



January 14, 2016

TO: William Basl
Director, AmeriCorps*State and National

Dana Bourne
Chief Grants Officer

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

SUBJECT: OIG Report 16-07, *Audit of Corporation for National and Community Service Grants Awarded to Reading Partners (RP)*

Attached is the final report for the above-noted engagement. This audit was conducted in accordance with auditing standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this report is due by July 14, 2016. Notice of final action is due by January 13, 2017.

If you have questions pertaining to this report, please contact me at S.Axenfeld@cncsoig.gov , (202) 606-9360, or Rick Samson, Audit Manager, at R.Samson@cncsoig.gov, (202) 606-9380.

Attachment

cc: Michael Lombardo, RP, Chief Executive Officer
Mike Barr, RP, Chief Financial Officer
Valrie Sanders, RP, Assistant Controller
Kristarae Flores, RP, Project Director
Jeffrey Page, Acting Chief Financial Officer
Rhonda Honegger, Senior Grants Officer

Office of Inspector General Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO READING PARTNERS

OIG REPORT 16-07



Prepared by:
Office of Inspector General
1201 New York Ave., NW
Washington, DC 20525
(202) 606-9390

This report was issued to Corporation management on January 14, 2016. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than July 14, 2016 and complete its corrective actions by January 13, 2017. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

OFFICE OF INSPECTOR GENERAL
AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO READING PARTNER

TABLE OF CONTENTS

Executive Summary	1
Consolidated Schedule of Claimed and Questioned Costs	1
Findings	2
Audit Objectives, Scope, and Methodology	9
Background.....	10
Exit Conference	10

Appendices

Appendix A – Schedule of Questioned Costs – 11NDHCA003
Appendix B – Schedule of Questioned Costs – 12ACHCA0010005
Appendix C – Schedule of Questioned Costs – 11NDHCA003
Appendix D – Reading Partners Response to Draft Report
Appendix E – Corporation for National and Community Service Response to Draft Report

EXECUTIVE SUMMARY

Reading Partners (RP) received grants totaling approximately \$9 million from the Corporation for National and Community Service (Corporation) for its five AmeriCorps state commission (subgrants), one national direct, two Social Innovation (SIF) subgrants, three VISTA grants and two fixed price grants, between April 2012 and March 2015. The Office of Inspector General (OIG) audited the costs incurred by Reading Partners during this period and as a result we questioned Federal costs of \$14,495. The questioned costs are the result of non-compliance with background check requirements for one staff person and lack of citizenship documentation for one AmeriCorps member. We also determined that the grantee has inadequate support of classroom space that is claimed as in-kind match cost. We did not question the match cost because RP has sufficient match cost to meet the grant requirements without the classroom match costs.

To address these findings, we recommend that the Corporation disallow and recover the questioned costs. To improve compliance, we also recommend that Reading Partners: (1) develop and implement procedures to ensure that required background checks are conducted for its AmeriCorps staff in a timely manner; and (2) familiarize staff with the grant agreement terms and applicable laws and regulations. With the exception of our findings, Reading Partners Corporation grants were expended in accordance with grant terms and provisions.

The audit procedures were conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The following table summarizes RP's grant awards, the costs claimed, and the questioned costs identified by the audit. The Awarded column represents the Corporation amounts awarded at the start of the grant through March 31, 2015. The Claimed column represents costs claimed during our audit period of April 1, 2012 through March 31, 2015.

Consolidated Schedule of Claimed and Questioned Costs				
	Federal Cost			
Grant No.	Awarded	Claimed	Questioned Federal Cost	Appendix
VISTA				
11VSPCA016	\$ -	\$ -	\$ -	
12VSANY018	\$ -	\$ -	\$ -	
12VSWTX009	\$ -	\$ -	\$ -	
AmeriCorps State				
12ACHDC0010001	\$ 404,320	\$ 398,097	\$ 1,323	A
12ACHCA0010005	\$ 2,493,701	\$ 2,441,309	\$ 3,680	B
12ACHMD0010003	\$ 252,699	\$ 220,311	\$ -	
12ACHNY0010011	\$ 505,400	\$ 505,400	\$ -	
06AFHTX001002	\$ 41,301	\$ 34,162	\$ -	
AmeriCorps EAP				
14EDHCA002	\$ 846,545	N/A	\$ -	
AmeriCorps EAS				
10ESHTX001002	\$ 741,000	N/A	\$ -	
AmeriCorps National Direct				
11NDHCA003	\$ 1,010,800	\$ 979,352	\$ 9,492	C
Social Innovation Fund				
11SIHCO001	\$ 919,997	\$ 731,772	\$ -	
10SIHNY003	\$ 1,750,000	\$ 750,000	\$ -	
Total	\$ 8,965,763	\$ 6,060,403	\$ 14,495	

The three VISTA grants above do not include any Federal dollars awarded to the grantee because the living allowances and fringe benefits are paid by the Corporation directly to the VISTA members.

