

Office of Inspector General Corporation for National and Community Service

AGREED-UPON PROCEDURES FOR CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO SERVE WASHINGTON

OIG Report 18-06



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on October 26, 2017. 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 April 26, 2018 and complete its corrective actions by October 26, 2018. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

**OFFICE OF INSPECTOR GENERAL
AGREED-UPON PROCEDURES FOR
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
GRANTS AWARDED TO
SERVE WASHINGTON**

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EXECUTIVE SUMMARY

Serve Washington administered AmeriCorps funds totaling \$40,328,621 during the three years ending September 30, 2016. Serve Washington made subgrants to 17 organizations and was responsible for programmatic and financial oversight. The agreed-upon procedures (AUP) review of two of those subgrants—Kitsap Community Resources (KCR) and the Washington State Employment Security Department (ESD), including ESD’s two AmeriCorps programs, the Washington State Reading Corps (WRC) and the Washington State Service Corps (WSC).

As summarized in the table below, we found improper and unsupported costs totaling \$511,070 (\$140,231 in Federal costs and \$230,646 in match costs), plus an additional \$136,773 in questionable education awards and \$3,420 in accrued interest¹.

Description	Questioned Federal Costs	Questioned Match Costs	Questioned Education Awards	Questioned Accrued Interest
Unallowable Costs (Finding 1)	\$112,534	\$216,565	\$0	\$0
National Service Criminal History Checks (Finding 2)	27,697	14,081	0	0
Member Timesheet Certifications (Finding 3)	0	0	45,657	1,764
KCR Summer Program (Finding 4)	0	0	56,539	0
Member Activities (Finding 5)	0	0	34,577	1,656
Total	<u>\$140,231</u>	<u>\$230,646</u>	<u>\$136,773</u>	<u>\$3,420</u>

Our fieldwork revealed the following deficiencies:

- KCR did not adequately document claimed Federal and match costs or ensure that the costs were allowable (Finding 1).
- KCR did not perform complete National Service Criminal History Check (NSCHC) searches for KCR grant-funded staff members and one AmeriCorps member at a host site (Finding 2).
- ESD and KCR did not accurately record or certify all member timesheet hours to fully support the members’ eligibility for the earned education award. (Finding 3).
- The minimum-time members participating in KCR’s summer AmeriCorps program were recruited and hired as employees by KCR’s member host sites. Interested employees were able to enroll in the KCR AmeriCorps program on a first-come, first-served basis,

¹ Participants who successfully complete terms of service under AmeriCorps grants are eligible for education awards, and in some cases, repayment of student loan interest accrued during their service terms (accrued interest), funded by the Corporation’s National Service Trust. We determined the effect of our findings on participants’ eligibility for education and accrued-interest awards based on the same criteria used for the grantee’s claimed costs.

and their enrollment in the KCR AmeriCorps program was considered an “added bonus” to their employment (Finding 4).

- ESD and KCR subgrantees lacked adequate daily supervision of members who served offsite and who served excessive hours at the end of their service terms (Finding 5).
- KCR did not have procedures to ensure that no more than 20 percent of the aggregate of all AmeriCorps member service hours were spent on training activities (Finding 6).
- ESD and KCR did not comply with AmeriCorps requirements for member performance evaluations. ESD and KCR did not ensure that members received or supervisors signed an end-of-term evaluation - a necessary requirement for any returning AmeriCorps member (Finding 7).



Cotton & Company LLP
 635 Slaters Lane
 4th Floor
 Alexandria, VA 22314

P: 703.836.6701
 F: 703.836.0941
 www.cottoncpa.com

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Office of Inspector General
 Corporation for National and Community Service

**INDEPENDENT ACCOUNTANTS' REPORT ON
 APPLYING AGREED-UPON PROCEDURES**

Cotton & Company LLP performed the procedures detailed in the Office of Inspector General's (OIG's) *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated June 2016. The OIG agreed to these procedures solely to assist it in grant cost and compliance testing of Corporation for National and Community Service (Corporation)-funded Federal assistance provided to Serve Washington for the awards detailed below.

We performed this agreed-upon procedures (AUP) engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and Generally Accepted Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the OIG. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or for any other purpose.

Our procedures covered testing of the following awards:

Grant Program	Award No.	Award Period	AUP Period	Awards in AUP Period
AmeriCorps Grants				
Fixed	13ESHWA001	09/01/13-12/31/16	09/01/13-09/30/16	\$32,537,310
Fixed	13FXHWA002	08/01/13-08/31/16	08/01/13-08/31/16	\$2,584,711
Formula	14AFHWA001	08/01/14-07/31/17	08/01/14-09/30/16	\$3,442,636
Other Grants				
Vol. Generation Fund	14VGHWA001	10/01/14-09/30/17	10/01/14-09/30/16	\$615,200
Serve Washington-Level Grants				
Administrative	13CAHWA001	01/01/13-03/31/16	07/01/14-03/31/16	\$868,210
Administrative	16CAHWA001	01/01/16-12/31/18	01/01/16-06/30/16	<u>\$280,554</u>
Total				\$40,328,621

We performed testing of these AmeriCorps program awards at Serve Washington and two of its subgrantees. We reviewed cash drawdowns reported on the Federal Cash Transaction Reports (FCTRs) for September 30, 2013 through September 30, 2016. We selected samples of labor,

benefits, and other direct costs reported by Serve Washington on the Federal Financial Reports (FFR) dated as follows:

2014: June 30 and December 31

2015: March 31, June 30, September 30, and December 31

2016: March 31, June 30, and September 30

We also tested grant compliance requirements by sampling 39 members from the Washington State Employment Security Department (ESD) and Kitsap Community Resources (KCR), as shown below. We performed all applicable testing procedures in the AUP program for each sampled member.

	ESD		KCR	
	Total Members	Sampled Members	Total Members	Sampled Members
PY 2014-2015	720	12	45	7
PY 2015-2016	<u>739</u>	<u>13</u>	<u>43</u>	<u>7</u>
Total	<u>1,459</u>	<u>25</u>	<u>88</u>	<u>14</u>

AUP SCOPE

We performed the AUP detailed in the OIG's *Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees)* program, dated June 2016. Our procedures included performing testing over the following grants: AmeriCorps (Formula and Fixed Amount), Volunteer Generation Fund (VGF),² and Serve Washington-Level (Administrative) from August 1, 2013, through September 30, 2016. The grant award numbers and periods, AUP periods, and amounts awarded during the AUP period are shown in the table above.

The OIG's AUP program included:

- Obtaining an understanding of Serve Washington and Washington State Office of Financial Management (OFM) operations, programs, and subgrantee-monitoring processes.
- Reconciling claimed Federal and match grant costs, both for Serve Washington and for a sample of subgrantees, to the Washington State accounting system.
- Testing subgrantee member files to verify that records supported eligibility to serve, allowability of living allowances, and eligibility to receive education awards.
- Testing compliance with selected AmeriCorps provisions and award terms and conditions at Serve Washington and a sample of subgrantees.
- Testing Federal and match grants claimed by both Serve Washington and a sample of subgrantees to ensure that Serve Washington and the subgrantees:

² According to the Edward M. Kennedy Serve America Act, the Volunteer Generation Fund is a program that supports voluntary organizations and state service commissions in an effort to increase the impact of volunteers in addressing critical community needs. The fund focuses on investing in volunteer management practices that increase both volunteer recruitment and retention.

- Properly recorded AmeriCorps grants in the Washington State general ledger and subgrantee records.
- Claimed costs that were allowable and properly documented the costs in accordance with applicable Office of Management and Budget (OMB) circulars, grant provisions, and award terms and conditions.

We performed testing from January through June 2017 at the Cotton & Company office in Alexandria, Virginia, the Serve Washington office in Olympia, Washington, and the offices of the following two subgrantees:

- ESD, Olympia, Washington
- KCR, Bremerton, Washington

AUP RESULTS

Our testing at the Commission found no questioned costs. Based on subrecipient testing we questioned claimed Federal-share costs of \$140,231 and match costs of \$230,646, as well as an additional \$136,773 in education awards and \$3,420 in accrued interest.

We discuss the detailed results of our AUP over claimed costs in Exhibit A and the supporting schedules. We discuss the results of our grant compliance testing in Exhibit B.

We were not engaged to and did not perform an examination, the objective of which would be the expression of an opinion on the subject matter. Accordingly, we do not express such an opinion. Had we performed other procedures, other matters might have come to our attention that would have been reported.

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

COTTON & COMPANY LLP



Michael W. Gillespie, CPA, CFE
Partner

**SERVE WASHINGTON
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS**

Grant No.	Federal Costs		Questioned				Schedule
	Awarded	Claimed	Federal Costs	Match Costs	Education Awards	Accrued Interest	
13ESHWA001							
ESD	\$23,761,870	\$23,539,238	\$0	\$0	\$57,484	\$3,420	A
Other Subs	<u>\$8,775,440</u>	<u>\$7,448,905</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Total	<u>\$32,537,310</u>	<u>\$30,988,143</u>	<u>\$0</u>	<u>\$0</u>	<u>\$57,484</u>	<u>\$3,420</u>	
13FXHWA002	<u>\$2,584,711</u>	<u>\$2,543,599</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
14AFHWA001							
KCR	\$598,936	\$593,034	\$140,231	\$230,646	\$79,289	\$0	B
Other Subs	<u>\$2,843,700</u>	<u>\$2,751,466</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Total	<u>\$3,442,636</u>	<u>\$3,344,500</u>	<u>\$140,231</u>	<u>\$230,646</u>	<u>\$79,289</u>	<u>\$0</u>	
14VGHWA001							
Serve WA	\$18,692	10,764	\$0	\$0	\$0	\$0	
Other Subs	<u>\$596,508</u>	<u>\$564,696</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Total	<u>\$615,200</u>	<u>\$575,460</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
13CAHWA001	<u>\$868,210</u>	<u>\$494,940</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
16CAHWA001	<u>\$280,554</u>	<u>\$112,092</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	
Totals	<u>\$40,328,621</u>	<u>\$38,058,734</u>	<u>\$140,231</u>	<u>\$230,646</u>	<u>\$136,773</u>	<u>\$3,420</u>	

**SERVE WASHINGTON
SCHEDULE OF QUESTIONED COSTS
WASHINGTON STATE EMPLOYMENT SECURITY DEPARTMENT
AWARD No. 13ESHW001**

	PY 2014-2015	PY 2015-2016	Notes
Questioned Education Awards:			
Timesheets certified before serving hours	\$14,112	\$25,815	1
Member activities	<u>11,788</u>	<u>5,769</u>	2
Total Questioned Education Awards	<u>\$25,900</u>	<u>\$31,584</u>	
Questioned Accrued Interest:			
Timesheets certified before serving hours	<u>\$878</u>	<u>\$886</u>	3
Member activities	<u>\$724</u>	<u>\$932</u>	4
Total Questioned Accrued Interest	<u>\$1,602</u>	<u>\$1,818</u>	

NOTES

1. We questioned member education awards of \$14,112 for Program Year (PY) 2014-2015 and \$25,815 for PY 2015-2016, for a total of \$39,927, because Washington State Reading Corps (WRC) and Washington State Service Corps (WSC) members (7 instances in PY 2014-2015 and 10 instances in PY 2015-2016) certified their timesheets before serving all of the hours recorded. After deducting these hours from the members' total hours certified in the MyAmeriCorps Portal (Portal), 11 members did not meet the service hour requirement, to support their eligibility for an education award. We therefore questioned the PYs 2014-2015 and 2015-2016 education awards for the 11 members (see Exhibit B, Finding 3.a).

