



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**AUDIT OF TASK AGREEMENT NOS. P13AC00279,  
P13AC01094, AND P14AC00445 BETWEEN THE  
NATIONAL PARK SERVICE AND THE STUDENT  
CONSERVATION ASSOCIATION UNDER COOPERATIVE  
AGREEMENT NO. P09AC00402**



OFFICE OF  
**INSPECTOR GENERAL**  
U.S. DEPARTMENT OF THE INTERIOR

**FEB 03 2017**

Memorandum

To: Keith Zotti  
Financial Assistance Awarding Officer, National Park Service

From: Chris Stubbs *Chris Stubbs*  
Director of Financial and Contract Audits

Subject: Final Audit Report – Audit of Task Agreement Nos. P13AC00279, P13AC01094,  
and P14AC00445 Between the National Park Service and the Student  
Conservation Association Under Cooperative Agreement No. P09AC00402  
Report No. 2015-ER-061

This memorandum transmits the final audit results of the Office of Inspector General's audit of the Student Conservation Association's (SCA) final costs under a National Park Service (NPS) cooperative agreement and its three task agreements.

We confirmed \$740,681 in questioned costs, as well as instances of noncompliance with contractual and regulatory requirements. We offered 13 recommendations to help NPS resolve the questioned costs and improve its operations with SCA.

Based on NPS' response to our draft report, we considered four of our recommendations to be resolved and closed them with no further action required. We will refer the remaining nine recommendations to the Office of Policy, Management and Budget to track their implementation and resolution.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, evaluation, and inspection reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please call me at 202-208-5745.

---

# Table of Contents

Results in Brief .....	1
Introduction.....	2
Objective .....	2
Background .....	2
Findings.....	4
Questioned Costs.....	4
Agreement 1 (\$36,604 in Questioned Costs).....	4
Agreement 2 (\$542,181 in Questioned Costs).....	7
Agreement 3 (\$414,195 in Questioned Costs).....	12
Insufficient Support for In-Kind Matches Claimed Under Agreements 2 and 3 .....	16
Inappropriate Use of Program Management, Training, and Technology Cost Pools .....	17
Noncompliance With Contractual and Regulatory Requirements .....	18
SCA’s Internal Controls Were Inadequate .....	18
SCA’s Reporting Was Late and Inaccurate .....	18
SCA’s Identification of Teams Was Inconsistent.....	19
Management of Volunteers May Keep SCA From Using Their Hours as Match.....	20
Conclusion and Recommendations.....	22
Conclusion.....	22
Recommendations Summary.....	22
Appendix 1: Scope and Methodology.....	28
Appendix 2: Bureau Response to Draft Report .....	29
Appendix 3: Status of Recommendations.....	46

---

## Results in Brief

The Office of Inspector General (OIG) audited the Student Conservation Association's (SCA) final costs under a National Park Service (NPS) cooperative agreement (P09AC00402, formerly H2495090023) and its three task agreements (P13AC00279, P13AC01094, and P14AC00445). NPS issued the agreements for the program coordination, debris cleanup, and support work that the SCA Resiliency Corps performed for NPS' National Parks of New York Harbor.

We originally identified a total of \$992,980 in questioned costs, as well as noncompliance with contractual and regulatory requirements. We found that SCA did not provide sufficient support for the in-kind matches it claimed under two of the agreements. We also identified inappropriate use of program management, training, and technology cost pools. In addition, SCA's internal controls were inadequate, its required reporting was late and inaccurate, and it identified its teams inconsistently. Finally, SCA's management of its volunteers may keep it from being able to use volunteer hours as match.

We issued this report to NPS in draft form, offering 13 recommendations to help NPS resolve the questioned costs and improve its operations with respect to SCA. We closed four recommendations based on NPS' response, but are referring the other nine to PMB for implementation and resolution. NPS also provided updated cost data in its response, so we revised this report accordingly. We confirmed \$740,681 of the original questioned costs.

---

# Introduction

## Objective

The objective of our audit was to determine whether the costs claimed by the Student Conservation Association (SCA) under a cooperative agreement and three task agreements with the National Park Service (NPS) were—

- allowable under applicable Federal laws and regulations, cooperative agreement provisions, and NPS guidelines;
- allocable to the agreements, and incurred in accordance with the terms and conditions; and
- reasonable and supported by SCA's records.

Our audit scope and methodology are included as Appendix 1.

## Background

On October 29, 2012, Hurricane Sandy ravaged the eastern seaboard of the United States, with the States of New York and New Jersey receiving the full force of the storm. The storm affected all 15 NPS sites in the New York/New Jersey metropolitan area, including all 3 units of the Gateway National Recreation Area as well as the Statue of Liberty and Ellis Island, the Governors Island National Monument, and the Manhattan sites that make up the National Parks of New York Harbor.

