

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Agreed-Upon Procedures for Corporation Grants Awarded to the Kentucky Commission on Community Service and Volunteerism

OIG Report 18-08

Prepared by:

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This report was issued to Corporation management on December 19, 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 June 19, 2018, and complete its corrective actions by December 19, 2018. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



December 19, 2017

TO: Chester Spellman
Director of AmeriCorps State and National

Joseph Liciardello
Acting Chief Grants Officer

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

SUBJECT: *OIG Report 18-08, Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to the Kentucky Commission on Community Volunteerism and Service*

Attached is the final report for the above-noted engagement. This agreed-upon procedures review was conducted by RSM US, LLP in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this report is due by June, 19, 2018. Notice of final action is due by December 19, 2018.

If you have questions pertaining to this report, please contact me at S.Axenfeld@cncsoig.gov, (202) 606-9360.

Attachment

cc: Joe Bringardner, Executive Director, KCCVS
Kevin Mays, Chair, KCCVS
Jeffrey Page, Chief Operating Officer, CNCS
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**AGREED-UPON PROCEDURES FOR
CORPORATION GRANTS AWARDED TO
KENTUCKY COMMISSION ON COMMUNITY VOLUNTEERISM AND SERVICE**

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (the Corporation or CNCS), contracted with RSM US LLP (RSM), an independent certified public accounting firm, to perform agreed-upon procedures (AUP) on grant costs incurred by the Kentucky Commission on Community Volunteerism and Service (KCCVS) and two of its subgrantees.

KCCVS receives funding from CNCS and the Kentucky General Assembly. KCCVS administered AmeriCorps funds approximating \$9.3 million awarded between January 1, 2013 and September 1, 2015 under five grant agreements (\$5.4 million under cost-reimbursable awards and \$3.9 under fixed-type awards). KCCVS made subgrants to eight organizations (under the cost-reimbursable awards) and was responsible for programmatic and financial oversight. Our AUP review of KCCVS and two of its subgrantees—Northern Kentucky University Research Foundation Kentucky Service Corps (NKURF) and ATEAM/AmeriCorps for Barren County School Board (ATEAM)—disclosed questioned costs¹ totaling \$851,954 (\$521,783 in Federal costs, \$25,266 in Federal education awards and \$304,905 in match costs) and other compliance findings with no questioned costs associated with them.

The majority of the questioned costs, enumerated below, are caused by deficiencies in the procedures used by KCCVS and its subgrantees, ATEAM and NKURF, to conduct the National Service Criminal History Checks for their staff and members. These deficiencies resulted in \$758,414² of the \$851,954 total questioned costs (approximately 89 percent), \$445,177 in Federal costs, and \$8,332 in Federal education awards and \$304,905 in match costs. The remaining \$93,540 of questioned costs (\$76,606 in Federal, \$16,934 in Federal education awards) result from non-authorized or allowable member activities charged to the grant and unapplied program income. In total, we questioned KCCVS Federal costs of \$445,177 and match costs of \$291,880; ATEAM Federal costs of \$76,606 and Federal education awards of \$19,756; and NKURF Federal education awards of \$5,510 and match costs of \$13,025. The details on each subgrantees' claimed and questioned costs are included in Schedules C and D. Compliance findings and recommendations are discussed in Schedule E.

RSM's testing revealed the following deficiencies at KCCVS and two of its subgrantees, NKURF and ATEAM:

Inadequate Program Monitoring

- Grantee did not adequately monitor and/or document subgrantees compliance with program requirements (Finding 1a)
- Subgrantees compliance over member matters was lacking and/or not fully documented related to end-of-term evaluations, performance interviews, and member service agreements (Findings 1b – 1e)

¹ A questioned cost is an alleged violation or non-compliance with grant terms and/or provisions of laws and regulations governing the expenditures of funds; or a finding that, at the time of testing, adequate documentation supporting a cost item was not readily available.

² KCCVS accounted for \$445,177 in questioned Federal and \$291,880 in match cost. ATEAM accounted for \$2,822 in questioned Federal education awards. NKURF accounted for \$5,510 in questioned Federal education awards and \$13,025 in match costs.

National Service Criminal History Check Findings

- Grantee did not perform National Service Criminal History Checks (NSCHC) on grant-funded staff (Finding 2a)
- Subgrantees had incomplete or insufficient member NSCHC and National Sex Offender Public Website (NSOPW) checks and supporting documentation (Finding 2b)

Member Service Issues

- Members performed unapproved remote service (Finding 3)
- Members performed questionable service activities that were not in accordance with the subgrant objectives (Finding 4)

Program Income

- Subgrantee earned excess program income but did not apply it back to the Federal program (Finding 5)

Support for In-Kind Contributions

- Subgrantee could not adequately support the in-kind contributions reported for cost share under the grant (Finding 6)

Financial Management Systems

- One subgrantee had inconsistencies between account coding and reporting on its Periodic Expense Reports (PERs) (Finding 7)

SUMMARY OF RESULTS

The results of RSM's agreed-upon procedures are summarized in the Consolidated Schedule of Claimed and Questioned Costs (Schedule A).

KCCVS claimed the following Federal and match costs:

Grant No.	Federal Costs	Match Costs	AUP Periods
13CAHKY001	\$ 507,960	\$ 512,902	January 1, 2014 to December 31, 2015
13FXHKY001*			September 1, 2014 to August 31, 2016
14AFHKY001	3,348,822	3,111,743	September 1, 2014 to August 31, 2016
14ESHKY001*			September 1, 2014 to August 31, 2016
15ACHKY001	1,107,218	1,201,432	September 1, 2015 to August 31, 2016
Totals	\$ 4,964,000	\$ 4,826,077	

* Fixed awards – funding not based on reimbursable costs

Based on testing a selected sample of transactions, RSM questioned claimed costs as detailed in the following table:

Type of Questioned Costs	Federal Costs	Federal Education Awards	Match Costs	Totals
Grantee did not perform complete, timely, and thoroughly documented criminal history checks on grant-funded positions	\$ 445,177	\$ -	\$ 291,880	\$ 737,057
Subgrantees had instances of incomplete or missing criminal history and NSOPW checks for members	-	8,332	13,025	21,357
Members performed services remotely that were not pre-approved	-	5,644	-	5,644
Members performed services that were not in accordance with the subgrant objectives	-	11,290	-	11,290
Subgrantee did not fully apply program income to offset claimed costs during the AUP period	76,606	-	-	76,606
Totals	\$ 521,783	\$ 25,266	\$ 304,905	\$ 851,954

RSM compared KCCVS's inception-to-date drawdown amounts with the amounts reported in its most recent Federal Financial Report (FFR) for the period tested and noted no discrepancies.

The results of RSM's agreed-upon procedures identify the grant awards and the questioned costs of those awards in Schedules A through D. The details concerning the questioned costs and non-compliance with grant provisions, applicable laws, and regulations are presented in Schedule E.

SCHEDULE A

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
KENTUCKY COMMISSION ON COMMUNITY VOLUNTEERISM AND SERVICE**

**CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AUP PERIOD THROUGH AUGUST 31, 2016**

Award No.	Program	Approved Budget	Claimed Federal Costs During AUP Period	Questioned Costs			Schedule
				Federal Costs (a)	Federal Education Awards (b)	Match Costs (c)	
13CAHKY001	Administrative	\$ 707,960	\$ 507,960	\$ 445,177	\$ -	\$ 291,880	B
13FXHKY001	Fixed State	1,985,825					
14AFHKY001	Formula	3,537,877	3,348,822	76,606	25,266	13,025	B
14ESHKY001	Fixed State	1,984,325					
15ACHKY001	Competitive	1,121,281	1,107,218	-	-	-	B
Total		\$ 9,337,268	\$ 4,964,000	\$ 521,783	\$ 25,266	\$ 304,905	

Total questioned costs (a) + (b) + (c) \$ 851,954

Information Specific to Subgrantees Tested

14AFHKY001	ATEAM	\$ 2,381,060	\$ 2,263,696	\$ 76,606	\$ 19,756	\$ -	C
14AFHKY001	NKURF	\$ 473,952	\$ 470,013	\$ -	\$ 5,510	\$ 13,025	D

SCHEDULE B

**SCHEDULE OF AWARD AND CLAIMED COSTS
KENTUCKY COMMISSION ON COMMUNITY VOLUNTEERISM AND SERVICE
AUP PERIOD THROUGH AUGUST 31, 2016**

	13CAHKY001	14AFHKY001	15ACHKY001	Reference
Authorized Budget (Corporation Funds)	\$ 707,960	\$ 3,537,877	\$ 1,121,281	Note 1
Claimed Federal Costs During AUP Period	\$ 507,960	\$ 3,348,822	\$ 1,107,218	Note 2
Questioned Federal Costs:				
Criminal history checks not performed for grant-funded positions	\$ 445,177	\$ -	\$ -	Note 3
Subgrantee did not fully apply program income	-	76,606	-	Note 4
Total Questioned Federal Costs	\$ 445,177	\$ 76,606	\$ -	
Questioned Federal Education Awards Costs:				
Subgrantees had missing or incomplete criminal history and NSOPW checks for grant members	\$ -	\$ 8,332	\$ -	Note 5
Members performed services remotely that were not pre-approved	-	5,644	-	Note 6
Members performed services not in accordance with subgrant objectives	-	11,290	-	Note 7
Total Questioned Federal Education Awards Costs	\$ -	\$ 25,266	\$ -	
Questioned Match Costs:				
Criminal history checks not performed for grant-funded positions	\$ 291,880	\$ -	\$ -	Note 3
Subgrantees had missing or incomplete criminal history and NSOPW checks for grant members	-	13,025	-	Note 5
Total Questioned Match Costs	\$ 291,880	\$ 13,025	\$ -	
Authorized Match Budget	\$ 707,960	\$ 2,830,398	\$ 1,333,782	Note 8
Claimed Match Costs During AUP Period	\$ 512,902	\$ 3,111,743	\$ 1,201,432	Note 9

Notes

1. The authorized budget Federal amount represents the funding to KCCVS according to the Notice of Grant Award.
2. Claimed Federal costs represent KCCVS's reported Federal expenditures for the period from January 1, 2014 through August 31, 2016. For Award 13CAHKY001, \$200,000 of the authorized budget was claimed prior to the AUP period.
3. Federal costs of \$445,177 and match costs of \$291,880 were questioned because no criminal history checks were performed on grant-funded positions.
4. Federal costs of \$76,606 were questioned because all program income funds were not used to offset Federal grant funds.
5. Federal education awards of \$8,332 and match costs of \$13,025 were questioned due to missing or incomplete criminal history and NPSOW checks on some members.
6. Federal education awards of \$5,644 were questioned due to certain members performing services remotely that were not preapproved.
7. Federal education awards of \$11,290 were questioned due to certain members performing services that were not in accordance with subgrant objectives.
8. The authorized match budget represents KCCVS's funding in accordance with the Notice of Grant Award.
9. Claimed match costs represent KCCVS's reported match expenditures for the period from January 1, 2014 through August 31, 2016. For Award 13CAHKY001, \$200,000 of the authorized match was claimed prior to the AUP period.

