfer of hours from subrecipient daily time logs to the YouthBuild USA Member Hour Logs suffered from a "lack of controls," including failures to ensure accuracy and required validation. Although YouthBuild USA is happy to work with the AmeriCorps Agency regarding any specific procedures it may prefer, the current practice employed by the reviewed subrecipient programs is compliant.

The key standards for time records under 2 C.F.R. § 200.430(i) are that they (i) accurately reflect the work performed, (ii) are completed after the fact of the activity recorded, and (iii) are "supported by a system of internal control which provides reasonable assurance" of accuracy. What constitutes an adequate system of internal control is admittedly a somewhat subjective standard. However, YouthBuild USA's approach meets even the personnel activity reports (PARs) standard of OMB Circular A-122 (Cost Principles for Non-Profit Organizations) codified at 2 C.F.R. Part 230 that preceded the standard adopted under 2 C.F.R. Part 200, the strictest standard for timekeeping documentation applied to nonprofit grant recipients over the past several decades.

Specifically, 2 C.F.R. Part 230, App. B, paragraph 8.m.(2) required (for allocation of salary/wage) that PARs (i) be created no less than monthly, (ii) reflect time recorded after-the-fact of engaging in the activity, and (iii) be certified by either the individual employee or the employee's supervisor. As can be seen from the forms, the time logs at issue are created

monthly, reflect time recorded after-the-fact of the service being accomplished, and are certified by *both* the participant and the participant's supervisor.

In support of YouthBuild USA's explanation above, we are providing with this comment letter relevant documentation from each program reviewed, to include sample Member Hour Logs and explanations of how the logs are completed and verified in a manner consistent with the above standards:

- *A Crispus Attucks Charter School's Monthly AmeriCorps Member Timesheet Example, Secondary Timekeeping Support Documentation Example, Member Service Agreement, Program's Narrative on AmeriCorps Member Timekeeping Process. See Reference D.*
- *A Connection Training Services Monthly AmeriCorps Member Timesheet Example, Secondary Timekeeping Support Documentation Example, Member Service Agreement, Program's Narrative on AmeriCorps Member Timekeeping Process. See Reference E.*
- *A Philadelphia Youth For Change Charter School Monthly AmeriCorps Member Timesheet Example, Secondary Timekeeping Support Documentation Example, Member Service Agreement, Program's Narrative on AmeriCorps Member Timekeeping Process. See Reference F.*
- *A Change, Inc. Monthly AmeriCorps Member Timesheet Example, Secondary Timekeeping Support Documentation Example, Member Service Agreement, Program's Narrative on AmeriCorps Member Timekeeping Process. See Reference G.*
- *A San Jose Conservation Corps Monthly AmeriCorps Member Timesheet Example, Secondary Timekeeping Support Documentation Example, Member Service Agreement, Program's Narrative on AmeriCorps Member Timekeeping Process. See Reference H.*

The Draft Finding Lacks Specificity Regarding (a) Alleged Discrepancies Between eGrants and Member Time Logs and (b) Implied Missing Source Documentation Beyond Member Time Logs

YouthBuild USA respectfully questions the extent to which the auditors may have observed discrepancies between subrecipient Member Time Logs and data reported in eGrants. YouthBuild USA provides a Member Hour Log template used by the majority of our subrecipients that auto-calculates the total member hours to mitigate potential hour-totalling errors. Monitoring of subrecipients includes a sampling of member files and comparing hour totals listed on the Member Hour Log and in eGrants. Although it is possible there may be occasional discrepancies, we have no reason to believe they would be commonplace or widespread.

YouthBuild USA requests that the auditors provide their workpapers on this topic for review, so that YouthBuild USA may better understand the discrepancy—both in nature and perceived scope—for proper response in the audit resolution process.

Relatedly, YouthBuild USA does not believe it likely that the auditors observed any significant failure by subrecipients to retain source documentation for member hours served. As reflected in **References D through H**, each subrecipient had a reasonable system in place to create the final Member Hour Log, which was then signed-off by the member.

Summary

YouthBuild USA is happy to work with the AmeriCorps Agency to amend its procedures if no longer considered a preferred practice, but it is a compliant practice under guidance to date. Further, YouthBuild USA is happy to review any specific instances of perceived inadequate documentation of a disconnect between eGrants and Member Time Logs. The auditors' suggestion that \$12.6 million education awards should be reclaimed despite such careful documentation of accomplishment of service is unwarranted.

