

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO YOUTHPRISE

AUDIT REPORT

REPORT NUMBER: OIG-AR-20-07

SEPTEMBER 30, 2020





DATE: September 30, 2020

TO: Mary Hyde
Director, Director of Research and Evaluation

FROM: Monique P. Colter /s/
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General Final Audit Report OIG-AR-20-07: *Audit of the Corporation for National and Community Service Grants Awarded to Youthprise*

Enclosed is the Office of Inspector General's Final Audit Report OIG-AR-20-07: *Audit of the Corporation for National and Community Service Grants Awarded to Youthprise*. The performance audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States.

If you have questions about this report, please contact me at (202) 606-9360 or m.colter@cncsoig.gov.

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EXECUTIVE SUMMARY

AUDIT REPORT: OIG-AR-20-07

September 30, 2020



WHY CNCS-OIG CONDUCTED THIS AUDIT

The Social Innovation Fund (SIF), a program of the Corporation for National and Community Service (CNCS), was established by the Edward M. Kennedy Serve America Act of 2009 to implement programs for economic opportunity, youth development, and health and safety. In August 2015, CNCS awarded a \$3 million SIF grant to Youthprise, an intermediary organization (prime grantee) for an Opportunity Reboot Program to provide social-emotional skills for at-risk youth to strengthen education and career outcomes. Youthprise procured three contracts to assist with the program and selection of subrecipients. Subsequently, it awarded about \$3 million of federal and match funds to six subgrantees.

The Corporation for National and Community Service, Office of Inspector General (CNCS-OIG) initiated this audit based on concerns identified by CNCS in its grant monitoring activities. Our audit objectives were to determine whether Youthprise managed and expended SIF grant funds in accordance with grant terms and conditions and applicable Federal regulations.

HOW WE DID THIS AUDIT

We conducted site visits and reviewed and analyzed grant expenditures, financial records and supporting documentation from Youthprise, its contractors and subgrantees covering the period of August 1, 2016 through June 30, 2018. We also interviewed personnel and judgmentally selected expenditures for testing to determine compliance with grant terms and conditions and applicable Federal regulations.

WHAT WE FOUND

Youthprise improperly awarded sole-source contracts, paid contractors without reviewing supporting documentation for invoices, and did not fully monitor contractors and subgrantees. In addition, we identified timesheet and criminal history check deficiencies within Youthprise and its subgrantees. For example, time records did not accurately reflect the work performed, and criminal history check documentation was not always retained. Lastly, Youthprise did not meet its regulatory obligations with respect to subrecipient monitoring and subgrantees' Federal and match costs were unsupported due to weaknesses in financial management systems.

We questioned approximately \$1.6 million (\$626,099 in Federal and \$990,137 in match) of Youthprise's claimed costs, including awards to subgrantees, due to improper procurement practices and unsupported salary expenses and expenditures.

RECOMMENDATIONS

We recommended CNCS to disallow and recover approximately \$1.6 million (\$626,099 in Federal and \$990,137 in match) in questioned costs and require Youthprise to strengthen its internal controls and monitoring of contractors and subgrantees.

Overall CNCS's proposed actions addressed our recommendations. CNCS disagreed with five recommendations due to the grant period ending and the absence of future funding. CNCS has committed to monitoring Youthprise's compliance with federal regulations for future grants – which satisfies the intent of these recommendations.

Also, Youthprise and its subgrantees took corrective actions to improve controls over monitoring contractors; implemented a new timekeeping system, and engaged CNCS preferred vendors to enhance its compliance with National Service Criminal History Checks.

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Introduction

Youthprise is a non-profit organization located in Minneapolis, Minnesota. It works with youth-focused organizations within the state, providing resources in three areas: learning and leadership, economic opportunity, and health and safety. In August 2015, the Corporation for National and Community Service (CNCS) awarded Youthprise a \$3 million Social Innovation Fund (SIF) grant with a five-year grant term. Youthprise contracted with three organizations: Search Institute (SI), Mentoring Partnership of Minnesota (MPMN), and Minnesota Department of Employment and Economic Development's Office of Youth Development (MN DEED) to assist in selecting subgrantees, project evaluation and reporting, and other administrative tasks.

In 2016 Youthprise launched the Opportunity Reboot program to provide social-emotional skills for at-risk youth to strengthen education and career outcomes. Youthprise awarded SIF funds to six subgrantees to carry out the program: Amherst H. Wilder Foundation (Wilder), MIGIZI Communications (MIGIZI), Sauk-Rapids Rice (Sauk), Guadalupe Alternative Programs (GAP), Northfield Healthy Community Initiative (Northfield), and SOAR Career Solutions (SOAR).

The Corporation for National and Community Service, Office of Inspector General (CNCS-OIG) initiated this audit based on concerns identified in CNCS grant monitoring activities. During FY 2017, CNCS's Office of Grants Management found deficiencies in Youthprise's compliance with SIF grant requirements and placed Youthprise on a manual hold effective September 2017. Our audit objectives were to determine whether Youthprise managed and expended SIF grant funds in accordance with grant terms and conditions, and applicable Federal regulations. Appendix A contains the details of our objective, scope and methodology.

Youthprise Findings

Noncompliance with Federal Procurement Requirements

Youthprise awarded three sole-source contracts without proper justification in violation of Federal regulations and its own procurement policies and procedures. Sole-source contracts may be awarded for when one or more of the following circumstances apply:

- (1) inadequate competition after solicitation of several sources;
- (2) public exigency or emergency requires rapid procurement;
- (3) procured items or services are only available from one source; or
- (4) the Federal awarding agency or pass-through entity authorizes a noncompetitive proposal in response to a written request from the non-Federal entity.¹

¹ 2 CFR §200.320(a)-(f), Methods of procurement to be followed.

The SIF Notice of Funding Announcement stated that contracted research partners and all other contracts must be procured in accordance with the Federal procurement requirements in 2 CFR §200.317-200.326. In its SIF grant application, Youthprise identified SI, MN DEED, and MPMN as contracted research partners to develop the request for proposal for subgrantee selections, perform subgrantee monitoring, and provide program training and evaluation. An excerpt from the approved application demonstrates that CNCS sought and obtained confirmation that Youthprise would adhere to the procurement requirements in contracting with the three research partners listed:

Narrative Section: Budget Issues for Clarification - In the clarification summary, please confirm that each contracted partner identified in the budget was or will be procured in accordance with the Federal procurement requirements outlined in the NOFA. Youthprise agrees to comply with the requirements found at 2 CFR §§200.317-200.326 and has a written Procurement Policy.

However, after receiving the SIF grant, Youthprise awarded sole-source contracts to the contracted partners to carry out these activities. They listed several reasons for awarding sole-source contracts, including time constraints, but none met the Federal procurement requirements identified above. To ensure fair and open competition, Youthprise should have solicited bids from multiple qualified sources before acquiring goods and services, as it committed to during award negotiations.²

Without open competition in awarding contracts and proper management of contract services and costs, there is no assurance that CNCS funds were efficiently used or that Youthprise received the best value in its contracts. As a result of this failure to follow procurement requirements, we questioned \$310,316 (\$47,220 in Federal and \$263,096 in match) in costs claimed from July 2016 through November 2017. See Table 1 below for questioned procurement costs.

² 2 CFR §200.320(d)(2), Methods of procurement to be followed.

Table 1: Questioned Procurement Costs

Contracted Research Partners & Program Years	Contract Value	Federal Questioned Costs Claimed	Match Questioned Costs Claimed	Total Questioned Costs
Search Institute		-	-	-
Program Year 1		-	20,336	20,336
Program Year 2		47,220	149,910	197,130
Program Year 3		-	-	-
Subtotal	1,114,200	47,220	170,246	217,466
MPMN				-
Program Year 1		-	12,565	12,565
Program Year 2		-	12,823	12,823
Program Year 3		-	955	955
Subtotal	40,000	-	26,342	26,342
MN DEED				-
Program Year 1		-	31,507	31,507
Program Year 2		-	35,000	35,000
Program Year 3		-		
Subtotal	35,000	-	66,507.47	66,507.47
TOTAL	\$1,154,200	\$47,220	\$263,096	\$310,316

Source: OIG Analysis

Contractor Expenditures Not Verified

During the first two years of the program, Youthprise paid contractor invoices without reviewing supporting documentation. Applicable Federal regulations require that costs associated with Federal awards be adequately documented and supported.³ SI's contract terms required it to provide supporting documentation along with invoices submitted for payment. However, MPMN and MN DEED's contracts did not contain such a provision. Youthprise was uncertain whether SI provided supporting documentation and whether its prior SIF director retained or reviewed the documentation. Further, Youthprise did not review timesheets, billing rates, or indirect cost allocations to validate the accuracy of contractor invoices before processing payments.

This occurred because Youthprise did not have adequate internal controls to ensure the accuracy of transactions. Specifically, its policies did not include procedures to obtain and review supporting documentation before paying contractor invoices. As a result of these internal control deficiencies, Youthprise may have overpaid contractors for services provided or for unallowable costs.

Contractor Performance Was Not Monitored

Youthprise did not monitor contractors' performance. Its policies and procedures required an evaluation and documentation of performance to ensure the contracts' terms, conditions, and

³ 2 CFR §200.403 (g), Factors affecting allowability of costs.

specifications were met. Additionally, SI's contract stated that Youthprise would collaborate to create work plans. However, no plans were provided. Overall, Youthprise did not adhere to its policies and procedures or to the contract terms and conditions.

Contract monitoring ensures that a contractor adequately performs the contracted services. As an effective internal control, monitoring should be conducted continually to assess the quality of performance over time in order to ensure Federal funds are being managed in compliance with laws, rules, and regulations.⁴ Without these internal controls, Youthprise risked mismanaging Federal funds and may have experienced delays in meeting program goals and objectives.

Subgrantees Were Not Adequately Monitored

Pass-through entities are required to notify subgrantees of applicable Federal requirements⁵, as well as to monitor subgrantees to ensure compliance with grant terms and conditions.⁶ Youthprise did not perform any subgrantee monitoring during the subgrantees' first program year and performed limited monitoring at the beginning of the second program year.

Beginning in 2017, Youthprise performed desk reviews (checklists) and on-site visits to monitor subgrantees' policies and procedures, match commitments and related cash receipts, chart of accounts, and criminal history check documentation. While a clear improvement from failing to perform any subrecipient monitoring, Youthprise did not:

- Review subgrantees' financial systems to determine whether costs were segregated by program and funding codes;
- Verify timesheets or personnel records to determine the accuracy of work performed;
- Verify supporting documentation for criminal history checks and match cost requirements;
- Request and verify supporting documentation to determine whether claimed costs were allowable, allocable, and reasonable; or
- Provide or maintain documentation of desk reviews and on-site visits.

This occurred because Youthprise did not have policies and procedures to ensure that it performed the required monitoring of its subgrantees.

According to the staff, they did not perform thorough monitoring in order to meet CNCS's deadline for the submission of desk reviews. Without an effective subgrantee monitoring program and internal controls, Youthprise put Federal funds at risk of financial mismanagement. In May 2017, Youthprise improved its internal controls and created a Subgrantee Compliance Manual. The manual includes procedures for monitoring, reviewing, and verifying supporting documentation for the areas above.