PY	WRC	WSC	Total
2014-2015	\$8,467	\$5,645	\$14,112
2015-2016	<u>11,490</u>	<u>14,325</u>	<u>25,815</u>
Total	<u>\$19,957</u>	<u>\$19,970</u>	<u>\$39,927</u>

2. We questioned member education awards of \$11,788 for PY 2014-2015 and \$5,769 for PY 2015-2016, for a total of \$17,557, because ESD was unable to provide evidence that it's WRC and WSC host sites performed daily supervision of members who served offsite. In particular, ESD was unable to provide evidence that the WRC and WSC host sites performed daily supervision of members who performed their service hours when their sites were closed and who served excessive hours at the end of their service terms. In total, we identified \$36,484 of questioned education awards associated with 19 instances in which ESD was unable to provide evidence of supervision (8 in PY 2014-2015 and 11 in PY 2015-2016).). We questioned education awards associated with 4 of these 19 instances in this note. The education awards associated with six other members (two in PY 2014-2015 and four in PY 2015-2016) are included in the questioned education awards in Note 1 and Exhibit B, Finding 3.a. These awards totaled \$18,927. The seven remaining instances related to members who did not receive education awards or who had met the hour requirement for their member type after we deducted the questioned service hours (see Exhibit B, Finding 5.b).

PY	WRC	WSC	Total
2014-2015	\$5,691	\$6,097	\$11,788
2015-2016	<u>5,730</u>	<u>39</u>	<u>5,769</u>
Total	<u>\$11,421</u>	<u>\$6,136</u>	<u>\$17,557</u>

3. We questioned accrued interest of \$878 for PY 2014-2015 and \$886 for PY 2015-2016 for a total of \$1,764 for three members (two instances in PY 2014-2015 and one instance in PY 2015-2016) for the reasons discussed in Note 1 above.

PY	WRC	WSC	Total
2014-2015	\$878	\$0	\$878
2015-2016	<u>0</u>	<u>886</u>	886
Total	<u>\$878</u>	<u>\$886</u>	<u>\$1,764</u>

4. We questioned accrued interest of \$724 for PY 2014-2015 and \$932 for PY 2015-2016 for a total of \$1,656 for two WRC members (one instance in PY 2014-2015 and one instance in PY 2015-2016) for the reasons discussed in Note 2 above.

PY	Total
2014-2015	\$724
2015-2016	932
Total	<u>\$1,656</u>

**SERVE WASHINGTON
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
KITSAP COMMUNITY RESOURCES
AWARD No. 14AFHWA001**

	PY 2014-2015	PY 2015-2016	Notes
Total Claimed Federal Costs for AUP Period	<u>\$295,000</u>	<u>\$298,034</u>	1
Questioned Federal Costs:			
Unsupported building costs	\$27,745	\$18,953	2
Staff criminal history check not performed in state of residence	0	21,152	3
NSOPW search conducted using incorrect name; subsequent searches not conducted	<u>0</u>	<u>6,545</u>	4
Subtotal	27,745	46,650	
Excess Federal costs due to unmet match	<u>23,192</u>	<u>39,789</u>	5
Questioned Federal costs before administrative costs	50,937	86,439	
Questioned administrative costs	<u>1,014</u>	<u>1,841</u>	6
Total Questioned Federal Costs	<u>\$51,951</u>	<u>\$88,280</u>	
Total Claimed Match Costs for AUP Period	<u>\$301,471</u>	<u>\$321,851</u>	7
Questioned Match Costs:			
Unsupported building costs	\$2,301	\$4,189	8
Staff criminal history check not performed in state of residence	0	8,142	9
NSOPW search conducted using incorrect name; subsequent searches not conducted	0	5,939	10
Unsupported in-kind match	<u>78,299</u>	<u>131,776</u>	11
Total Questioned Match Costs	<u>\$80,600</u>	<u>\$150,046</u>	
Questioned Education Award:			
Timesheet error	0	5,730	12
Unsupported timesheet hours	0	0	13
Minimum-Time Member Program	29,875	26,664	14
Member activities	<u>11,290</u>	<u>5,730</u>	15
Total Questioned Education Award	<u>\$41,165</u>	<u>\$38,124</u>	

NOTES

1. The amount of claimed Federal costs for the AUP period represents the total amount of PY 2014-2015 and PY 2015-2016 Federal costs that Serve Washington claimed for KCR on Award No. 14AFHWA001 for the period from August 1, 2014, through September 30, 2016.
2. We questioned Federal costs of \$46,698 (\$27,745 for PY 2014-2015 and \$18,953 for PY 2015-2016) because KCR did not have adequate documentation value of building costs charged to the grant (see Exhibit B, Finding 1.a).
3. We questioned Federal costs of \$21,152 for PY 2015-2016 related to state criminal history checks. Although KCR performed a Washington State Access to Criminal History

(WATCH) check on its Program Director, it did not perform a state criminal history check in the state in which the Program Director resided at the time of application to the program (see Exhibit B, Finding 2.a).

4. We questioned Federal costs of \$6,545 for PY 2015-2016 related to National Sex Offender Public Website (NSOPW) searches. Although KCR provided documentation to show that it conducted a NSOPW search on an individual who temporarily filled the Program Director position, KCR used an abbreviated version of the individual's name when conducting the search, making the results unreliable (see Exhibit B, Finding 2.b).
5. We questioned Federal costs of \$62,981 (\$23,192 for PY 2014-2015 and \$39,789) for PY 2015-2016 because KCR did not meet its match requirements and therefore claimed excess Federal costs (see Exhibit B, Finding 1.c).
6. We questioned Federal administrative costs of \$1,014 (\$50,937 x 1.99 percent) for PY 2014-2015 and \$1,841 (\$86,439 x 2.13 percent) for PY 2015-2016, for a total of \$2,855. We calculated these costs by multiplying the total questioned Federal costs for each program year by the respective administrative cost percentages claimed by KCR.
7. The amount of claimed match costs for the AUP period represents the total amount of PY 2014-2015 and PY 2015-2016 match costs that KCR claimed for Award No. 14AFHWA001 for the period from August 1, 2014, through September 30, 2016.
8. We questioned match costs of \$6,490 (\$2,301 for PY 2014-2015 and \$4,189) for PY 2015-2016 for the reason discussed in Note 2 (see Exhibit B, Finding 1.a).
9. We questioned match costs of \$8,142 for PY 2015-2016 for the reason discussed in Note 3 (see Exhibit B, Finding 2.a).
10. We questioned match costs of \$5,939 for PY 2015-2016 for the reason discussed in Note 4 (see Exhibit B, Finding 2.b).
11. We questioned match costs of \$210,075 (\$78,299 for PY 2014-2015 and \$131,776 for PY 2015-2016) because KCR did not adequately document the in-kind match costs that it claimed for its Bremerton Parks & Recreation (BP&R), Central Kitsap School District (CKSD), Kitsap County Public Works (KCPW), and YWCA USA (YWCA) member host sites. We were unable to verify the claimed costs using supporting records (see Exhibit B, Finding 1.b).
12. We questioned an education award of \$5,730 for one PY 2015-2016 member because the member erroneously recorded six service hours on the non-existent calendar date of November 31, 2015. We deducted the six service hours from the member's total hours certified in the Portal; the remaining hours did not support the member's eligibility for an education award (see Exhibit B, Finding 3.b).
13. One PY 2015-2016 member's timesheets did not agree with the hours certified in the Portal. KCR certified that the member served 300 hours; however, the member's timesheets only supported 250 service hours. Because the member's timesheets did not support their eligibility for an education award, we questioned the member's education award of \$1,212. This education award is included in the questioned education awards in Note 14 and Finding 4; we therefore did not question it here (see Exhibit B, Finding 3.c).

14. We questioned education awards of \$29,875 for PY 2014-2015 and \$26,664 for PY 2015-2016 because the minimum-time members participating in the AmeriCorps program had already been recruited and hired by KCR's member host sites as employees and their participation in the KCR AmeriCorps program was considered an "added bonus" to their employment (see Exhibit B, Finding 4).
15. We questioned education awards of \$17,020 (\$11,290 for two PY 2014-2015 members and \$5,730 for one PY 2015-2016 member). Five members worked hours during periods when the service site was closed (e.g. on weekends, after hours, holidays, and from home), and their timesheets lacked descriptions to account for these hours. These members also worked an increased number of service hours at the end of their service terms. Two PY 2015-2016 education awards of \$6,942 are included in the questioned education awards in other findings, and we therefore did not question them here. Specifically, we questioned a \$5,730 education award for another PY 2015-2016 full-time member in Finding 3.b, and a \$1,212 education award for a PY 2015-2016 minimum-time member in Finding 4 (see Exhibit B, Finding 4.a).

**SERVE WASHINGTON
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE AWARDS
COMPLIANCE RESULTS**

In performing our AUP, we identified the compliance findings described below:

Finding 1. KCR did not adequately document claimed Federal and match costs or ensure that the costs were allowable.

