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**Site Visit Monitoring Activity  
Instructions**

1. Separate into small groups of 3 to 5 people (depends on the number of participants).
2. Each group will be assigned a scenario of some things that might be seen during an on-site visit.
3. After reading the scenario, each group should take about 10 minutes to discuss and make notes on the answers to these questions:
  - A. Does the initial risk-level assessment appear appropriate? Why or why not?
  - B. What issues, if any, do you see?
  - C. What actions, if any, should be taken? By whom?
4. Each group should select a spokesperson to briefly describe the scenario and explain to all participants how the group answered the questions (3-5 minutes per group).

Then others may raise questions or comments in a general discussion.

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**Scenario 1 – Financial System and Policies**

Helping You Help Yourself (HYHY) is a new non-profit organization, established in May 2011, and formed to help children and young adults become more self-sufficient and self-reliant. It has never received Federal funds. During a recent pre-award site visit, and prior to the issuance of a subaward in the amount of \$600,000, you reviewed the organization’s written financial policies and procedures.

Prior to the site visit HYHY was considered a low-risk organization since the Program Director had an outstanding record of managing many CNCS grant awards at a state commission before establishing and becoming President and CFO of this new non-profit.

Here is what you found while reviewing the policies and procedures.

- A purchasing and procurement manual exists and requires that competitive proposals or bids be obtained for purchases of more than \$20,000.
- “Operating Costs” is the only category of expenses shown in the Chart of Accounts.
- All 3 employees sign standard computer generated timesheets that show 8 hours a day for each day and the amount of sick and vacation leave earned.
- The record retention policy states that its payroll records will be maintained for 2 years.
- The accounting system does not identify expenditures by various line items or segregate costs by year.

**Possible Issues Identified**

Risk: No, it is not low-risk. As a new non-profit, that has never had Federal grants funds, and these types of issues it should be medium to high risk.

- Organization’s risk level should not be based on an individual
- Competitive procurement bid threshold too high for a small, new non-profit, should be about \$2,500 or less
- Chart of accounts should have numerous income and expense categories for detailed identification purposes that match the approved budget
- Automated timesheet could be issue if it is “pre-filled” and no way for employee to adjust or allocate time based on actual after-the-fact activities, especially if the employee works on more than one Federally funded grant
- CNCS requires that records be maintained at least 3 years after the grant has been closed, or if there is an audit then after the final audit resolution is completed
- Recording expenditures by budget line item and by program year is required

Actions to take: Consider taking training classes on managing Federal grants; staff should familiarize themselves with Federal grant circulars; accounting staff could meet with other non-profits that manage Federal grants to glean ideas of compliance

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**Scenario 2 – Member Records**

The local chapter of the national *Getting Things Done* organization is a non-profit subgrantee located in the rural outreaches of Mayberry. It is starting its first program year and has placed 6 members serving at 6 sites, including the local school and a boys and girls home. During the initial site visit you asked to review 4 of the 6 member files.

Since this is a small grant to a local chapter of a large national non-profit that has had many CNCS grant awards over the last 10 years with few issues or problems, this organization is considered low-risk.

Here is what you found:

- Citizenship eligibility was typically determined by matching driver's licenses that have photos with social security cards.
- Because there is little or no crime in Mayberry, the Sheriff is on the Board, and everyone knows everyone, no criminal background checks were considered necessary or done.
- One file contained a member agreement which had not been signed, but the application had been signed. Both the member agreement and position description gave a reference to prohibited activities by members.
- Two member files contained timesheets that were only signed by the member. In two other instances there were erasures and/or changes in handwriting.
- One file contained the member's timesheets showing the member's full-time employment with the subgrantee.
- Mayberry showed you its neat system of tracking and paying member allowances by dividing the weekly allowance by the number of hours served.

**Possible Issues Identified**

Risk: No, it is not low-risk. As a new non-profit, that has never had Federal grants funds, and these types of issues it should be medium to high risk.