⁴ Standards for Internal Control in the Federal Government, GAO-14-704G, published September 2014, pgs. 71-72

⁵ 2 CFR §200.331(a)(2)-(3), Requirements for pass-through entities.

⁶ 2 CFR §200.331(a)(2), (d) & (e), Requirements for pass-through entities.

Timekeeping Deficiencies

Youthprise did not comply with Federal regulations or its own policy for approving timesheets. Salary and wages charged to the grant must be supported by a system of internal controls to ensure that the time charged is accurate, allowable, and properly allocated.⁷

Additionally, Youthprise's policies require the Chief Financial Officer (CFO) to approve timecard submissions for senior and support staff, and that all supervisors approve the timecards for their subordinates. However, the CFO approved her own timesheets, and supervisors did not approve timesheets for four employees. The CFO stated that her timesheets were self-approved because her supervisor, the President, did not have technical knowledge of the timekeeping system. Further, she approved the employees' timesheets without prior approval from their supervisors.

We also reviewed timesheets and payroll registers for 10 employees. Youthprise incorrectly coded and paid two employees' salaries as match funds. Grantees are required to keep accurate records detailing the distribution of payroll expenses among different cost objectives if working on more than one grant.⁸ The incorrectly coded salary should have been charged to the Federal share of the SIF grant. This error occurred because supervisors did not properly review employees' timesheets to ensure the correct funding codes were assigned. As a result of these deficiencies, we questioned \$11,335 (\$2,271 in Federal and \$9,064 in match costs) for unapproved timesheets and incorrectly coded salaries.

National Service Criminal History Checks

Employees are required to undergo a National Service Criminal History Check (criminal history check) before working on CNCS grants. Criminal history checks include a search of the National Sex Offender Public Website (NSOPW), state criminal history check, and a Federal Bureau of Investigation (FBI) inquiry when working with vulnerable populations. Grantees are required to retain documentation of all required checks. Lastly, personnel files should include verification of the employee's identity and written authorization for the criminal history check. The written authorization should also provide the employee with an opportunity to review the findings and ensure confidentiality.

Contrary to the above requirements, Youthprise did not maintain NSOPW documentation for one employee, and 11 employees' personnel files did not include required legal documents. Without this documentation, we could not determine whether the employees were eligible for employment or whether the required checks were completed timely.

While Youthprise contracted with a payroll company to perform and obtain criminal history checks for its employees, it did not verify or provide documentation to show all NSOPWs were completed. Additionally, personnel files did not contain documentation that employees were

⁷ 2 CFR §200.430(i), Compensation – Personal Services.

⁸ 2 CFR §200.430(i)(1)(vii), Compensation – Personal Services.

notified of their opportunity to review findings and that Youthprise would ensure the confidentiality of information related to the criminal history checks.

As a result, we questioned \$3,059 in Federal costs for the employees' salaries and benefits over the life of the grant.

RECOMMENDATIONS

We recommend that CNCS:

1. Disallow and recover \$310,316 (\$47,220 in Federal and \$263,096 in match cost) for contract costs claimed for Search Institute, the Mentoring Partnership of Minnesota, and the Minnesota Department of Employment Economic Development from July 2016 through November 2017 due to noncompliance with Federal procurement regulations.
2. Recover additional costs expended during program years 4 and 5 on contracts for Search Institute, the Mentoring Partnership of Minnesota, and the Minnesota Department of Employment Economic Development due to noncompliance with Federal procurement regulations.
3. Disallow and recover \$11,335 (\$2,271 in Federal and \$9,064 in match costs) for unapproved timesheets and incorrectly coded salaries.
4. Disallow and recover \$3,059 in Federal cost for the employees' salaries and benefits for noncompliance with maintaining proper documentation of criminal history checks.
5. Require Youthprise to update its procedures and contractor agreements to include a review of supporting documentation for invoices before processing payments.
6. Require Youthprise to implement internal controls to ensure that contract performance is adequately monitored (status updates, detailed project timelines, on-site visits, work plans, etc.)
7. Require Youthprise to conduct monitoring activities to ensure that subgrantees:
 - Develop and implement timekeeping policies and procedures in compliance with Federal regulations (Uniform Grant Guidance);
 - Meet and fully understand the match cost requirements;
 - Develop financial management systems that comply with Federal regulations (Uniform Grant Guidance);
 - Develop and implement policies and procedures for reviewing actual versus budget expenses in compliance with Federal regulations;
 - Perform the required criminal history checks and ensure that that personnel files contain required legal documents.

8. Require Youthprise's Subgrantee Compliance Manual to comply with Federal regulations (Uniform Grant Guidance).
9. Require Youthprise to strengthen its timekeeping policies and train employees to ensure time is accurately recorded, approved, and charged to the correct funding code.
10. Require Youthprise design and implement internal controls to ensure that employee personnel files comply with CNCS's criminal history check requirements.

Subgrantee Findings

Timekeeping Deficiencies

Sauk used timekeeping records for employee compensation that did not accurately reflect the work performed and total grant activities as required by Uniform Grant Guidance.⁹ Instead, Sauk used Personnel Activity Reports (PARs) to estimate the work hours, charging an average of 25 to 35 percent of employees' budgeted time to the SIF grant. It also did not provide documentation to support employees' actual work hours charged to the SIF grant. Budget estimates alone do not qualify as support for charges to Federal awards, but may be used if there is a process to review after-the-fact interim charges and make necessary adjustments to Federal awards so that the final amount charged to the Federal award is accurate, allowable, and properly allocated.¹⁰ Without adequate support, we could not verify the accuracy of the time charged. Therefore, we questioned \$603,476 (\$228,614 in Federal and \$374,861 in match costs) for salary expenses.

Sauk also incorrectly reported employee salaries as match expenses on its Periodic Expense Reports (PERs).¹¹ With the removal of these improper match costs, Sauk fell short of meeting its match requirement, making it ineligible to receive Federal funding. Per SIF Terms and Conditions, in-kind donations are not eligible for match contributions, and subrecipients must provide at least fifty percent of the cost of carrying out the activities supported under their subawards. Failure to meet the match at any of the 12-month increments results in grant fund termination. The subgrantee may complete the current grant cycle but may not receive subsequent funding.¹² As a result, we questioned an additional \$3,192 for other Federal costs claimed.

GAP did not allocate employees' time by grant activity or specific cost objective.¹³ Employees used sign-in sheets to record daily work hours, but the sheets did not contain details on how the time was allocated and charged between different grant programs. When working on multiple awards, documentation must support the distribution of the employee's salary or wages among

⁹ 2 CFR §200.430(i), Compensation – Personal Services.

¹⁰ 2 CFR §200.430(i)(1)(viii), Compensation – Personal Services.

¹¹ Periodic Expense Reports (PERs) are the financial reports submitted to pass through entities by its subgrantee(s). These reports detail all funds expended (both Federal and match) against the awarded grant.

¹² 2015 SIF Terms and Conditions (42 U.S. Code § 12653k – Funds)

¹³ 2 CFR §200.28, Cost objective – cost objective means a program, function, activity, award, organizational subdivision, contract, or work unit for which data are desired.

specific activities or cost objectives.¹⁴ Additionally, GAP's Executive Director certified timesheets without first-hand knowledge of actual time worked on the grants. Its Financial Procedures Manual requires direct supervisors to approve staff's weekly timesheets.

These errors occurred because GAP's policies and procedures did not require employees to record actual work hours by program or project code, and it did not follow its own procedures for approving employee timesheets. Without the distribution of actual hours worked, we could not verify the accuracy of the labor charged to the grant. As a result, we questioned \$673,178 (\$336,062 in Federal and \$337,116 in match costs) for salary expenses.

Financial Management System Deficiencies

Three subgrantees, Sauk, MIGIZI, and Wilder, claimed unsupported Federal and match costs. To be accepted, shared costs or matching funds must be verifiable from the non-Federal entity's records.¹⁵ However, expenditures reported on the PERs were not recorded in the general ledger. We found that:

- MIGIZI did not support \$6,000 of match expenditures claimed for the first program year;
- Wilder's did not support \$5,681 in Federal expenditures claimed; and
- Sauk did not support \$8,494 of Federal and \$1,445 of match expenditures claimed for the second program year.

Table 2: Financial Management System Questioned Costs

	Questioned Costs			
Subgrantee & Program Year	Federal Costs	Match Costs	Total Costs	Schedule
MIGIZI - Program Year 1	-	6,000	6,000	C
WILDER - Program Year 1	4,703	-	4,703	E
WILDER - Program Year 2	978	-	978	E
Total	\$5,681	\$6,000	\$11,681	

Source: OIG Analysis

As a result, we questioned \$11,681 (\$5,681 in Federal and \$6,000 in match costs) for unsupported expenditures. We did not question the costs for Sauk because all of Sauk's claimed costs were questioned in a previous finding. Our audit also identified weaknesses in GAP's financial management system. For example, its financial management system did not allow for the comparison of actual versus budgeted expenditures for Federal awards. Financial management systems must provide for the comparison of actual expenditures to the budget of the Federal award.¹⁶

¹⁴ 2 CFR §200.430(i)(1)(vii) Compensation - Personal services.

¹⁵ 2 CFR §200.306 (b) – Cost sharing or matching.

¹⁶ 2 CFR §200.302(b)(5), Financial management.

Also, costs were not categorized by program year, budget category, or by direct and indirect costs. Without budgetary controls, GAP risks overspending the allowable budget amounts for a program year and the inability to sustain the grant for remaining program years.

National Service Criminal History Check Deficiencies

Of the 21 GAP employees reviewed, GAP did not properly complete criminal history checks for six employees and did not retain the FBI check supporting documentation for three employees. Specifically:

- Five employees' criminal history checks were performed using incorrect or misspelled legal names for the NSOPW and state criminal history checks, yielding inaccurate results;
- One employee did not have an NSOPW inquiry; and
- Three employees' FBI checks were missing.

Beyond technical compliance, this deficiency posed a safety risk to program beneficiaries.

Additionally, we found other deficiencies in the 21 employees' personnel files. The files did not include the following required legal documents:

- 13 files did not have verification of employees' identifications;
- One file did not have written authorization to perform the criminal history checks; and
- 11 employee personnel files did not contain documentation stating that employees had an opportunity to review the criminal history check results.

GAP's Coordinator of Administration was responsible for completing the criminal history checks and maintaining personnel files. When the position was vacated, GAP hired an audit firm to review personnel files for completeness of criminal history checks. However, the audit firm did not identify any findings, and GAP assumed all employees completed the required checks.

Without maintaining supporting documentation, we could not determine whether criminal history checks were performed accurately, completely, and fairly in accordance with the CNCS's criminal history check policies and procedures.

We identified questioned costs associated with this finding totaling \$278,116 (\$85,312 in Federal and \$192,804 in match costs) for the five employees whose NSOPW and state criminal history checks were performed with incorrect or misspelled names and 283,942 (\$58,719 in Federal and \$225,223 in match costs) for the three employees with missing FBI checks.

We will not include these costs in our overall questioned costs because we questioned these costs in previous findings.