- a. We questioned \$46,698 of Federal costs and \$6,490 of match costs because KCR did not maintain adequate documentation showing how it derived the value of the building costs charged to the grant. KCR provided various spreadsheets to support the sampled PYs 2014-2015 and 2015-2016 building costs. These spreadsheets included Calendar Year (CY) 2015 and CY 2016 building budget spreadsheets intended to support the amounts allocated to each department housed within the KCR building. KCR based its allocations on the square footage of each department and appears to have calculated the allocations using a rate of \$13.25 per square foot in CY 2015 and a rate of \$13.75 per square foot in CY 2016. KCR did not provide any documentation to show how it calculated the \$13.25 and \$13.75 rates. In addition, KCR appears to have made a \$6,814 error in calculating the AmeriCorps allocation for CY 2015.
 - For CY 2016, KCR calculated the building costs allocated to the AmeriCorps program by multiplying the 1,675 square feet used by the AmeriCorps program by a rate of \$13.75 per square foot. We recalculated this allocation and verified that the total allocation amount of \$23,031 and the monthly allocation amount of \$1,919 that KCR charged to the grant for the period of January 2016 through September 2016 was reasonable. However, KCR did not provide any documentation to show how it calculated the \$13.75 rate used to calculate the total allocation amount. Therefore, the PY 2014-2015 Federal costs of \$27,745 and match costs of \$2,301 claimed by KCR on the grant were unallowable.
 - For CY 2015, KCR appears to have calculated the building costs allocated to the AmeriCorps program using the same formula as it did for CY 2016; however, it made a \$6,814 error in its calculation. The KCR spreadsheet showed that the AmeriCorps program used 1,675 square feet and that the rate per square foot was \$13.25, for a total allocation of \$29,008. However, when we re-performed the calculation, we arrived at a total allocation of \$22,194, or \$6,814 less than the amount that KCR's spreadsheet showed. KCR recorded the \$29,008 total in its general ledger for the last nine months of PY 2014-2015 and the first three months of PY 2015-2016. Specifically, KCR's general ledger showed that in CY 2015, it charged the grant a monthly building cost of \$1,955, which was based on an annual cost of \$23,456 and a rate of \$14 per square foot. KCR charged \$17,592 of this annual cost to PY 2014-2015 and \$5,864 to PY 2015-2016. On September 30, 2015, the last day of PY 2014-2015, KCR charged the grant an additional \$5,552 in building costs, for a total of \$29,008. We were unable to determine the purpose of the additional building costs, or how KCR calculated these costs. Because KCR lacked documentation to show how it derived the \$13.25 rate used to calculate the building costs and was unable to support the \$5,552 of building costs charged to the grant on the last day of its PY 2014-2015 award, PY 2015-2016 Federal costs of \$18,953 and match costs of \$4,189 were unallowable.

According to OMB Circular A-122 (2 Code of Federal Regulations (CFR) Part 230), *Cost Principles for Non-Profit Organizations*, Attachment A, Subsection A. Basic Considerations, 2. *Factors affecting allowability of costs*, a cost is allowable if it is adequately documented. Further, 45 CFR, *Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, § 2543.23, *Cost sharing or matching*, states that all costs and third-party in-kind contributions that count toward satisfying a cost-sharing or matching requirement must be verifiable based on grantee and subgrantee or cost-type contractor records. These records must show how the grantee or subgrantee derived the value placed on third-party contributions. To the extent feasible, the organization must be able to support volunteer services using the same methods that it uses to support the allocability of regular personnel costs.

Because KCR lacked documentation to show how it derived the rates used to calculate the PYs 2014-2015 and 2015-2016 building costs and was unable to support the \$5,552 of building costs charged to the grant on the last day of its PY 2014-2015 award, we questioned all Federal and match building costs that KCR claimed in PYs 2014-2015 and 2015-2016.

PY	Federal Costs	Match Costs
2014-2015	\$27,745	\$2,301
2015-2016	<u>18,953</u>	<u>4,189</u>
Total	<u>\$46,698</u>	<u>\$6,490</u>

- b. We questioned \$210,075 of match costs because KCR did not adequately document the in-kind match costs that it claimed in PYs 2014-2015 and 2015-2016, and we were unable to verify the reasonableness of the values placed on these costs using supporting records. KCR also lacked documentation supporting the fair market values of these donated personnel services, materials, and member living allowance. KCR required its member host sites to document their in-kind contributions on KCR’s “In-Kind Contributions” form, which are tracked in a spreadsheet. KCR required each host site to identify the entity that provided the in-kind contributions, the number of items donated, the amount per donated item, and the total amount of the donation. However, the in-kind valuation of these donated services and materials was not supported by any fair market value estimates.

During our review, we found KCR did not adequately document the in-kind match costs for its YWCA, CKSD, KCPW, and BP&R member host sites. We were unable to verify these costs using supporting records.

Member Host Site	Period/PY	Types of In-Kind Match Costs	Records Showed How Value of Match Costs Was Derived	Questioned Costs
YWCA	Nov 2014-Apr 2015 (PY 2014-2015)	Supervision and training services, computers, and office furnishings and equipment	No	\$3,240
CKSD	March & April 2016 (PY 2015-2016)	Supervision and training services, computers, and office furnishings and equipment	No	8,136
KCPW	2014-2015 & 2015-2016	Living allowance & Supervision services	No	179,901
BP&R	2014-2015	Living allowance	No	18,798
Total				<u>\$210,075</u>

According to 45 CFR, *Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, § 2543.23, *Cost sharing or matching*, all costs and third-party in-kind contributions that count toward satisfying a cost-sharing or matching requirement must be verifiable based on grantee and subgrantee records. These records must show how the grantee or subgrantee derived the value placed on third-party contributions. To the extent feasible, the organization must be able to support volunteer services using the same methods that it uses to support the allocability of regular personnel costs.

- c. We questioned Federal costs of \$23,192 in PY 2014-2015 and \$39,789 in PY 2015-2016 for a total of \$62,981; because we determined that KCR did not meet its match requirements after we adjusted for questioned Federal and match costs arising from Finding Nos. 1 through 5. As a result, KCR claimed excess Federal costs. In making our determination, we subtracted questioned federal and match costs that KCR incurred during the AUP period from the total federal and match costs that KCR claimed for the entire program year to arrive at the adjusted Federal and match costs. We then determined the net allowable costs by adding together the adjusted Federal and match costs. We multiplied the match requirement of 50 percent by the total net allowable costs to arrive at allowable Federal costs. Finally, we subtracted the total allowable Federal costs from the total adjusted Federal costs to arrive at the amount of Federal costs questioned due to unmet match requirements.

Description	PY 2014-2015	PY 2015-2016	Reference
Claimed Federal Costs for the Entire Program Year	\$295,000	\$298,034	Schedule B
Questioned Federal Costs	<u>(27,745)</u>	<u>(46,650)</u>	Schedule B
Adjusted Federal Costs	<u>\$267,255</u>	<u>\$251,384</u>	
Claimed Match Costs for the Entire Program Year	\$301,471	\$321,851	Schedule B
Questioned Match Costs	<u>(80,600)</u>	<u>(150,046)</u>	Schedule B
Adjusted Match Costs	<u>\$220,871</u>	<u>\$171,805</u>	
Adjusted Federal Costs	\$267,255	\$251,384	
Adjusted Match Costs	<u>220,871</u>	<u>171,805</u>	
Net Allowable Costs	488,126	423,189	
Match Requirement	50%	50%	
Allowable Federal Costs	<u>\$244,063</u>	<u>\$211,595</u>	
Adjusted Federal Costs	\$267,255	\$251,384	
Allowable Federal Costs	<u>244,063</u>	<u>211,595</u>	
Questioned Excess Federal Costs Due to Unmet Match Requirements	<u>\$23,192</u>	<u>\$39,789</u>	

Recommendations: We recommend that the Corporation:

- 1a. Provide Serve Washington with additional guidance and instruction regarding the documentation requirements in Federal cost principles, administrative requirements, and CFR regulations.
- 1b. Verify that Serve Washington instructs its subgrantees regarding the documentation requirements in Federal cost principles, administrative requirements, and CFR regulations.
- 1c. Verify that Serve Washington conducts financial monitoring of subgrantee Federal and match costs and that it ensures the costs are:
 - Adequately documented.
 - Charged to the correct project.
 - Allocable to the Corporation's grant awards, including documentation of the allocation methodology.
 - Incurred during the grant period.
 - Included in the approved or amended budgets.

- Allowable in accordance with applicable cost principles.
 - Verifiable from recipient records.
 - Not included as contributions for any other Federally assisted program.
 - Not paid by the Federal government under another award, except where authorized by Federal statute.
 - In-kind cost valuations are properly supported with reasonable fair market value estimates.
- 1d. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require Serve Washington to adjust its FFR for the disallowed costs.
- 1e. Monitor Serve Washington and subgrantee matching requirements on these awards; at the end of the grant, determine whether Serve Washington and its subgrantees met the match requirements.

Serve Washington Response: Serve Washington concurred with the facts in the report for Findings 1.a., 1.b, and 1.c., but not the questioned Federal and match costs in Finding 1.a. It did not provide any comments regarding the questioned costs in Findings 1.b. and 1.c. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

Serve Washington provided with its response a copy of an independent assessment of comparable properties, which was conducted by a local commercial real estate company in December 2013. The assessment showed that the average square foot rate for comparable properties was higher than the \$13.25 and \$13.75 per square foot rates used by KCR in CY 2015 and CY 2016.

Accountants' Comments: We do not concur with Serve Washington's response that the Federal and match costs in Finding 1.a. should not be questioned because comparable rates were higher than were the rates used by KCR. We questioned the Federal and match costs because KCR owns its building and did not provide documentation of its actual ownership costs.

Finding 2. KCR did not perform complete NSCHC searches for grant-funded staff members at KCR and at a host site, or for one AmeriCorps member.

KCR did not perform a complete state criminal history check for one grant-funded staff member and a complete NSOPW search for another grant-funded staff member, lacked documentation to show that it had performed an NSCHC for a CKSD host site supervisor, and performed an inadequate NSCHC for one member. In addition, KCR was unable to provide documentation supporting that it had verified the identities of the member host site supervisors against a government-issued photo identification before conducting the supervisors' NSCHCs. Specifically:

- a. We questioned Federal costs of \$21,152 and match costs of \$8,142 for PY 2015-2016 because KCR did not perform a complete state criminal history check for one grant-funded staff member. A criminal history check was performed for the state of Washington, however, KCR did not complete a state criminal history check in Oregon – the state where the KCR Program Director previously worked and resided at the time of application to the program. The Corporation’s regulations require KCR to complete a state criminal history check in the state in which the Program Director resided while applying for an AmeriCorps related position.

According to 45 CFR § 2540.203, *What search components of the National Service Criminal History Check must I satisfy to determine an individual’s eligibility to serve in a covered position?*, subgrantees must perform a search of the state criminal history registry for the state in which the staff member will primarily be working and for the state in which the individual resides at the time of application, or must submit fingerprints through the state registry.

The Corporation’s *Frequently Asked Questions: National Service Criminal History Checks* only states that it would be prudent to conduct a search in the state in which a staff member is a legal resident. However, we believe that such a search should be required; otherwise, subgrantees risk failing to detect an ineligible applicant. Conducting searches in the state of legal residence should be adopted as a best practice and would be consistent with the intent of the regulation.