Finding 3: San Jose Conservation Corps Employees are AmeriCorps Members

The draft report questions the fact that subrecipient program San Jose Conservation Corps and Charter School's (SJCC) AmeriCorps members receive hourly payment as employees in addition to earning an AmeriCorps education award. Based on the auditors' conclusion that the members appeared to be "employees," the auditors suggest that the individuals could not be AmeriCorps members and go so far as to suggest the entirety of their program costs should be disallowed.

Although we understand the auditors' initial inclination with respect to classification, we believe it is mistaken under applicable ASN requirements.

SJCC's program model focuses on enrollment of youth that have a desire to participate in combined community service and educational/job training activities. The AmeriCorps positions filled by SJCC in its program are ASN half-time, reduced half-time, and quarter-time slots, with typical service periods running one calendar year. Program goals are achieved through combined classroom education and on-the-job skills training in the areas of construction, recycling, environmental conservation, and digital divide skills proficiency; with the on-the-job skills-training activities providing direct service to the local community. As a work-readiness/job-training program in one of the highest-cost-of-living areas in the United States, participants are paid hourly as trainees. In addition to making participation possible for many members, the hourly approach to payment furthers SJCC's program goals by encouraging important job-related financial skills and expectations on the part of participants.

AmeriCorps Participant Treatment as "Employees"

YouthBuild is aware that the NCSA provides that AmeriCorps participants "may not be considered to be an employee of the program in which the participant is enrolled." 42 U.S.C. § 12511 (30)(B); *see also* 45 C.F.R. § 2510.20 (reiterating the statutory statement verbatim).

The auditors, unfortunately, read this language as rendering any participant that might be considered an employee for any purpose as being outright excluded from being an AmeriCorps participant. As the AmeriCorps Agency and OIG well know, the status of AmeriCorps

participants as “employees” has long been a nebulous area causing various complications and inconsistencies under federal and state law. These challenges are most pronounced for large, diverse national direct program grantees that must manage the inconsistencies across varied program models under numerous state employment law regimes.

There is ample statutory and regulatory evidence, consistent with longstanding AmeriCorps Agency practice, that the above-referenced NCSA language does not have the broad effect of rendering any AmeriCorps participant that might also be, for one or more purposes, considered an “employee,” ineligible for the national service award they have earned. In particular:

- The ASN terms and conditions and annual Notice of Funding Opportunity (“NOFO”) acknowledge that AmeriCorps member living allowances are taxable income under federal law, necessitating IRS Form W-2s for each. *See, e.g.*, 2022 Terms and Conditions for AmeriCorps State and National Grants, Section VI(C)(3), available at <https://americorps.gov/sites/default/files/document/2022ASNProgram508TC.pdf>. In this regard, the NCSA specifically provides: “[t]o the extent a national service program that receives assistance under section 12571 of this title is subject, with respect to the participants in the program, to the taxes imposed on an employer under sections 3111 and 3301 of Title 26 [the Internal Revenue Code] and taxes imposed on an employer under a workmen’s compensation act, the assistance provided to the program under section 12571 of this title may be used to pay the taxes described in this subsection.” 42 U.S.C. § 12594(b).
- The ASN terms and conditions acknowledges that State Unemployment Tax Act (“SUTA”) taxes and workers compensation coverage may be required in certain states on the basis that, under state law, an AmeriCorps member may be considered an employee. *See* 2022 ASN T&C, Section III(C)(4), (5).
- By comparison to the provision of the NCSA upon which the auditors focused, 42 U.S.C. § 12631(a) provides that, for purposes of the Family and Medical Leave Act, under certain circumstances, “the [AmeriCorps] participant shall be considered to be an eligible employee of the service sponsor.” *See also* 45 C.F.R. § 2540.220.
- The NCSA and AmeriCorps regulations specifically contemplate a form of national service position commonly described as “professional service corps,” which clearly involves placement of AmeriCorps participants in positions in which they are “employed” by their sponsor organizations. *See* 42 U.S.C. § 12572(c)(1)(D) (describing professional service corps positions for which a “salary” is paid, so long as paid by the participant’s “employer” and not paid with AmeriCorps funds.). *See also* 45 C.F.R. 2522.110(a)(3)(i) and (ii). Yet, nothing in the NCSA or AmeriCorps regulations specifically disclaims applicability of the general “participant” definition for professional service corps members.