Indirect Costs

For all program years, GAP incorrectly allocated indirect costs to the grant using the *de minimis* rate for total costs (direct and indirect), rather than just for direct costs. Costs must be consistently charged as either indirect or direct costs and may not be double charged.¹⁷ Its Director of Advancement confirmed that calculations were based on ten percent of the total costs instead of the modified total indirect costs.

We questioned costs associated with this finding totaling \$37,096 (\$1,614 in Federal and \$35,482 in match costs) for incorrectly allocating indirect costs. We will not include these costs in our overall questioned costs because we questioned these costs in previous findings.

RECOMMENDATIONS

We recommend CNCS:

11. Disallow and recover \$603,476 (\$231,806 in Federal and \$374,861 in match costs) from Sauk-Rapids Rice due to the lack of support for employee's time worked on the grant and \$3,192 for other Federal costs claimed because of insufficient match contributions.
12. Disallow and recover \$673,178 (\$336,062 in Federal and \$337,116 in match) from Guadalupe Alternative Programs due to being unable to verify the accuracy of employees' time worked on the grant because of the lack of time being segregated by project/program codes.
13. Disallow and recover \$11,681 (\$5,681 in Federal from Amherst H. Wilder, and \$6,000 in match from Sauk-Rapids Rice) due to unsupported costs in its financial management systems
14. Require Youthprise to determine the allowability, allocability, and reasonability of Guadalupe Alternative Programs' indirect grant costs.

¹⁷ 2 CFR §200.414(f), Indirect (F&A) Costs.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether Youthprise managed and expended SIF grant funds in accordance with grant terms and conditions and applicable Federal regulations. The scope of our audit covered August 1, 2016, through June 30, 2018. During this period, Youthprise received \$3 million in SIF grant funds. We performed audit fieldwork site visits at Youthprise and GAP in Minneapolis, Minnesota, from July 30, 2018, to August 3, 2018, and again from September 10, 2018, to September 12, 2018, respectively.

We conducted the audit between January 2018 and June 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we:

- Reviewed policies and procedures to obtain an understanding of Youthprise, and subgrantees' grant activities, processes, and internal controls over Federal expenditures.
- Requested and reviewed financial and grant award documentation at Youthprise and GAP's office for cost claimed on the SIF grant.
- Reviewed Youthprise and its subgrantee's employee personal files.
- Selected judgmental samples of costs claimed by Youthprise and Gap and tested for compliance with the SIF grant agreement and applicable Federal regulations. The questioned costs were not projected.
- Interviewed grantee and subgrantee personnel to gain an understanding of internal controls over Federal programs and expenditures.

APPENDIX B: SCHEDULES OF CLAIMED AND QUESTIONED COSTS
SCHEDULE A – CONSOLIDATED FINDINGS & COSTS

Finding Number	Finding Description	Questioned Federal Costs	Questioned Match Costs	Total	Schedule
Procurement and Contract Management					
1	Youthprise improperly sole-source contracts	47,220	263,096	310,316	G
2	Youthprise paid contractor invoices without reviewing supporting documentation.				
3	Youthprise did not monitor contractors' performance.				
Subgrantee Monitoring					
4	Youthprise did not adequately perform subgrantee monitoring.				
Timekeeping Deficiencies					
5	Youthprise did not comply with Federal regulation or its policy for approving timesheets.				
6	Youthprise incorrectly coded employees' salaries as match funds (program income).				
7	Youthprise officials did not adequately approve timesheets.	2,271	9,064	11,335	H
8	Sauk used timekeeping records that did not accurately reflect the work performed and total activity.	228,614	374,861	603,475	D
9	Sauk did not meet its match requirement due to incorrectly reporting employee salaries as match costs.	3,192	-	3,192	D
10	GAP did not allocate employee's time by grant activity or specific cost objective.	336,062	337,116	673,178	F
Financial Management System Deficiencies					
11	MIGIZI and Wilder claimed unsupported Federal and match costs.	5,681	6,000	11,681	C & E
12	GAP's financial management system did not allow for the comparison of actual versus budget expenditures.				
National Service Criminal History Check					
13	Youthprise did not maintain National Sex Offender Public Website (NSOPW) documentation for one employee.	3,059		3,059	H
14	GAP did not properly complete criminal history checks and retain the FBI check supporting documentation.				
15	Youthprise and GAP employee personnel files did not include required legal documents.				
Indirect Costs					
16	GAP incorrectly allocated indirect costs to the grant using the de minimis rate for total costs.				
TOTAL		\$626,099	\$990,137	\$1,616,236	

SCHEDULE B – YOUTHPRISE’S SUBGRANTEES CONSOLIDATED COSTS

	Awarded	Claimed		Questioned			
Subgrantee	Federal Funds	Federal Costs	Match Costs	Federal Costs	Match Costs	Total Costs	Schedule
Program Year 1							
Migizi	\$188,866	\$90,675	\$ 96,069	\$ -	\$6,000	\$6,000	C
Sauk Rapids	166,467	76,929	135,517	76,929	135,517	212,446	D
Wilder	165,667	25,657	116,182	4,703	-	4,703	E
GAP	161,667	215,748	215,708	192,299	192,299	384,598	F
Subtotal	\$682,667	\$409,009	\$563,476	\$273,931	\$333,816	\$607,747	
Program Year 2							
Migizi	\$188,866	\$179,253	\$281,192	\$ -	\$ -	\$ -	C
Sauk Rapids	166,467	110,824	175,283	110,824	175,283	286,107	D
Wilder	165,667	121,299	178,333	978	-	978	E
GAP	161,667	132,126	132,126	118,914	119,970	238,884	F
Subtotal	\$682,667	\$543,502	\$766,934	\$230,716	\$295,253	\$525,969	
Program Year 3						-	
Migizi	\$188,866	\$53,127	\$69,044	\$ -	\$ -	\$ -	C
Sauk Rapids	166,467	44,054	64,061	44,054	64,061	108,115	D
Wilder	165,667	26,970	49,492	-	-	-	E
GAP	161,667	27,610	27,468	24,848	24,848	49,696	F
Subtotal	\$682,667	\$151,761	\$210,065	\$68,902	\$88,909	\$157,811	
Totals	\$2,048,001	\$1,104,272	\$1,540,475	\$573,549	\$717,978	\$1,291,527	

SCHEDULE C – MIGIZI CONSOLIDATED COSTS

	Awarded	Claimed		Questioned			
Program Year	Federal Funds	Federal Costs	Match Costs	Federal Costs	Match Costs	Total Costs	Finding Number
Program Year 1	188,866.00	90,675.00	96,069.00	-	6,000.00	6,000.00	11
Program Year 2	188,866.00	179,253.00	281,192.00	-	-	-	11
Program Year 3	188,866.00	53,127.00	69,044.00	-	-	-	11
Total	\$566,598	\$323,055	\$446,305	\$-	\$6,000	\$6,000	

SCHEDULE D - SAUK RAPIDS CONSOLIDATED COSTS

	Awarded	Claimed		Questioned			
Program Year	Federal Funds	Federal Costs	Match Costs	Federal Costs	Match Costs	Total Costs	Finding Number
Program Year 1	166,467.00	76,929.00	135,517.00	76,929.00	135,517.00	212,446.00	8 & 9
Program Year 2	166,467.00	110,824.00	175,283.00	110,824.00	175,283.00	286,107.00	8 & 9
Program Year 3	166,467.00	44,054.00	64,061.00	44,054.00	64,061.00	108,115.00	8 & 9
Total	\$ 499,401	\$ 231,807	\$ 374,861	\$ 231,807	\$ 374,861	\$ 606,668	Note *

Note: Total includes additional \$3,192 for other Federal costs claimed during PY's 1, 2, & 3

SCHEDULE E – WILDER CONSOLIDATED COSTS

	Awarded	Claimed		Questioned			
Program Year	Federal Funds	Federal Costs	Match Costs	Federal Costs	Match Costs	Total Costs	Finding Number
Program Year 1	\$165,667	\$25,657	\$116,182	\$4,703	\$-	\$4,703	11
Program Year 2	165,667	121,299	178,333	978	-	978	11
Program Year 3	165,667	26,970	49,492	-	-	-	11
Total	\$497,001	\$173,926	\$344,007	\$5,681	-	\$5,681	

SCHEDULE F – GAP CONSOLIDATED COSTS

	Awarded	Claimed		Questioned			
Program Year	Federal Funds	Federal Costs	Match Costs	Federal Costs	Match Costs	Total Costs	Finding Number
Program Year 1	161,667	215,748	215,708	192,299	192,299	384,598	10
Program Year 2	161,667	132,126	132,126	118,914	119,970	238,884	10
Program Year 3	161,667	27,610	27,468	24,848	24,848	49,696	10
Total	\$485,001	\$375,484	\$375,302	\$336,061	\$337,117	\$673,178	

SCHEDULE G – YOUTHPRISE’S CONTRACTED RESEARCH PARTNERS CONSOLIDATED COSTS

Contracted Research Partners & Program Years	Contract Amount	Federal Claimed Costs	Match Claimed Costs	Federal Questioned Costs	Match Questioned Costs	Total Questioned Costs	Finding Number
Search Institute				-	-	-	
Program Year 1	\$	\$-	\$20,366	\$-	\$20,366	\$-20,366	
Program Year 2		47,220	149,910	47,220	149,910	197,130	1
Program Year 3		-	-	-	-	-	1
Subtotal	1,114,200.00	47,220	170,246	47,220	170,246	217,466	1
MPM						-	
Program Year 1		-	12,565	-	12,565	12,565	1
Program Year 2		-	12,823	-	12,823	12,823	1
Program Year 3		-	955	-	955	955	1
Subtotal	40,000.00	-	26,342	-	26,342	26,342	1
DEED						-	
Program Year 1		-	31,507	-	31,507	31,507	
Program Year 2		-	35,000.00	-	35,000	35,000	1
Program Year 3		-	-	-	-	-	1
Subtotal	35,000.00	-	66,507	-	66,507	66,507	1
TOTAL	\$1,154,200	\$47,220	\$263,096	\$47,220	\$263,096	\$310,316	1

SCHEDULE H – YOUTHPRISE CONSOLIDATED COSTS

Grantee & Program Year	Federal Award	Federal Claimed Costs	Match Claimed Costs	Federal Questioned Costs	Match Questioned Costs	Total Questioned Cost	Finding Number
Youthprise -Year 1	\$1,000,000	\$68,477	\$120,412	\$-	\$-	\$-	
Youthprise - Year 2				-	938	938	
Youthprise - Year 2	1,000,000	352,169	1,573,649	2,271	7,481	9,752	
Youthprise - Year 3				-	645	645	
Subtotal				2,271	9,064	11,335	7
Youthprise - Year 2				-	-	-	
Youthprise - Year 2				2,144		2,144	
Youthprise - Year 3	1,000,000	1,115,096	1,847,029	915	-	915	
Subtotal				3,059	-	3,059	13
Total	\$3,000,000	\$1,535,742	\$3,541,090	\$5,330	\$9,064	\$14,394	