PY	Federal Costs	Match Costs
2015-2016	<u>\$21,152</u>	<u>\$8,142</u>

- b. We questioned Federal costs of \$6,545 and match costs of \$5,939 for PY 2015-2016 because KCR did not perform a proper and accurate NSOPW search for one grant-funded staff member. KCR provided documentation to show that it conducted a NSOPW search for an individual who temporarily filled the Program Director position until KCR hired the current Program Director. However, the NSOPW search was inadequate because KCR used an abbreviated version of the individual’s name when conducting the search, making the results unreliable. In addition, a sex offender with a similar first name and the same last name appeared on the NSOPW search results, but KCR does not appear to have taken steps to verify that the staff member was not the sex offender in question.

PY	Federal Costs	Match Costs
2015-2016	<u>\$6,545</u>	<u>\$5,939</u>

- c. KCR was unable to provide documentation to support its completion of a proper and accurate NSOPW search, a state criminal history check, and an FBI check for a supervisor from the CKSD member host site. These checks are required by 45 CFR § 2540.203, *What search components of the National Service Criminal History Check must I satisfy to determine an individual’s eligibility to serve in a covered position?* Because the \$238 of sample salary costs that KCR claimed for this individual in March

and April 2016 are included in the questioned in-kind match costs for CKSD in Finding 1.b., we did not question any costs here.

- d. KCR was unable to provide documentation showing that it verified the member host site supervisors' identities against a government-issued photo identification before conducting the supervisors' NSCHCs, as required by 45 CFR § 2540.205, *What procedures must I follow in conducting a National Service Criminal History Check for a covered position?* We were therefore unable to verify whether KCR conducted the state criminal history checks in the states in which the supervisors resided. However, KCR was able to provide documentation supporting that the supervisors had undergone NSCHCs; we therefore identified this as a compliance-only finding.
- e. KCR conducted a NSOPW search and WATCH check for the member using the name shown on the government-issued photo identification that KCR had used to verify the member's identity; however, the member's birth certificate indicated that the member had changed her surname. KCR did not perform a second check using the surname shown on the member's birth certificate.

The Corporation's *Frequently Asked Questions: National Service Criminal History Checks* only requires programs to check the member's legal name as shown on their government identification; however, it also states that it would be prudent to check any other names the person has used. We believe that such a search should be required; otherwise, subgrantees risk failing to detect an ineligible person. Conducting searches of any other names that the person has used should be adopted as a best practice and would be consistent with the intent of the regulation. KCR should therefore have used both of the member's names when conducting its NSOPW search and WATCH check for the member.

Recommendations: We recommend that the Corporation:

- 2a. Verify that Serve Washington's site visit monitoring tool includes procedures for ensuring that subgrantees:
 - Implement and maintain written procedures and a formal process for documenting the verification of member and grant-funded staff identities against a government-issued photo identification.
 - Conduct State criminal registry, FBI, and NSOPW searches on grant-funded staff.
 - Maintain documentation to support these searches.
 - Conduct NSOPW searches using the correct member and staff names.
- 2b. Review subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that Serve Washington has implemented the above recommendation and that subgrantees are complying with the procedures.

- 2c. Calculate and recover the appropriate amount of disallowed costs based on our questioned costs, and require Serve Washington to adjust its FFRs for the disallowed costs.
- 2d. Monitor Serve Washington and subgrantee matching requirements on these awards; at the end of the grant, determine whether Serve Washington and its subgrantees met the match requirements.
- 2e. Revise the Frequently Asked Questions document to require that grantees conduct State criminal history checks in both the state in which the individual resided at the time of application to the program and the state of the individual's legal residence, as shown on the individual's government-issued photo identification.
- 2f. Revise the Frequently Asked Questions document to require that grantees conduct NSCHC checks using both an individual's legal name as shown on their government identification and any other names the person has used.

Serve Washington Response: Serve Washington concurred with Findings 2.a., 2.c., and 2.d. and partially concurred with finding 2.b. It did not concur with the questioned costs in Findings 2.a. and 2.b. or with Finding 2.e. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

- **Finding 2.a.** KCR did not fully comply with the NSCHC requirements for conducting the state criminal history check based on the individual's state of residency at the time of application for employment. It conducted an assessment of the mitigating factors using the Corporation's "NSCHC Mitigation Matrix to determine the risk-based disallowance" and believed that only \$500 of the \$29,294 of questioned costs should be disallowed.
- **Finding 2.b.** The NSOPW "includes a 'like name' search functionality, which would have captured results for this individual. As for the adjudication of the NSOPW for the sex offender with a similar first name and last name, the offender had a different middle name than the KCR employee."
- **Finding 2.e.** KCR complied with the NSCHC Frequently Asked Questions requirement that only requires that programs check the member's legal name as shown on their government identification.

Accountants' Comments: See our detailed comments on the Serve Washington responses below.

- **Finding 2.a.** As discussed in the recommendations, during resolution the Corporation should calculate the appropriate amount of disallowed costs and require Serve Washington to adjust its FFRs for the disallowed costs.
- **Finding 2.b.** Serve Washington did not provide any documentation to support its statement that the NSOPW includes a like name' search functionality or that the results for employee would have been the same if the employee's legal name was used for the NSOPW search. In addition, while Serve Washington stated that the sex offender

shown on the NSOPW results had a different middle name than the KCR employee; KCR did not document this determination.

- **Finding 2.e.** As discussed in the finding, we believe that it is prudent to conduct NSOPW searches and state criminal history checks using the name shown on the government-issued photo identification as well any other names used by the member. Failing to do this, exposes both Serve Washington and the Corporation to the risk that an ineligible person will not be identified.

Finding 3. ESD and KCR did not accurately record and certify all member timesheet hours.

- a. We questioned member education awards of \$39,927 for PYs 2014-2015 and 2015-2016 because 17 members (7 in PY 2014 – 2015 and 10 in PY 2015 – 2016) certified their timesheets before serving all of the hours recorded. ESD's electronic timekeeping system permitted members to certify their timesheets in advance, and ESD did not have any procedures in place to ensure that members and supervisors did not certify their timesheets until after the members completed their service hours and signed all timesheets. After deducting these hours from the members' total hours certified in the Portal, the adjusted hours for 11 of the 17 members did not support their minimum service hours, making them ineligible for an education award. We therefore questioned the education awards for these members, with the exception of the prorated portion of a partial education award of \$35, which is included in the education award of \$39 questioned in Finding 5.b.

Timesheet Hours						
Program	PY	Total	Uncertified	Adjusted	Hours Required	Ed. Award Amount
WRC	2014-2015	901	2	899	900	\$2,822
WRC	2014-2015	1,700	4	1,696	1,700	\$5,645
WRC	2014-2015	1,062	4	1,058	1,700	\$0
WRC Total for PY 2014-2015						<u>\$8,467</u>
WSC	2014-2015	1,617	6	1,611	1,617	Finding 5.b ³
WSC	2014-2015	688	17	671	1,700	\$0
WSC	2014-2015	1,703	8	1,695	1,700	\$5,645
WSC	2014-2015	2,207	23	2,184	1,700	\$0
WSC Total for PY 2014-2015						<u>\$5,645</u>
WRC	2015-2016	1,701	7	1,694	1,700	\$5,730
WRC	2015-2016	1,880	10	1,870	1,700	\$0
WRC	2015-2016	495	9	486	495	\$30 ⁴
WRC	2015-2016	1,700	8	1,692	1,700	\$5,730
WRC Total for PY 2015-2016						<u>\$11,490</u>
WSC	2015-2016	1,761	97	1,664	1,700	\$5,730
WSC	2015-2016	1,700	50	1,650	1,700	\$5,730
WSC	2015-2016	415	10	405	415	Finding 5.b ⁵
WSC	2015-2016	900	11	889	900	\$2,865
WSC	2015-2016	672	4	668	900	\$0
WSC	2015-2016	357	12	345	1,700	\$0
WSC Total for PY 2015-2016						<u>\$14,325</u>
Grand Total PYs 2014-2015 & 2015-2016						<u>\$39,927</u>

As a government agency, ESD was required to follow 2 CFR Part 225 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments* and as a non-profit organization KCR was required to follow OMB Circular A-122 (2 CFR Part 230), *Cost Principles for Non-Profit Organizations*. Both subgrantees were required to ensure that timesheets prepared to support staff personnel costs were supported by after-the-fact documentation that did not include budget estimates and the actual activities worked on by the employees. While the *AmeriCorps State and National Grant Provisions*, and the *2015 AmeriCorps Terms and Conditions* lack a requirement

³ We questioned a prorated portion of the member's partial education award. We calculated the prorated portion of \$20 as follows: ((total hours/required hours for member type) x \$5,645) - ((adjusted hours/required hours for member type) x \$5,645). The prorated portion of \$20 is included in the \$452 of education awards questioned in Finding 5.b.

⁴ We questioned a prorated portion of the member's partial education award. We calculated the prorated portion of \$30 as follows: ((total hours/required hours for member type) x \$5,730) - ((adjusted hours/required hours for member type) x \$5,730).

⁵ We questioned a prorated portion of the member's partial education award. We calculated the prorated portion of \$35 as follows: ((total hours/required hours for the member type) x \$5,730) - ((adjusted hours/required hours for the member type) x \$5,730). The prorated portion of \$35 is included in the \$39 of education awards questioned in Finding 5.b.

for preparing after-the-fact timesheets, ESD and KCR should have ensured that the same timekeeping requirements that it was required to follow for its employees was also followed by its members.

- b. We questioned an education award of \$5,730 for one PY 2015-2016 KCR member because the member erroneously recorded six service hours on the non-existent calendar date of November 31, 2015. The timesheet hours did not appear to be misdated because the member had recorded service hours on both November 30 and December 1, 2015. After interviewing the member about the service hours recorded on November 31, 2015, he did not remember recording and certifying the service hours for the specific date. We therefore deducted the six service hours from the member's total hours certified in the Portal and determined that the remaining hours did not support the member's eligibility for an education award.

PY	Timesheet Hours			Hours Required	Ed. Award Amount
	Total	Questioned	Adjusted		
2015-2016	1,704	6	1,698	1,700	\$5,730

The *Serve Washington 2015-2016 Special Terms and Conditions, G. Certification of Time and Attendance* states:

In order for a member to receive a post-service education award from the National Service Trust, the subgrantee is required to have a time and attendance record keeping system in place to certify to the National Service Trust that the member is eligible to receive in-service and post-service benefits including the Segal Education Award. The subgrantee (and any individual or entity acting on behalf of the subgrantee) is responsible for the accuracy of the information certified on the end-of-term certification. The subgrantee is required to ensure that time and attendance records are signed and dated both by the member and by an individual with oversight responsibilities.