SCHEDULE C

**SCHEDULE OF AWARD AND CLAIMED COSTS
ATEAM/AMERICORPS FOR BARREN COUNTY SCHOOL BOARD
AUP PERIOD THROUGH AUGUST 31, 2016**

	14AFHKY001	Reference
Authorized Budget (Corporation Funds)	\$ 2,381,060	Note 1
Claimed Federal Costs During AUP Period	<u>\$ 2,263,696</u>	Note 2
Questioned Federal Costs:		
Subgrantee did not fully apply program income	\$ 76,606	Note 3
Total Questioned Federal Costs	<u>\$ 76,606</u>	
Questioned Federal Education Awards Costs:		
Subgrantees had missing or incomplete criminal history and NSOPW checks for grant members	\$ 2,822	Note 4
Members performed services remotely that were not pre-approved	5,644	Note 5
Members performed services not in accordance with subgrant objectives	<u>11,290</u>	Note 6
Total Questioned Federal Education Awards Costs	<u>\$ 19,756</u>	
Authorized Match Budget	\$ 1,903,315	Note 7
Claimed Match Costs During AUP Period	<u>\$ 1,538,598</u>	Note 8
Questioned Match Costs:		
Total Questioned Match Costs	<u>\$ -</u>	

Notes

1. The authorized amount represents the Federal funding to ATEAM in accordance with the subgrant agreement budget.
2. Claimed Federal costs represent ATEAM's Federal expenditures claimed for the period September 1, 2014 through August 31, 2016.
3. Federal costs of \$76,606 were questioned as program income funds available were not used to offset Federal grant funds.
4. Federal education awards of \$2,822 were questioned due to missing or incomplete criminal history and NPSOW checks on some members.
5. Federal education awards of \$5,644 were questioned due to certain members performing services remotely that were not preapproved.
6. Federal education awards of \$11,290 were questioned due to certain members performing services that were not in accordance with subgrant objectives.

7. The authorized match amount represents the ATEAM funding to be provided in accordance with the subgrant agreement budget.
8. Claimed match costs represents ATEAM's match expenditures claimed for the period September 1, 2014 through August 31, 2016.

SCHEDULE D

**SCHEDULE OF AWARD AND CLAIMED COSTS
NORTHERN KENTUCKY UNIVERSITY RESEARCH FOUNDATION
KENTUCKY SERVICE CORPS
AUP PERIOD THROUGH AUGUST 31, 2016**

	14AFHKY001	Reference
Authorized Budget (Corporation Funds)	\$ 473,952	Note 1
Claimed Federal Costs During AUP Period	\$ 470,013	Note 2
Questioned Federal Costs:		
Total Questioned Federal Costs	\$ -	
Questioned Federal Education Awards Costs:		
Subgrantee had missing or incomplete criminal history and NSOPW checks for grant members	\$ 5,510	Note 3
Total Questioned Federal Education Awards Costs	\$ 5,510	
Authorized Match Budget	\$ 281,936	Note 4
Claimed Match Costs During AUP Period	\$ 843,614	Note 5
Questioned Match Costs:		
Subgrantee had missing or incomplete criminal history and NSOPW checks for grant members	\$ 13,025	Note 3
Total Questioned Match Costs	\$ 13,025	

Notes

1. The authorized amount represents the Federal funding to NKURF in accordance with the subgrant agreement budget.
2. Claimed Federal costs represent NKURF's Federal expenditures claimed for the period September 1, 2014 through August 31, 2016.
3. Federal education awards of \$5,510 and match costs of \$13,025 were questioned due to missing or incomplete criminal history and NPSOW checks on some members.
4. The authorized match amount represents the NKURF funding to be provided in accordance with the subgrant agreement budget.
5. Claimed match costs represent NKURF's Federal expenditures claimed for the period September 1, 2014 through August 31, 2016.

DETAILED FINDINGS

Finding 1. KCCVS Did Not Adequately Monitor the Subgrantees

We reviewed KCCVS's program and fiscal monitoring site visits and determined that it did not review the following:

- Subgrantee development of accurate Federal Financial Reports and their timely filing. Status and allowability of subgrantees' match funding
 - Financial effectiveness of subgrantees based on programmatic and financial metrics assessments
 - Adequacy of subgrantee orientation and training programs, including coverage of timekeeping, programmatic goals, and prohibited activities
 - Member eligibility, including citizenship, education requirement, and criminal history check
 - Living allowances are being paid according to established guidelines
 - Accurate and allowable service hours recording
 - Whether member contracts are signed before service begins and hours are recorded
 - Whether member service is in accordance with the purpose of the grant and its terms and conditions, and whether subgrantees maintain internal controls to support this purpose.
 - How it resolved deficiencies as a result of findings resulting from its monitoring visits
 - Its process for soliciting, reviewing, and following-up on internal controls and OMB Circular A-133 Single Audits of potential and current subgrantees
- a. NKURF lacked the following documentation over members:
- An end-of-term evaluation form was missing for a member
 - Two NKURF member service agreements were incomplete. One included only the member's signature page. The other was missing both the member's signature page and the pages which included the position description, minimum number of service hours necessary to successfully complete the terms of service, and prohibited activities.
- b. In response to member and supervisor interviews conducted at NKURF, one supervisor disclosed that they did not receive training on prohibited activities. NKURF could not provide documentation that this individual had attended the requisite training.
- c. Two ATEAM members disclosed that they did not recall receiving orientation training to cover timekeeping, prohibited activities, and other required topics. ATEAM could not provide documentation that these individuals had attended the requisite training.
- d. During NKURF member interviews, five out of seven members disclosed that they did not recall receiving two performance reviews. Upon request, NKURF could only provide the mid-year performance review for two half-time members and could not locate end-of-year reviews for them. For two minimum-time members, and one quarter-time member, there were no end-of-term reviews on record.

- e. During ATEAM member interviews, nine out of fourteen members disclosed that they did not recall receiving two performance reviews. Upon request to provide all performance review records for ATEAM members, we found the following:
 - Two full-time and one half-time members received one performance review
 - Two minimum-time members received no end-of-term reviews

Subgrantee monitoring is required by 45 CFR § 2541.400(a) which states, “Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

2015 AmeriCorps State Terms and Conditions:

Section V.B. Member Service Agreements. The recipient must require that each member sign a member service agreement that includes, at minimum, the following: Member position description; The minimum number of service hours (as required by statute) and other requirements (as developed by the recipient) necessary to successfully complete the term of service and to be eligible for the education award; . . . The list of prohibited activities, including those specified in the regulations at 45 CFR § 2520.65.

Section V.E. Performance Reviews. The recipient must conduct and keep a record of at least a midterm and an end-of-term written evaluation of each member's performance for full and half-time members and an end-of-term written evaluation for less than half-time members.

2014 AmeriCorps State Terms and Conditions:

Section IV.B., Member Service Agreements. The grantee must require that each member sign a member service agreement with stated minimum content.

45 CFR § 2522.220 *What are the required terms of service for AmeriCorps participants?*, subsection (c), states: *Participant evaluation*. For the purposes of determining a participant's eligibility for an educational award as described in § 2522.240(a) and eligibility to serve a second or additional term of service as described in paragraph (c) of this section, each AmeriCorps grantee is responsible for conducting a mid-term and end-of-term evaluation. A mid-term evaluation is not required for a participant who is released early from a term of service or in other circumstances as approved by the Corporation.

Adequate monitoring would help to strengthen subgrantee programs, eliminate questioned costs, and compliance findings.

Recommendations: We recommend that the Corporation:

- 1a. Ensure that KCCVS develops subgrant monitoring procedures and processes to ensure compliance with the stated criteria and to retain adequate documentation to demonstrate such compliance.

- 1b. Verify that KCCVS develops subgrant monitoring procedures to ensure that its subgrantees comply with the applicable Federal requirements for member compliance in the following areas:
- Member service agreements contain all the required provisions and signatures
 - Required training/orientation is provided to each member and evidence of attendance is maintained
 - Required reviews, mid-term and end-of-term, are conducted and documented
- 1c. Review KCCVS subgrantee site visit reports, completed subgrantee monitoring tools, and subgrantee end-of-term evaluations to verify that KCCVS has properly implemented its procedures for member evaluations.

KCCVS Response:

KCCVS concurs with Finding 1 (a – e). KCCVS indicated that it has begun to work on an overarching documentation plan to help ensure all appropriate steps are followed for all subgrant programs.

Auditor's Comments:

KCCVS concurred with the finding and therefore the finding remains as stated. During the resolution phase, the Corporation should review and verify all corrective actions that KCCVS and its subgrantees complete.