APPENDIX C: SUMMARY AND EVALUATION OF CNCS COMMENTS

CNCS provided formal written comments in response to our draft report. A copy of CNCS's response in its entirety can be found in [Appendix D](#). The following is a summary of those responses:

- **Recommendations 1 and 2:** CNCS will disallow any portion of the costs that it determines were made under an improperly awarded contract. CNCS will request and review contract and payment documentation related to program years 4 and 5 that fall under the scope of the audit testing dates and will similarly disallow costs associated with improperly awarded contracts.
- **Recommendation 3:** CNCS will review the associated timekeeping and payroll records, Youthprise's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. Staffing costs that are determined to be unsupported will be subject to disallowance.
- **Recommendation 4:** For each individual identified, CNCS will review the auditors' working papers and copies of the NSCHC checks performed by Youthprise to verify if the checks complied with the contemporaneous NSCHC requirements. In instances of noncompliance, CNCS will apply the enforcement policy outlined in the National Service Criminal History Check Guide to Enforcement Action (Effective July 1, 2019) to determine the appropriate disallowance.
- **Recommendations 5, 6, 7, and 8:** CNCS did not concur with these recommendations. While CNCS agrees with the importance of subrecipient monitoring to ensure compliance (recommendation 7), Youthprise's oversight responsibilities for its subrecipients ended in July 2020. Since Youthprise's CNCS grant ended in July 2020, CNCS will encourage Youthprise to update its policies and procedures and make the recommended modifications to its contractor agreements; use the resources for enhancing its existing processes and existing tools for use on any future monitoring efforts tied to federal awards if Youthprise receives CNCS or other federal funding in the future.
- **Recommendation 9:** CNCS concurs with the auditors' finding and recommendation. CNCS will ensure Youthprise has adequate policies and procedures on timekeeping that align with 2 CFR § 200.430(i), Compensation – Personal Services. CNCS will also verify that Youthprise trains its employees on proper timekeeping practices, including recording and charging time accurately and approving time. CNCS will review evidence of the training to verify completion.
- **Recommendation 10:** CNCS concurs with the auditor's finding and recommendation. CNCS will ensure Youthprise has appropriate internal controls in place regarding employee personnel files.

CNCS will ensure the internal controls focus on Youthprise's personnel files holistically (with NSCHC documentation as one component), since Youthprise's CNCS grant has ended and the SIF program is not continuing. CNCS also noted that the draft report did not contain a corresponding recommendation for the portion of the finding that is related to GAP.

- **Recommendation 11:** CNCS will review the associated timekeeping and payroll records (including Sauk's Personnel Activity Reports), Sauk's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. Staffing costs that are determined to be unsupported will be subject to disallowance. CNCS's standard audit resolution practice is to perform a calculation that verifies whether the auditee had sufficient match, once any disallowed federal costs are removed.
- **Recommendation 12:** CNCS will review the associated timekeeping and payroll records, GAP's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. It further stated that Staffing costs that are determined to be unsupported will be subject to disallowance.
- **Recommendation 13:** CNCS will review the financial support for each of these transactions to determine the allowability of the costs claimed and will disallow costs determined to be unallowable.
- **Recommendation 14:** CNCS does not concur with the recommendation. As Youthprise's CNCS grant has ended and GAP is no longer a subrecipient of Youthprise, CNCS does not find it reasonable to require Youthprise to perform this analysis. Nonetheless, CNCS will share examples of prime grantee monitoring tools that address reviewing claimed indirect costs, so that Youthprise is able to update its monitoring resources for future monitoring efforts.

Also within its comments, CNCS noted discrepancies in the Schedule A - Consolidated Findings and Costs and finding narratives: (1) a discrepancy of \$3,192 between the amount of questioned federal costs contained within the report narrative and with the Schedule, attributed to Sauk's incorrectly reporting employee salaries as match costs and (2) the unsupported costs allocated to MIGIZI was misclassified to Sauk on the Schedule.

Evaluation of Management's Comments

Overall, we consider management's proposed actions responsive to our recommendations. CNCS deferred the decision to agree or disagree with recommendations 1, 2, 3, 4, 11, 12, and 13 to recover questioned costs until it has evaluated YouthPrise's documentation through its audit resolution process. These recommendations will remain open until we assess CNCS's management decision, which should be finalized within a year of the final report issuance date.

CNCS disagreed with recommendations 5, 6, 7, 8, and 14 because the grant period has ended and Youthprise does not have any current CNCS grants. However, CNCS's commitment to adequately monitor Youthprise's compliance with federal regulations in the event that CNCS awards future grants to Youthprise satisfies the intent of our recommendations. We will close these recommendations with the issuance of this final report.

CNCS concurred with recommendations 9 and 10. These recommendations will remain open until CNCS management provides documentation demonstrating that the recommendations were implemented. CNCS noted that we did not include a recommendation for the finding related to GAP's insufficiencies in criminal history checks and documentation in employee files. GAP's finding was addressed in recommendation 7. Our intent was for Youthprise to focus on GAP's NSCHC compliance and documentation through its subrecipient monitoring activities.

We appreciate CNCS bringing the discrepancies between the amounts listed in our narratives and Schedule A – Consolidated Findings and Costs to our attention. We have corrected the amount on page 11 to accurately report the \$228,614 in federal questioned costs due to Sauk's inadequate timekeeping deficiencies. We also removed Sauk from Schedule A because the questioned costs were relevant to MIGIZI and Wilder only. We did not question the costs for Sauk because Sauk's claimed costs were questioned in a previous finding for timekeeping deficiencies.

APPENDIX D: CNCS RESPONSE

Corporation for National and Community Service

NationalService.gov



TO: Monique Colter, Assistant Inspector General for Audit
Office of the Inspector General

FROM: Cindy Galyen, Acting Senior Grants Officer, Audit and Policy
Office of Audit and Debt Resolution

DATE: August 20, 2020

SUBJECT: Management Response to Office of Inspector General Draft Report:
Audit of Corporation for National and Community Service Grants Awarded to Youthprise

CINDY GALYEN

Digitally signed by
CINDY GALYEN
Date: 2020.08.20
15:29:07 -04'00'

The Corporation for National and Community Service (CNCS) thanks the Office of Inspector General (OIG) staff for their work in performing this audit and issuing the draft report. CNCS also appreciates the OIG's flexibility in approving the request for an extension.

In the draft report, the OIG identified 16 findings and 14 recommendations. The comments below summarize CNCS's initial response. CNCS will make its final determination for all findings, recommendations, and questioned costs after receipt of the final report and after reviewing the auditor's working papers and Youthprise's corrective action plan. We will work with Youthprise's representatives to ensure its corrective actions adequately address all audit findings and recommendations. CNCS notes that Youthprise's grant ended on July 31, 2020 and the SIF program is no longer funded.

CNCS additionally notes that due to the organization of the draft report, the Recommendation numbers included in our responses below are sometimes out of numerical order. CNCS followed its standard process in organizing the responses by finding number.

Procurement and Contract Management

Finding 1: Youthprise improperly awarded contracts as sole source.

The auditors recommend that CNCS:

1. Disallow and recover \$310,316 (\$47,220 in Federal and \$263,096 in match cost) for contract costs claimed for Search Institute, the Mentoring Partnership of Minnesota, and the Minnesota Department of Employment Economic Development from July 2016 through November 2017 due to noncompliance with Federal procurement regulations.
2. Recover additional costs expended during program years 4 and 5 on contracts for Search Institute, the Mentoring Partnership of Minnesota, and the Minnesota Department of

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Employment Economic Development due to noncompliance with Federal procurement regulations.

Management Response:

The auditors questioned \$47,220 in federal costs and \$263,096 in match costs for Youthprise's claimed costs related to three contracts it awarded as sole source, from July 2016 through November 2017. CNCS will review copies of the contracts/contractual agreements, documentation related to Youthprise's review and selection of the contracted entities (including any justifications for using the sole-source procurement method), and the appropriate SIF terms and conditions. CNCS will disallow any portion of the costs that it determines were made under an improperly awarded contract. CNCS will request and review contract and payment documentation related to program years 4 and 5 that fall under the scope of the audit testing dates¹ and will similarly disallow costs associated with improperly awarded contracts.

Finding 2: Youthprise paid contractor invoices without reviewing documentation.

The auditors recommend that CNCS:

5. Require Youthprise to update its procedures and contractor agreements to include a review of supporting documentation for invoices before processing payments.

Management Response:

CNCS does not concur with the auditors' recommendation. Since Youthprise's CNCS grant ended in July 2020, CNCS will encourage Youthprise to update their policies and procedures and make the recommended modifications to their contractor agreements if Youthprise receives CNCS or other federal funding in the future.

Finding 3: Youthprise did not monitor contractors' performance.

The auditors recommend that CNCS:

6. Require Youthprise to implement internal controls to ensure that contract performance is adequately monitored (status updates, detailed project timelines, on-site visits, work plans, etc.)

Management Response:

CNCS does not concur with the auditors' recommendation. While CNCS agrees that appropriate internal controls related to contract management are important, Youthprise no longer receives CNCS funding. Therefore, CNCS finds it reasonable to share examples of internal controls that have been implemented by CNCS grantees and will encourage Youthprise to use the resources for enhancing their existing processes should they receive future CNCS or other federal funding.

¹ The period tested under the audit ended June 30, 2018. Therefore, CNCS will review contractor costs from program years 4 and 5 that were incurred before that date.

Subgrantee Monitoring

Finding 4: Youthprise did not adequately perform subgrantee monitoring.

The auditors recommend that CNCS:

7. Require Youthprise to conduct monitoring activities to ensure that subgrantees:
 - Develop and implement timekeeping policies and procedures in compliance with Federal regulations (Uniform Grant Guidance);
 - Meet and fully understand the match cost requirements;
 - Develop financial management systems that comply with Federal regulations (Uniform Grant Guidance);
 - Develop and implement policies and procedures for reviewing actual versus budget expenses in compliance with Federal regulations;
 - Perform the required criminal history checks and ensure that personnel files contain required legal documents.
8. Require Youthprise's Subgrantee Compliance Manual to comply with Federal regulations (Uniform Grant Guidance).

Management Response:

CNCS partially concurs with the auditors' finding and recommendations. While CNCS agrees with the importance of subrecipient monitoring to ensure compliance, Youthprise's CNCS grant ended on July 31, 2020 along with the oversight responsibilities for their subrecipient organizations. Youthprise does not currently receive any CNCS funding and the SIF program is not continuing. Based on this timing, CNCS finds it reasonable to share examples of monitoring tools and procedures and will encourage Youthprise to enhance their existing tools for use on any future monitoring efforts tied to federal awards. CNCS will additionally encourage Youthprise to comply with the monitoring responsibilities of pass-through entities in 2 CFR § 200.331(d).

Timekeeping Deficiencies

Finding 5: Youthprise did not comply with federal regulations or its policy for approving timesheets.

The auditors recommend that CNCS:

9. Require Youthprise to strengthen its timekeeping policies and train employees to ensure time is accurately recorded, approved, and charged to the correct funding code.

Management Response:

CNCS concurs with the auditors' finding and recommendation. CNCS will ensure Youthprise has adequate policies and procedures on timekeeping that align with 2 CFR § 200.430(i), Compensation – Personal Services. CNCS will also verify that Youthprise trains its employees on proper timekeeping practices, including recording and charging time accurately and approving time. CNCS will review evidence of the training to verify completion.