- c. One KCR member's certified hours reported in the AmeriCorps Portal was not supported by the member's timesheets. KCR certified that the member served 300 hours in PY 2015-2016; however, the member's timesheets only supported 250 service hours. Because the member's timesheets did not support their eligibility for an education award, KCR did not comply with *Serve Washington's* Special Terms and Conditions for time and attendance. We questioned the member's education award of \$1,212. However, since this education award is included in the questioned education awards in Finding 4.a.; we did not question it here a second time.

PY	Timesheet Hours			Hours Required	Ed. Award Amount
	Total	Questioned	Adjusted		
2015-2016	300	50	250	300	Finding 4

Recommendations: We recommend that the Corporation:

- 3a. Verify that *Serve Washington* provides its subgrantees with guidance and instruction regarding procedures for member timekeeping.

- 3b. Verify that Serve Washington's program-monitoring procedures include procedures to confirm that:
- Hours certified in the Portal for members at each of its subgrantee sites are accurately supported by timesheets.
 - Members and supervisors at each subgrantee site do not sign member timesheets until the members have completed their service for the period.
- 3c. Review Serve Washington's subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that Serve Washington has properly implemented monitoring procedures for member timesheets.
- 3c. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours.

Serve Washington Response: Serve Washington did not concur with Finding 3.a. or with the amount of questioned education awards. It concurred with the facts discussed in Finding 3.b. but not the amount of the questioned education award. It concurred with Finding 3.c. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

- **Finding 3.a.** Serve Washington provided the following responses:
 - Corporation federal regulations, Terms and Conditions for AmeriCorps State and National Grants, Corporation General Terms and Conditions, and AmeriCorps State and National Policy Frequently Asked Questions do not provide guidance regarding the timing of certification and approval of member timesheets.
 - The ESD members' timesheets are completed by the members and submitted to their supervisors electronically and the timekeeping system prevents certification until the last day of each pay period.
 - It acknowledged that the instances of uncertified hours discussed in this finding were the result of members projecting service hours on the last day of each pay period but stated that in the event the hours were not served, the supervisor had the ability to return the timesheet for adjustments before certifying.
 - It is not unusual for organizations to approve timesheets before the end of a pay period to meet payroll processing times and that pre-approval does not mean that the service did not continue after certification.
 - It is concerned that programs using electronic timekeeping systems with time stamp functions are being held to a higher standard than those using a paper timekeeping process.

- **Finding 3.b.** It requested that a pro-rated portion of the member’s education award be disallowed by the Corporation instead of the member’s full education award.

Accountants’ Comments: See our detailed comments on the Serve Washington responses to Finding 3.a. below.

- In the absence of a Corporation requirement regarding the timing of certification and approval of member timesheets, subgrantees should follow the same Federal requirements as it does for its employees. As discussed in the finding CFR Part 225 (OMB Circular A-87) and OMB Circular A-122 (2 CFR Part 230) required after-the-fact documentation that showed the actual activities worked on and did not permit budget estimates.
- While Serve Washington stated a supervisor could return the timesheet for adjustments before certification, none of the member timesheets with pre-certified hours were returned to the members for recertification.
- While Serve Washington stated that organizations had the ability approve timesheets before the end of a pay period to meet payroll processing times, only 17 of 25 members had uncertified hours, and there was no evidence that the reason the 17 members certified their hours early was to meet payroll processing deadlines.
- Regardless of whether an electronic timekeeping system with a time-date stamp or a paper timekeeping system is used by the subgrantees, Serve Washington should ensure that the subgrantees have procedures to ensure that members and supervisors at each subgrantee site do not sign member timesheets until the members have completed their service for the period.

In summary, based on the internal control weaknesses identified in the grantees timekeeping system, we have no assurances that the members served the required hours. Therefore, we believe that the education awards should be questioned.

Finding 4. The KCR summer program for minimum-time AmeriCorps members was considered a bonus to their employment at their host sites.

We questioned \$56,539 of member education awards for minimum-time AmeriCorps members that participated in a program KCR operated during the summers of PYs 2014-2015 and 2015-2016 because the members were employees of their host sites and enrollment in the program was considered an “added bonus” to their employment. Specifically:

- a. KCR enrolled individuals who had already been recruited and hired by KCPW and BP&R; enrollment in the KCR AmeriCorps program was considered an “added bonus” to their employment. In addition, KCR’s minimum time members could continue their employment at the service sites after they completed their AmeriCorps service. This arrangement is contrary to the Corporation’s policy that AmeriCorps members are not employees of the organizations they are serving.

According to the AmeriCorps State and National Policy Frequently Asked Questions (FAQs) C. 38. *May an AmeriCorps member perform paid work for the grantee or at*

the member's service site outside of the member's service assignment? "The Corporation has a long-standing practice of advising against an AmeriCorps participant being simultaneously employed by the organization with which the participant is serving. AmeriCorps members are, by definition, not employees of the organizations with which they serve."

- b. After KCPW and BP&R hired their summer employees, they provided the employees with a packet of materials about AmeriCorps and the KCR program. If the employees were interested in becoming AmeriCorps members, KCPW and BP&R referred the employees to KCR; because there were only 25 member slots in each program year, KCR enrolled the employees as members on a first-come, first-served basis. This method of enrolling individuals as AmeriCorps members did not comply with 45 CFR 2522.100 - What are the minimum requirements that every AmeriCorps program, regardless of type, must meet? (f) which requires AmeriCorps programs to:

Agree to seek actively to include participants and staff from the communities in which projects are conducted, and agree to seek program staff and participants of different races and ethnicities, socioeconomic backgrounds, educational levels, and genders as well as individuals with disabilities unless a program design requires emphasizing the recruitment of staff and participants who share a specific characteristic or background. In no case may a program violate the nondiscrimination, nonduplication and nondisplacement rules governing participant selection described in [part 2540](#) of this chapter...

- c. Although KCR enrolled the KCPW and BP&R employees as members; KCR's budget documentation indicated that the employees would receive a living allowance. However, the documentation that KCR provided to support in-kind living allowance match costs indicated that both the KCPW and BP&R sites paid the members an hourly wage rate of \$9.47 (i.e., the 2015 minimum wage rate for Washington State), rather than providing a living allowance, which is not based on the number of hours the member serves. According to the 2014 AmeriCorps State and National Grant Provisions, Section IV, *AmeriCorps Special Provisions*, Subsection G.1., *Living Allowances, Other In-Service Benefits, and Taxes*, a living allowance is not wage and programs must not pay a living allowance on an hourly basis. Further, programs should pay the living allowance in regular increments and the payment must cease when a member concludes a term of service.
- d. The minimum-time members in KCR's summer program had little to no training hours. The BP&R host site supervisor stated that it did not have sufficient funding to spend on training for part-time individuals; the only training that members included on their timesheets was a one-hour AmeriCorps orientation. A response from the KCPW host site supervisor was not provided by KCR. According to 45 CFR 2522.100 - *What are the minimum requirements that every AmeriCorps program, regardless of type, must meet?*, subsection (j) requires AmeriCorps programs to:

Provide participants in the program with the training, skills, and knowledge necessary to perform the tasks required in their respective projects, including, if appropriate, specific training in a particular field and background information on the community, including why the service projects are needed.

Although KCR discontinued its summer program at the end of PY 2015-2016, we noted that KCPW was still hiring summer employees for these positions and still advertised the AmeriCorps education award as an “added bonus.” KCPW’s continual hiring of summer employees, despite the closure of the KCR summer program, supports the notion that the KCR summer program was the same as the activities already provided by KCPW. According to 45 CFR § 2540.100, (e), *Nonduplication*, “Corporation assistance may not be used to duplicate an activity that is already available in the locality of a program...Corporation assistance will not be provided to a private nonprofit entity to conduct activities that are the same or substantially equivalent to activities provided by a State or local government agency in which such entity resides.”

Because the KCR summer AmeriCorps program was only considered an “added bonus” to employment, we questioned the education awards for the PY 2014-2015 and PY 2015-2016 minimum-time members.

PY	Number of MT Members	MT Education Award	Questioned Education Awards
2014-2015	25	\$1,195	\$29,875
2015-2016	<u>22</u>	\$1,212	<u>\$26,664</u>
Total	<u>47</u>		<u>\$56,539</u>

Recommendations: We recommend that the Corporation:

- 4a. Disallow and, if already used, recover education awards made to the minimum-time members in KCR’s summer program.
- 4b. Verify that Serve Washington’s monitoring tool includes procedures for verifying that subgrantees provide AmeriCorps members with the appropriate training, skills, and knowledge necessary to perform the tasks required for the positions.
- 4c. Verify that Serve Washington’s monitoring tool includes procedures for verifying that subgrantees see and recruit AmeriCorps members from different races and ethnicities, socioeconomic backgrounds, educational levels, and genders as well as individuals with disabilities.
- 4d. Review subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that Serve Washington has implemented the above recommendation and that subgrantees are complying with the procedures.

Serve Washington’s Response: Serve Washington partially concurred with the information discussed in the finding but did not concur with the \$56,539 of questioned education awards. We have summarized its responses below. Please see Appendix B for the full response.

Serve Washington stated that when the partnership with KCR, KCPW, and BP&R began; the purpose was to engage college-aged students in internship opportunities to address unmet community needs while exposing the students to public sector careers and stated the following information should be taken into consideration.

- Individuals participating in the summer program completed a separate application for enrollment in the KCR AmeriCorps program.
- Applicants were interviewed by the AmeriCorps Program Director, screened for eligibility, and the program conducted NSCHCs.
- Members participated in an orientation and received a member handbook and service gear.
- Members completed timesheets on a weekly basis that were submitted to the AmeriCorps Program Director.
- Members had opportunities to serve alongside KCR's full-time AmeriCorps members on service projects.
- Each member received an end-of-term evaluation.
- Corporation regulations do not require minimum-time members to receive a living allowance.

Accountants' Comments: None of Serve Washington's responses refute the finding that the KCR summer program for minimum-time AmeriCorps members was considered a bonus to their employment at their host sites or that KCR did not comply with Corporation requirements for enrolling members by enrolling the members on a on a first-come, first-served basis. While Corporation requirements do not require programs to pay minimum-time members a living allowance, KCR provided its minimum-time with a living allowance and thus were required to follow the AmeriCorps Terms and Conditions for living allowances. The living allowance costs were shown as match living allowance costs on KCR's eGrants budget narratives and KCR's periodic expense reports for PYs 2014-2015 and 2015-2016.

Finding 5. ESD and KCR lacked adequate daily supervision of members who served offsite and who served excessive hours at the end of their service terms.