The AmeriCorps EAP and EAS are fixed amount grants. These grants have no claimed costs; the grantee is paid a fixed-fee for each member serving in the program.

FINDINGS

Our audit uncovered violations of applicable grant terms, rules, and regulations, which resulted in questioned costs and overcharges. Our findings fall into four categories:

- Finding No. 1 – Required citizenship Information was not documented for an AmeriCorps member.

- Finding No. 2 - Required background check was not conducted before an employee who began working and charging time to the grants.
- Finding No. 3 - Direct costs questioned in the audit result in unallowable indirect costs.
- Finding No. 4 – Inadequate support provided for in-kind match.

We discuss the findings in turn, highlighting the questioned costs¹ associated with each finding.

Finding No. 1 – Required citizenship information was not documented for an AmeriCorps member

Grantees are required to verify if a member is a U.S Citizen, national or a lawful permanent resident prior to the beginning of service. Reading Partners did not verify the citizenship or permanent resident status of one of its AmeriCorps members. According to RP officials, the member was asked for citizenship documentation at the beginning of her service but the member did not provide the document and subsequently exited the program early, after serving for approximately one month. Thus, RP did not obtain the necessary documentation during or after her departure. Therefore, we question the living allowance payments and fringe benefits. Federal cost questioned is \$1,257, charged to the AmeriCorps State grant 12ACHDC0010001. Approximately 504 members served during the scope period of our audit and we reviewed 35 member files that were enrolled during this period.

Criteria

45 C.F.R. § 2522.200 *what are the eligibility requirements for an AmeriCorps participant?*

* * *

(3) Be a citizen, national, or lawful permanent resident alien of the United States;

* * *

(c) *Primary documentation of status as a U.S. citizen or national.* The following are acceptable forms of certifying status as a U.S. citizen or national:

(1) A birth certificate showing that the individual was born in one of the 50 states, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands;

(2) A United States passport;

(3) A report of birth abroad of a U.S. Citizen (FS-240) issued by the State Department;

¹ A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that at the time of testing, such costs were not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

- (4) A certificate of birth-foreign service (FS 545) issued by the State Department;
- (5) A certification of report of birth (DS-1350) issued by the State Department;
- (6) A certificate of naturalization (Form N-550 or N-570) issued by the Immigration and Naturalization Service; or
- (7) A certificate of citizenship (Form N-560 or N-561) issued by the Immigration and Naturalization Service.
- (d) *Primary documentation of status as a lawful permanent resident alien of the United States.* The following are acceptable forms of certifying status as a lawful permanent resident alien of the United States:
 - (1) Permanent Resident Card, INS Form I-551;
 - (2) Alien Registration Receipt Card, INS Form I-551;
 - (3) A passport indicating that the INS has approved it as temporary evidence of lawful admission for permanent residence; or
 - (4) A Departure Record (INS Form I- 94) indicating that the INS has approved it as temporary evidence of lawful admission for permanent residence.
- (e) Secondary documentation of citizenship or immigration status. If primary documentation is not available, the program must obtain written approval from the Corporation that other documentation is sufficient to demonstrate the individual's status as a U.S. citizen, U.S. national, or lawful permanent resident alien.

Recommendations:

We recommend that the Corporation:

- 1a. Disallow and recover the questioned Federal costs totaling \$1,257; and
- 1b. Ensure that Reading Partners staff is properly trained in the documentation and verification of citizenship status for AmeriCorps members.

Reading Partner's Response:

RP official's agreed with the finding and have added staff that are responsible for monitoring member files, including citizenship documents. Additionally, a new database of staff and member documents was implemented to improve the accuracy and timeliness of recordkeeping.