Finding 6: Youthprise incorrectly coded the salaries for two (2) employees as a result of using the wrong accounting code and insufficient supervisor review.

The auditors recommend that CNCS:

3. Disallow and recover \$11,335 (\$2,271 in Federal and \$9,064 in match costs) for unapproved timesheets and incorrectly coded salaries.

Management Response:

The auditors questioned \$2,271 in federal costs and \$9,064 in match costs due to salary costs for two (2) employees being incorrectly coded and approved as match costs and for employee timesheets approved by an individual without direct knowledge of the employees' work. CNCS will review the associated timekeeping and payroll records, Youthprise's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. Staffing costs that are determined to be unsupported will be subject to disallowance.

Finding 7: Youthprise officials did not adequately approve timesheets.

The auditors recommend that CNCS:

9. Require Youthprise to strengthen its timekeeping policies and train employees to ensure time is accurately recorded, approved, and charged to the correct funding code.

Management Response:

This recommendation was previously addressed in relation to Finding 5, Recommendation 9.

Finding 8: Sauk-Rapids Rice (Sauk) used timekeeping records that did not accurately reflect the work performed and total activity.

The auditors recommend that CNCS:

11. Disallow and recover \$603,476 (\$231,806 in Federal and \$374,861 in match costs) from Sauk due to the lack of support for employee's time worked on the grant and \$3,192 for other Federal costs claimed because of insufficient match contributions.

Management Response:

The auditors questioned \$231,806 in federal costs and \$374,861 in match costs for Sauk staffing costs that were based on budget estimates and lacked adequate supporting documentation. The auditors also questioned an additional \$3,192 in other claimed federal costs which was attributed to Sauk's insufficient matching contributions as a result of incorrectly reporting employee salaries as match costs. CNCS will review the associated timekeeping and payroll records (including Sauk's Personnel Activity Reports), Sauk's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. Staffing costs that are determined to be unsupported will be subject to disallowance. CNCS's standard audit resolution practice is to perform a calculation that verifies whether the auditee had sufficient match,

once any disallowed federal costs are removed.

CNCS notes that there is a discrepancy between the amount of questioned federal costs contained within the report narrative (page 12) and within Schedule A – Consolidated Findings and Costs (page 17). The information on page 12 states the questioned federal cost for this finding totals \$231,806, while Schedule A on page 17 states the questioned federal cost totals \$228,614. It appears the questioned federal cost in the narrative (page 12) may include the additional questioned federal costs of \$3,192.

Finding 9: Sauk did not meet its match requirement due to incorrectly reporting employee salaries as match costs.

The auditors recommend that CNCS:

11. Disallow and recover \$603,476 (\$231,806 in Federal and \$374,861 in match costs) from Sauk-Rapids Rice due to the lack of support for employee's time worked on the grant and \$3,192 for other Federal costs claimed because of insufficient match contributions.

Management Response:

This recommendation was previously addressed in relation to Finding 8, Recommendation 11.

Finding 10: Guadalupe Alternative Programs (GAP) did not allocate employee's time by grant activity or specific cost objective.

The auditors recommend that CNCS:

12. Disallow and recover \$673,178 (\$336,062 in Federal and \$337,116 in match) from Guadalupe Alternative Programs due to being unable to verify the accuracy of employees' time worked on the grant because of the lack of time being segregated by project/program codes.

Management Response:

The auditors questioned \$336,062 in federal costs and \$337,116 in match costs for GAP staffing costs because GAP's timekeeping practices did not include allocating and recording employee time among different grant programs. CNCS will review the associated timekeeping and payroll records, GAP's personnel policies, contemporaneous documentation of work activities performed, and the auditors' working papers to determine if the costs were adequately supported. Staffing costs that are determined to be unsupported will be subject to disallowance.

Financial Management System Deficiencies

Finding 11: Sauk, MIGIZI, and Wilder, claimed unsupported Federal and match costs.

The auditors recommend that CNCS:

13. Disallow and recover \$11,681 (\$5,681 in Federal from Wilder, and \$6,000 in match from MIGIZI) due to unsupported costs in the financial management systems.

Management Response:

The auditors' questioned \$5,681 in Federal costs and \$6,000 in match costs related to claimed costs for Wilder and MIGIZI for which no supporting documentation was provided. CNCS will review the financial support for each of these transactions to determine the allowability of the costs claimed and will disallow costs determined to be unallowable.

CNCS notes that there is a discrepancy concerning the subrecipients indicated. The narrative information on page 13 states subrecipients Wilder and MIGIZI had unsupported costs. Schedule A – Consolidated Findings and Costs on page 17 states subrecipients Wilder and Sauk had unsupported costs.² CNCS based its management response on the information contained in the narrative, referencing Wilder and MIGIZI.

Finding 12: GAP's financial management system did not allow for the comparison of actual versus budget expenditures.

The auditors recommend that CNCS:

12. Disallow and recover \$673,178 (\$336,062 in Federal and \$337,116 in match) from Guadalupe Alternative Programs due to being unable to verify the accuracy of employees' time worked on the grant because of the lack of time being segregated by project/program codes.

Management Response:

This recommendation was previously addressed in relation to Finding 10, Recommendation 12.

National Service Criminal History Check (NSCHC)

Finding 13: Youthprise did not maintain National Sex Offender Public Website (NSOPW) documentation for one employee.

The auditors recommend that CNCS:

4. Disallow and recover \$3,059 in Federal cost for the employees' salaries and benefits for noncompliance with maintaining proper documentation of criminal history checks.

Management Response:

The auditors questioned \$3,059 in federal costs related to noncompliant NSCHCs for 11 employees in covered positions whose employee files did not contain copies of the NSOPW check. For each individual identified, CNCS will review the auditors' working papers and copies of the NSCHC checks performed by Youthprise to verify if the checks complied with the contemporaneous NSCHC requirements. In instances of noncompliance, CNCS will apply the enforcement policy outlined in the *National Service Criminal History Check Guide to Enforcement Action (Effective July 1, 2019)* to determine the appropriate disallowance.

² The draft report further states on page 13 that the unsupported costs for Sauk were not questioned in this finding as all of Sauk's claimed costs were questioned in a previous finding.

Finding 14: GAP did not properly complete criminal history checks and retain the FBI check supporting documentation.

The draft audit report does not contain a corresponding recommendation for this finding. CNCS notes that, while the OIG questioned costs associated with GAP's NSCHC noncompliance,³ the costs are not included in the overall questioned costs because they were included as part of a previous finding.

Management Response:

Not applicable.

Finding 15: Youthprise and GAP employee personnel files did not include required legal documents.

The auditors recommend that CNCS:

10. Require Youthprise design and implement internal controls to ensure that employee personnel files comply with CNCS's criminal history check requirements.

Management Response:

CNCS concurs with the auditor's finding and recommendation. CNCS will ensure Youthprise has appropriate internal controls in place regarding employee personnel files. This could include controls such as maintaining and updating checklists of required documentation, training appropriate staff on records management requirements, or conducting periodic reviews or audits of the personnel files. While CNCS agrees that maintaining NSCHC documentation is essential for compliance, CNCS will ensure the internal controls focus on Youthprise's personnel files holistically (with NSCHC documentation as one component), since Youthprise's CNCS grant has ended and the SIF program is not continuing.

CNCS notes that the draft audit report does not contain a corresponding recommendation for the portion of the finding that is related to GAP.

Indirect Costs

Finding 16: GAP incorrectly allocated indirect costs to the grant using the de minimis rate for total costs.⁴

The auditors recommend that CNCS:

14. Require Youthprise to determine the allowability, allocability, and reasonability of GAP's indirect grant costs.

³ The amount of costs questioned but not included total \$85,312 in federal costs and \$192,804 in match costs. The costs were not included here because they were included in a previous finding.

⁴ The auditors identified questioned costs associated with this finding in the amount of \$1,614 in federal costs and \$35,482 in match costs, but these costs were not included in the overall questioned costs as they were included in previous findings.

Management Response:

CNCS does not concur with the recommendation. As Youthprise's CNCS grant has ended, they receive no additional CNCS funding, and GAP is no longer a subrecipient of Youthprise, CNCS does not find it reasonable to require Youthprise to perform this analysis. Nonetheless, CNCS will share examples of prime grantee monitoring tools that address reviewing claimed indirect costs, so that Youthprise is able to update their monitoring resources for future monitoring efforts.

Thank you again for the opportunity to review and provide comment on the subject draft audit report. Please let me know if you have any questions regarding our response.

Cc: Malena Brookshire, Chief Financial Officer
Helen Serassio, Acting General Counsel
Mary Hyde, Director of Research and Evaluation
Jill Graham, Acting Chief Risk Officer
Lisa Bishop, Director, Office of Grant Administration
Brittany Banks, OIG Audit Manager

APPENDIX E: SUMMARY AND EVALUATION OF YOUTHPRISE COMMENTS

Youthprise provided formal written comments to our report findings, except for Finding 12, GAP's financial management system deficiency. A copy of Youthprise's response in its entirety can be found in [Appendix F](#). Youthprise concurred with findings 6, Youthprise incorrectly coded employees' salaries as match, and 13, Youthprise did not maintain NSOPW documentation, but did not concur with the remaining 13 findings.

Despite its disagreements, Youthprise and its subgrantees took some corrective actions. Youthprise revised its policies for reviewing documents supporting contractors' invoices; and implemented a new timekeeping system to resolve its timekeeping deficiencies. Youthprise engaged in using the CNCS preferred vendors to enhance its compliance with NSCHCs while GAP made improvements to its internal NSCHC processes. Further, subgrantees MIGIZI and Wilder resolved discrepancies between its PERS and financial management systems. The following is our summary and evaluations of Youthprise's disagreements with the remaining recommendations:

- **Finding 1, Noncompliance with Federal Procurement Requirements:** Youthprise asserts that the sole source procurement was justified for all three contractors. It stated that Search Institute and MN DEED were selected because the services were available from a single source and needed due to time constraints; and also MPMN was selected because services were available from a single source. Youthprise stated that it identified these organizations as core partners in its original application to CNCS and contemporaneously produced written justifications and explanations for its decisions regarding each of the three core partners at the beginning of the grant performance period. Additionally, Youthprise stated that a cost and price analysis was conducted for each contractor.

CNCS-OIG Evaluation: We disagree that Youthprise contemporaneously produced written justifications and documentation to support its noncompetitive selection of the three contractors and prepared cost and price analyses. On August 21, 2018, CNCS-OIG requested documentation for all cost and price analysis completed, as well as any other sources Youthprise researched prior to selecting the three contractors. In response, Youthprise provided a worksheet with a list of five consultants, none of which included MPMN, MN DEED or Search Institute. On September 7, 2018, we asked for the meeting minutes of the inquiries completed for the consultants listed. Instead, Youthprise responded: "Consultants were asked for their hourly consultant rate and program components were discussed along with their previous experience in project management and training. There are no further documents to provide at this time." Because Youthprise was unable to provide any adequate justifications and price and cost analyses, we were unable to determine if Search, MN DEED, and MPMN met the criteria for a sole source procurement.