In response to this disaster, Congress passed the Disaster Relief Appropriations Act of 2013, appropriating \$829.2 million (\$786.7 million post sequester) for the U.S. Department of the Interior (DOI) to rebuild and repair its assets and strategically invest in future coastal resilience. NPS received \$377.3 million of these moneys and used them in part to fund the three task agreements in our audit.

NPS issued the task agreements under a 2009 master cooperative agreement (P09AC00402; formerly H2495090023). The cooperative agreement was a publicly competed, overarching award between NPS and SCA, a New York-based nonprofit organization made up of employees, interns, and volunteers (collectively referred to as “members”) whose mission is to give young people opportunities to participate in local environmental and conservation projects. The cooperative agreement, which is 1 of 18 national agreements between NPS and various nongovernmental organizations, is designed to facilitate educational and work opportunities for young people so that they can gain a better understanding of and appreciation for NPS' natural and cultural resources.

The purpose of the awards was to assist in the coordination and cleanup of NPS sites in the wake of Hurricane Sandy. NPS selected SCA for the three task agreements, used for the same project:

- Agreement 1 (P13AC00279) was used to launch the project with program planning, development, and recruitment. This \$90,050 agreement had a completion date of December 31, 2013.
- Agreement 2 (P13AC01094) was used to further recruit and then place volunteers in order to begin the project. This \$921,101 agreement had a completion date of December 31, 2013.
- Agreement 3 (P14AC00445) was used for the next phase of the project from June 12, 2014 to September 31, 2014, with a later modification to the agreement that extended both the project and the agreement. This \$638,945 agreement had a completion date of December 31, 2014.

SCA drew down a total of \$1,649,916 for these three agreements. (A \$180 unobligated balance was left on Agreement 1.)

---

## Findings

We issued a draft report to NPS management identifying a total of \$992,980 in questioned costs, as well as instances of noncompliance with contractual and regulatory requirements. NPS provided updated cost data as part of its response to our draft report and its recommendations, so we revised this report accordingly. We have also revised Figures 1, 3, and 4—the tables associated with these data—and included the final figures in this section after the original ones. Altogether, we confirmed \$740,681 of the original questioned costs.

See the “Recommendations Summary” section (pp. 24 through 29) for our summaries and analysis of NPS’ responses to our recommendations. The full response is also included in this report as Appendix 2.

### Questioned Costs

In accomplishing our first objective, we originally questioned a total of \$992,980 in costs associated with the three task agreements.<sup>1</sup> We determined that SCA claimed labor, transportation, field expenses, and program management costs without providing sufficient supporting documentation. In accordance with the C.F.R., these unsupported costs are all unallowable.<sup>2</sup> We also noted unallowable preaward costs.

#### **Agreement 1 (\$36,604 in Questioned Costs)**

Of the \$89,870 (\$90,050 – \$180) in costs claimed under this agreement, we identified \$20,158 in unsupported costs (see the draft version of Figure 1 on the next page). We also found that SCA had not matched all of the costs it was required to. The U.S.C. allows NPS to pay only up to 75 percent of the total project cost (16 U.S.C. § 1729(a)(1)); SCA must contribute the remaining amount as a match, but the company was short \$16,446 in its matched costs (see draft Figure 2 on p. 6).

---

<sup>1</sup> We based our determination of the questioned costs on our review and evaluation of SCA’s costs. We reviewed the agreements’ detail, supporting documentation, and the C.F.R. to determine our questioned costs. We identified costs as unsupported when sufficient documentation related to the costs was not available for review.

<sup>2</sup> See 2 C.F.R. § 215.27, “Allowable costs”; 2 C.F.R. § 215.21(b)(7), “Standards for financial management systems”; and 2 C.F.R. Part 220, Appendix A, C.4(4), “Documentation.”

<b>Figure 1 (Draft). Questioned Costs Associated With Agreement 1</b>				
<b>Description</b>	<b>Claimed Costs</b>	<b>Unsupported Costs</b>	<b>Revised Claimed Costs</b>	<b>Notes</b>
Direct Labor				
Program Manager	\$ [REDACTED]	-	\$ [REDACTED]	
1 Recruiter	[REDACTED]	-	[REDACTED]	
3 Program Assistants	[REDACTED]	\$6,758	[REDACTED]	1
Subtotal	[REDACTED]	6,758	[REDACTED]	
Other Startup Expenses				
Technology	[REDACTED]	3,000	[REDACTED]	2
Staff Travel	[REDACTED]	-	[REDACTED]	
Materials	[REDACTED]	-	[REDACTED]	
Program Support	[REDACTED]	10,400	[REDACTED]	3
Subtotal	17,400	13,400	4,000	
Unknown Deduction From Amount Claimed	(180)	-	(180)	
Total Cost to NPS	\$89,870	\$20,158	\$69,712	
Total Questioned Costs		\$20,158		