Corporation's Response:

The Corporation official's will work with RP to ensure that member citizenship requirements are met in a timely manner.

Auditors' Comment:

RP's corrective actions were responsive to the recommendations. During audit resolution, the Corporation should ensure the member citizenship procedures are in place, followed and meet the grant requirements.

Finding No. 2 – Required background check was not conducted before an employee who began working and charging time to the grants

Reading Partners was unable to demonstrate that it conducted the required background checks for its staff members in a timely manner. One of the ten staff files we reviewed showed that the National Sex Offender Public Website (NSOPW) check was conducted five months after the beginning of their employment with Reading Partners.

Applicable rules and regulations expressly require not only that the checks be performed in a timely manner but also that the grantee maintains the original documentation of the results. We questioned costs for salaries and fringe benefits associated with the staff employee for the five-month period. See the table below for the questioned Federal cost.

Grant No.	Federal Cost
12ACHCA0010005	\$3,496
11NDHCA003	9,018
Total	\$12,514

Criteria

45 CFR §2540.201, *To whom must I apply the National Service Criminal History Check eligibility?*, states.

You must apply the National Service Criminal History Check eligibility criteria to individuals serving in covered positions. A covered position is a position in which the individual receives an education award or a Corporation grant-funded living allowance, stipend, or salary.

45 CFR §2540.204, *When must I conduct a National Service Criminal History Check on an individual in a covered position?*, states:

- (a) *Timing of the National Service Criminal History Check Components.* (1) You must conduct and review the results of the nationwide NSOPW check required under § 2540.203 before an individual in a covered position begins work or starts service. (2) You must initiate state registry or FBI criminal history checks required under § 2540.203 before an individual in a covered position begins work or starts service. You may permit an individual in a covered position to begin work or start service pending the receipt of results from state registry or FBI criminal history checks as long as the individual is not permitted access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities, without being in the physical presence of an appropriate individual, as described in § 2540.205(g) of this chapter.

45 CFR §2540.206, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

- (a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and
- (b) Maintain the results, or a results summary issued by a State or Federal government body, of the NSOPW check and the other components of each National Service Criminal History Check, unless precluded from doing so by State or Federal law or regulation. You must also document in writing that an authorized grantee representative considered the results of the National Service Criminal History Check in selecting the individual.

Recommendations:

We recommend that the Corporation:

- 2a. Disallow and recover the questioned costs totaling \$12,514 and
- 2b. Ensure that Reading Partners staff participates in training in the performance and documentation of background checks.

Reading Partner's Response:

RP official's agreed with the finding and are certain the background check was completed as required, but were not able to produce the documentation. Additions to the Human Resource staff were made to oversee the background check process, including monitoring the member files and training local managers on regulations and file compliance.

Corporation's Response:

Corporation officials said they will work with RP's to ensure the criminal history checks are conducted as required.

Auditors' Comment:

RP's corrective actions were responsive to the recommendations. During resolution the Corporation should disallow and recover the questioned cost.

Finding No. 3 – Direct costs questioned in the audit result in unallowable indirect costs

Reading Partners applies its approved indirect cost rate to direct costs charged to all its grants. Thus, having questioned certain direct costs in connection with Findings 1 and 2, we are likewise questioning the related indirect costs, Federal costs of \$724.

RP has a Negotiated Indirect Cost Agreement with the Program Support Center of the Department of the Health and Human Services. RP's final negotiated rate for that period was 14.70 percent. All of the questioned cost occurred during the period of July 1, 2013 through June 30, 2015.

The Federal indirect cost was charged at the 5.26 percent of the Federal direct cost. The remaining indirect cost was charged to match. The grantees' method for splitting the indirect cost between Federal and match share is also described in the grant budgets and is the same for each of the three grants. Based on RP's charging methodology, we calculated the indirect questioned costs for each grant as follows:

	Federal Cost	Indirect	Indirect Cost
<u>Grant No.</u>	<u>Questioned</u>	<u>Rate</u>	<u>Questioned</u>
12ACHDC0010001	\$1,257	5.26%	\$66
12ACHCA0010005	3,496	5.26%	184
11NDHCA003	<u>9,018</u>	5.26%	<u>474</u>
Total	<u>\$13,771</u>		<u>\$724</u>

Recommendation:

3. We recommend that the Corporation disallow and recover the Federal questioned indirect costs totaling \$724.

Reading Partner's Response:

RP official's agreed with the recommendation to disallow and recover the questioned cost.