- Local organization's risk level is not determined by the national organization's risk level
- Citizenship eligibility needs to meet CNCS requirements
- Criminal History Check (CHC) is required for all members and staff funded/paid by grant (match or Federal funds)
- Agreement must also be signed before serve starts, prohibited activities must be listed
- Timesheets should be signed by member AND site supervisor; erasures/changes are not desirable and should be initialed, dated, and verified
- Members cannot be employees
- Stipends/living allowances must not be paid based on hours worked

Actions to take: Staff should familiarize themselves with AmeriCorps regulations and grant provisions; program staff could meet with other programs that manage AmeriCorps grants to glean ideas of compliance, maybe even do a "peer review"

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### Scenario 3 – Financial Reports and Payments

Mary Jefferson is a small women’s college and state institution of higher-education operating under the state-wide college system.

In October 2010 it received its initial subgrant under a CNCS program grant. It has previously received Federal grants and contracts. As an established state educational institution it is considered a low-risk organization. In early 2012 you conduct the first site visit to Mary Jefferson.

During the course of the review you learn:

- Mary Jefferson does not prepare and submit financial reports.
- Financial reports are prepared and submitted by the central system’s office.
- The Program Director proudly showed you that she prepares monthly financial statements for the system office that show expenditures of exactly 1/12<sup>th</sup> of the annual budget and thus the program is right on target.
- No requests for payment or reimbursement requests have been made under the subgrant since December 2010.

#### Possible Issues Identified

Risk: No, it is not low-risk. Based on these issues, it appears they have poor internal controls. With these types of issues it should be medium to high risk.

- An organization’s risk level is not determined by its affiliation with a larger system/organization
- The location of who prepares or submits reports is not in itself an issue, as long as the reports are based on supporting documents of actual expenses and income
- Records, reports and requests for payment must be based on actual after-the-fact expenditures, not on budgets, so 1/12<sup>th</sup> is not correct
- It is a red flag because no payment requests have been made for over a year; there is no way to know actual expenditures or status of grant or grant funds, or incorrect method of reporting expenditures

Actions to take: Consider taking training classes on managing Federal grants; staff should familiarize themselves with Federal grant circulars; accounting staff could meet with other non-profits that manage Federal grants to glean ideas of compliance

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### Scenario 4 – Documentation and Records

The Peoples Club of America (PCA) is a national non-profit with separate, independent chapters in every state. PCA receives millions of Federal dollars a year from various Federal departments and agencies and has exemplary financial, accounting, and administrative systems and policies. It receives an annual A-133 audit and no questionable issues or findings have been raised since 1976. It is in its 10<sup>th</sup> year of receiving funds from the CNCS under various programs. It is considered a low-risk organization.

During a recent site visit to the state chapter that is your state commission's subgrantee and that places members at various sites, you reviewed various records and documentation and noticed the following:

- You did not find any documentation to support the expenses that had been reported and were told that this was not necessary since a local chapter was keeping all cost records.
- No records or documentation of match were found, but you were told that the national organization said it was matching on all CNCS grant program awards.
- Timesheets for site supervisors were not available because these supervisors were too busy with their responsibilities and either didn't know or have time to prepare them.
- Two training consultants had been retained to provide a 1-day training and were paid \$1,200 each for the training but the contractual arrangement and basis for payment could not be found.
- The state chapter said it did not need or have to have an annual A-133 audit since the national organization had one, and besides, last year they expended only \$600,000 in Federal direct and indirect funding.

#### Possible Issues Identified

Risk: No, it is not low-risk. Based on these issues, it appears they have poor internal controls. With these types of issues it should be medium to high risk.

- Risk level of national organization does not determine risk level of local grantee organization
- Documentation to support invoices or requests for payment is required, without support match would be disallowed
- Documentation to support match is required, without them match would be disallowed
- Timesheets by site supervisors are needed to support local match, or would be disallowed
- Consultant daily rate is likely exceeded; written agreement required; basis for payment required, e.g., bill, invoice, describing services, deliverables, results
- A-133 audit is required if \$500,000 or more of Federal funds were expended in fiscal year

Actions to take: Consider taking training classes on managing Federal grants; staff should familiarize themselves with Federal grant circulars; accounting staff could meet with other non-profits that manage Federal grants to glean ideas of compliance