Finding 2. KCCVS Did Not Complete NSCHC for Grant-Funded Staff, and Subgrantees had Incomplete or Insufficient Member NSCHC

- 2a. KCCVS did not perform complete, timely, and thoroughly documented NSCHC searches for four grant-funded staff as it believed these staff were exempt from the requirement.

There were no NSCHC checks for the four grant-funded employees and the FBI criminal history checks were completed after staff began working on the award. Because of this we found:

- No signed criminal history check authorization forms
- No evidence that staff identities were validated prior to working on the award
- No evidence of NSOPW searches
- No state criminal history checks
- No documentation of the initiation or completion date of the FBI criminal history checks

NSCHC were not adequately performed for all four grant-funded staff members; as a result, we questioned \$445,171 in Federal costs and \$291,880 in match costs claimed by KCCVS:

PY	Federal Costs	Match Costs	Total Costs
2014-2015	\$ 218,283	\$ 136,500	\$ 354,783
2015-2016	226,894	155,380	382,274
	<u>\$ 445,177</u>	<u>\$ 291,880</u>	<u>\$ 737,057</u>

- 2b. Subgrantees had incomplete or insufficient member NSCHC checks and supporting documentation.

Total Sampled Members	NKURF	ATEAM
	7	14
FBI criminal history checks were missing support	2	-
FBI criminal history checks were completed after the program year	1	-
Member incurred hours prior to completion of FBI criminal history check, and there was no evidence of accompaniment	-	1

NKURF could not provide support that FBI criminal history checks were performed for two members with reoccurring access to vulnerable populations. Both members began service during program year (PY) 2014-2015; their service periods were from 4/27/15 – 6/30/15 and 9/10/14 – 6/30/16, respectively. Because of this lack of support, we questioned \$4,315 in education awards. We also questioned the entire \$12,100 of living allowance for one of these members, along with the associated \$175 in Medicare and \$750 in Social Security taxes, for a total of \$13,025 in questioned match costs. The other member did not receive a living allowance.

PY	Federal Costs	Federal Education Awards	Match Costs	Total Costs
2014-2015	\$ -	\$ 4,315	\$ 13,025	\$ 17,340

A state criminal history check was not completed for one NKURF member until after the program year-end. The member's start date was 11/17/14. A state criminal history check was not documented as being complete until 12/14/15. All hours included in the timesheet appear to be before the state criminal history checks were completed. Because of this lack of support, we questioned the entire Federal education award of \$1,195.

PY	Federal Costs	Federal Education Awards	Match Costs	Total Costs
2014-2015	\$ -	\$ 1,195	\$ -	\$ 1,195

State criminal history checks were not initiated until four days after one ATEAM member's start date. During this period, the member charged 29.5 hours to training on the timesheets. The member started on 9/10/14 and state criminal history checks were initiated on 9/14/14. The education award was \$2,822 for a 900-hour, half-time position. The member completed a total of 908.75 service hours. When subtracting the 29.5 unallowable hours, the member's allowable hours are 879.25. Because the member did not meet the minimum required service hours, we questioned the entire Federal education award of \$2,822.

PY	Federal Costs	Federal Education Awards	Match Costs	Total Costs
2014-2015	\$ -	\$ 2,822	\$ -	\$ 2,822

As codified in 45 CFR § 2540.200 to 207, NSCHC are required for all AmeriCorps members and for grant-funded staff

45 CFR §§ 2540.200 states: "You must apply the National Service Criminal History Check eligibility criteria to individuals serving in covered positions. A covered position is a position in which the individual receives an education award or a Corporation grant-funded living allowance, stipend, or salary."

45 CFR §§ 2540.204(a)(2) states: "You must initiate state registry or FBI criminal history checks required under §2540.203 before an individual in a covered position begins work or starts service. You may permit an individual in a covered position to begin work or start service pending the receipt of results from state registry or FBI criminal history checks as long as the individual is not permitted access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities, without being in the physical presence of an appropriate individual, as described in §2540.205(g) of this chapter."

45 CFR §§ 2540.204(a) states: "Timing of the National Service Criminal History Check Components. (1) You must conduct and review the results of the nationwide NSOPW check required under §2540.203 before an individual in a covered position begins work or starts service."

As a result of our testing we question KCCVS Federal and match costs of \$737,057, NKURF costs of \$18,535 and ATEAM costs of \$2,822.

Recommendations: We recommend that the Corporation:

- 2a. Verify that KCCVS's site visit monitoring tool includes procedures for ensuring subgrantees:
 - Implement and maintain written procedures and a formal process for documenting that members and grant-funded staff consented to NSCHCs
 - Conduct state criminal registry, FBI, and NSOPW searches on grant-funded staff
 - Maintain documentation to support these searches
 - Conduct nationwide NSOPW searches prior to member and staff start dates
 - Retain documentation of nationwide NSOPW searches, including dates from the browsers
 - Retain documentation of dated state criminal history registry searches
- 2b. Review subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that KCCVS has implemented the above recommendation and subgrantees are complying with the procedures.
- 2c. Calculate and recover the appropriate amount of disallowed costs, including applicable administrative costs, calculate any resultant Federal cost questioned due to unmet match, and require KCCVS to adjust its FFRs for the disallowed costs.
- 2d. Monitor KCCVS and subgrantee matching requirements on these awards. At the end of the grant, determine whether KCCVS and its subgrantees met the match requirements.
- 2e. Ensure that KCCVS undertakes a detailed review of the remaining subgrantees to recover improper costs and correct compliance defects.
- 2f. Verify KCCVS performs the following procedures:
 - Conducts state criminal registry, FBI, and NSOPW searches for grant-funded staff
 - Maintains documentation to support these searches
 - Retains documentation of nationwide NSOPW searches, including dates from the browsers
 - Retains documentation of dated state criminal history registry searches
 - Conducts nationwide NSOPW searches prior to staff start dates
 - Implements and maintains written procedures and a formal process for documenting the grant-funded staff consented to NSCHCs
 - Implements and maintains written procedures and a formal process for documenting the verification of grant-funded staff identities against a government-issued photo identification
- 2g. Review KCCVS policies and procedures to ensure the above procedures for the grant-funded staff members has been formally documented.

KCCVS Response:

KCCVS partially concurs with Finding 2a. KCCVS agrees that NSCHC checks were not performed during the AUP period of January 1, 2014 through December 31, 2015 and that fingerprint and NSOPW checks were not performed until after December 31, 2015. However, KCCVS does not concur with the calculated questioned costs based on the provisions of the National Community Service Act of 1990 and guidance provided by the Corporation through Frequently Asked Questions (FAQ) documents. KCCVS contends that the FAQ documents issued by the Corporation exempt state commissions from background checks if the state commission does not perform national service program duties.

KCCVS concurs with the condition of Finding 2b but does not concur with the calculated questioned costs. KCCVS provided documentation for two of the four members demonstrating that the subgrantee self-reported the non-compliances during the 2014 Assessment. According to the "Guidance and Instructions, National Service Criminal History Check Assessment Period," available on the CNCS Knowledge Network, findings of non-compliance during this period would not result in disallowed costs, except under certain exceptions (which KCCVS contends that none applied to these instances). For the remaining two disallowances for NSCHC, KCCVS concurs with the finding but holds that the disallowance should be calculated using the Disallowance Matrix rather than the Education Award amount. KCCVS will work with CNCS during the audit resolution process to address the questioned cost.

Auditor's Comments:

For Finding 2a, the relevant criteria is 45 CFR § 2540.200 to 207. Those regulations state that NSCHC checks are required for all AmeriCorps members and for grant-funded staff without qualification. For agreed-upon procedures purposes, we do not recognize FAQ documents as authoritative. As a result, the costs will remain questioned for the Corporation to resolve during the resolution process.

For Finding 2b, the relevant criteria is also 45 CFR § 2540.200 to 207. We understand the Corporation uses other criteria in its assessment of questioned costs, but for agreed-upon procedures purposes, the codified criteria will be used as the applicable regulations. As a result, the costs will remain questioned for the Corporation to resolve during the resolution process.

Finding 3. Members Performed Unapproved Remote Service

Our testing found that both subgrantees allowed members to perform unapproved remote service.

NKURF:

Based on member interviews, we questioned PY 2014-2015 hours for one member and noted a compliance finding for another one. These members disclosed that they did not request supervisory approval before performing remote activities. Furthermore, one member disclosed that she did not provide her supervisor with tangible output from these activities after completing them. To quantify how much of this remote activity the two members recorded as service, we examined the comments in the daily time entries. In one case the

member indicated direct service from home in the comments, but we could not quantify the amount of hours the other member performed from home based on her timesheets. To corroborate that the members had served from home without supervisory approval, we requested that NKURF ask the two members' supervisors to confirm that they had approved the members' remote service. NKURF replied that it is against the organization's policy for members to serve from home. We questioned the identifiable remote service hours on the first member's timesheets because they violated NKURF's policy. We did not question any of the second member's hours because they were not identifiable, but do note this as a compliance finding.

ATEAM:

Based on member interviews, we questioned hours for four members in PY 2014-2015. These members disclosed that they did not request supervisory approval prior to performing remote activities. All four members performed at-home planning, which was not an activity included in the Pre-Approved Outside Service Opportunities document. Also, these members disclosed that they did not provide supervisors with tangible output from these activities after completing them. To quantify how much of this remote activity the four members recorded as service, we reviewed the comments in the daily-time entries. We questioned all identifiable at-home planning hours because they were not pre-cleared activities. To corroborate that the members had served from home without supervisory approval, we requested that ATEAM ask the four members' supervisors to confirm that they had approved the members' remote service. ATEAM clarified that only the pre-cleared activities in the ATEAM Member Handbook, which did not include at-home planning hours, were allowed to be credited for service hours without supervisor approval. It could not provide evidence that the members' supervisors approved the planning hours. We therefore questioned all identifiable at-home planning hours for these four members.