Corporation's Response:

Corporation official's stated that based on their disallowed cost they will adjust the indirect cost charged to the grants.

Auditors' Comment:

The responses are consistent with our recommendation.

Finding No. 4 – Inadequate support provided for in-kind match

Reading Partners claimed in-kind match costs on its grants for donated classroom space by the schools/school districts where the AmeriCorps members served. However, RP did not provide any documentation to the auditors to demonstrate how the schools calculated the value of the amount claimed for in-kind match cost.

During our fieldwork, we selected a sample of eleven in-kind transactions from the general ledger for testing; nine of the selected items had in-kind space expenses charged to match that were not properly supported. The only supporting documentation provided by RP was a memorandum prepared by each of the schools/school districts that included an estimated value of the classroom space used by RP. The space was used by RP volunteers and members to tutor students in the schools. The memorandum, however, did not include any support for the

estimated values of the space amount claimed, and simply included a dollar amount. In order to properly support the claimed costs, the support should have included the number of classrooms used, the rate by classroom, the method used to calculate the classroom rates, and the time periods the space was used.

In response to the auditors concerns regarding the inadequate documentation, RP provided email support for two of the nine schools in our sample. The emails included the hours the classrooms were used and the classroom hourly rates. However, it did not contain any support to demonstrate how the classroom rates were developed. This missing information is necessary to properly support the in-kind match cost claimed. It's important to note that each school/ school district may calculate the classroom rates differently. We consider this a compliance issue because RP has sufficient match cost to meet the grant requirements without the classroom match costs.

Criteria

45 CFR § 2543.23 Cost sharing or matching.

(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the recipient's records.
- (2) Are not included as contributions for any other federally-assisted project or program.
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- (4) Are allowable under the applicable cost principles.
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- (6) Are provided for in the approved budget when required by the Federal awarding agency.
- (7) Conform to other provisions of this Circular, as applicable.

* * *

(c) Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/ facilities acquisition projects or long term use, the value of the donated property for cost sharing or matching shall be the lesser of:

- (1) The certified value of the remaining life of the property recorded in the recipient's accounting records at the time of donation, or
- (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.

* * *

(h) The value of donated land and buildings shall not exceed its fair market value at the time of donation to the recipient as established by an independent appraiser.

* * *

(5) The following requirements pertain to the recipient's supporting records for in-kind contributions from third parties.

* * *

(ii) The basis for determining the valuation for personal service, material, equipment, buildings and land shall be documented.

Recommendation:

We recommend that the Corporation:

- 4a. Verify that Reading Partners has support for the classroom rate claimed for in-kind match cost.
- 4b. Verify that the grantee instructs its partners on applicable regulation requirements.

Reading Partner's Response:

RP believes that its basis for recording in-kind match passes a "prudent person" test and that this process was deemed sufficient by its external auditors. However, has sufficient match contributions and may discontinue claiming in-kind space as match cost. If RP decides to claim in-kind space cost as part of their matching funds, they will compare the estimates from the school districts to market based data to determine the reasonableness of the amount claimed.

Corporation's Response:

Corporation official's will review the documentation to determine the amount of in-kind space is sufficiently documented, reasonable and allocable to the award.

Auditors' Comment:

Support for the classroom rate should come from the school districts that are providing the in-kind space. During resolution the Corporation should review the estimates and the market based data for adequacy and reasonableness of the claimed match cost.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objectives were to determine whether Corporation-funded Federal assistance provided to Reading Partners was expended in accordance with grant terms and provisions, laws and regulations; and to determine whether the claimed costs are allowable, adequately

supported, and properly charged; and to report upon such compliance issues, controls and questioned costs that may result from performing these audit procedures. The audit covered a three-year period from April 1, 2012 to March 31, 2015.

The audit procedures required us to obtain an understanding of RP and its policies, procedures, and grants. We also reviewed documents at RP's offices related to our audit procedures on member eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements. Our audit procedures included randomly selecting samples to test costs claimed by RP for compliance with its Corporation grant agreements, grant cost circulars issued by the Office of Management and Budget, and other Federal requirements. The questioned costs detailed in this report are based on this limited sample; the total costs questioned might have been higher if we had tested all of the expenditures incurred during the audit period, and we have not projected or estimated the amounts that would have been questioned had all of the claimed costs been tested. We began our audit in April 2015; conducted our on-site fieldwork at the RP offices in Oakland, California, from June 22, 2015, to June 26, 2015; and concluded our audit fieldwork in September 2015.