**Figure 1 Notes:** Unsupported Costs (\$20,158):

1. **Wages:** SCA claimed \$6,758 in wages and taxes that it was not able to support. SCA could not provide supporting documents for \$6,416 in wages; it also claimed \$342 in taxes for a program manager as a direct charge to the agreement, but it should have charged the amount to the program management pool in accordance with 2 C.F.R. Part 230, Appendix A, B.1.
2. **Pooled Technology Costs:** SCA failed to provide sufficient support for how it pooled and allocated \$3,000 in costs associated with technology (see the section titled “Inappropriate Use of Program Management, Training, and Technology Cost Pools” on pp. 18 and 19).
3. **Pooled Program Support Costs:** SCA failed to provide sufficient support for how it pooled and allocated \$10,400 in costs associated with program support (see the section titled “Inappropriate Use of Program Management, Training, and Technology Cost Pools” on pp. 18 and 19).

<b>Figure 2 (Draft). Agreement 1's Revised Match</b>			
	<b>Claimed</b>	<b>Revised After Questioned Costs</b>	<b>Notes</b>
Claimed Costs to NPS	\$ 89,870	\$69,712	
SCA's Claimed Required Match (indirect rate × cost to NPS)	24,409	23,237	
Total Cost of Task Order	114,279	92,949	
SCA Required 25% Match (adjusted)	29,957	23,237	
Match Claimed (as stated in the final Standard Form (SF) 425)	(6,791)	(6,791)	
Adjusted Match Owed (questioned as unsupported)	\$23,166	\$16,446	1

**Figure 2 Note:**

1. **SCA Match Incorrectly Calculated and Reported:** SCA incorrectly calculated the match on the agreement. SCA calculated the amount by multiplying the grant total by the indirect rate (27.16 percent). NPS is not allowed to pay more than 75 percent of the project total (16 U.S.C. § 1729(a)(1)). Since NPS paid SCA \$89,870, the project total should have been \$119,827 ( $89,870 / 0.75 = 119,827$ ) with SCA's match as \$29,957 (the difference between NPS' share and the project total). The final SF-425 for this agreement shows that SCA only claimed \$6,791 as match. The adjusted match owed would therefore be \$23,166.

Taking into account the questioned costs of \$20,158, the revised cost to NPS would be \$69,712. Using \$69,712 as NPS' share (75 percent of the total project cost), SCA's share was found to be \$23,237, with a project total cost equaling \$92,949 ( $69,712 / 0.75 = 92,949 - 69,712 = 23,237$ ). Again, the final SF-425 for this agreement shows that SCA only paid \$6,791 of its match. Therefore, we have determined that SCA should remit \$16,446, the difference between the revised required amount and the amount already paid.

As a result of the additional data NPS provided with its response to our draft report, we revised Figure 1; the final version is on the next page. Based on our analysis these additional data, we eliminated the match calculation described in Figure 2, so there is no final version of that figure. For further analysis, see the "Recommendations Summary" section.

**Figure 1 (Final). Questioned Costs Associated With Agreement 1**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs
Direct Labor			
Program Manager	\$ [REDACTED]	-	\$ [REDACTED]
1 Recruiter	[REDACTED]	-	[REDACTED]
3 Program Assistants	[REDACTED]		[REDACTED]
Subtotal	[REDACTED]		[REDACTED]
Other Startup Expenses			
Technology	[REDACTED]	3,000	[REDACTED]
Staff Travel	[REDACTED]	-	[REDACTED]
Materials	[REDACTED]	-	[REDACTED]
Program Support	[REDACTED]	10,400	[REDACTED]
Subtotal	17,400	13,400	4,000
Unknown Deduction From Amount Claimed	(180)	(180)	
Total Cost to NPS	\$89,870	\$13,220	\$76,650

**Agreement 2 (\$542,181 in Questioned Costs)**

Of the \$921,101 claimed under this agreement, we identified \$194,183 in unsupported costs (see the draft version of Figure 3, below). We also questioned \$347,998—the total of matched costs claimed—because SCA could not verify the number of volunteer hours with timesheets or any other record of actual hours worked (other than estimates).