45 CFR § 2520.25, *What direct service activities may AmeriCorps members perform?*, states:

- a) The AmeriCorps members you support under your grant may perform direct service activities that will advance the goals of your program, that will result in a specific identifiable service or improvement that otherwise would not be provided, and that are included in, or consistent with, your Corporation-approved grant application.
- b) Your members' direct service activities must address local environmental, educational, public safety (including disaster preparedness and response), or other human needs.
- c) Direct service activities generally refer to activities that provide a direct, measurable benefit to an individual, a group, or a community.

According to regulation, allowable service activities under the grant 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.

ATEAM Member Handbook Criteria:

There are certain criteria that projects done outside of school hours must meet. Some activities have already been established and do not necessarily mean you must have pre-approval. Activities not included on the established

list must be pre-approved. For long-term outside community service, you will need to submit a letter signed by the organization outlining what you will be doing and approximately how many hours per week/month you will be serving. For specific training hours, you must turn in the notation certifying the completion of hours on a monthly basis in order to receive credit. If not, you may not receive credit. (p.5)

Subaward Agreement Criteria (NKURF and Barren Co.):

II(A)(16)(d) for PY 2014-2015 and II(A)(17)(d) PY 2015-2016. "Service hours for at-home activities must be those activities which produce a tangible product and be pre-approved by the Program Director. (For example: Reading and studying performed at home is not an eligible activity. The production of lesson plans, book folders, etc., are allowable activities.)"

II(A)(5). "Provide members with orientation and training before they report to their respective service sites. (PY 2014-2015 and PY 2015-2016)."

We questioned \$5,644 of education awards resulting from the questioned hours. The questioned awards by members follows:

Members	Member-ship Type	Program Year	Hours Required	Hours Earned	Hours Questioned	Remaining Hours	Requirement Still Met?	Questioned Education Award
NKURF								
Member 1	Half	2014-2015	900.00	1,102.75	2.00	1,100.75	Yes	-
Member 2	Minimum	2014-2015	300.00	310.00	0.00	310.00	Yes	-
ATEAM								
Member 1	Full	2014-2015	1,700.00	1,728.50	24.75	1,703.75	Yes	-
Member 3	Half	2014-2015	900.00	903.00	16.50	886.50	No	\$2,822
Member 4	Full	2015-2016	1,700.00	1,752.25	38.25	1,714.00	Yes	-
Member 5	Half	2014-2015	900.00	904.75	55.50	849.25	No	\$2,822
ATEAM PY 2014-2015 Questioned Education Award								\$5,644
ATEAM PY 2015-2016 Questioned Education Award								-

Note: The education awards of ATEAM Member 1 and Member 5 were also questioned in Finding 4. In the final analysis, these education awards will only be questioned once.

Recommendations: We recommend that the Corporation:

- 3a. Provide KCCVS guidance on creating policies to address offsite member activities. The policies should address controls for member activities, including:
 - Obtaining and documenting approvals from subgrantee program officials before members begin performing services 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 host site is closed.
 - Documenting service activities performed by the members, either by including descriptions on the member's timesheet regarding service activities performed or by maintaining daily activity logs describing the duties performed.

- 3b. Verify that KCCVS provided the subgrantees with guidance and instruction regarding member service activities performed offsite at night, on weekends, on holidays, and on other days when the member host site is closed.
- 3c. Verify that KCCVS's program monitoring includes procedures for ensuring that:
- Members at subgrantee sites document service activities performed by either recording them in the comments section of the electronic timesheet or by maintaining daily activity logs describing the duties performed.
 - Programs have written policies that describe the circumstances in which offsite service hours performed at night, on weekends, on holidays, and on other days when the member's host site is closed will be necessary, and the program's method of verifying that the members served the hours.
- 3d. Review KCCVS's subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that KCCVS has properly implemented its monitoring procedures to review irregular or unusual increases in member service hours at the end of the member service term and for offsite member service activities.
- 3e. Disallow and, if already used, recover education awards made to the members who did not serve the minimum required service hours.

KCCVS Response:

KCCVS partially concurs with Finding 3. Specifically, NKURF concurs with the finding, but ATEAM does not concur with Finding 3.

ATEAM is contending that at-home planning is needed for members to maximize the effectiveness of instructional time with students during the school day and that school facilities may not remain open for members to conduct post-instruction work on premises.

Auditor's Comments:

For Finding 3, we recognize ATEAM's justification for at-home planning. However, the finding focused on the lack of documentation to authorize at-home (offsite) work. As a result, the costs for ATEAM (in addition to the costs for NKURF) will remain questioned for the Corporation to resolve this issue during the resolution process.

Finding 4. ATEAM Members Performed Questionable Service Activities

During our interviews, we noted that two members ("Member 1" and "Member 2") performed administrative clerical tasks outside the scope of the grant's direct service objectives, which is to provide tutoring and mentoring assistance. Administrative effort that goes beyond reasonable preparation, set-up, and clean-up for tutoring and mentoring activities does not meet the objectives of this grant. Also, another member ("Member 3") recalled dedicating less time per week to grant-related activities than we computed from averaging the total service hours per week over the duration to make the 900-hour minimum. This raised questions as to whether the recorded time may have been inflated.

To corroborate our concerns, we requested detailed timecards for these three members and reviewed the comments in the daily time entries. We found the three members performed the following tasks that did not meet the grant's direct service objectives:

- *Teacher Aide/Clerical Activity.* The three members performed clerical administrative tasks that, based on corresponding comments in the timecard detail, did not appear to result from the tutoring program or any of the community service projects. However, Member 1 charged 139.75 hours out of 1,728.5 total hours cutting out materials and grading papers for other teachers. Member 2 charged 162.5 out of 1,709 total hours accumulating and documenting "Coke Rewards" points from bottle caps brought in by students. Member 3 charged 11.5 out of 904.75 total hours grading papers for other teachers. Tasks that would normally be performed by teachers, administrative professionals; or teacher's aides do not address a "specific identifiable service or improvement that otherwise would not be provided" (45 CFR § 2520.25(a)), and therefore such hours were questioned.
- *Unreasonable Amount of Service Project Group Activity and Service Project Administration Compared to Total Service Hours.* According to the ATEAM Member Handbook, members are allowed to reasonably augment their tutoring service hours with service projects. However, Member 1 expended 286 hours, or 17 percent of the 1,728.5 total hours, administering a youth shooting club that was claimed as service hours. Sixty-five percent of the hours were spent on program administration such as correspondence, buying materials, program meetings with officials and other adults, and other activity that did not involve engaging with the youth. We do not consider this activity to be an appropriate substitute for actual onsite tutoring hours and therefore question the 286 hours charged.
- *Unallowable Service Activity.* We questioned 7.5 hours out of 1,728.5 total hours for Member 1, 193 hours out of 1,709 total hours for Member 2, and 1.5 hours out of 904.75 total hours for Member 3, because these hours were dedicated to chaperoning or assisting extracurricular clubs that did not provide a benefit to a recipient consistent with the mentoring objectives of the ATEAM program. These activities included watching over shelter dogs, making costumes and sets for a community theater, chaperoning class and team trips, and administering class Christmas parties.

45 CFR § 2520.25, *What direct service activities may AmeriCorps members perform?*, states:

- a) The AmeriCorps members you support under your grant may perform direct service activities that will advance the goals of your program, that will result in a specific identifiable service or improvement that otherwise would not be provided, and that are included in, or consistent with, your Corporation-approved grant application.
- b) Your members' direct service activities must address local environmental, educational, public safety (including disaster preparedness and response), or other human needs.

ATEAM Grant Application Criteria:

“AmeriCorps members will address the area of deficiency in Kindergarten through 12th grade students in community schools with low assessment scores and low student achievement.” (PY 2014-2015, p. 4; PY 2015, p.3)

“Full-time members will serve before, during and after school daily. Members will have the opportunity to become involved in extracurricular site activities therefore allowing members to become an integral part of the service community.” (Grant Applications - PY 2014-2015, p.7; PY 2015-2016, p.8)

“Members will collaborate with school personnel to implement tutoring for targeted students using scientifically-based curriculum that support Response to Intervention.” (Grant Applications - PY 2014-2015, p.5; PY 2015-2016, p.6)

“This program will address the CNCS focus area of Education. The program will support and/or facilitate tutoring and mentoring services to improve educational and behavioral outcomes of targeted students in the elementary, middle school and high schools located in the proposed service sites.” (Grant Applications - PY 2015-2016, p.9)

“Site supervisors are encouraged to include members in all aspects of the community of the school where they serve. From including those members in staff email correspondence, staff meetings, professional development opportunities, and celebrating school successes.” (Grant Applications - PY 2015-2016, p.11)

Subaward Agreement Criteria (ATEAM):

II(A)(16) for PY 2014-2015 and II(A)(17) PY 2015-2016. “Ensure that member’s service hours are awarded on an hour-for-hour basis only, based on detailed daily time log of service and in accordance with the following:

- a) Service hours cannot be awarded on a bonus basis.
- b) Members cannot receive hours for babysitting.
- c) Service hours shall be traceable to a service objective or a member development objective.”

We therefore questioned \$11,290 of education awards due to out-of-scope activities. The following table shows the details by member:

Members	Member-ship Type	Program Year	Hours Required	Hours Earned	Hours Questioned	Remaining Hours	Requirement Still Met?	Questioned Education Award
ATEAM								
Member 1	Full	2014-2015	1,700.00	1,728.50	433.25	1,295.25	No	\$5,645
Member 2	Full	2014-2015	1,700.00	1,709.00	355.50	1,353.50	No	\$5,645
Member 3	Half	2014-2015	900.00	904.75	13.00	891.75	No	See F3
ATEAM PY 2014-2015 Questioned Education Award								\$11,290
ATEAM PY 2015-2016 Questioned Education Award								-

Note: The education awards of Member 1 and Member 3 were also questioned in Finding 3. In the final analysis, these education awards will only be questioned once.