Additionally, there was no documentation provided to show that MPMN, MN DEED, or Search Institute were the only contractors in the state of Minnesota who could provide the services and expertise Youthprise needed.

Youthprise stated that the reason for making sole source contracts were due to time constraints with the SIF subgrantee process beginning on October 1, 2015. Youthprise represented that it needed to get all evaluators in place to help with the RFP process and subgrantee selection. However, Youthprise submitted its SIF grant application in July 2015 and listed MPMN, MN DEED, and Search Institute as contractors; indicating that it intended to use them prior to the inception of the program. Additionally, delays in the startup program is not a proper justification unless it is a public exigency or emergency. In this case, there were no national disasters, catastrophic events, immediate health or safety concern, or declared state of emergency in which required these services. Further, Youthprise did not provide any documentation after our June 23, 2020 briefing on preliminary findings during which we provided them the opportunity to submit additional documentation to refute this finding.

- **Finding 3, Contractor Performance was not Monitored:** Youthprise acknowledged it could have documented its practices better but did continually monitor its contractors. Youthprise asserted that it had regular meetings and calls to create evaluation plans; strategize technical assistance approaches, review workplan progress, review budget spending, problem solve emerging issues, and perform administrative planning. Search Institute evaluation plans were readily available and were co-created with Youthprise, the subrecipients, and the extended evaluation team. In addition, the evaluation plans were revised at the behest of CNCS. Youthprise stated it was fully engaged in each decision and routinely discussed contract terms and federal regulations at regular meetings with its contractors but did not document these discussions.

CNCS-OIG Evaluation: Because Youthprise did not provide supporting documentation of work plans, work plan reviews, or meeting minutes, we concluded that contractor performance was not monitored. Youthprise admits that it did not document discussions held even though its policies and procedures required an evaluation and documentation of performance to ensure the contracts' terms, conditions, and specifications were met. Youthprise may have engaged its contractors in conversations, plans, etc., however, there was no evidence to demonstrate that performance was actually being monitored.

Finding 4, Subrecipients were not Adequately Monitored: Youthprise contests our finding that no monitoring was performed during the first year of the award, before it made improvements to its monitoring process during its second program year. Youthprise stated it conducted 12 subgrantee training convenings over the life of the grant. Six occurred during the scope of the audit. Youthprise stated it conducted two on-site visits and two desk reviews on subrecipients before closing out the grant in spring of 2020.

To provide additional checks and balances, Youthprise was subject to a monthly manual hold process with CNCS that lasted from April 2018 until its final month of performance, July 2020.

Youthprise expressed its difficulty monitoring the program due to time burden caused by a two-year OIG audit with three different OIG audit managers, transfer to four different CNCS Program Officers, three different Office of Grants Management Grants Officers, a new Federal Administration, and other internal and external factors. Youthprise acknowledged that it needed to make improvements but challenges the assertion that it conducted no subrecipient monitoring before improvements were made.

CNCS-OIG Evaluation: We understand that OIG and CNCS organizational changes may impact grantee operations and the current volatile environment and circumstances under which our grantees must operate during this time. However, as the primary recipient of CNCS funds, it is Youthprise's responsibility to monitor the financial compliance of its subgrantees. Its Subgrantee Compliance Manual was not completed until May 2018, two years after subgrantees were selected.

On October 23, 2018, Youthprise confirmed through email that no subgrantee monitoring activities were conducted during the first program year and that only some monitoring was done in the second year. Youthprise stated it conducted two on-site visits and two desk reviews in the spring of 2020, a few months before the end of its grant performance. However, Youthprise awarded CNCS funds for six subrecipients. Per CNCS guidance, it is a good rule of thumb to do at least one site visit per subgrantee during a grant period.¹⁸ In sum, Youthprise has not provided adequate documentation to substantiate that onsite monitoring was performed for all six subgrantees and further, Youthprise previously informed our office that it conducted no subrecipient monitoring during the first program year.

Findings 8 and 9, Sauk's Timekeeping Deficiencies: Youthprise stated that instead of completing timesheets, Sauk's contracted employees were required to complete a personnel activity report (PAR) to reflect the percentage of time spent working on their assigned duties according to their contracts. These reports are used to conduct an after the fact certification. Youthprise believes it is an accepted practice in accordance with the district's Federal Title I funds, Federal Special Education funds, and Minnesota Department of Education funds.

CNCS-OIG Evaluation: Youthprise's response does not address our finding. The SIF grant did not allow for in-kind contributions (salary) to be used as match; therefore, Sauk's matching contributions were unallowable, regardless of what form was used to

¹⁸ Financial Monitoring: A tutorial for CNCS programs, Covering risk assessment, monitoring methods, identifying issues, and correction actions, Developed by Education Northwest, 2013

document contract employee time. Only cash or unrestricted funds were allowed to be claimed as matching funds. We further note that Sauk's employees' hours that were submitted as match expenditures were based on estimates rather than actual hours.

- **Finding 10, GAP's Timekeeping Deficiencies:** Youthprise disagreed with part of the finding and the OIG's questioning of all costs. As a result of the OIG audit, GAP modified its practices to meet the identified deficiencies. All timecards are now completed by individual employees based on actual time worked in a cloud-based system. It is reviewed and approved by the supervisor. In late 2018, the subrecipient switched to an online service provider for financial and accounting management. It allows for the comparison of actual versus budget expenditures, which are monitored and reviewed monthly by the organization's Finance Committee and then presented to the Board of Directors.

CNCS-OIG Evaluation: While we appreciate that GAP has made efforts to address our findings and recommendations, during the time of our audit, GAP's time and effort documentation did not allow its employees to distinguish hours spent on the CNCS project vs. hours spent on other federal and non-federal projects and work. In addition, GAP's executive director certified timesheets without first-hand knowledge of employees' activities, which was not in alignment with GAP's Financial Procedure Manual. The Manual required supervisors to approve staff's weekly timesheets. Our questioned costs are based on results at the time of the audit and for the period under review. Additionally, On June 23, 2020, we briefed Youthprise officials on our preliminary findings and provided them the opportunity to submit additional documentation to refute this finding. No further documentation was provided. In order to ensure appropriate corrective action, we recommend that CNCS verify that GAP's modified financial practices allow employees to allocate time charged between different grant programs.

- **Finding 11, Sauk's, MIGIZI's, and Wilder's Financial Management Systems:** Sauk stated it requested clarification on the specifics of this finding but did not receive any information from the OIG on calculations for unsupported costs in the General Ledger and was therefore unable to provide an additional response.

MIGIZI acknowledged the unsupported costs of \$6,000 in match funds and corrected the documentation of matching funds received and expended in the preceding years of the SIF grant. To prevent this from happening again, it hired an outside consulting company with broad experience in federal, state and philanthropic funding to, among other services, manage their finances.

Wilder reported the correct indirect rate amount over the three program years. However, the indirect rate was not recorded on its financial records during the correct grant time period for the quarterly reports. For the remainder of the grant period, Wilder took corrective action to report only the indirect rate on financial reports after it showed as an expense on their financial records and Youthprise confirmed.

CNCS-OIG Evaluation: In November 2018, we briefed Sauk that \$8,494 of federal funds and \$1,445 of match funds in Program Year 2 were claimed on its PERs in excess of the expenses reported in its financial management system.

We did not have any additional details to share and it was Sauk's responsibility to explain the discrepancies between its own financial management system and PERs. MIGZI and Wilder identified and corrected the discrepancies between its PERs and financial management systems and made improvements.

- **Finding 13 and 15, Youthprise's NSCHC Deficiencies including Documentation:** Youthprise did not fully agree with the finding and associated questioned costs. But it acknowledged as an oversight that it did not obtain a NSOPW for one staff member who worked very minimally on the grant in an administrative function.

In September 2018, Youthprise underwent a restructuring of the documentation of personnel files, revised the background check authorization and process, and voluntarily rechecked all staff, contractors, and subgrantee organizations using the preferred TrueScreen and Fieldprint service providers.

CNCS-OIG Response: We recognize Youthprise's improvements in its background check authorization and process and its acknowledgement of the oversight to obtain a NSOPW for a staff member who worked minimally and in administrative role. As of January 1, 2013 (which covers the timeframe of the audit), all staff and all participants receiving a salary, stipend, living allowance, education award under the grant either on the federal share or grantee share of the budget were required to have a national sex offender check, regardless of whether or not they had access to vulnerable populations.¹⁹

Findings 14 and 15, GAP's NSCHC Deficiencies including Documentation: Youthprise disagreed in part with this finding. After the OIG site visit conducted in September 2018, GAP (now Change Inc.) corrected the files missing supporting documentation and submitted the information to the Audit Manager. Additionally, it updated its procedure to include a checklist for all new employee onboarding processes to include retention of FBI check supporting documentation.

CNCS-OIG Evaluation: We are pleased to know that GAP has revised its procedures to retain FBI check supporting documentation. However, the documentation that GAP provided was insufficient because it did not contain the actual results from the FBI check. Therefore, during its audit resolution process, GAP should provide CNCS with the actual check results.

¹⁹ https://www.nationalservice.gov/sites/default/files/resource/nschc_-_nsopw_guidance.pdf

APPENDIX F: YOUTHPRISE RESPONSE



✉ info@youthprise.org ☎ 612 564 4858

August 20, 2020

Monique Coltier
Assistant Inspector General for Audit
Corporation for National and Community Service
250 E Street, S.W., Suite 4100
Washington, DC 20525

Dear Ms. Coltier,

Thank you for the opportunity to respond to the Office of Inspector General (OIG) draft report on the Social Innovation Fund grant (15SIHMN001) to Youthprise. Youthprise takes its role in the oversight, compliance and stewardship of federal funds very seriously, and appreciates the opportunity to provide a full response. As the following pages describe in detail, we concur with only two of the sixteen findings in the OIG's draft report (Findings 6 and 13, for \$3,059 in questioned costs).

The OIG has now conducted an exhaustive and thorough audit of Youthprise's work and that of all six of our subrecipients. As a result, the OIG draft report questioned \$1.6M in costs including \$626,099 in federal and \$990,137 in match expenses. Below are the responses we have generated based on the documentation we have on file. We do not concur with 14 of the 16 findings and provide our rationale and interpretation where pertinent.

We look forward to working with CNCS to resolve any outstanding issues in a mutually satisfactory manner in the coming months. We have used this opportunity to strengthen the programmatic and fiduciary responsibilities of both the organization and our subrecipients. We are all more resilient as a result of having undergone this process.

Sincerely,

Wokie Weah
President
Youthprise



Preliminary Findings

Noncompliance with Federal Procurement Requirements

Three sole-source contracts were awarded to Search Institute (SI), the Minnesota Department of Employment and Economic Development (MN DEED), and the Mentoring Partnership of Minnesota (MPMN) without proper justification. Contracts acquiring goods and services are to be properly competed and only sole sourced under special circumstances. We are questioning \$310,316 (\$47,220 in federal and \$263,096 in match) which includes all funds expended on each of the three contracts.

Youthprise Response:

Youthprise strongly disagrees with the determination by the OIG for this finding.