Simply put, AmeriCorps members are not *de facto* prohibited from being employees in all cases. Rather, the language in the participant definition merely establishes that a participant relationship shall not be considered as, in and of itself, creating an employment relationship, notwithstanding

the fact of the living allowance and member benefits required for full-time members and authorized for less-than-full-time members.

SJCC is notably located in California, a state with generally broad concepts of who may constitute an “employee.”

Consistently, the AmeriCorps California NOFO for ASN program awards passed through the state expressly confirms that members are treated as employees for purposes of California workers compensation. *See* AmeriCorps California ASN NOFO at <https://www.californiavolunteers.ca.gov/wp-content/uploads/sites/116/2022/09/2023-Application-Instructions-FINAL-1.pdf>

Payment of Hourly Wages to SJCC Corps Members

All SJCC corps members are AmeriCorps members. SJCC reports that although its corps members are paid hourly, it considered the work of corps members to be toward effectuating a program – and not a job – because corps members were gaining skills and participating in development activities. According to SJCC, its corps members were held to different standards than SJCC staff members (written in a separate handbook from the Staff Handbook) and wore different uniforms so they could be distinguished as trainees. A description of SJCC participation is provided as **Reference I**.

We recognize that, pursuant to 45 C.F.R. § 2522.245, “a living allowance is not a wage.” We also recognize that it is not typical for AmeriCorps participants to be paid any wage. However, we are not aware of any express program prohibition against payment of a wage with funds that are neither ASN Program grant funds nor funds counted toward ASN Program cost share.

Professional service corps members again provide a useful example. They are specifically recognized as a category of AmeriCorps member that is expected to be paid a salary by an “employer,” often in the role of a teacher, nurse, police officer, or other professional, providing service to meet educational, public safety, human, or environmental needs. *See* 42 U.S.C. § 12572(c)(1)(D); 45 C.F.R. § 2522.110(a)(3).

Similarly, we recognize that 45 C.F.R. § 2522.245 typically prohibits the distribution of a living allowance on an hourly basis. However, it is our understanding from AmeriCorps experience that waivers are possible—and have in fact been granted in the past by the AmeriCorps Agency—to enable programs to adopt an hourly payment model.

SJCC Program Discrepancies

In reviewing the matter addressed in the draft report, we concur that SJCC’s program does contain two potential discrepancies. First, in accordance with 42 C.F.R. § 2522.245, SJCC should not have made hourly payments to its participants without first obtaining a waiver from the AmeriCorps Agency to do so. Second, having enrolled entirely half-time, reduced half-time, and quarter-time members, it appears that some of the payments made to SJCC members

exceeded the maximum living allowance amounts permitted under applicable program year NOFOs.

Although the amounts paid to participants were neither charged to AmeriCorps funds nor counted as match, since the program model is inconsistent with at least the spirit of the ASN program regulations, it is our intention to address the matter prospectively with SJCC.

SJCC Website Statement Regarding YouthBuild

Though seemingly tangential to the main concerns raised by the auditors in the draft report, the auditors also assert that “SJCC’s website currently states that they no longer have a YouthBuild program . . . [yet] . . . continue to receive AmeriCorps funding.”

SJCC had been the recipient of multiple Housing and Urban Development (HUD) YouthBuild grants between 1997 and 2004 and was the recipient of only one Department of Labor (DOL) YouthBuild grant from 2008 to 2011 that supported the core implementation of the YouthBuild program model under these two federal agencies. Since 1999, SJCC has been a YouthBuild USA program affiliate member, which allows programs to continue the implementation of the YouthBuild program model during lapses or the discontinued application for federal funding, or through the support of state, local or private resources. Since 2010, the only federal grant SJCC has continued to receive specific to its YouthBuild program operations has been from AmeriCorps, as a subrecipient of ASN funding from YouthBuild USA’s National Direct grant. The statement on SJCC’s website is in reference to the program no longer being a federal DOL YouthBuild grantee program.