- a. We identified \$23,962 of questioned education awards associated with five members (2 in PY 2014-2015 and 3 in PY 2015-2016) who served hours during periods when the service site was closed and an increased number of service hours at the end of their service. However, we only questioned education awards totaling \$17,020 (\$11,290 associated with the two members in PY 2014-2015 and \$5,730 associated with one member in PY 2015-2016) because two PY 2015-2016 education awards (\$6,942) are included in the questioned education awards in other findings⁶; as such, we did not question them for a second time. The periods served by the members included time worked on weekends, after scheduled working hours, offsite/from home, and on holidays. After reviewing their timesheets, the members and site supervisors failed to document descriptions to account for these hours.

⁶ We questioned a \$5,730 education award for one PY 2015-2016 full-time member in Finding 2.e, a \$5,730 education award for another PY 2015-2016 full-time member in Finding 3.b, and a \$1,212 education award for a PY 2015-2016 minimum-time member in Finding 5.b.

PY	Program	Total Hours	No. of Hours Served on Weekends, Holidays, & Site Closed	No. of Days Served on Weekends, Holidays, & Days Site Closed	Increased Service Hours In Last Month of Service	Documentation of Activities Performed by the Members
2014-2015	KCR	1,722	100	17	N	N
2014-2015	KCR	1,702	39	11	N	N
2015-2016	KCR	1,720	91	24	N	N
2015-2016	KCR	1,720	74	16	Y	N
2015-2016	KCR	300	64	8	Y	N

KCR's program applications and position descriptions did not include either the offsite service that the members performed on weekends and holidays or the increased service hours at the end of the members' service terms. We inquired with KCR's Finance Director, who was unable to provide specific explanations for each member's activity but provided the general examples of the types of activities that she believed the members would have performed during this period. She stated the two PY 2014-2015 and one PY 2015-2016 members who were tutors and would likely have been working on assignments such as preparing lesson plans, reviewing tutoring materials provided by the site supervisors, and performing tutoring before and after school. She stated that the weekend hours for one PY 2015-2016 member were likely due to attendance at weekend service projects such as park clean-ups and one PY 2015-2016 member's host site's playground provided members with the opportunity to serve many hours on consecutive days. She also stated that the members might also have been writing journal entries about their service experiences.

KCR's Finance Director stated that the host site supervisor directly supervises the members to ensure that their hours are accurate, and that KCR trusts the supervisor's signature. Further, host site supervisors receive instructions regarding member hours and allowable service, a copy of the member position description, and training and communication regarding allowable service and how to track and record member service hours.

We questioned the service hours related to services performed on the weekend, after scheduled working hours, offsite, and on holidays for the PY 2014-2015 and PY 2015-2016 members whose timesheets lacked descriptions for these services. We then deducted the questioned hours from the total hours certified for each member in the Portal and determined that the remaining hours did not support the members' eligibility for education awards.

PY	Timesheet Hours			Hours Required	Questioned Education Awards	
	Total	Questioned	Adjusted		PY 2014-2015	PY 2015-2016
2014-2015	1,722	100	1,622	1,700	\$5,645	\$0
2014-2015	1,702	39	1,633	1,700	\$5,645	\$0
2015-2016	1,704	91	1,613	1,700	\$0	Finding 3.b
2015-2016	1,720	74	1,646	1,700	\$0	\$5,730
2015-2016	300	64	236	300	\$0	Finding 4
Total					<u>\$11,290</u>	<u>\$5,730</u>

- b. We identified \$36,484 of questioned education awards associated with 19 instances (8 in PY 2014-2015 and 11 in PY 2015-2016) where members served hours during periods when the service site was closed and an increased number of service hours at the end of their service. We only questioned education awards totaling \$17,557 associated with six members (4 in PY 2014-2015 and 2 in PY 2015-2016) because the \$18,927 of education awards associated with 6 members (2 in PY 2014-2015 and 4 in PY 2015-2016) are included in the questioned education awards in Finding 3.a. The seven remaining instances were for members who did not receive education awards or had met the hour requirement for their member type after the deduction of questioned service hours.

ESD's member timesheets lacked descriptions to account for service hours on weekends, after scheduled working hours, offsite/from home, and on holidays. These members also worked an increased number of service hours at the end of their service terms. ESD's WRC and WSC program applications and position descriptions did not include either the offsite service that the members performed on weekends and holidays or the increased service hours at the end of the members' service terms.

PY	Program	Total Hours	No. of Hours Served on Weekends, Holidays, & Site Closed	No. of Days Served on Weekends, Holidays, & Days Site Closed	Increased Service Hours In Last Month of Service	Documentation of Activities Performed by the Members
2014-2015	WRC	901	19	4	N	N
2014-2015	WRC	1,700	23	4	N	N
2014-2015	WRC	1,702	30	6	N	N
2014-2015	WRC	1,062	33	15	N	N
2014-2015	WRC	1,171	14	14	N	N
2014-2015	WRC	2,136	95	17	N	N
2014-2015	WSC	1,617	136	32	N	N
2014-2015	WSC	1,739	164	43	N	N
2015-2016	WRC	1,705	81	24	N	N
2015-2016	WRC	1,705	169	71	N	N
2015-2016	WRC	1,700	8	1	N	N
2015-2016	WRC	889	45	16	N	N
2015-2016	WRC	1,880	8	1	N	N
2015-2016	WSC	2,098	87	9	N	N
2015-2016	WSC	900	81	11	N	N
2015-2016	WSC	1,701	75	11	Y	N
2015-2016	WSC	672	11	6	N	N
2015-2016	WSC	415	22	4	N	N
2015-2016	WSC	1,761	32	6	N	N

We inquired with supervisors from the WRC and WSC member host sites and obtained the following explanations and examples of the activities the members were performing. The WRC and WSC host site supervisors identified a variety of activities performed by the members. These activities included: preparing take-home packets and letters for students tutored by a host site, preparing sustainability binders, volunteering at disaster relief and an Independence Day celebration, reading books and watching videos about classroom, instructional, and literacy related topics, assisting the librarian at a local library, attending group meetings and training activities, photocopy materials, painting classrooms, volunteering at other organizations to obtain additional service hours, and accompany students and families on trips to theater and sporting events.

We questioned the service hours related to services performed on the weekend, after scheduled working hours, offsite, and on holidays for the PY 2014-2015 and PY 2015-2016 members whose timesheets lacked descriptions for these services. We then deducted the questioned member hours from the total hours certified for each member in the Portal and determined that the remaining hours did not support the members' eligibility for education awards.

Timesheet Hours						
Program	PY	Total	Questioned	Adjusted	Hours Required	Ed. Award Amount
WRC	2014-2015	901	19	882	900	Finding 3.a.
WRC	2014-2015	1,700	23	1,677	1,700	Finding 3.a.
WRC	2014-2015	1,702	30	1,672	1,700	\$5,645
WRC	2014-2015	1,062	33	1,029	900	\$0
WRC	2014-2015	1,171	14	1,157	1,171	\$46 ⁷
WRC	2014-2015	2,136	95	2,041	1,700	\$0
WRC Total for PY 2014-2015						<u>\$5,691</u>
WSC	2014-2015	1,617	136	1,481	1,617	\$452 ⁸
WSC	2014-2015	1,739	164	1,575	1,700	\$5,645
WSC Total for PY 2014-2015						<u>\$6,097</u>
WRC	2015-2016	1,705	81	1,624	1,700	\$5,730
WRC	2015-2016	1,701	169	1,532	1,700	Finding 3.a.
WRC	2015-2016	1,700	8	1,692	1,700	Finding 3.a.
WRC	2015-2016	889	45	844	1,700	0
WRC	2015-2016	1,880	8	1,872	1,700	\$0
WRC Total for PY 2015-2016						<u>\$5,730</u>
WSC	2015-2016	2,098	87	2,011	1,700	\$0
WSC	2015-2016	900	81	819	900	Finding 3.a.
WSC	2015-2016	1,701	75	1,626	1,700	Finding 3.a.
WSC	2015-2016	672	11	661	900	\$0
WSC	2015-2016	415	22	393	415	\$39 ⁹
WSC	2015-2016	1,761	32	1,729	1,700	\$0
WSC Total for PY 2015-2016						<u>\$39</u>
Grand Total PYs 2014-2015 and 2015-2016						<u>\$17,557</u>

According to 45 CFR § 2520.25, *What direct service activities may AmeriCorps members perform?*, allowable service activities include activities that advance program goals; provide a specific identifiable, measurable service or improvement that otherwise would not be provided; and are included in or consistent with the Corporation-approved grant application.

ESD and KCR host site supervisors are responsible for providing daily supervision, monitoring member hours and activities, and ensuring that members do not violate grant guidance or perform prohibited activities. However, ESD and KCR were unable to provide evidence that supervisors provided daily supervision for members who served offsite, particularly for members who served when their sites were closed and who worked excessive hours at the

⁷ We questioned a prorated portion of the members' partial education award. We calculated the prorated portion of \$46 as follows: ((total hours/required hours for the member type) x \$5,645) - ((adjusted hours/required hours for the member type) x \$5,645).

⁸ We questioned a prorated portion of the members' partial education award. We calculated the prorated portion of \$452 as follows: ((total hours/required hours for the member type) x \$5,645) - ((adjusted hours/required hours for the member type) x \$5,645).

⁹ We questioned a prorated portion of the member's partial education award. We calculated the prorated portion of \$39 as follows: ((total hours/required hours for the member type) x \$5,730) - ((adjusted hours/required hours for the member type) x \$5,730).

end of their service terms. Because ESD and KCR were unable to provide detailed information regarding these members' service activities, we questioned whether the members performed allowable service activities. It is insufficient for ESD and KCR host site supervisors to document their approval of member activities by simply signing member timesheets without documenting activities performed.

Recommendations: We recommend that the Corporation:

- 5a. Provide Serve Washington and all of its subgrantees with guidance on creating policies to address offsite member activities and increases in member service hours at the end of the member's service term. The policies should address controls for member activities, including:
 - Obtaining approvals from grantee and subgrantee program officials before members perform service offsite or at home.
 - Recording service hours on member timesheets for offsite service performed at night, on weekends, on holidays, and on other days when the member's service site is closed.
 - Documenting member service activities, either by including descriptions of the activities on the member's timesheet or by maintaining daily activity logs describing the duties performed.
- 5b. As part of the Corporation's grantee monitoring review, review the grantees' policies addressing offsite member activities and increases in member service hours at the end of the member's service term.
- 5c. Verify that Serve Washington provided the subgrantees with guidance and instruction regarding:
 - Increases in member service hours at the end of the member's service term.
 - Offsite member service activities performed at night, on weekends, on holidays, and on other days when the member host site is closed.
- 5d. Verify that Serve Washington's program monitoring includes procedures for ensuring that:
 - Members at subgrantee sites document service activities performed, either by recording the activities in the comments section of the electronic timesheet or by maintaining daily activity logs describing the duties performed.
 - Programs have written policies describing the circumstances in which it is necessary for members to perform offsite service hours at night, on weekends, and on holidays and the program's method of verifying that the members served the hours.