Recommendations: We recommend that the Corporation:

- 4a. Provide KCCVS guidance on creating policies to address allowable direct service activities for the subgrantees.
- 4b. Verify that KCCVS provided the subgrantees with guidance and instruction regarding allowable member direct service activities.
- 4c. Verify that KCCVS's program monitoring includes procedures for ensuring that members adequately document service activities performed by either recording them in the comments section of the electronic timesheet or by maintaining daily activity logs describing the duties performed with enough detail that allows for monitoring.
- 4d. Review KCCVS's subgrantee site visit monitoring reports and completed subgrantee-monitoring tools to verify that KCCVS has properly implemented its monitoring procedures to review for compliance of direct service activities.
- 4e. Disallow and, if already used, recover education awards made to the members who did not serve the minimum required service hours in allowable activities.

KCCVS Response:

KCCVS partially concurs with Finding 4. KCCVS agrees with the questioned hours but does not agree with the calculated questioned costs as the total education award questioned. KCCVS/ATEAM noted certain activities performed by Members 1 and 2 that they believe are allowable service hours but in amounts that do not fully cover the required service hours. A similar justification was given for Member 3 that if accepted would meet the required hours under this test.

Auditor's Comments:

For Finding 4, we were not provided with the additional justification for certain activities performed by Members 1, 2, and 3 during the testing phase of our AUP engagement and thus have not applied testing to them to reduce the reported questioned hours. However, the additional hours for Members 1 and 2 that are claimed as allowable would still not meet the required hours for an education award. While the additional hours for Member 3 would meet the minimum hours, it would not change the total questioned costs as Member 3 was also questioned in Finding 3.

KCCVS noted that it did not agree that the entire amount of the education award for these members should be questioned but it did not provide a citation for its position. According to 45 C.F.R. § 2522.230(a), partial education awards may only be granted to a member if the member exited for, and the program documented, "compelling personal circumstances" of hardships beyond the member's control. As a result, the costs will remain questioned for the Corporation to resolve during the resolution process.

Finding 5. ATEAM Improperly Used Its Program Income

In PY 2014-2015 and 2015-2016 respectively, ATEAM earned \$42,062 and \$49,186 more program income than was required for its required match. ATEAM used only \$14,642 of this

surplus to finance additional costs incurred for the benefit of the ATEAM program. ATEAM did not credit the remaining amount of \$76,606 back to the Federal award through its PERs to KCCVS. ATEAM's practice is to roll over the excess program income into the following year.

45 CFR § 2541.250(g) *Use of Program Income*, states:

Program income shall be deducted from outlays which may be both Federal and non-Federal as described in paragraphs (g)(1) and (2) of this section, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives).

- 1) Deduction. Program income shall be used for current costs unless the Federal agency authorizes otherwise. Program income which the grantee did not anticipate at the time of the award shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project.
- 2) Addition. When authorized, program income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The program income shall be used for the purposes and under the conditions of the grant agreement.

We therefore questioned \$76,606 of program income that was not used towards the objectives of the grant, and which was neither used to reduce net allowable reimbursable cost from the Federal Government as prescribed by 45 CFR § 2541.250(g)(1), nor was spent to further the objectives of the grant as prescribed by 45 CFR § 2541.250(g)(2).

Recommendations: We recommend that the Corporation:

- 5a. Provide additional guidance and instruction to KCCVS on applicable CFR program income regulations so it can adequately communicate requirements to subgrantees and monitor compliance.
- 5b. Verify that KCCVS has instructed its subgrantees on CFR program income regulations.
- 5c. Verify that the KCCVS subgrantee financial monitoring procedures and tools include procedures to confirm that:
 - Subgrantees have implemented processes and procedures that are consistent with the disposition of program income as discussed in the CFR regulations.
- 5d. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require KCCVS to adjust its FFR for the disallowed costs.

KCCVS Response:

KCCVS does not concur with the condition of Finding 5 for the following three reasons. KCCVS does concur with the recommendations to improve program income instructions to subgrantees.

1. Income does not exist related to the Barren County district schools. Under 2 CFR §200.80:

“Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). (See §200.77 Period of performance.) Program income includes but is not limited to income from fees for 7 services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. ...”

The non-Federal entity (subgrantee) is the Barren County Board of Education. To the extent that the Barren County Board of Education transfers funds internally from its individual schools to support the AmeriCorps program that it operates, no gross income has been earned by the Barren County Board of Education. Thus, no Program Income can exist in the absence of gross income earned. The subgrantee cannot be compelled to increase the match expenditures for a federal program simply because the subgrantee set aside more funds than were needed to pay match expenses of the program.

2. The primary source of support for school programs in these Kentucky schools is local and state tax revenue. Each of the Kentucky district schools contributing support to the ATEAM AmeriCorps program is an independent taxing district (local school taxes) and receives State General Fund tax revenues as the primary revenue sources to fund school operations including AmeriCorps members. Uniform Guidance 2 CFR §200.307 (c) Governmental revenues, provides **that “Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity are not program income unless the revenues are specifically identified in the Federal award or Federal awarding agency regulations as program income.”**
3. The amount of funds received during 2014-2015 and 2015-2016 were fully expended subsequent to the Period of Performance to supplement ATEAM program needs and constitutes additional match to the program. The expenditures were reasonable, allowable, necessary and allocable to the AmeriCorps program. These expenditures would have been billable under the program or allowable as additional match expenditures to the AmeriCorps program, if incurred and reported during the initial Period of Performance. The additional expenditures incurred included: Member travel, Member recognition, AmeriCorps branded materials, Postage, Supplies, Telephone, Background checks (statewide and fingerprint based), Educational Reader sets and America Learns Timesheet and data tracking system. Thus, the contributions were ultimately utilized for the intended purpose, as represented to the contributors.

The subgrantee did not participate in other activities that are commonly cited in the generation of program income, such as selling services / items or otherwise receiving third party reimbursement for which the cost of the services or items sold are claimed for federal reimbursement or match costs.

Auditor's Comments:

For Finding 5, we appreciate the additional background and information provided by KCCVS. The understanding we obtained through our AUP testing period indicated that these funds were transferred to ATEAM to support the subgrant and as such, would be viewed as funds generated by the program and thus disposed of in accordance with 45 CFR § 2541.250(g). As a result, the costs remain questioned for the Corporation to resolve during the resolution process.

Finding 6. Subgrantee Could Not Adequately Support In-Kind Contributions

For PY 2014-2015 and PY 2015-2016, ATEAM could not adequately support in-kind contributions reported for the grant. The ATEAM produced two documents to support the assumptions found in the official subgrant budget narrative that were used to estimate each category of in-kind contribution (e.g., price per square foot of tutoring space, hourly labor rate for site supervisors, average annual value of office supplies consumed per member, etc.). The assumptions contained in these documents were not the same as those in the subgrant budget narrative and the budget narrative included assumptions that neither of the documents addressed. Based on what ATEAM provided, we could not compare the values of actual in-kind contributions to budgeted contributions and we could not determine if the actual contributions were allowable according to the seven criteria included in OMB Circular A-110.23(a).

With assistance from KCCVS, ATEAM attempted to revalue three categories of contributions, (tutoring space, site supervision, and the director's office), from the member work locations in the school systems. KCCVS and ATEAM based these calculations on information provided by the Kentucky Department of Education as well as information from some member service locations. ATEAM elected to forgo attempting to justify the contributions made for the three remaining budgeted categories (consumable supplies, copier usage, telephone, and internet) because it could not produce adequate support for them.

ATEAM voluntarily deleted all in-kind donations other than tutoring space, site supervision, and the director's office from their claims. Despite the efforts of KCCVS and ATEAM to support these in-kind donations, they were unable to provide adequate supporting documentation.

After reviewing these recalculations, we concluded that the value of remaining in-kind contribution budget categories – tutoring space, site supervision, and the director's office – were still unsupported because the calculations relied on inadequate documentation (lacked source data) and insufficient detail of the subgrantee's methodology to value in-kind contributions.

The subgrants awarded by KCCVS to ATEAM for PY 2014-2015 and PY 2015-2016 stipulate that ATEAM must follow the administrative requirements of OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations.

OMB Circular A-110.21(b) states,

Recipients' financial management systems shall provide for the following (in part):

- * * *
- 2) Records that identify adequately the source and application of funds for Federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income, and interest.
 - * * *
 - 6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
 - 7) Accounting records including cost accounting records that are supported by source documentation.

OMB Circular A-110.23(a) states,

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

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

Furthermore, according to OMB Circular A-87(C)(1)(j), for KCCVS to recover Federal funds, the required match must be adequately documented.

As a result of our testing, we found that ATEAM did not comply with OMB Circular A-110.21(b), regarding adequate documentation, for the following reasons:

- ATEAM could not produce records that could adequately identify the source and application of in-kind donations.
- There were no written procedures for determining the reasonableness, allocability, and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
- Accounting records for the in-kind contributions were not supported by source documentation.

Using alternative procedures to revalue these three budget categories we concluded that ATEAM's in-kind donations for the PY 2014-2015 and PY 2015-2016 exceeded originally reported amounts by \$29,633 and \$108,270, respectively. Thus, ATEAM exceeded its

required match in both PYs. We provided the Corporation, KCCVS, and ATEAM the detailed calculations and supporting documentation for the calculated in-kind donations.

Recommendations: We recommend that the Corporation:

- 6a. Ensure that KCCVS has advised ATEAM to establish written policies and procedures for the funding source, value, budget category, and application of the in-kind contributions it receives. Supporting documentation must show that claimed in-kind donations are consistent with the criteria of OMB Circular A-110.23(a).
- 6b. Ensure that KCCVS has advised ATEAM to periodically compare its actual in-kind donations to its budgeted estimates and document reasons for variances.

KCCVS Response:

KCCVS concurs with Finding 6. KCCVS indicated that it has begun to work on an overarching documentation plan to address communication and monitoring with its subgrantees (see KCCVS response to Finding 1).