In its original application to CNCS, Youthprise identified “core partner” organizations with which it intended to subcontract to carry out its SIF grant, if awarded. Those core partners were: MN Department of Employment and Economic Development’s Office of Youth Development (DEED), Search Institute, and Mentoring Partnership of Minnesota (MPM). Each of the core partners brought unique experience and expertise to the SIF grant, and Youthprise followed its own policies and federal regulations in procuring the services of each of these partners. The regulations require that the non-Federal entity follow one of the methods of procurement outlined in CFR 200.320. Youthprise followed the method outlined in part (f) of the regulation, procurement by noncompetitive proposals. In support of that decision, Youthprise contemporaneously produced written justifications and explanations for its decisions regarding each of the three core partners. Those documents were provided to CNCS as soon as was possible at the beginning of the grant performance period.

Based on Youthprise’s actions, we respectfully disagree with the OIG’s statement that Youthprise failed to provide proper justification, as we did in fact follow the requirements laid out in regulations. Each sole source justification addressed Youthprise’s analysis of why it met one or more of the required circumstances. A determination that sole source procurement is necessary was a business judgment made by Youthprise. Youthprise was awarded this SIF grant in part because of its expertise, deep knowledge of the field and the players with strong records of success and commitment to youth, and our own uniquely youth-centered approach. Youthprise clearly followed the required process here and so we can only infer that the OIG’s criticism is actually that it does not accept the rationale provided by Youthprise. We acknowledge and respect the OIG and its expertise in federal regulations, the oversight of CNCS and its monitoring of recipients of federal funds. However, the OIG is not an expert on the entities that exist to provide these specific services for the specific grant objectives in Youthprise’s SIF award.



Youthprise's experience and knowledge in this area does provide us with the expertise to make the judgment that these partners were the only organizations that could bring the specific skills and knowledge needed. We have provided a summary below as a reminder of the justifications for each of the core partners.

Search Institute's engagement as evaluation partner in this project met two of the criteria of CFR § 200.320 for a noncompetitive proposal when only one is required. First, Search Institute was the single source for the proprietary measures and unique combination of subject matter and methodological expertise required for this evaluation (CFR § 200.320.f.1). As discussed in the justification provided prior to CNCS, Search Institute is the only organization that offers the particular blend of quantitative and qualitative applied research capabilities, positive youth development expertise, aligned practical tools and services, and evaluation implementation capacities for grantees. Search Institute's already existing assessment tools provided the basis for the further customization that meant that Youthprise was not required to start from scratch with other vendors and/or incur significant expenses licensing those same tools and paying Search Institute to improve on them, and losing time and money while another vendor got up to speed on those tools. Further, Youthprise documented that it did review the field of potential vendors and determined that none of the them brought the unique expertise and tools that Search Institute brought to the table. Second, the time that would have been necessary to solicit multiple bids would have seriously delayed startup of the programs, undermining the quality of the evaluation (CFR § 200.320.f.2).

In addition, Youthprise conducted a cost and price analysis for Search Institute. As a part of that analysis, we found that based on industry standard information the cost of an evaluation is approximately 10% of the entire grant budget. While the Search Institute contract was beyond 10%, Youthprise followed the counsel of CNCS representatives and increased the allocation to 20% of the grantmaking budget so we could cover costs for a more rigorous evaluation. Further, this amount also accounts for the provision of technical assistance to subrecipients, which is an additional task that is beyond the scope of the third-party evaluation.

Search Institute's performance throughout the project demonstrates that funds were used efficiently and that Youthprise received high value through Search Institute's work. In addition to revising the evaluation plan multiple times in response to staffing and programmatic changes at CNCS, the independent evaluator completed several peer-reviewed journal articles and a propensity-score matching study (not in the original design) that met the criteria for a moderate level of evidence of impact. Furthermore, Search Institute's empowerment evaluation approach with communities that have historically been marginalized (including opportunity youth) was highly valued by subrecipients and the young people who participated in the programs and the study. The intangible value of this approach is of critical importance to building knowledge about and trust with communities that have been too often taken advantage of by the research community.



DEED's engagement in this project also met two of the criteria of CFR § 200.320 for a noncompetitive proposal when only one is required. First, DEED was the only organization that manages youth workforce development funds on a statewide basis in Minnesota (CFR § 200.320.f.1). With that expertise and status, DEED brings a great deal of experience in managing WIA grants and sub-granting them to local Workforce Service Areas and independent service providers in accordance with State and Federal regulations. No other entity in the state has the history, experience, and expertise of playing this type of role in administering public funding, particularly in the context of youth workforce development. Second, the tight timeframe required by the grant schedule meant that Youthprise could not afford to work with a contractor that did not have this breadth of experience. DEED's work was necessary for the subrecipient RFP development. The RFP needed to be fully developed and issued within two months of Youthprise receiving the NOGA. DEED's expertise and experience enabled Youthprise to meet this tight timeframe because it already had the knowledge and experience with the process, the players, and systems that would need to be traversed by both Youthprise and its subrecipients.

Additionally, because of the amount of the contract, Youthprise was only required to use the "small purchase" procedures. Even so, Youthprise conducted a cost and price analysis for DEED, which found that the price analysis was conducted based on industry standard information for expertise-oriented training and technical assistance. The per-day rate of approximately \$500 was less than or equal to bids Youthprise received from other consultants for different, but comparable services related to this grant. Youthprise and CNCS thus received great value from DEED's participation as a contractor for this SIF grant.

Mentoring Partnership of Minnesota's engagement as a technical assistance and training partner in this project met one of the required criteria from CFR § 200.320 for a noncompetitive proposal. Mentoring Partnership of Minnesota is the only organization in the state with the experience and capability to provide training and technical assistance across the state of Minnesota as it relates specifically to mentoring and social emotional learning (CFR § 200.320.f.1). There is no other organization in the state with the comprehensive set of tools and resources to support programs in starting, strengthening, and evaluating mentoring programs. They are also tied to a national network- MENTOR National. They maintain the National Quality Mentoring System (NQMS) which created recognized standards and procedures for the operation of high quality mentoring programs based on evidence and a process for continuous improvement within a program.

Youthprise conducted a cost and price analysis for Mentoring Partnership of Minnesota, which found that the price analysis was conducted based on industry standard information for expertise-oriented training and technical assistance. The per-day rate is less than or equal to what Youthprise received in response to a request for bids from other technical assistance providers for different, but comparable services for the SIF grant. Youthprise and CNCS thus received significant value from Mentoring Partnership of Minnesota and its work on the SIF grant.



Contract Expenditures Not Verified

Contractor invoices were paid without the review of supporting documentation to include, but not limited to, timesheets, billing rates, or indirect cost allocations. Costs associated with federal awards must be adequately documented and supported. No costs were questioned for this finding.

Youthprise Response:

Youthprise disagrees with this finding. Youthprise provided notice to all contractors regarding its ability to access any books, documents, papers and records of the contractor which are directly pertinent to the activities conducted under their agreement for the purpose of making audits, examinations, excerpts and transcripts. Contractors were instructed to retain these source documents as support for their monthly invoiced expenses. Project workplans were created in conjunction with key Youthprise staff and all contracts were reviewed by at least two staff who signed off on them in accordance with our standard accounting policies. Youthprise thoroughly reviewed monthly invoices submitted by contractors which documented salary, benefits, indirect costs, and other expenses approved in their annual budgets and aligned with their approved workplans. Federal regulations do not require that Youthprise review all documentation underlying contractor invoices in order to have proper internal controls; to require that would be counter to the intent of the Uniform Guidance. In fact, in FAQs regarding establishing internal controls, the Council on Financial Assistance Reform (COFAR) specifically stated that “[n]on-Federal entities and their auditors will need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements.” (200.303-3, Frequently Asked Questions, Updated: July 2017, for the Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200). What constitutes proper internal controls and is not overly burdensome from a cost perspective will vary depending on a variety of circumstances, including factors such as: how closely Youthprise is working with a contractor or grantee; whether Youthprise has an established relationship with the contractor or grantee; the amount of money in question in the contract or grant; and whether the amount differs from the submitted budget.

Although the implementation of internal controls is situation-dependent, following the OIG auditors’ recommendation to increase invoice requirements, Youthprise revised its review process to require contractors submit supporting documentation with their monthly invoices beginning in November of 2018.



Contractor Performance was not Monitored

Contractors performance was not monitored as required by Youthprise's policies and procedures. Youthprise's policies and procedures indicated that it would evaluate and document performance to ensure the contract terms, conditions, and specifications were met. However, this was not conducted. Monitoring is an effective internal control to ensure compliance with laws, rules, and regulations. No costs were questioned for this finding.

Youthprise Response:

Youthprise disagrees with this finding. While Youthprise acknowledges that internal controls can almost always be improved upon and it could have documented its practices better, it was continually monitoring its contractors. Core Partners were in regular contact through: monthly group meetings and more frequent individual calls; co-creating plans for evaluation; strategizing technical assistance approaches, reviewing workplan progress, reviewing budget spending, problem solving emerging issues, and administrative planning. Contrary to the auditor's assertion that Search Institute did not provide evaluation plans, those plans were readily available and were co-created with Youthprise, the subrecipients, and an extended evaluation team. In addition, the evaluation plans were revised at the behest of CNCS, including the integration of a photovoice project with young people, in addition to the Implementation evaluation plan. Youthprise was fully engaged in each decision. In addition, Youthprise routinely discussed contract terms and federal regulations at regular meetings with its contractors, but unfortunately did not document these discussions. Finally, as was stated with regard to the prior finding, what constitutes proper internal controls (and thus proper monitoring) is case-specific and judgments must be made after considering all of the relevant factors.

Subrecipients were not Adequately Monitored

Youthprise did not monitor its subrecipients in the first program year, and only conducted limited monitoring in the beginning of the second program year. Pass throughs are required to conduct monitoring to ensure compliance with grant terms and conditions. No costs were questioned for this finding.

Youthprise Response:

Youthprise strongly disagrees with this finding. As with the prior two findings, there is not a procedure for subrecipient monitoring that fits every situation. Youthprise acknowledges that improvements needed to be made and it made those improvements during its second grant year. Even though improvements were needed, Youthprise disagrees with the assertion that it conducted no recipient monitoring before those improvements were made. For example, in a CNCS-approved Subgrantee Selection Plan and in accordance with the requirements outlined in



the NOFA, Youthprise conducted a risk-based analysis of each subrecipient based on budget size, 990 review, audit review, and other factors to identify and categorize risk level. Also included was a supplemental assessment questionnaire around governance, procurement, program operations, grievance processes, fiscal/accounting procedures and payroll systems information to assess organizational capacity. Finally, record management information was communicated to subrecipients, including the notice of a six-year record retention policy beyond the final grant report requirement. In fact, in support of the strength of these initial reviews, the Deputy Director for SIF at the time congratulated us on selecting a robust cohort of subrecipients.

We had weekly calls with our program officer at the beginning of the grant to outline the required onboarding documents, including policies and procedures to help develop the necessary infrastructure to support all six subrecipients during the grant period. Youthprise completed corrective action plans to document subrecipient monitoring plans that included pre-post award risk assessments and fiscal and programmatic reviews. All of this was compiled into a board-approved grants manual.