- 5e. Review Serve Washington's subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that Serve Washington has properly implemented monitoring procedures to review irregular or unusual increases in member service hours at the end of the member's service term and to review member service activities performed offsite.
- 5f. Disallow and, if already used, recover education awards made to members who did not serve the minimum required service hours.

Serve Washington Response: Serve Washington did not concur with the finding or the questioned education awards. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

- It is desirable that each member serves a stable, sustained level of service throughout their term of service but there are often extenuating circumstances that require subgrantees and/or their host sites to create opportunities for AmeriCorps members to serve additional hours. In such situations, teleservice may be an acceptable alternative, provided the proper safeguards are in place.
- Serve Washington had no reason to believe that any of the hours for the members discussed in this finding should be questioned. However, its review of comments provided by the host site supervisor in response to our inquiries about the members' service activities showed that increased attention and guidance on teleservice is necessary.

Accountants' Comments: Serve Washington's response that increased attention and guidance on teleservice is necessary is responsive to the recommendation. During resolution, the Corporation should work with Serve Washington to ensure it provides its subgrantees with additional guidance on teleservice and to ensure that proper safeguards for teleservice are in place.

Finding 6. KCR did not track in aggregate whether AmeriCorps members' service hours exceed the Corporation's 20 percent training activity limitation.

KCR did not have procedures to ensure that it spent no more than 20 percent of the aggregate of all AmeriCorps member service hours on training activities. KCR provided documentation to support that full-time members remained within training limitations in PYs 2014-2015 and 2015-2016; however, this documentation did not include minimum-time members. We requested that KCR re-perform the calculation and provide documentation to support that all full-time and minimum-time members remained within the training limitations; however, instead of revising its calculations to include the minimum-time members, KCR simply provided a response from one of its minimum-time member host site supervisors at BP&R. The supervisor stated that BP&R's members were well under the 20 percent limitation, and that BP&R did not have sufficient funding to spend on training for part-time individuals; the only training that members would have included on their timesheets would therefore have been a one-hour AmeriCorps orientation. Without tracking training hours, members may exceed the maximum limitations specified by AmeriCorps regulations.

According to 45 CFR § 2520.50, *How much time may AmeriCorps members in my program spend in education and training activities?*, no more than 20 percent of the aggregate of all

AmeriCorps member service hours in a program year, as reflected in the member enrollment in the National Service Trust, may be spent on education and training activities.

Recommendations: We recommend that the Corporation:

- 6a. Verify that Serve Washington provided its subgrantees with guidance and instruction regarding the tracking of training and education activities for all types of members.
- 6b. Verify that Serve Washington's monitoring procedures for member training and education activities include procedures for ensuring that subgrantees track training and education activities for all types of members.
- 6c. Review Serve Washington's subgrantee site visit reports and completed subgrantee-monitoring tools to verify that Serve Washington has properly implemented its procedures for tracking member training and education activities.

Serve Washington's Response: Serve Washington partially concurred with the finding. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

The timesheet used by KCR for its minimum time AmeriCorps members allowed for recording member training hours; however, KCR's member hours tracking tool only shows the total hours served by each member per week. KCR provided documentation to the accountants, which demonstrated its understanding of the 20 percent training limitation and showed that KCR met the requirement for its full-time members during PYs 2014-2015 and 2015-2016.

Accountants' Comments: As discussed in the finding, KCR did not provide documentation to show, in aggregate, that all of its full-time and minimum-time members remained within the training limitation. During resolution, the Corporation should confirm that all of its subgrantees have procedures for ensuring that all members remain within the training limitation.

Finding 7. ESD and KCR did not comply with AmeriCorps requirements for member performance evaluations.

KCR did not ensure that a member returning in PY 2014-2015 received an end-of-term evaluation for PY 2013-2014, or that the host site supervisors for two members signed their end-of term evaluations. In addition, ESD did not ensure that all members received an end-of term evaluation.

- a. KCR was unable to produce documentation showing that it provided an end-of-term evaluation in PY 2013-2014 for a member that returned in PY 2014-2015. According to 45 CFR § 2522.220, Subsection (d), *Participant evaluation*, a participant is not eligible for a second or additional term of service or for an AmeriCorps education award unless they receive a successful rating on their end-of-term evaluation.
- b. We noted two instances in which the KCR AmeriCorps Program Director signed the end-of-term evaluation for a member in PY 2015-2016, but the member's supervisor did not sign the evaluation. It is a good business practice to ensure that supervisors

sign and date end-of-term evaluations. This maintains accountability and ensures that evaluations are consistent with management intentions.

- c. ESD was unable to provide end-of-term evaluations for nine WRC and WSC members (four from PY 2014-2015 and five from PY 2015-2016). ESD did not perform evaluations due to the following: five members were exited from the program due to compelling personal circumstances; three members left the program before the end of the service term; and one unexplainable reason for the remaining member. The end-of-term evaluations are required for all members, as they are necessary to ensure that members are eligible for additional service terms and education awards and that the grantee has met the grant objectives.

Recommendations: We recommend that the Corporation:

- 7a. Verify that Serve Washington provided the subgrantees with guidance and instruction regarding the requirements for end-of-term evaluations.
- 7b. Verify that Serve Washington's program-monitoring procedures for end-of-term evaluations include procedures for ensuring that:
 - Subgrantees complete evaluations for all members and retain documentation of the evaluations.
 - All members sign and date their evaluations.
 - All supervisors sign and date the relevant evaluations.
 - Evaluations include an assessment of whether the member has completed the required number of hours to be eligible for an education award.
- 7c. Review Serve Washington's subgrantee site visit reports, completed subgrantee-monitoring tools, and subgrantee end-of-term evaluations to verify that Serve Washington has properly implemented its procedures for member evaluations.
- 7d. Calculate and recover the appropriate amount of disallowed costs and disallowed education awards based on our questioned costs and require Serve Washington to adjust its FFRs for the disallowed costs.

Serve Washington's Response: Serve Washington did not concur with Finding 7.a. and 7.c. but concurred with Finding 7.b. We have summarized its responses below. Please see Appendix B for Serve Washington's full response.

- **Finding 7.a.** It did not concur with the questioned Federal and match costs and the questioned education award because it provided a copy of the end-of-term evaluation for the PY 2013-2014 member discussed in the finding.
- **Finding 7.c.** It agreed that ESD did not have an end-of-term evaluation for those exiting the program early but stated the members had an "End-of-Term Member Evaluation Addendum" form in each member file that supports the elements identified

in 45 CFR § 2522.220, Subsection (d), *Participant evaluation*. It also noted that the addendum form was discussed by the accountants in a document sent to Serve Washington and ESD that summarized the results of testing at ESD. The addendum was signed and dated by both the member and the supervisor on or after the date the member completed their service term.

Accountants' Comments: See our detailed comments on the Serve Washington responses below.

- **Finding 7.a.** Because KCR provided a copy of the end-of-term evaluation with its response, we did not question any member costs or the member's education award.

Finding 7.c. The "End-of-Term Member Evaluation Addendum" form was to be completed by the member's host site supervisor and ESD's AmeriCorps Program Director after the member had been exited from the program and attached to a member's end-of-term evaluation. Serve Washington's statement that the addendum was signed and dated by both the member and supervisor is not correct. The ESD form included a line for the member name but only the host site supervisor and the ESD AmeriCorps Program Director signed the form. Our acknowledgement of the addendum form in the document that summarized the preliminary results of testing at ESD was not acknowledgment that the addendum form could be used as a replacement for the end-of-term evaluation. Rather, we accepted the addendum for the members whose end-of-term evaluations were completed early and lacked the actual number of hours served by the member.

BACKGROUND

The Corporation

The Corporation supports national and community service programs that provide an opportunity for participants to engage in full- or part-time service. It funds service opportunities that foster civic responsibility and strengthen communities and provides educational opportunities for those who have made a commitment to service.

The Corporation's service initiatives include National Senior Service Corps, AmeriCorps, and the Social Innovation Fund. AmeriCorps, the largest of the initiatives, is funded through grants to States and territories with State Commissions, grants to States and territories without State Commissions, and National Direct funding grants to organizations. Grantees recruit and select volunteers, who must meet certain qualifications to earn a living allowance and/or education awards.

Serve Washington

Serve Washington is located in Olympia, Washington and is housed within the State Office of Financial Management (OFM). The OFM supports Serve Washington by accounting for its Federal and match costs. Serve Washington receives multiple grant awards from the Corporation, including but not limited to the awards listed in the AUP scope section above. AmeriCorps grants are annual awards that Serve Washington passes to its eligible subgrantees, which recruit members to perform service. The members earn living allowances and may become eligible for education awards and repayment of accrued student loan interest upon completion of a term of service.

Washington State Employment Security Department (ESD)

ESD uses AmeriCorps funding to operate the WSC and WRC AmeriCorps programs. AmeriCorps members participating in the WSC program serve in a variety of capacities, including tutoring, recruiting, and training volunteers; educating communities on healthy eating, environmental matters, and job skills; and building and rebuilding homes for low-income families. AmeriCorps members participating in the WRC program improve the reading abilities of young students across Washington by tutoring at elementary schools, early learning centers, and community-based organizations.

Kitsap Community Resources (KCR)

KCR uses AmeriCorps funding to operate its KCR AmeriCorps program. KCR's full-time AmeriCorps members serve in a variety of capacities throughout Kitsap County, including tutoring at elementary schools and teaching employment skills to low-income individuals. Members also assist a local nonprofit organization with its emergency preparedness education program, support at-risk youth and teens, assist court-ordered community service workers, and assist the American Red Cross with its emergency preparedness program. In addition, members aid domestic violence survivors and their families and assist families and children through KCR's Early Childhood Education Assistance Program. KCR's minimum-time members participate in KCR's summer program and serve in a variety of capacities at BP&R and KCPW. BP&R members coordinated programs in low-income neighborhoods and provided recreational opportunities for youth. KCPW members participated in environmental

stewardship and public safety projects, including conducting research on local streams and wetlands areas, cleaning and maintaining streams and holding ponds, and mapping for roadways or public lands.