We conducted this performance audit 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.

BACKGROUND

The Corporation, under the authority of the National Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full and part-time national and community service programs.

The grantee was incorporated as a 501c (3) in 2001 with the name YES Reading, and was renamed as Reading Partners in 2008. RP was created by three community leaders, who recruited a group of volunteers to tutor students at their local elementary school. The organization provides a free literacy intervention services to elementary schools in under-resourced communities. RP collaborates with schools to provide one-on-one literacy tutoring to students who have fallen behind in reading.

Reading Partners is currently managing five AmeriCorps (AC) state commission grants, one National Direct grant, three VISTA grants and two fixed price grants. Approximately 504 AmeriCorps members served during the scope period of our audit. RP also had two social Innovation Fund (SIF) subgrants that do not have members that were awarded by Edna McConnell Clark Foundation and Mile High United Way.

EXIT CONFERENCE

The exit conference was conducted on September 30, 2015. At the exit conference, we presented each of the findings set forth in this report. Reading Partner's response is included in its entirety in Appendix D. The Corporation's response is included in its entirety in Appendix E.

APPENDICES

**READING PARTNERS
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 12ACHDC0010001**

Issues	Federal Costs	Notes
No evidence of citizenship	\$1,257	1
Indirect costs	66	2
Total	\$1,323	

NOTES:

1. Reading Partners did not obtain and document the citizenship document of one AmeriCorps member. This resulted in questioned cost paid to members as living allowance and fringe benefits. (See Finding No. 1)
2. Indirect costs are disallowed because of the direct costs questioned during the audit. (See Finding No. 3)

**READING PARTNERS
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 12ACHCA0010005**

Issues	Federal Costs	Notes
Required background check was not conducted for staff	\$3,496	1
Indirect costs	184	2
Total	\$3,680	

NOTES:

1. Reading Partners did not to conduct critical background checks of its staff in a timely manner. We question the members living allowance and fringe benefits.(See Finding No. 2)
2. Indirect costs are disallowed because of the direct costs questioned during the audit. (See Finding No. 3)

**READING PARTNERS
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 11NDHCA003**

Issues	Federal Costs	Notes
Required background checks were not conducted for Staff	\$9,018	1
Indirect costs	474	2
Total	\$9,492	

NOTES:

1. Reading Partners did not conduct critical background checks of its staff in a timely manner. We question the members living allowance and fringe benefits. (See Finding No. 2)
2. Indirect costs are disallowed because of the direct costs questioned during the audit. (See Finding No. 3)

APPENDIX D

READING PARTNERS RESPONSE TO DRAFT REPORT



January 4, 2016

Stuart Axenfeld
Assistant Inspector General for Audit
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

Dear Stuart,

We are in receipt of your letter dated December 7, 2015 regarding the OIG audit for Reading Partners. We appreciate the opportunity we have had to work with your staff and we look forward to moving towards resolution of the matters noted in your letter. We are deeply appreciative of the support that CNCS and others have provided to us, and are committed to continuing to improve our internal processes and procedures around compliance.

Below is a recap each of the findings and recommendations as well as our responses to each.

Finding No. 1 – Required citizenship Information was not documented for an AmeriCorps member

Response

We agree with this finding. This was an administrative oversight that took place during a time when our Human Resources department was understaffed. By the time this matter came to our attention, the AmeriCorps member was no longer working with us at Reading Partners, and therefore her file was closed with no further action.

- We have added Human Resources and Recruiting staff to act as the owners of this process and implemented new procedures to ensure completion of citizenship verification before members begin service. This includes a system whereby staff review collected materials for accuracy and completeness and citizenship verification documentation is collected as part of the admission process which precedes on-boarding and service.
- We are further improving this process by implementation of a new database that will put more controls in place on employee and member requirements and allow for more timely and accurate record keeping and audits. This system was selected because of our ability to restrict onboarding continuation without completion of required actions such as receipt of background checks, government identification, etc.
- We have an internal document based up on CNCS guidelines which are distributed to all incoming AmeriCorps members detailing which documents are acceptable for citizenship verification. This is revised annually and also distributed to all staff who are involved with AmeriCorps on-boarding.