Youthprise conducted a total of twelve (12) subgrantee convenings over the life of the grant, including six (6) that occurred during the period of the audit review- August 1, 2016 through June 30, 2018. At these convenings, trainings included topics on finance and compliance, evaluation, and program management breakout sessions for appropriate staff from each subgrantee. As Youthprise continued to develop and implement the evaluation structure, and in conjunction with our CNCS program and grants officers at the time, Youthprise developed an approved onboarding process, annual review policy, no cost extension policy, carry over policy, and other required policies for financial review of subgrantee expenses and procedures for requesting funds from CNCS. Staff attended mandatory SIF grantee convenings in Washington D.C. and when those were discontinued due to the SIF branch closing, an additional three-day federal grants and compliance forum in October 2019 put on by Thompson Grants.

Youthprise staff conducted two (2) in-person site visits and two (2) desk reviews on subrecipients before implementing a closeout to the grant while in an active audit during spring of 2020.

To provide additional checks and balances, Youthprise completed a monthly manual hold process with CNCS that lasted from April 2018 until the final month in our period of performance- July 2020. This process involved the following **significant steps**: gathering source documentation (general ledgers, timesheets, receipts, etc.) from all parties including contractors and subrecipients; coordinating the transfer of information between Youthprise and CNCS, waiting for official reviews to take place, any question and answer around presented information, an approval authorization to submit a request into the payment management system, confirmation email between the CNCS grants officer to the PMS systems administrator for release of funds, fulfillment of the drawdown request by Youthprise, and receiving the funds. Each of these



additional barriers to accessing funds contributed to a \$1M receivables for Youthprise that lasted over a year.

Youthprise's capacity to monitor this program in such a tight timeframe was stretched beyond what we had expected by the added time burden caused by a two-year OIG audit, transfer to four (4) different CNCS Program Officers, three (3) different Office of Grants Management Grants Officers, a new Federal Administration, the closing of a federal branch of the government, sunset of the SIF program, inability to apply for continuation funds, an evaluation restructure within the original budget limits while adding two additional program years, a subrecipient's Board of Directors required program closure after the OIG audit first draft, three (3) different OIG audit managers, restarting halted programming, Youthprise's first Single Audit, and, the most significant – COVID-19 government shutdown and the civil unrest in the wake of George Floyd's murder in our hometown, which included the burning of one of our subgrantee's buildings. As with the prior two findings, there is not a procedure for subrecipient monitoring that fits every situation. Youthprise acknowledges that improvements needed to be made and it made those improvements during its second grant year. That said, Youthprise challenges the assertion that it conducted no recipient monitoring before those improvements were made.

Youthprise Timekeeping Deficiencies

Youthprise did not comply with federal regulations or its own policies for approving timesheets. The Chief Financial Officer was approving her own timesheets and supervisors were not approving employee timesheets. The latter led to employees' time being charged to the incorrect funding code. As a result, we questioned \$11,335 (\$2,271 in federal and \$9,064 in match).

Youthprise Response:

Youthprise does not fully concur with this finding. Youthprise required approval of timesheets by supervisors (including the Chief Financial Officer's supervisor), however it did not realize that in its previous timekeeping system this approval was not documented in a way that it could reproduce. Staff hours charged to the SIF grant are based on actual time and effort. Youthprise has monitoring procedures in place to monitor its grants and ensure the accuracy of the after-the-fact time and effort reporting.

During the investigative process Youthprise was already in transition to a different human resources provider as well as an industry-recognized timekeeping system (ADP). Youthprise took and implemented the auditor's recommendations to maintain copies of all timesheets and approvals in house and not with a third-party platform. Youthprise created a process to download and certify those timesheets with employee and supervisor approvals. All documentation is now saved on our secure cloud-based server.



Youthprise National Service Criminal History Checks

Youthprise did not maintain NSOPW documentation for one employee and 11 employees' personnel files did not include required legal documents. As a result of the employee without documentation of the NSOPW, we questioned \$3,059 in federal costs for the employees' salaries and benefits over the life of the grant.

Youthprise Response:

Youthprise does not agree fully with this finding and associated questioned costs. One staff member worked very minimally on the grant in an administrative function processing contracts and invoices for the project. This staff member did not have documentation of a NSOPW. Given their minimal and ancillary work on the project, the failure to obtain a NSOPW was an acknowledged oversight.

Following the initial findings of the OIG audit in September of 2018, Youthprise underwent a restructuring of the documentation of personnel files, revised the background check authorization and process, and voluntarily rechecked all staff using the preferred TruScreen and Fieldprint service providers as recommended by CNCS. This documentation more explicitly acknowledged denial of employment for refusal to consent to checks, anyone convicted of felony murder charges, as well as individuals required to register on the national sex offender registry website. Finally, this level of checks was completed for all contractors working on the project and subgrantee organizations as well.

Subgrantee Timekeeping Deficiencies

Sauk employees' hours charged to the grant were based on budget, not actual time worked. Employees used Personnel Activity Reports to estimate the hours worked which was 25 to 35 percent of their workday. After the fact certifications are required if budget estimates are used to record time. As a result, we questioned \$603,476 (\$231,806 in federal and \$374,861 in match).

Youthprise Response:

Youthprise disagrees with this finding. As stated in an email on November 30, 2018 to Catherine M. Chunn, CNCS OIG Audit Manager, Sauk Rapids Rice contracted employees don't complete timesheets like non-contracted employees. In lieu of this, Sauk Rapids-Rice Public Schools have contracted employees complete a personnel activity report (PAR). These are then used to conduct the required after-the-fact certifications based on the percent of time spent working on their assigned duties and according to their contract. The district staff then takes the PARs to make sure the coding is the appropriate amount of time to the match (or grant). This is an



accepted practice with the district's Federal title I funds, Federal Special Education funds, and Minnesota Department of Education funds..

GAP did not segregate employees' time by grant or specific cost objective. Employees' simply completed daily sign-in sheets to record work hours. Documentation must be able to support employees' salary or wages when working on multiple grants. As a result, we questioned \$673,178 (\$336,062 in federal and \$337,116 in match).

Youthprise Response:

Youthprise disagrees with part of this finding and the OIG's questioning of all costs. As a result of the OIG audit, GAP modified their practices to meet the identified deficiencies. All timecards are now completed by individual employees based on actual time worked in a cloud-based Human Resources Information System (HRIS) and then reviewed and approved by the supervisor. In late 2018, Change Inc. (formerly GAP) migrated from Peachtree to QuickBooks Online for financial and accounting management. QuickBooks Online allows for the comparison of actual versus budget expenditures, which are monitored and reviewed monthly by the organization's Finance Committee and then presented to the Board of Directors.

Subgrantee Financial Management System Deficiencies

Sauk, MIGIZI, and Wilder claimed unsupported federal and match costs. The expenditures reported on the PERs were not recorded in the subrecipients general ledgers. The claimed costs must be verifiable from the subrecipients records. As a result, we questioned \$11,681 (\$5,681 in federal and \$6,000 in match). Costs were not questioned for Sauk due to all of Sauk's claimed costs being questioned in the subgrantee timekeeping deficiency finding above.

Youthprise Response:

Youthprise disagrees with these findings.

Sauk Rapids Rice School District requested clarification on the specifics of this finding but did not receive any information from the OIG on calculations for unsupported costs in the General Ledger and was therefore unable to provide an additional response.

The OIG report states unsupported costs of \$6,000 in match funds for program year one at MIGIZI were identified but not supported in the general ledger. MIGIZI acknowledged this discrepancy and corrected the documentation of matching funds received and expended in the preceding years of the SIF grant. In order to prevent this from happening again, in 2019 they hired an outside consulting company with broad experience in federal, state and philanthropic funding to manage MIGIZI finances. That consulting company works with MIGIZI to:



- Assure that all expenses are properly entered into the financial system with proper coding designating grant or matching funds.
- Utilize General Ledger as source for documentation of income and expenses to support both grant and matching funds acknowledgement.
- Input amounts from General Ledger into SIF report forms for submission.

At Amherst Wilder Foundation, the costs in question - \$4,703 in federal funds in program year one and \$978 in federal funds in program year two - relate to the indirect rate reported. Over the three program years, they reported the correct indirect rate amount. However, the indirect rate was not recorded on their financials during the correct grant time period for the quarterly reports. For example, in year one (April 2016 to March 2017), they reported to Youthprise \$4,848.49 in indirect rate reimbursement. On their financials, they recorded \$34.02 as of March 31, 2017, and recorded an additional \$4,814.47 as of April 30, 2017. For the remainder of the grant period, Wilder took the corrected steps of only reporting the indirect rate on financial reports after it showed as an expense on their financial records. Youthprise identified the appropriate corrective action steps in their January 7, 2019 letter titled OIG Audit Findings Corrective Action, and Wilder responded with corrective action steps in a response letter on January 22, 2019. In a February 8, 2019 letter from Youthprise, Wilder was cleared to resume programming.

Subgrantee National Service Criminal History Check Deficiencies

Criminal history checks were not properly completed for six GAP employees and FBI documentation was not retained for three employees. This discrepancy included five employees whose criminal history checks were performed using misspelled or incorrect names, one employee who did not have an NSOPW inquiry, and three employees with missing FBI checks. Additionally, 21 employee personnel files were missing required legal documentation including identification, written authorization to perform the criminal history check, and documentation stating that employees had an opportunity to review findings. Costs were not questioned for this finding due to all claimed costs for GAP being questioned in the subgrantee timekeeping deficiency finding above.

Youthprise Response:

Youthprise disagrees in part with this finding. After the OIG site visit conducted in September 2018, GAP (now Change Inc.) corrected the files missing supporting documentation and submitted the information to the Audit Manager. Additionally, they updated their procedure to include a checklist for all new employee onboarding processes to include retention of FBI check



supporting documentation. During the term of the subgrant, Youthprise approved personnel documents provided.

Subrecipient Indirect Cost Discrepancies

GAP incorrectly allocated indirect costs to the grant using the de minimis rate for total costs.

Youthprise Response:

Youthprise agrees with this finding. Since this finding, Change Inc. has updated its procedures to invoice the de minimis rate for direct costs only, not total costs.

Additional Subrecipient Monitoring

As a result of the OIG's initial findings Youthprise implemented corrective action plans for each of the subrecipients and included action steps for each of the OIG's preliminary findings. This included a general ledger verification plan for future financial reporting and ensuring timekeeping coding accuracy for all staff charging time to the grant. All subrecipients made changes in response to each of the items on their respective corrective action plans. Plans were specific to each of the subrecipients' situations and required implementation to ensure accurate assignment of charges to the SIF grant. Subrecipients were instructed, for example, that **"Beginning in January of 2019, financial reports will be submitted monthly rather than quarterly. Include with your financial report a general ledger report for that month and source documentation for your reported match. These new reporting requirements will help us verify that federal and match funds reported in financial reports are in agreement with your general ledger as well as to verify your match source, match allowability, and match assignability. These new requirements will also help us to maintain ongoing compliance with OIG findings and reduce our risk for further disallowance while the audit is being resolved."**

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