Auditor's Comments:

KCCVS concurred with the finding and therefore the finding remains as stated. During the resolution phase, the Corporation should review and verify all corrective actions that KCCVS and its subgrantees complete.

Finding 7. One Subgrantee Had Inconsistencies Between Account Coding and Reporting on its PERs

NKURF's financial management system does not provide for consistent account coding and tracking of actual costs to the budget. The following issues were noted:

- Inconsistent coding between consultant and outside services account codes, which flow to different budget line items
- Instances of payroll taxes being recorded with fringe benefits when the official budget tracks these items separately
- Some living allowances coded in the same account used for temporary employees
- Staff travel and member travel are coded to the same account. NKURF must use manual means to separately track and report these components
- Other instance of reporting travel costs not supported from the underlying systems

NKURF does not have the ability to create separate cost accounts for staff and member travel, even though these costs represent two separate budget line items.

OMB Circular A-110 requires that the Federal award recipient's financial management systems provide for accurate, current, and complete disclosure of financial results of the Federal award as well as provide for comparison of outlays with budget amounts for each award.

All of the costs that were recorded differently in the accounting system from the manner they were claimed in the financial reports are allowable costs according to the approved budget (i.e., no questioned costs associated with this finding), but the financial management systems did not provide for an efficient audit trail to compare these costs against the approved budget.

Recommendations: We recommend that the Corporation:

7. Verify that KCCVS develops subgrant monitoring procedures to ensure its subgrantees comply with the applicable Federal administrative requirements with respect to financial management systems and emphasize the following aspects:
 - Staff responsible for expense coding should be adequately trained so expenses are coded to the appropriate account
 - Coding of expenditures should be consistently applied during the life of the grant
 - Instruct subgrantees to prepare and maintain documentation to map costs recorded to the general ledger and costs reported by grant budget line items.

KCCVS Response:

KCCVS concurs with Finding 7. KCCVS indicated that it has begun to work on an overarching documentation plan to address communication and monitoring with its subgrantees (see KCCVS response to Finding 1).

Auditor's Comments:

KCCVS concurred with the finding and therefore the finding remains as stated. During the resolution phase, the Corporation should review and verify all corrective actions that KCCVS and its subgrantees complete.

BACKGROUND

The Corporation, under the authority of the National Community Service Trust Act of 1993 (as amended), awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service positions. AmeriCorps members perform service activities to meet educational, human, environmental, and public safety needs. In return, eligible members may receive a living allowance and post-service education benefits.

Established in 1994, KCCVS was created to serve as a conduit for Federal funds that support AmeriCorps programs in the Commonwealth of Kentucky, encourage and recognize volunteerism, and assist in service program development. KCCVS is structured as an advisory commission within the Kentucky Cabinet for Health and Family Services. KCCVS receives professional support from the Cabinet for Health and Family Services through its Department for Family Resource Centers and Volunteer Services.

Funds received by KCCVS have been sub-awarded to eight nonprofits or institutions of higher education to provide services towards recruiting, training, and placing AmeriCorps members to meet critical community needs in education, public safety, health, employment, food assistance, and disaster relief services. Some examples of program activities that AmeriCorps members have performed include serving as teachers, tutoring, mentoring, working food banks, and improving the health for those with disabilities. Subgrantees are required to provide matching funding as stipulated in their grant agreements. The required match funding varies based on the number of years the subgrantee is in the program.

The subgrantees use the funds to support their program operations and are required to maintain supporting documentation for the claimed costs. In addition, subgrantees are required to provide monthly PERs to KCCVS as required in the subgrant agreement. KCCVS prepares the aggregate FFR³ for the grants by accumulating the expenses reported by the subgrantees and submits its FFR through the Corporation's online eGrants system (eGrants). The Corporation and grantees manage the grants using eGrants to process grant applications, awards, and FFRs.

KCCVS monitors its subgrantees through a risk assessment process to develop a monitoring plan for each subgrantee based on certain risk factors. KCCVS performs desk-based monitoring and site visits. Those subgrantees determined to be high risk will receive a focus area documentation desk review targeting one or more specific components of program implementation, including but not limited to financial matters, criminal history, member training, and position descriptions. The high risk subgrantees will also receive a full monitoring site visit each year. Each AmeriCorps member enrolled must have a position description on file. The position description shall indicate the member position title, program, site location, purpose of the program, description of duties, member qualifications, term of service, work hours, benefits, orientation and training requirements, evaluation and reporting process, and identify the supervisor(s) for that member. Those subgrantees determined to be at medium risk will receive the focus area documentation desk review and a limited scope monitoring site visit, if determined by KCCVS staff to be necessary. Those subgrantees determined to be at low risk will only receive the focus area documentation desk review.

³ The FFR is a standardized, consolidated report of Federal grant awards and associated Federal share and match costs claimed which are required to be reported by grantees to the Corporation on a semi-annual basis.

AGREED-UPON PROCEDURES SCOPE

RSM applied the agreed-upon procedures to the period from January 1, 2014, through August 31, 2016. The procedures covered the allowability, allocability, and reasonableness of the financial transactions reported for the following cost-reimbursable grants and AUP periods:

Grant No.	AUP Periods
13CAHKY001	January 1, 2014 to December 31, 2015
14AFHKY001	September 1, 2014 to August 31, 2016
15ACHKY001	September 1, 2015 to August 31, 2016

RSM also performed agreed-upon procedures to determine KCCVS's and its selected subgrantees' compliance with certain grant terms and provisions. The procedures were based on the OIG's "Agreed-Upon Procedures for Corporation Awards to State Commissions without VISTA Grantees (Including Subgrantees), dated June 2016."

RSM reviewed KCCVS's administration of these grant funds. From a total of eight subgrantees, RSM selected the following KCCVS subgrantees for detailed testing:

- ATEAM/AmeriCorps for Barren County School Board (ATEAM)
- Northern Kentucky University Research Foundation Kentucky Service Corps (NKURF)

These subgrantees were judgmentally selected based on an assessment of overall risk to KCCVS and the Corporation. The assessment included consideration of several factors, namely the amount of costs claimed by each subgrantee, the results of subgrantee monitoring reports, and findings, if any, contained in the OMB Circular A-133 (now Title 2 Code of Federal Regulations, Subpart F-Audit Requirements) Single Audit reports for each entity.⁴ RSM's procedures resulted in total questioned grant costs of \$851,954 consisting of \$445,177 in KCCVS Federal costs and \$291,880 in match costs; and \$76,606 in subgrantee Federal costs, \$25,266 in Federal education awards and \$13,025 in subgrantee match costs.

RSM performed procedures at KCCVS and two of its subgrantees: ATEAM and NKURF. RSM tested KCCVS transactions of \$299,037. RSM also tested subgrantee transactions totaling \$172,959 for ATEAM and \$188,917 for NKURF.

⁴ The new audit requirements are not applicable until the first fiscal year starting on or after December 26, 2014. For KCCVS, the applicable fiscal year would not begin until July 1, 2015, and the applicable single audit report would not be due until March 31, 2017.

The following table identifies the number of AmeriCorps members and employees, and their grant program objectives for the subgrantees selected for the agreed-upon procedures.

Subgrantee	Members	Employees	Grant Program Objectives
ATEAM	310	2	Members serve elementary through high school students in partnership with supportive schools and involved communities to provide tutoring and mentoring assistance to aid in the prevention of student dropouts and support post-secondary education and workforce readiness.
NKURF	102	4	Members serve as near peer coaches to high school students in 32 Kentucky counties, assisting students in building skills and gathering needed information to succeed academically and to navigate college preparatory tests, find scholarships, complete federal student aid applications and choose a college or post-secondary program that fits their skills and experience.

EXIT CONFERENCE

RSM provided a summary of the findings to be included in the draft report and discussed its contents with officials of the Corporation, KCCVS, and applicable subgrantees at an exit conference on August 18, 2017. The Corporation and KCCVS responses to the draft report are included as appendices in this final report.

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

Office of Inspector General
Corporation for National and Community Service

We have performed the procedures, detailed in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated February 2015," not included herein. These procedures were agreed to by the Corporation for National and Community Service (Corporation) Office of Inspector General (OIG), solely to assist you with respect to certain information reported by Kentucky Commission on Community Volunteerism and Service (KCCVS) in accordance with its Corporation grant terms and provisions, and applicable laws and regulations, for the agreed-upon procedures periods from January 1, 2014, through August 31, 2016. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for agreed-upon procedures contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Corporation's OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The results of our procedures are described in Schedules A through E in the Summary of Results section of the accompanying report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on KCCVS's compliance with its Corporation grant terms and provisions, and applicable laws and regulations, for the agreed-upon procedures periods from January 1, 2014 through August 31, 2016. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

RSM US LLP

Washington, D.C.
December 19, 2017



**CABINET FOR HEALTH AND FAMILY SERVICES
KENTUCKY COMMISSION ON COMMUNITY VOLUNTEERISM AND SERVICE**

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Vickie Yates Brown Glisson
Secretary

December 8, 2017

Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service
250 E Street SW
Washington, DC 20502

Dear Mr. Axenfeld:

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft audit report on the Agreed-Upon Procedures for Corporation Grants Awarded to Kentucky Commission on Community Volunteerism and Service (KCCVS).

KCCVS appreciates every opportunity to strengthen Commission operations and grant administration. This audit has highlighted areas where improvement is needed and has provided valuable input for strengthening our systems. We would like to express our appreciation for the staff and management of RSM US LLP, whose professionalism was outstanding.

KCCVS will work with CNCS to implement the recommendations contained within the report.

Thanks very much for your assistance!

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Bringardner".