**Figure 3 (Draft). Questioned Costs Associated With Agreement 2**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs	Notes
Community Crew				
Living Allowance	\$ [REDACTED]	\$20,000	\$ [REDACTED]	1
Subtotal	[REDACTED]	20,000	[REDACTED]	
Leader Crew				
Compensation	[REDACTED]	-	[REDACTED]	
Subtotal	[REDACTED]	-	[REDACTED]	
<i>Member Expense Total</i>	244,911	20,000	224,911	
Community Crew				
Supplies, Equipment & Educational Opportunities	[REDACTED]	-	[REDACTED]	
Field-Based Meals	[REDACTED]	-	[REDACTED]	
Background Checks	[REDACTED]	-	[REDACTED]	

**Figure 3 (Draft). Questioned Costs Associated With Agreement 2**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs	Notes
Postage	█	-	█	
Transportation	█	10,857	█	2
Service Clothing	█	-	█	
Subtotal	155,697	10,857	144,840	
Leader Crew				
Supplies, Equipment & Educational Opportunities	█	-	█	
Field-Based Meals	█	-	█	
Background Checks	█	-	█	
Transportation	█	-	█	
Service Clothing	█	-	█	
Subtotal	\$18,357	-	\$18,357	
Youth Conservation Corps (YCC) Crew				
Supplies, Equipment & Educational Opportunities	█	-	█	
Field-Based Meals	█	-	█	
Background Checks	█	-	█	
Transportation	█	-	█	
Service Clothing	█	-	█	
Subtotal	10,827	-	10,827	
<i>Field Operations Total</i>	184,881	\$10,857	174,024	
Community Crew				
Salary & Fringe Benefits	█	-	█	
Training & Education	█	17,785	█	3
Leader Travel	█	-	█	
Subtotal	175,699	17,785	157,914	
Leader Crew				
Salary & Fringe Benefits	\$█	-	\$█	
Training & Education	█	-	█	
Leader Travel	█	-	█	
Subtotal	23,541	-	23,541	
YCC Crew				
Salary & Fringe Benefits	█	-	█	
Training & Education	█	1,225	█	4
Subtotal	11,528	1,225	10,303	
<i>Field Leader Expenses Total</i>	210,768	19,010	191,758	

**Figure 3 (Draft). Questioned Costs Associated With Agreement 2**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs	Notes
Community Crew				
Recruiting & Admissions	■	1,000	-	
Measurement & Reporting	■	5,298	-	
Program Planning	■	47,970	-	
Field Direction & Support	■	30,000	-	
Incident Management & Response	■	4,800	-	
Subtotal	89,068	89,068	-	
Leader Crew				
Measurement & Reporting	\$■	\$859	-	
Program Planning	■	3,599	-	
Field Direction & Support	■	4,200	-	
Incident Management & Response	■	960	-	
Subtotal	9,618	9,618	-	
YCC Crew				
Recruiting & Admissions	■	100	-	
Measurement & Reporting	■	245	-	
Program Planning	■	1,919	-	
Field Direction & Support	■	1,411	-	
Incident Management & Response	■	480	-	
Subtotal	4,155	4,155	-	
<i>Program Management Total</i>	102,841	102,841	-	5
Total Costs	743,401	152,708	\$590,693	
SCA Indirect Cost (27.16%)	201,908	41,475	160,433	6
Less Overage	(24,208)	-	-	
Total Cost to NPS	\$921,101	\$194,183	\$751,126	

**Figure 3 Notes:** Unsupported Costs (\$194,183):

1. **Living Allowance:** SCA could not provide supporting documents for \$20,000 in living allowance entries listed in the general ledger.
2. **Transportation:** A total of \$10,857 in transportation costs was unsupported. The supporting documents provided for \$10,828 in these expenses were incomplete because SCA did not provide an adequate explanation of what it purchased. Another \$29 was unallowable because \$9 in tolls were from Oakland, CA (not New York or New Jersey), and

\$20 came from SCA leaders who were not part of the project the grant was paying for.

3. **Training (Community Crew):** The supporting documents SCA provided for \$17,785 in training expenses were incomplete. SCA provided no proof that leaders who worked on this agreement went to training, nor did it provide invoices, signatures approving training, or proof of payment. In addition, SCA failed to provide sufficient support for how it pooled and allocated the costs (see the section titled “Inappropriate Use of Program Management, Training, and Technology Cost Pools” on pp. 18 and 19).
4. **Training (YCC):** The supporting documents provided for \$1,225 in training expenses were incomplete. SCA provided no proof that leaders who worked on the grant went to training, nor did SCA provide invoices, signatures, or proof of payment. In addition, SCA failed to provide sufficient support for how it pooled and allocated the costs (see the section titled “Inappropriate Use of Program Management, Training, and Technology Cost Pools” on pp. 18 and 19).
5. **Pooled Program Management:** The supporting documents provided for \$102,841 in pooled program management expenses were incomplete. SCA failed to provide sufficient support for how it pooled and allocated the costs (see the section titled “Inappropriate Use of Program Management, Training, and Technology Cost Pools” on pp. 18 and 19).
6. **Indirect Cost Adjustment:** Applying the indirect cost rate to the unsupported cost increases the unsupported amount by \$41,475.