EXIT CONFERENCE

We discussed the contents of this report with Serve Washington, the two subgrantees, and Corporation representatives at the August 17, 2017 exit conference. The final report includes summaries of the comments from Serve Washington, the subgrantees, and the Corporation. We have included the comments verbatim as Appendices A through B. The Corporation intends to continue working closely with Serve Washington representatives to ensure that the corrective actions adequately address all findings and recommendations. The Corporation should respond to all findings and recommendations in its management decision during the audit resolution phase.



STATE OF WASHINGTON
SERVE WASHINGTON

302 Sid Snyder Avenue S.W. Olympia, WA 98501 P.O. Box 43113 Olympia, WA 98504-3113 Fax: 360-902-7315

September 28, 2017

Mr. Stuart Axenfeld
Assistant Inspector General for Audit
Corporation for National and Community Service
250 "E" Street S.W.
Washington, D.C. 20525

Dear Mr. Axenfeld:

Thank you for the opportunity to respond to the Office of the Inspector General (OIG) draft report on the Agreed-Upon Procedures for Corporation Grants Awarded to Serve Washington.

As stewards of federal resources, Serve Washington takes our grant administration and oversight role seriously and we continually seek opportunities to strengthen our policies and procedures to prevent and detect instances of noncompliance.

In the months ahead, we look forward to working closely with the Audit Resolution staff at the Corporation for National and Community Service (CNCS) to resolve all issues.

Please feel free to contact me if you have any questions concerning our response.

Sincerely,

A handwritten signature in blue ink that reads "Debbie Schuffenhauer".

Debbie Schuffenhauer
Executive Director

Enclosures

cc: Susan Weiss, Chair, Serve Washington
Autumn Rose, CNCS Audit Resolution

Serve Washington Audit Response

Finding 1 Kitsap Community Resources (KCR) did not adequately document claimed Federal and match costs or ensure that the costs were allowable.

Serve Washington concurs with the facts presented in the audit report, however, based upon an independent assessment of comparable properties in this geographic area, we do not believe that the Federal and match costs claimed by KCR should be questioned. We have enclosed a copy of the letter from Bradley Scott Commercial Real Estate dated December 22, 2013, which outlines the cost per square foot of comparable properties. As noted, the average cost of \$19 per square foot is more than rates used for the costs claimed.

Finding 2 KCR did not perform proper National Service Criminal History Check (NSCHC) searches for grant-funded staff members at KCR and at host sites, or for one AmeriCorps member.

Serve Washington does not dispute the facts presented in this finding, however, we offer the following information related to each situation:

- a. Serve Washington concurs with the circumstances presented in this finding, however, we do not concur with the questioned Federal costs of \$21,152 and match costs of \$8,142. Although the individual in question was eligible to work in a covered position, KCR did not fully comply with all of the NSCHC requirements, specifically the criminal history check based on the individual's state of residency at the time of application for employment. We conducted an assessment of the mitigating factors using the NSCHC Mitigation Matrix to determine the risk-based disallowance. In this instance, high mitigation was present and we believe a \$500 disallowance is in order.
- b. Serve Washington partially concurs with the circumstances outlined in this finding, but does not agree with the questioned Federal costs of \$6,545 and match costs of \$5,939. KCR used an abbreviated version of the individual's legal name, it was not a misspelling as noted in the draft audit report. The National Sex Offender Public Website (NSOPW) includes 'like name' search functionality, which would have captured results for this individual. As for the adjudication of the NSOPW for the sex offender with a similar first name and the same last name, the offender had a different middle name than the KCR employee.
- c. Serve Washington concurs with this finding.
- d. Serve Washington concurs with this compliance-only finding.
- e. Serve Washington does not concur. The Corporation's NSCHC Frequently Asked Questions (FAQ) clarifies that programs are only required to check a person's current legal name as shown on their government issued identification. See FAQ 4.5. The program met this standard.

Finding 3 The Employment Security Department (ESD) and KCR did not accurately record and certify all member timesheet hours.

Serve Washington does not concur with finding 2.a. and concurs with findings 2.b. and 2.c.

- a. Serve Washington does not concur with this finding or the questioned education award costs totaling \$39,927 for program years 2014-2015 and 2015-2016. Corporation for National and Community Service (CNCS) federal regulations, CNCS Terms and Conditions for AmeriCorps State and National Grants, CNCS General Terms and Conditions, and AmeriCorps State and National Policy FAQs do not provide guidance regarding the timing of certification/approval of member timesheets. The Employment Security Department's members' timesheets are completed by members and submitted to their supervisors electronically. The system prevents certification until the last day of each pay period. We acknowledge that in the instances identified in the audit report, members projected some hours on the last day of service in each pay period. However, in the event that these hours were not served, the supervisor had the ability to return the timesheet to the member for adjustments before certifying. In order to meet payroll processing timelines, it is not unusual for organizations to approve timesheets in advance of the end of the pay period. Pre-approval, in and of itself, does not mean that service does not continue after the time is submitted. In addition, we are concerned that programs utilizing an electronic timekeeping system with time-stamp functionality are being held to a higher standard than those using a paper timekeeping process.
- b. We concur with this finding. Unfortunately, human error led to hours being recorded on the non-existent calendar date of November 31, 2015. The reduction of six hours dropped the year-to-date hours to 1,698, two hours below the 1,700 minimum required to support the member's eligibility for an education award. Serve Washington requests consideration for a pro-rated portion of the education award (1,698 eligible hours divided by 1,700 required hours for position type) times \$5,730 equals \$5,723) be allowed and \$7 questioned.
- c. We concur with this finding.

Finding 4 The KCR summer program for minimum-time AmeriCorps members was considered a bonus to their employment at their host sites.

Serve Washington partially concurs with the information presented, but does not concur with \$56,539 of questioned education awards for the minimum-time AmeriCorps members who participated in the summer program.

When the partnership with KCR, Kitsap County Public Works and Bremerton Parks and Recreation began the purpose was to engage college-aged students in internship opportunities to address unmet community needs while exposing these young adults to public sector careers. Typical assignments included environmental stewardship, public safety, stream and wetland restoration, summer program activities for youth in low-income neighborhoods including pro-social activities, community gardens, summer feeding programs, etc.

The education award benefit, earned by those who qualified, could then be used for future education expenses and helped to make a college education more affordable.

We offer the following information related to this finding that should be taken into consideration:

- Individuals participating in the summer internship programs at Kitsap County Public Works and Bremerton Parks and Recreation completed a separate application to be considered for enrollment in the KCR AmeriCorps program.
- Applicants were interviewed by the AmeriCorps Program Director, screened for eligibility, and the program conducted NSCHCs.
- Minimum-time members participated in a group or individual program orientation, received an AmeriCorps Member Handbook and AmeriCorps service gear.
- Minimum-time members completed timesheets on a weekly basis that were submitted to the AmeriCorps Program Director.
- Minimum-time members had opportunities to serve alongside KCR's full-time AmeriCorps members on service projects.
- Each member received an end-of term evaluation and completed an exit reflection.
- CNCS regulations do not require minimum time members to receive a living allowance.

Finding 5 ESD and KCR lacked adequate daily supervision of members who served offsite and who served excessive hours at the end of their service terms.

Serve Washington does not concur with this finding or the associated questioned education awards costs.

We understand that it is desirable for each member to serve a stable, sustained level of service throughout their term of service. However, there are often extenuating circumstances that require subgrantees and/or their host sites to create opportunities for AmeriCorps members to serve additional hours due to absences, school/host site closures, inclement weather, etc. In such situations, teleservice may be an acceptable alternative provided the proper safeguards are in place.

We have no reason to believe the hours that were certified by AmeriCorps members and authorized representatives of the program should be questioned. However, our review of the subgrantees' Summary of Results, which included some comments from host site supervisors related to the audit inquiries, shows that increased attention and guidance on teleservice is necessary.

Finding 6 KCR did not track in aggregate whether AmeriCorps members' service hours exceed the Corporation's 20 percent training activity limitation.

Serve Washington partially concurs with this finding. The timesheet used by KCR for its minimum time AmeriCorps members allows for the recording of hours spent in training, but the tracking tool only reflects the total hours served by each member per week. We would like to note that KCR provided documentation to the auditors which demonstrated their understanding of the 20% training limitation and that it was compliant for the full-time component during the 2014-2015 and 2015-2016 program years.

Finding 7 ESD and KCR did not comply with AmeriCorps requirements for member performance evaluations.

Serve Washington partially concurs with this finding. We offer the following information related to each unique situation:

- a. We do not concur with finding 7.a. or the questioned Federal costs of \$13,387, match costs of \$43, and the \$5,645 education award. A copy of the end-of-term evaluation for the 2013-14 program year for the member in question is enclosed.
- b. Although not a compliance finding, we agree that it is a good practice to ensure that supervisor's sign and date end-of-term evaluations.
- c. We do not concur with this finding. In those instances identified, we agree that ESD did not have an end-of-term evaluation for those exiting the program early, however, they did have an End-of-Term Member Evaluation Addendum in each member file that supports the elements identified in CNCS regulation 45 CFR 2522.220 (c). Their use of this form was acknowledged by the auditors in the ESD Summary of Results dated July 26, 2017. The information on the addendum includes the number of hours completed upon exit, whether the member completed the minimum required service hours, satisfactorily completed assignments, and whether the member met other performance criteria clearly communicated at the beginning of the term of service. The Addendum was signed and dated by both the member and the supervisor on or after the date the member completed their service term.



To: Stuart Axenfeld, Assistant Inspector General for Audit

From: Joseph Liciardello, Acting Chief of Grants Management

Date: September 26, 2017

Subject: Response to OIG Draft of Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to Serve Washington

A handwritten signature in blue ink, appearing to read "J. Liciardello", is written over the "From:" and "Date:" lines.

Thank you for the opportunity to review the draft report of the Agreed-Upon Procedures for the Corporation for National and Community Service (CNCS) Grants Awarded to Serve Washington.

CNCS is pleased that the draft report included no findings relating to Commission-level grants awarded to Serve Washington. Serve Washington staff were very proactive in preparing for the audit and continue to be responsive in communicating with CNCS staff throughout the audit process. The outcome of the audit demonstrates Serve Washington's commitment to compliance and CNCS believes that this result should be formally recognized by the OIG in the final report.

For those findings identified for Serve Washington's subrecipients, CNCS will respond with a management decision after we receive the final report and have reviewed the auditor's working papers and Serve Washington's corrective action plan. We will work with Serve Washington's representatives to ensure its corrective action adequately addresses all audit findings and recommendations for its subrecipients.

Cc: Jeff Page, Chief Operating Officer
Chester Spellman, Director of AmeriCorps
Tim Noelker, General Counsel
Lori Giblin, Chief Risk Officer