Joe Bringardner
Executive Director

cc: Audit Resolution Team, CNCS

KCCVS Responses

Finding 1 – KCCVS Did Not Adequately Monitor the Subgrantees

KCCVS **concurs** that an expansion of KCCVS' existing monitoring process (as well as improvements in documentation of the review procedures performed and the results thereof), is needed in order to ensure compliance with grant requirements and to provide adequate documentation that effective monitoring has been performed. Subgrantees do not have any additional information to dispute any comments within Finding 1, items a – e. KCCVS **concurs** with the Auditor's recommendations for Finding 1 and will develop an implementation plan for those recommendations.

KCCVS has begun work on an overarching documentation plan to help ensure all appropriate steps are followed for all subaward programs. These steps begin with the Risk Assessment, and continue through the desk review and on-site compliance monitoring as the programs are implemented, including specialized training and technical assistance provided to those programs determined to be moderate - high risk, or that otherwise demonstrate a need for training and technical assistance. Existing monitoring procedures will be expanded, specifically to prevent or detect the types of non-compliance identified by the Auditor during this Agreed-Upon Procedures (AUP) engagement, as outlined in Findings 1 - 7. KCCVS will provide the final documentation format to CNCS on or before January 31, 2018, and will provide periodic reports to CNCS as monitoring is performed during the program year.

Finding 2a. – KCCVS Did Not Complete NSCHC for Grant-Funded Staff

KCCVS **partially concurs** with Finding 2a., specifically:

The findings correctly state that for the period under audit, January 1, 2014 – December 31, 2015, National Service Criminal History Checks (NSCHC) were not performed for the staff of the State Commission. KCCVS agrees that FBI fingerprint checks and NSOPW were not performed for Commission staff until after December 31, 2015. However, KCCVS disputes all questioned costs associated with this finding based on specific provisions within the National and Community Service Act of 1990, and implementing guidance provided by CNCS. Accordingly, KCCVS disagrees that salary, fringe and related indirect costs paid on behalf of staff of the Commission should be questioned.

KCCVS, in good faith, has relied upon the Frequently Asked Questions (FAQ) issued by CNCS, in the assumption that NSCHC was not required for Commission staff to be in compliance with the Terms and Conditions of the grant.

Specifically, as of January 1, 2014, FAQ 3.13 issued by CNCS stated:

3.13. Does the requirement to conduct a National Service Criminal History Check on staff apply to State commission staff?

Usually, no. Because the intent of the law and CNCS's National Service Criminal History Check regulations was to establish requirements at the program operational level and commissions usually do not directly operate or assign staff to perform national service program activities, commission employees are usually not individuals in covered positions. However, such assignments have been made in the past, and therefore, commission staff may require a Check if assigned to perform national service program duties. This guidance applies to a State

commission regardless of whether the commission is a State governmental entity or an independent, incorporated non-profit.

The above provision was updated without material changes and renumbered to FAQ 3.14, issuance date November 4, 2014.

Subsequent updates to the FAQs (issue date July 7, 2016) removed question 3.14 entirely and was updated to include the following FAQ 2.2:

2.2 [UPDATED!] What programs and people are not required to comply with NSCHC requirements?

A few grant types, because they do not fund an activity meeting CNCS's definition of a program, are not covered. Also, some people are not covered, because they do not receive the types of payment specified in the law.

Non-Covered grant types:

- *AmeriCorps State Commission Support grants**

**Note: Preliminary discussions on this finding indicated that the term "Commission Support Grant" might instead refer to other types of grants such as CFDA 94.009, Training and Technical Assistance. CNCS uses the term "Commission Support Grant" to refer to the grant supporting State Commissions, CFDA 94.003. For example, the Commission administration grant application Instructions for FY 2018 funding are entitled "2018 Commission Support Grant Application Instructions," due for submission to CNCS on November 9, 2017. The same language was used in 2015 – 2017 Application Instructions.*

KCCVS holds that the interpretations outlined within the FAQs are appropriately grounded within the National and Community Service Act of 1990 (the Act) (Public Law 101–610, Nov. 16, 1990, 104 Stat. 3127) (42 U.S.C. 12501 et seq.), as follows:

1. The Act does not directly state that the NSCHC must be applied to staff of Commissions. The Act does specify that NSCHC must be applied **by entities that select individuals** to receive various payments "**through a program**" within SEC. 189D:

SEC. 189D. [42 U.S.C. 12645g] CRIMINAL HISTORY CHECKS. (a) IN GENERAL.—**Each entity selecting individuals to serve** in a position in which the individuals receive a living allowance, stipend, national service educational award, or salary **through a program** receiving assistance under the national service laws, shall, subject to regulations and requirements established by the Corporation, conduct criminal history checks for such individuals.

KCCVS does not directly administer a program as defined under the Act and **does not select individuals to receive payments through a program**.

2. The Act distinguishes between the State Commissions and programs within the definitions of Section 101:

(34) PROGRAM.—The term "program", unless the context otherwise requires, and except when used as part of the term "academic program", means a program described in section 112(a) (other than a program referred to in paragraph (3)(B) of such section), 118A, or 118(b)(1), or subsection (a), (b), or (c) of section 122, or in paragraph (1) or (2)

of section 152(b), section 198B, 198C, 198G, 198H, or 198K, or an activity that could be funded under section 179A, 198, 198O, 198P, or 199N.

(44) STATE COMMISSION.—The term “State Commission” means a State Commission on National and Community Service maintained by a State pursuant to section 178. Except when used in section 178, the term includes an alternative administrative entity for a State approved by the Corporation under such section to act in lieu of a State Commission; and

3. State Commissions are prohibited from directly administering programs within SEC. 178. [42 U.S.C. 12638] STATE COMMISSIONS ON NATIONAL AND COMMUNITY SERVICE:

(h) ACTIVITY INELIGIBLE FOR ASSISTANCE.—A State Commission or alternative administrative entity may not directly carry out any national service **program** that receives assistance under section 121.”

KCCVS does not oppose conducting background checks of Commission staff. Subsequent to the audit period, KCCVS has conducted NSOPW and FBI fingerprint checks of the staff, and plans to continue this process for future staff hiring. However, KCCVS strongly disagrees with the disallowance recommended with Finding 2a in light of the specific provisions of the Act and the NSCHC guidance FAQs provided by CNCS.

Finding 2b. – Subgrantees had Incomplete or Insufficient Member NSCHC

KCCVS **concur**s with the instances of subgrantee non-compliance identified in Finding 2b but **does not concur** with the calculated disallowance amount.

Documentation has been located for two of the four members demonstrating that the subgrantee self-reported non-compliance as disclosed in the 2014 Assessment. According to the “Guidance and Instructions, National Service Criminal History Check Assessment Period,” available on the CNCS Knowledge Network, findings of non-compliance during this period would not result in disallowed costs, except under certain exceptions (none applied to these instances). The assessment forms for these two members will be submitted to OIG and CNCS under separate cover.

For the remaining two disallowances for NSCHC, KCCVS concurs with the finding but holds that the disallowance should be calculated using the Disallowance Matrix rather than the Education Award amount. KCCVS will work with CNCS during the audit resolution process to address the questioned cost.

Finding 3 – Members Performed Unapproved Remote Service

KCCVS **partially concurs** with Finding 3. Specifically, NKURF **concur**s with the finding as related to their program. ATEAM **does not concur** with Finding 3, stating that some additional planning and preparation outside of the regular school day is necessary and is considered routine for educators of all levels due to limited school hours and lack of on-site preparation time. KCCVS **concur**s with the Auditor’s recommendations, with the exception of disallowance of education awards related to this finding.

Note: The draft report Finding 3 lists ATEAM Members 3 and 5 as “Full” with 1,700 hours required (see chart, Draft page 18). Each of these members should be “Half” with 900 hours. The remaining calculations are correct.

At-home planning is utilized to maximize the effectiveness of the instructional time with students during the school day. ATEAM states that at-home planning is an extension of members’ daily service. The curriculums that are used require extra time for preparation for each student. In order to fulfill the tutoring duties assigned to members, some additional planning and preparation was required. Members’ daily assignments allowed for no additional time to do lesson planning, grading papers, etc. Due to personal schedules and lack of access to their school building after hours and on weekends, members completed these planning tasks at home after the regular school day. ATEAM specifies that ATEAM considered at-home planning and student assessment review as an activity that is expected from an educator at any level, including all K-12 teachers, and as such, pre-approval was not required or expected. ATEAM recognizes an oversight in not explaining this distinction fully in response to audit questions. The “Timesheet Service Explanation Boxes” that ATEAM distributed to members to assist them with preparing their timesheet, provides instruction to explain the service hours performed, included the following sample service explanation: *“I planned lessons and/or reviewed student assessments for students I serve.”*

Finding 4 – ATEAM Members Performed Questionable Service Activities

KCCVS **partially concurs** with the Auditor’s findings related to the relative value of certain activities reported as service hours by the identified members, discussed below. KCCVS **concurs** with the Auditor’s recommendations, with the exception of questioned cost calculated as the full Education Award amount for all of the members under review.

Note: The draft report Finding 4 lists ATEAM Member 2 as “Half” with 1,700 hours required (see chart, Draft page 21). Member 2 should be “Full” with 1,700 hours. The remaining calculations are correct.

Member 1 reported 1,728 total service hours. The youth shooting club, which represented 286 hours (17% of total service), is a 4-H group. 4-H Club, an after-school program, is a long-standing organization promoting youth leadership development. Correspondence from the area Cooperative Extension Agent endorses Member 1’s involvement with the club as an AmeriCorps member. The affiliation between AmeriCorps and 4-H would have been a positive association for both groups and would have presented many occasions for supportive peer mentoring. Member 1’s service included a leadership role within the shooting club, including activities necessary to facilitate the shooting competition events.