As a result of the additional data NPS provided with its response to our draft report, we revised Figure 3. The final version is below. For further analysis, see the “Recommendations Summary” section.

**Figure 3 (Final). Questioned Costs Associated With Agreement 2**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs
Community Crew			
Living Allowance	\$ [REDACTED]		\$ [REDACTED]
Subtotal	[REDACTED]		[REDACTED]
Leader Crew			
Compensation	[REDACTED]	-	[REDACTED]
Subtotal	[REDACTED]	-	[REDACTED]
<i>Member Expense Total</i>	244,911	-	244,911
Community Crew			
Supplies, Equipment & Educational Opportunities	[REDACTED]	-	[REDACTED]
Field-Based Meals	[REDACTED]	-	[REDACTED]
Background Checks	[REDACTED]	-	[REDACTED]

**Figure 3 (Final). Questioned Costs Associated With Agreement 2**

<b>Description</b>	<b>Claimed Costs</b>	<b>Unsupported Costs</b>	<b>Revised Claimed Costs</b>
Postage	█	-	█
Transportation	█	10,857	█
Service Clothing	█	-	█
Subtotal	155,697	10,857	144,840
<b>Leader Crew</b>			
Supplies, Equipment & Educational Opportunities	█	-	█
Field-Based Meals	█	-	█
Background Checks	█	-	█
Transportation	█	-	█
Service Clothing	█	-	█
Subtotal	\$18,357	-	\$18,357
<b>Youth Conservation Corps (YCC) Crew</b>			
Supplies, Equipment & Educational Opportunities	█	-	█
Field-Based Meals	█	-	█
Background Checks	█	-	█
Transportation	█	-	█
Service Clothing	█	-	█
Subtotal	10,827	-	10,827
<i>Field Operations Total</i>	184,881	\$10,857	174,024
<b>Community Crew</b>			
Salary & Fringe Benefits	█	-	█
Training & Education	█	17,785	█
Leader Travel	█	-	█
Subtotal	175,699	17,785	157,914
<b>Leader Crew</b>			
Salary & Fringe Benefits	\$█	-	\$█
Training & Education	█	-	█
Leader Travel	█	-	█
Subtotal	23,541	-	23,541
<b>YCC Crew</b>			
Salary & Fringe Benefits	█	-	█
Training & Education	█	1,225	█
Subtotal	11,528	1,225	10,303

**Figure 3 (Final). Questioned Costs Associated With Agreement 2**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs
<i>Field Leader Expenses Total</i>	210,768	19,010	191,758
Community Crew			
Recruiting & Admissions	█	1,000	-
Measurement & Reporting	█	5,298	-
Program Planning	█	47,970	-
Field Direction & Support	█	30,000	-
Incident Management & Response	█	4,800	-
Subtotal	89,068	89,068	-
Leader Crew			
Measurement & Reporting	\$█	\$859	-
Program Planning	█	3,599	-
Field Direction & Support	█	4,200	-
Incident Management & Response	█	960	-
Subtotal	9,618	9,618	-
YCC Crew			
Recruiting & Admissions	█	100	-
Measurement & Reporting	█	245	-
Program Planning	█	1,919	-
Field Direction & Support	█	1,411	-
Incident Management & Response	█	480	-
Subtotal	4,155	4,155	-
<i>Program Management Total</i>	102,841	102,841	-
Total Costs	743,401	132,708	\$610,693
SCA Indirect Cost (27.16%)	201,908	36,043	165,865
Less Overage	(24,208)	(24,208)	-
Total Cost to NPS	\$921,101	\$144,543	\$776,558

In addition, we found insufficient support for \$347,998 in in-kind matches claimed under Agreement 2. For more information on this, see pp. 17 and 18, “Insufficient Support for In-Kind Matches Claimed Under Agreements 2 and 3.”

### **Agreement 3 (\$414,195 in Questioned Costs)**

Of the \$638,945 in costs claimed under this agreement, we identified \$174,123 in unsupported costs (see the draft version of Figure 4, below). We also questioned \$240,072—the total of matched costs claimed—because SCA could not verify the number of volunteer hours with timesheets or any other record of actual hours worked.