SJCC acknowledges that the statement on its website could be misinterpreted to mean that it is no longer a YouthBuild USA program subrecipient, but that was not its intent. The website has since been revised. SJCC has implemented YouthBuild’s core comprehensive program model since 1997, with federal sources, first from HUD and DOL, and now from AmeriCorps with other state and local public sources.

Auditors Proposed Remedy is in Error

The auditors have proposed a draconian and unwarranted remedy to a relatively minor program model problem, namely disallowing all costs of SJCC’s AmeriCorps program for all years reviewed, totaling \$2,125,096 in federal award funds. The auditors seem to assert this remedy is appropriate because SJCC “lack[ed] AmeriCorps members.”

SJCC most certainly had AmeriCorps members. An “AmeriCorps participant” is “any individual who is service in . . . [a]n AmeriCorps program . . . [a]n approved AmeriCorps position[,] or . . . [b]oth.” An “approved AmeriCorps position” is “an AmeriCorps position for which the [AmeriCorps Agency] has approved the provision of an AmeriCorps educational award as one of the benefits to be provided for successful service in the position.” 45 C.F.R. § 2510.20. An individual earns an AmeriCorps education award by successfully completing their term of service in a national service position for which they meet the eligibility requirements. 45 C.F.R. § 2526.10. SJCC’s program enrolled members that met all the above standards.

As discussed above, the only possible discrepancies in SJCC's program model were (i) hourly payments to members without an advance waiver, and (ii) some participants receiving payments above the maximum living allowance for their position type. Although important to address, these errors do not render SJCC's entire program ineligible for assistance. Rather, the most stringent remedy appropriate to the circumstances would be to disallow any amounts charged to grant funds or match that either (i) were paid hourly to participants without prior approval of the AmeriCorps Agency, or (ii) exceeded the living allowance maximum for a particular participant. As SJCC charged none of the amounts at issue to either AmeriCorps funds or match, no disallowance is presently warranted.

Beyond cost-based remedies, YouthBuild USA will address the fact that SJCC's program model is questionable within the context of ambiguity inherent in the NCSA and AmeriCorps regulations and will coordinate between SJCC and the AmeriCorps Agency the matter of SJCC's hourly payments to members using non-AmeriCorps and non-AmeriCorps cost share funds.

Finding 4: YouthBuild USA Did Not Adequately Monitor Subgrantee Financial and Policy Compliance

This draft finding entails a number of specific allegations of noncompliance by subrecipient programs leading to questioned costs of approximately \$50,000 and questioned match of approximately \$130,000.

As a preliminary matter, we want to emphasize that YouthBuild USA has a robust subrecipient program monitoring framework for the approximately sixty subrecipient programs it oversees at any given time, consisting of detailed monthly reimbursement reviews for each subrecipient program that include the review of AmeriCorps general ledgers and support documentation. Under the awards audited, the five programs reviewed represent \$6,147,218 in total grant funds and \$6,018,600 in total match costs. In this context, we believe our subrecipient oversight measures have performed reasonably well, and we appreciate that the draft audit report relays key aspects of the detailed procedures YouthBuild USA employs.

We also address each asserted issue in the draft report more specifically briefly below. For clarity, we have tied each comment to the recommendation number from the draft report.

Staff Timekeeping at Crispus Attucks Charter School (CACS) – Draft Recommendation #12

A review of grant records has led YouthBuild USA and Crispus Attucks Charter School (CACS) to agree with the staff timekeeping errors at CACS for the noted period in question. Upon conclusion of this audit, we will work with CACS on repayment of the \$1,590 questioned.

Match Cost Reporting at Crispus Attucks Charter School (CACS) – Draft Recommendation #13

YouthBuild USA agrees that Department of Labor (DOL) funds were incorrectly reported for the noted period in question. While CACS has sufficient matching sources, CACS made an administrative error by inadvertently identifying the wrong funding source in its reimbursement requests. CACS previously implemented corrective action by transitioning the preparation of all AmeriCorps reimbursement requests to its Business Manager to ensure the correct funding source is being applied, which is then reviewed by CACS's CFO before submission to YouthBuild USA. This procedure provides additional internal controls to strengthen reporting, including the correct reporting of match sources.