From the ATEAM AmeriCorps Member Handbook, the following were included as examples of appropriate activities, in addition to other eligible activities:

ELIGIBLE HOURS

- ***Anything affiliated with your school or school district including the Afterschool Program***
- ***Volunteering at non-profits (Library; Humane Society; Red Cross; YMCA; Salvation Army; etc.)***

Member 1 also recorded service hours for assisting other teachers within her school (139.75 hours or 8% of total service), which helps Member 1's school community. The perceived value of this activity is not as highly regarded as other activities. Nevertheless, these limited service hours are supportive to the educational environment of Member 1's school, were legitimately incurred and are not expressly prohibited by the regulations. ATEAM maintains that these service hours were related to Member 1's position description for the 2014-2015 year, at which at that time included within the Performance Responsibilities, *"Performs related duties and assumes other responsibilities as may be assigned by ATEAM staff and the Site Supervisor"* (ATEAM/AMERICORPS 2014-2015 Service Description, page 2).

Thus, KCCVS holds that Member 1's recorded hours should be recognized for purposes of the Education Award.

Member 2 participated in a service activity that appears clerical, but was actually a fundraising activity. The "Coke Rewards" program involved recording/processing bottle caps for the benefit of the sensory room at his school (the room where his AmeriCorps service took place – "Sensory" focuses on individuals with intellectual disabilities). A letter of support received from the Director of Curriculum, Instruction and Assessment at the Crittenden County Schools states, *"The Coke bottle caps were then used to purchase items and equipment for the sensory room, such as chew pencil tops, texture balls, and weighted blankets."* According to §2520.40 (a), ***"AmeriCorps members may raise resources directly in support of your program's service activities."*** This activity constituted 162.5 of the 1,709 total service hours, within the 10% allowed for fundraising activities (45 CFR §2520.45, ***"An AmeriCorps member may spend no more than ten percent of his or her originally agreed-upon term of service, as reflected in the member enrollment in the National Service Trust, performing fundraising activities"***).

KCCVS **concurs** with the Auditor in that Member 2's final months includes service hours that do not appear to directly relate to the stated educational objectives, though they may well benefit Member 2's community (animal shelter, community theater totaling 193 hours or 11% of total service hours). The opportunity for service in school activities is very limited between May and August. Based on the guidance provided to the member, the activity definitely falls under the examples of "Eligible Hours" as included in the Member Handbook provided to Member 2 (excerpt shown under Member 1 above: *"Volunteering at non-profits - Library; Humane Society; Red Cross; YMCA; Salvation Army; etc."*).

Member 3 was a part-time member with 904.75 total service hours. Grading papers for other teachers comprised 11.5 hours or 1% of total service hours. While this activity may not be regarded as highly as Member 3's other service activities, it nonetheless provides a supportive role to the educational environment of Member 3's school. Based on the guidance provided to the member, the activity falls under the examples of "Eligible Hours" as included in the 2014-2015 Member Handbook provided to Member 3 (excerpt shown under Member 1 above: *"Anything affiliated with your school or school district including the Afterschool Program"*). Chaperone activities (1.5 hours or 0.1% of total service hours) are identified within the *"ATEAM Administrator/Principal Manual, 2014-2015"* as an activity that may take place on a limited basis. Page 4 of this manual stated, *"In addition ATEAM members may... Chaperone field trips if needed, on limited basis, especially for specific grades/students members serve."*

Thus, KCCVS holds that Member 3's recorded hours should be recognized for purposes of the Education Award.

KCCVS concurs with Auditor's recommendations to ensure subgrantees receive guidance and instruction regarding allowable member direct service activities. KCCVS will incorporate the Auditor's

recommendations into the monitoring process expansion discussed in Finding 1 above, to be applied to all subgrantees and will work with CNCS during the audit resolution process to address the questioned cost.

Finding 5 – ATEAM Improperly Used Its Program Income

KCCVS **does not concur** with the Finding that all funds received by ATEAM constitute program income or that the funds were improperly used and should be recovered by the federal agency. KCCVS **concurs** with the recommendations that KCCVS improve instructions related to and monitoring of potential program income within its subgrantees.

Background: The circumstances whereby the subgrantee (ATEAM) collected funds for its AmeriCorps program are as follows: The subgrantee operated an AmeriCorps program to tutor/mentor at-risk children in western Kentucky school districts. In the beginning of the program year, the subgrantee sought participation from other Kentucky schools to support members within the western Kentucky schools. During the 2014-2015 and 2015-2016 school years, the subgrantee collected up to \$5,400 per member from each school site, intended to **“Provide financial support for match cost of members”** (from: ATEAM Partner Memorandum of Understanding; PARTNER DISTRICT ROLES AND RESPONSIBILITIES, Financial). The Memorandum of Understanding (MOU) for the 2014-2015 and 2015-2016 years included a provision for a partial refund if members were released from service, but did not contain any provision addressing the Partner District’s declaration/agreement for use of excess contributions.

In the following year, the subgrantee MOUs were updated to remove the refund guarantee and added the following language, which was accepted by the Partner Districts, all of which had also participated in the 2014-2015 and 2015-2016 programs: **“Funds provided to the ATEAM are intended as restricted donations to support all expenditures of ATEAM programs. Any contribution exceeding the final costs incurred by ATEAM shall be retained by ATEAM and utilized as carryover for the benefit of subsequent year programs.”**

The amount of funds remaining at the 2014-2015 and 2015-2016 fiscal year ends is representative of large expected health insurance costs that did not materialize. Prior to the beginning of each program year, subgrantees must secure sufficient funds to guarantee health insurance for all Full Time members in the event that all members choose to receive health care coverage. However, while planning must include coverage for all Full Time members, only a portion of the members needed the health insurance coverage. Excess funds of this amount are not expected to recur in future years since ATEAM no longer utilizes Full Time members.

Excess funds are retained within the subgrantee accounts, which are within the accounts of the Barren County Board of Education, until they are disbursed for program purposes.

Please note the following:

1. Income does not exist related to the Barren County district schools. Under 2 CFR §200.80:

“Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in §200.307 paragraph (f). (See §200.77 Period of performance.) Program income includes but is not limited to income from fees for

services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. ...”

The non-Federal entity (subgrantee) is the Barren County Board of Education. To the extent that the Barren County Board of Education transfers funds internally from its individual schools to support the AmeriCorps program that it operates, no gross income has been earned by the Barren County Board of Education. Thus, no Program Income can exist in the absence of gross income earned. The subgrantee cannot be compelled to increase the match expenditures for a federal program simply because the subgrantee set aside more funds than were needed to pay match expenses of the program.

2. The primary source of support for school programs in these Kentucky schools is local and state tax revenue. Each of the Kentucky district schools contributing support to the ATEAM AmeriCorps program is an independent taxing district (local school taxes) and receives State General Fund tax revenues as the primary revenue sources to fund school operations including AmeriCorps members. Uniform Guidance 2 CFR §200.307 (c) Governmental revenues, provides that **“Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity are not program income unless the revenues are specifically identified in the Federal award or Federal awarding agency regulations as program income.”**
3. The amount of funds received during 2014-2015 and 2015-2016 were fully expended subsequent to the Period of Performance to supplement ATEAM program needs and constitutes additional match to the program. The expenditures were reasonable, allowable, necessary and allocable to the AmeriCorps program. These expenditures would have been billable under the program or allowable as additional match expenditures to the AmeriCorps program, if incurred and reported during the initial Period of Performance. The additional expenditures incurred included: Member travel, Member recognition, AmeriCorps branded materials, Postage, Supplies, Telephone, Background checks (statewide and fingerprint based), Educational Reader sets and America Learns Timesheet and data tracking system. Thus, the contributions were ultimately utilized for the intended purpose, as represented to the contributors.

The subgrantee did not participate in other activities that are commonly cited in the generation of program income, such as selling services / items or otherwise receiving third party reimbursement for which the cost of the services or items sold are claimed for federal reimbursement or match costs.

KCCVS will work with ATEAM to revise FFRs in order to fully recognize the additional match expenditures related to contributions collected during the 2014-2015 and 2015-2016 program years.

Within the monitoring process expansion discussed in Finding 1 above, KCCVS will undertake additional review and education measures with each subgrantee to determine the existence of program income within their programs and to correctly apply any identified program income in accordance with Uniform Guidance.

Finding 6 – Subgrantee Could Not Adequately Support In-Kind Contributions

KCCVS **concurs** that the In-Kind Contributions as submitted by the subgrantee were not supported by sufficient source documentation to substantiate the in-kind value calculated by the subgrantee. KCCVS **concurs** with the Auditor's recommendations to establish written policies and procedures related to in-kind and to periodically compare actual donations to budgeted estimates.

KCCVS will incorporate the Auditor's recommendations into the monitoring process expansion discussed in Finding 1 above, to be applied to all subgrantees, where applicable.

Finding 7 – One subgrantee had inconsistencies between account coding and reporting on its Periodic Expense Reports (PERs)

KCCVS **concurs** with this finding. KCCVS **concurs** with the recommendation to include the recommended procedures within subgrantee monitoring and will incorporate these procedures into the monitoring process expansion discussed in Finding 1 above, to be applied to all subgrantees, where applicable.

NKURF has worked with the University's Information Technology section to expand the accounting system codes available to NKURF, thereby alleviating the problems of recording differing budget categories within the same accounting codes and removing the necessity for manual tracking. NKURF will ensure that all staff responsible for expense coding will receive training on the proper coding processes.


Corporation for National and Community Service

NationalService.gov



Appendix B

To: Stuart Axenfeld, Assistant Inspector General for Audit, Office of Inspector General

From: Joseph Liciardello, Acting Chief Grants Officer, Office of Grants Management 

Date: DEC 05 2017

Subject: Response to OIG Draft of Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to the Kentucky Commission on Community Volunteerism and Service

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 the Kentucky Commission on Community Volunteerism and Service.

CNCS noted several incorrect regulatory references which pre-date the Agreed Upon Procedures Audit Period.

CNCS will respond with a management decision after we receive the final report and have reviewed the auditor's working papers and the Kentucky Commission's corrective action plan. We will work with Kentucky Commission representatives to ensure that corrective actions taken adequately addresses all audit findings and recommendations.

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

OFFICE OF INSPECTOR GENERAL



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