**Figure 4 (Draft). Questioned Costs Associated With Agreement 3**

Description	Claimed Costs	Unsupported Costs	Revised Claimed Costs	Notes
Member Expenses				
Living Allowance	\$ [REDACTED]	\$2,198	\$ [REDACTED]	1
Orientation & Training	[REDACTED]	-	[REDACTED]	
Subtotal	141,222	2,198	139,024	
Field Operations				
Supplies, Equipment & Educational Opportunities	[REDACTED]	-	[REDACTED]	
Field-Based Meals	[REDACTED]	-	[REDACTED]	
Background Checks	[REDACTED]	-	[REDACTED]	
Postage	[REDACTED]	-	[REDACTED]	
Transportation	[REDACTED]	10,129	[REDACTED]	2
Service Clothing	[REDACTED]	-	[REDACTED]	
Subtotal	101,609	10,129	91,480	
Field Leader Expenses				
Salary & Fringe Benefits	[REDACTED]	6,781	[REDACTED]	3
Training & Education	[REDACTED]	15,647	[REDACTED]	4
Leader Travel	[REDACTED]	-	[REDACTED]	
Subtotal	164,592	22,428	142,164	
Program Management				
Recruiting & Admissions	[REDACTED]	700	-	
Measurement & Reporting	[REDACTED]	4,091	-	
Program Planning	[REDACTED]	20,349	-	
Field Direction & Support	[REDACTED]	72,872	-	
Incident Management & Response	[REDACTED]	3,360	-	
Subtotal	101,372	101,372	-	5
Unallowable Preaward Costs	-	2,528	2,528	6
Total Costs	508,795	138,655	370,140	
Indirect Cost Rate (25.58%)	130,150	35,468	94,682	7
Total Costs to NPS	\$638,945	\$174,123	\$464,822	

**Figure 4 Notes:** Unsupported Costs (\$174,123):

- Living Allowance:** The supporting documentation provided for \$2,198 in living allowance showed that SCA paid some members 3 and 4 weeks' worth of stipends within a 2-week pay period. SCA was unable to provide

any further documentation explaining why it overpaid these individuals or what action it took to correct the error.

2. **Transportation:** We questioned \$10,129 in transportation-related costs because of several issues. First, an individual who was not listed as working on the project appeared in the supporting documentation as having incurred \$1,789 in transportation charges. We also noted that SCA prepaid its E-ZPass toll account. Because there was a balance remaining on the account in the support given, we are unsure if the \$500 charge was actually used for the agreement. Finally, we reviewed receipts showing that SCA charged \$7,840 in MetroCards to Agreement 3, but it purchased the cards a full year before the beginning of the agreement's period of performance, and there is no way to prove when or where the cards were used within that year.
3. **Salary and Fringe Benefits:** SCA charged \$6,781 in taxes to Agreement 3, but it performed the work associated with these taxes in 2013. In addition, in the payroll support for Agreement 3 SCA listed some employees who did not work on the project.
4. **Training and Education:** A pooled cost for \$15,647 in training charges for leadership did not include invoices, signatures, or proof of payment. In addition, SCA failed to provide sufficient support for how it pooled and allocated the costs (see the section titled "Inappropriate Use of Program Management, Training, and Technology Cost Pools" on pp. 18 and 19).
5. **Pooled Program Management Costs:** SCA associated \$101,372 in pooled costs with program management, but it failed to provide sufficient support for how it pooled and allocated the costs (see the section titled "Inappropriate Use of Program Management, Training, and Technology Cost Pools" on pp. 18 and 19).
6. **Unallowable Preaward Cost:** SCA used \$2,528 from this agreement to pay for expenditures that it incurred before the agreement began. While the U.S. Government allows preaward costs if the agreement authorizes them, we found no evidence of such approval.
7. **Indirect Cost Adjustment:** Applying the indirect cost rate to the unsupported cost increases the unsupported amount by \$35,468. We used a rate of 25.58 percent instead of the budgeted 27.16 percent because 25.58 percent is the rate approved in the indirect cost rate agreement with the DOI Office of Indirect Cost Services.

As a result of the additional data NPS provided with its response to our draft report, we revised Figure 4. The final version is on the next page. For further analysis, see the "Recommendations Summary" section.

**Figure 4 (Final). Questioned Costs Associated With Agreement 3**

<b>Description</b>	<b>Claimed Costs</b>	<b>Unsupported Costs</b>	<b>Revised Claimed Costs</b>
<b>Member Expenses</b>			
Living Allowance	\$ [REDACTED]	-	\$ [REDACTED]
Orientation & Training	[REDACTED]	-	[REDACTED]
Subtotal	141,222	-	141,222
<b>Field Operations</b>			
Supplies, Equipment & Educational Opportunities	[REDACTED]	-	[REDACTED]
Field-Based Meals	[REDACTED]	-	[REDACTED]
Background Checks	[REDACTED]	-	[REDACTED]
Postage	[REDACTED]	-	[REDACTED]
Transportation	[REDACTED]	2,289	[REDACTED]
Service Clothing	[REDACTED]	-	[REDACTED]
Subtotal	101,609	2,289	99,320
<b>Field Leader Expenses</b>			
Salary & Fringe Benefits	[REDACTED]	6,781	[REDACTED]
Training & Education	[REDACTED]	15,647	[REDACTED]
Leader Travel	[REDACTED]	-	[REDACTED]
Subtotal	164,592	22,428	142,164
<b>Program Management</b>			
Recruiting & Admissions	[REDACTED]	700	-
Measurement & Reporting	[REDACTED]	4,091	-
Program Planning	[REDACTED]	20,349	-
Field Direction & Support	[REDACTED]	72,872	-
Incident Management & Response	[REDACTED]	3,360	-
Subtotal	101,372	101,372	-
<b>Unallowable Preaward Costs</b>	-	274	(274)
<b>Total Costs</b>	<b>508,795</b>	<b>126,363</b>	<b>382,432</b>
<b>Indirect Cost Rate (25.58%)</b>	<b>130,150</b>	<b>40,263</b>	<b>89,887</b>
<b>Total Costs to NPS</b>	<b>\$638,945</b>	<b>\$166,626</b>	<b>\$472,319</b>