In addition to heightening the focus on CACS's reimbursement requests, the corrective action implemented by YouthBuild USA includes a review of all subgrantees' match reports to verify that no additional instances of DOL funds are incorrectly being reported as match for AmeriCorps. New additional internal controls specific to the use of DOL grant funds will be incorporated into YouthBuild USA's match monitoring as well as grant close-out procedures for subgrantees.

Member Living Allowance Payments at Philadelphia Youth for Change Charter School (PYCCS) – Draft Recommendation #14, Part 1

YouthBuild USA respectfully disagrees with the auditors' findings related to ineligible living allowance payments for the three full-time members.

The draft report states that PYCCS continued to pay three full-time members a living allowance after the last day of each member's recording of hours on their respective timesheets and up to the date they exited the AmeriCorps program. These living allowance payments were charged to the ASN grant, totaling \$2,702. In a review of grant documentation provided for the 11 full-time members selected in the audit sample, there were three full-time members whose last recording of service hours per their timesheets occurred before the members' exit dates.

They are as follows:

Member NSPID	Member Exit Date	Member Last Recorded Hours	Payroll Period
██████████	8/3/2018	8/1/2018	7/22/2018-8/4/2018
██████████	7/31/2019	7/26/2019	7/21/2019-8/3/2019
██████████	8/21/2018	8/17/2018	8/19/2018-9/1/2018

Per 45 CFR § 2522.245, "Programs must distribute the living allowance at regular intervals and in regular increments. . . . Living allowance payments may only be made to a participant during the participant's term of service and must cease when the participant concludes the term of service."

The member's exit date, not the member's last recorded hours, is what informs the cut-off date to distribute the final increment of the living allowance within the final pay period. This practice is

in line with AmeriCorps' guidance for situations where a member exits within a month or payroll period. This AmeriCorps guidance, "AmeriCorps' Living Allowance Schedule, FAQ – Distribution of the AmeriCorps Living Allowance," is provided as **Reference J**.

Additionally, records previously provided, and which will be further provided with this comment letter as **Reference K**, include PYCCS Member Payment Re-conciliation File; Members' AmeriCorps Service Agreements; Members' Payroll Registers; Members' W2s; and Members' final timesheets.

In sum, we believe the members were properly provided living allowances through their exit dates, and the auditors are mistaken in their suggestion that the living allowances should have ceased on the last day of recorded service hours.

Member Exit Procedures at Philadelphia Youth for Change Charter School (PYCCS) – Draft Recommendation #14, Part 2

YouthBuild USA also respectfully disagrees with the auditors' assertion that exit procedures documenting satisfactory service were inadequate. Member exit procedures facilitated through the AmeriCorps Member eGrants system demonstrate that PYCCS' member exit process and YouthBuild USA's monitoring procedures sufficiently meet AmeriCorps exit requirements under 45 CFR § 2522.220.

YouthBuild USA's monitoring of subgrantee's compliance with AmeriCorps member exit requirements under 45 CFR § 2522.220 utilizes the information technology controls built into AmeriCorps' eGrants member database, which are used, among other things, to certify whether a member performed satisfactorily during their service term. As part of the member exit process, a program official must answer the following question in eGrants: *Did the member perform satisfactorily (complete all assignments, tasks, and projects)? Yes or No*. A copy of this question as viewed in eGrants, along with an example of a completed exit form as viewed in eGrants, is provided as **Reference L**.

If a program official responds "no," certifying that a member did not perform satisfactorily, the eGrants system by default will prevent the enrollment of the same individual into a subsequent AmeriCorps term. If a program official responds "yes," certifying that a member did perform satisfactorily, the eGrants system by default will allow the enrollment of the same individual into a subsequent AmeriCorps term. This systemic information technology control has been integral to ensuring that AmeriCorps members who serve subsequent service terms across other AmeriCorps programs comply with exit requirements under 45 CFR § 2522.220. YouthBuild USA reasonably relies on this effective control to ensure its subgrantee programs comply with exit requirements under 45 CFR § 2522.220.