Finding No. 2 – Required background check was not conducted before an employee who began working and charging time to the grants

Response:

We agree with this finding. While we are certain that the employee in question did in fact have a background check prior to charging to the grants, we are unable to produce paperwork evidencing that fact. To ensure that required background checks are conducted for all employees, we have undertaken the following steps:

- We have added Human Resources staff to act as the owner of these processes and implemented new procedures this fiscal year to ensure compliance with background checks, and accurate record keeping that include semi-annual internal audits to capture issues and correct files and training to local managers on regulations and file compliance. A copy of our current procedures is enclosed at the end of this document.
- We are further improving processes currently through implementation of a new database that will put more controls in place on employee and member requirements and allow for more timely and accurate record keeping and audits. This system was selected because of our ability to restrict onboarding continuation without completion of required actions such as receipt of background checks, government identification, etc.
- We make the Federal Grants Management manual available to all HR staff who are tasked with performing background checks; Program Managers and HR staff review all communications from CNCS commissions; HR staff and AmeriCorps Program Managers participate in all CNCS-sponsored trainings and calls related to background check processing.
- We have documented internal processes to explain the necessary steps to get someone cleared through background checks dependent upon lived-in and served-in states, and are ensuring all managers are trained on compliance requirements.

Finding No. 3 – Direct costs questioned in the audit result in unallowable indirect costs

Response:

We agree with the recommendation that the Corporation disallow and recover the Federal questioned indirect costs totaling \$724.

Finding No. 4 – Inadequate support provided for in-kind match

Response:

We believe that our basis for recording in-kind match costs passes a “prudent person” test. Since we began recording in-kind space for those schools in which we operate reading centers and have received an estimate of the value of that space, we have relied on the school district’s estimate. This level of documentation has been deemed sufficient by our external auditors.



As noted in your letter, we have sufficient matching without relying on the value of the in-kind space; therefore, we may remove this from future matching requests. If we choose to include in-kind space as part of our matching funds, we will compare the estimates we receive from school districts to market based data to include such sources as Zillow, LoopNet, or listings of room rental rates.

If you have any questions, I can be reached at 415-613-2277 or via email at mike.barr@readingpartners.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mike Barr', with a stylized flourish at the end.

Mike Barr
Chief Financial Officer
Reading Partners

APPENDIX E

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE RESPONSE TO DRAFT REPORT



To: Stuart Axenfeld, Assistant Inspector General for Audit
From: Dana Bourne, Chief of Grants Management *Dana Bourne*
Date: January 4, 2016
Subject: Response to OIG Draft of Audit of Corporation
For National and Community Service Grants Awarded to Reading
Partners

Thank you for the opportunity to review the draft report of the Audit of CNCS's grants awarded to Reading Partners. We will work with Reading Partners representatives to ensure their corrective action adequately addresses all audit findings and recommendations.

Finding 1: Required citizenship information was not documented for an AmeriCorps member.

CNCS will review the eligibility documentation to determine whether eligibility requirements were met. CNCS will work with Reading Partners to ensure that member eligibility check procedures are in place, followed, and requirements are being met in a timely manner.

Finding No. 2: Required background check was not conducted before an employee who began working and charging time to the grants.

CNCS will review the NSOPW documentation to determine whether background check requirements were met. CNCS will work with Reading Partners to ensure criminal history check procedures are in place and followed, and requirements are being met in a timely manner.

Finding No. 3: Direct costs questioned in the audit result in unallowable indirect costs.

Based on costs which CNCS determines are disallowed, we will adjust indirect costs charged to the grant award.

Finding No. 4: Inadequate support provided for in-kind match.

CNCS will review the documentation to determine if the valuation of donated space was sufficiently documented, reasonable and allocable to the award. Additionally, CNCS will

work with Reading Partners to ensure that policies and procedures regarding the valuation of in-kind donations are in place and being followed.

Cc: Jeff Page, Acting Chief Financial Officer
Bill Basl, Director, AmeriCorps
Eileen Conoboy, Deputy Director, AmeriCorps VISTA
Jeremy Joseph, General Counsel
Bob McCarty, Acting Director, Office of Accountability and Oversight