## Recommendations

We recommend that NPS:

1. Resolve the \$36,604 in unallowable costs in Agreement 1;
2. Resolve the \$542,181 in unallowable costs in Agreement 2; and
3. Resolve the \$414,195 in unallowable costs in Agreement 3.

### **Insufficient Support for In-Kind Matches Claimed Under Agreements 2 and 3**

We determined that for Agreements 2 and 3, SCA failed to provide adequate, verifiable support as required by the C.F.R. for using the value of its volunteer hours as in-kind match. The absence of verification caused us to question the total matches for these agreements (\$347,998 for Agreement 2 and \$240,072 for Agreement 3).

We found that for both agreements, SCA based its support for in-kind match on estimated hours worked by volunteers, not actual hours. This goes against 2 C.F.R. Part 230, Appendix B (8)(m)(ii)(a), which requires that compensation for personal services (labor costs) “reflect an after-the-fact determination of the actual activity of each employee” and specifically states that “budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.” Moreover, according to 2 C.F.R. § 215.23(a)(1) and (4), all contributions to cost sharing or matching must be allowable under applicable cost principles. We also found that the estimated volunteer hours on the spreadsheets provided by the SCA controller did not match the hours on the report the SCA program manager gave us.

Moreover, SCA did not keep records of the actual hours most of its volunteers worked, and the records it did keep were sometimes inaccurate, which violates 2 C.F.R. § 215.23(a), “Cost Sharing or Matching.” For example, we tested one intern’s timesheet that was provided as support under Agreement 3 and noted that the actual hours logged for that individual (54 hours in 2 weeks) were 32.5 percent less than the 80 hours claimed as match in SCA’s estimate.

## Recommendation

We recommend that NPS:

4. Collect the proper support from SCA for the in-kind match calculations to gather actual costs.

## **Inappropriate Use of Program Management, Training, and Technology Cost Pools**

SCA claimed that it used a simple allocation method to allocate indirect costs among the task agreements, but because it actually used several indirect cost pools, it should have claimed that it used a multiple allocation base method (2 C.F.R. Part 230, Appendix A, D.1.b and D.3.a). This means that SCA stated it would allocate indirect costs equally among its task agreements, but it actually used several pools with different bases to allocate those costs among all of its agreements, including its agreements with NPS. The DOI Office of Indirect Cost Services never approved the use of a multiple allocation base method, as required by 2 C.F.R. Part 230, Appendix A, Part E (2)(a), “Negotiation and Approval of Indirect Cost Rates,” and was not aware that SCA was using one. We found the support for the additional indirect cost pool insufficient. In our review, we noted the following:

- Agreement 1 identifies a “Technology” cost pool, yet SCA could not provide support showing how the pool was calculated.
- The drawdowns for all pooled costs are unreasonable because SCA based the drawdowns on budget estimates, not actual costs, and never compared the budgeted pooled costs to the actual pooled costs as required by 2 C.F.R. Part 230, Appendix B.8.m(ii)(a) and 2 C.F.R. Part 230, Appendix A, A.2.b.
- All of the pooled costs are proposed, billed, and supported inconsistently. According to 2 C.F.R. Appendix A, C.10, the practices used in estimating costs must remain consistent with the cost accounting practices used in accumulating and reporting costs.
- For Agreement 3, SCA staff provided a spreadsheet showing how SCA calculated the leader cost pool. They also provided a list of members who worked on the agreement. Two employees were identified as leaders in the pooled cost calculation, but those individuals were not named as leaders in the support documentation (the member lists for the agreement).
- For Agreement 3, costs for the “Field Leader Training and Education” line item include both direct and indirect costs, which violates 2 C.F.R., Part 230, Appendix A, B.1.

### **Recommendations**

We recommend that NPS:

5. Work with the DOI Office of Indirect Cost Services to review the cost pools SCA used for approval; and
6. Gather actual costs, not estimates, from SCA as the basis of drawdowns.