Additionally, member exit form records are retained by the National Service Trust. These records from the eGrants system demonstrating that a member satisfactorily performed their service term are accessible by the program's eGrants administrator for revision, up to the point until the member has accessed their education award from the National Service Trust. Once the education award has been accessed by the member, the eGrants system prevents further revision

to the exit form and no longer makes it available, stating: *The member either has made payments already made or are scheduled to be made. Please contact the National Service Trust Office. A sample copy of this statement as viewed in eGrants is also included as part of Reference J.*

Attempts by YouthBuild USA through AmeriCorps officials (eGrants Help Desk, AmeriCorps Portfolio Manager, National Service Trust) to secure the exit forms of the two PYCCS full-time members identified by the auditors have been unsuccessful. However, YouthBuild USA has been able to obtain the email confirmation regarding the functionality of eGrants as the system of record for member decisions from its AmeriCorps Portfolio Manager, stating:

“When a member finishes their term of service, the exit form needs to be completed in its entirety and the option to submit that the member either satisfactorily or unsatisfactorily completed their term of service. If the member completed their term of service satisfactorily, they will be able to enroll in another term of service, provided they haven’t hit the term limit for their lifetime. If the member completed their term of service unsatisfactorily, they will not be able to enroll in another term of service. This is a system failsafe so that a member cannot move from grantee to grantee and utilize education dollars they are not entitled to.”

A copy of the email is provided as **Reference M**.

The above said, YouthBuild USA does concur that PYCCS did not strictly follow YouthBuild USA’s record retention policy to keep their supplemental member reviews. Although that failure did not lead to noncompliance overall with AmeriCorps requirements, as a corrective action step, YouthBuild USA will update its monitoring and review procedures to ensure programs are properly and consistently following record retention requirements.

Member Living Allowance Payments and Match Cost Reporting at Change Inc. – Draft Recommendation #15

Upon a review of grant records, YouthBuild USA agrees with auditors’ assertion in the draft report that Change Inc. continued to pay two half-time members a living allowance, charged to the AmeriCorps grant, after the last day they were exited from the AmeriCorps program.

YouthBuild USA also agrees that staff personnel time and attendance records that resulted in \$8,242 in questioned match costs did not contain details on how the time was allocated and charged between different grant programs. The error was in part a result of Change Inc.’s change in practice from a paper-based system in 2017 to two different cloud-based Human Resources Information Systems in 2018-19 and 2020 which led to the error during the noted period. In any case, upon conclusion of this audit, YouthBuild USA will work with Change Inc. to accomplish repayment of the \$8,242 in questioned costs and will conduct a further review of Change Inc.’s current allocation processes.

Allowability, Allocability, and Reasonability of Change Inc.’s Match Costs – Draft Recommendation #16

The auditors seem to assert that Change Inc. (i) recorded certain occupancy expenses under a state "Adult Basic Education" (ABE) cost center at a flat rate of fifteen percent (15%) of the value of a separate ABE grant that funds support expenses in that cost center, then (ii) counted that amount as cost share under its ASN award. Although YouthBuild USA and Change Inc. do not fully follow the asserted discrepancy, to the extent that the draft finding states that the resulting match did not represent allowable and allocable costs, we anticipate that Change Inc. will be able to provide adequate supporting documentation in the course of the audit resolution process.

Nonetheless, it does appear that Change Inc.'s historical cost allocation approach is not well-suited to the current size and complexity of its operations. YouthBuild USA intends to further coordinate with Change Inc. regarding an updated approach. We look forward to resolving any remaining confusion in the process of audit resolution.

Finding 5: YouthBuild's Member Training Policy Did Not Comply with Federal Regulations

YouthBuild USA acknowledges that 45 C.F.R. § 2520.50 states the twenty percent (20%) education and training time limitation as an aggregate limitation across an entire program, but that YouthBuild USA has applied the 20% education and training cap at the individual member level. With members in different service categories and entering and leaving service at different times, YouthBuild USA had found that applying the cap at the individual member level was an effective control to avoid breaching the aggregate cap.

The above said, YouthBuild USA will update its member timekeeping policies to apply the cap as an aggregate value and will create a plan to verify that all subgrantee policies align with this aggregate approach.

Conclusion

YouthBuild USA greatly values its partnership with AmeriCorps and is dedicated to a high level of performance in all aspects of program management and grant compliance. We are happy to provide any additional information that may be required and look forward to the next steps in the audit and audit resolution processes. The undersigned is YouthBuild USA's primary point of contact for this matter and may be reached any time at mfisher@youthbuild.org and (617) 741-1226.

Sincerely,



Matthew Fisher

Vice President, AmeriCorps
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cc:

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