## **Noncompliance With Contractual and Regulatory Requirements**

In accomplishing our second objective, we found that SCA's internal controls were inadequate, its reporting on the agreement was inaccurate and incomplete, the identification it provided for its volunteers was inconsistent, and its management of volunteers may prevent the use of their hours as match for future agreements of this kind.

### **SCA's Internal Controls Were Inadequate**

We found several problems with SCA's internal controls. First, SCA has no written internal control policies and procedures as required by 2 C.F.R. § 215.21(b)(6). In addition, specific costs cannot be associated with individual agreements as required by 2 C.F.R. § 215.21(2) because SCA's accounting system is not a job-based cost system. For example, when we asked SCA staff for a copy of SCA's general ledger, it took them several months to separate the costs of Agreement 1 from Agreement 2 and provide the ledgers to us. Also, in response to an emailed list of questions from us, SCA's controller admitted that SCA has no system that separates costs by job or by grant. We also found that the backup SCA provided for stipends it gave to its volunteers totaled \$9,004 less than the total stipends listed in the general ledger, meaning that SCA could not verify who received the amounts it had recorded.

### **Recommendation**

We recommend that NPS:

7. Require SCA to have an adequate accounting system that is capable of handling Federal funds (e.g., establish that SCA has a job cost system and written policies and procedures).

### **SCA's Reporting Was Late and Inaccurate**

The absence of internal controls at SCA was evident in its final spending reports for the agreements, specifically its SF-425s. The SF-425s that SCA filed were inaccurate, and SCA sometimes filed them well past their deadlines without an approved extension. We found the following:

- The SF-425 for Agreement 1 indicated an unobligated balance of \$0, but NPS' drawdown report indicated a \$180 balance that had never been deobligated from the agreement.
- SCA filed the final SF-425 for Agreement 2 on October 16, 2014, 10 months after the agreement ended and 7 months after the 90-day window provided by 2 C.F.R. § 215.71(A), "Closeout Procedures."

- On its final SF-425 for Agreement 2, SCA indicated an unobligated balance of \$180, but the drawdown records provided by NPS indicated that SCA drew down the full amount on the agreement.
- The final SF-425s provided by SCA for Agreements 1 and 2 showed the incorrect amount for “total recipient share required.” The SF-425 for Agreement 1 showed a required share of \$6,791 while the required amount on the agreement was \$24,458. The SF-425 for Agreement 2 showed a required share of \$69,386, while the required amount on the agreement was \$347,998.
- On the final SF-425s for all of the agreements, SCA did not follow its own policy and complete the section on indirect expenses.
- The final SF-425s that SCA gave us were different from the ones it gave to NPS.

In addition, SCA continued to draw down funds well after the 90 days provided by 2 C.F.R. § 215.71(B). On December 31, 2013, the end of the agreement, the balance in the drawdown account was \$72,724. After 90 days, this amount should have been deobligated. Instead, SCA drew down \$9,867 on August 28, 2014, and the remaining \$62,857 on September 16, 2014.

SCA also failed to complete its final progress reports for Agreements 1 and 2. While Agreement 3’s final report does mention the agreement’s goals and accomplishments, we believe that SCA did not do so in sufficient detail to satisfy the requirements of 2 C.F.R § 215.51 (“Monitoring and Reporting Program Performance”). The report also failed to mention work SCA performed with the Jamaica Bay Corps, an organization funded by New York City. The relationship between these two organizations could have an effect on the amount of in-kind contributions recorded on the SF-425.

### Recommendations

We recommend that NPS:

8. Inspect SCA’s SF-425s to confirm they are completed properly;
9. Resolve the unobligated balance of \$180 on Agreement 1; and
10. Monitor open accounts with SCA to confirm that all funds are drawn down within the appropriate timeframe.

### SCA’s Identification of Teams Was Inconsistent

SCA used project team descriptions that were inconsistent with the team descriptions in the agreements’ statements of work, making it difficult to determine whether SCA had fulfilled the requirements of the statements of work. In the backup it provided for its claimed costs, SCA used three team descriptions:

“Community Crews” (crews made up of SCA members), “Intern Crews” (which are composed of SCA interns), and “Leader Crews” (SCA leaders and experienced volunteers). The statements of work, however, require responsibility for the following teams: “Community Crews,” “Leader Crews,” “Crew Leaders,” and “Roving Leaders.” (SCA does not define the “Intern Crews” in the statements of work.) Initially, SCA equated the terms “interns” and “members,” but these are actually two different types of participants in SCA programs.

### **Recommendation**

We recommend that NPS:

11. Verify that the actual makeup of SCA’s work crews are consistent with the agreement requirements.

### **Management of Volunteers May Keep SCA From Using Their Hours as Match**

SCA used a derivation of volunteer time to fulfill the match requirement on Agreements 2 and 3. Instead of using a standard labor rate for volunteer services as its match, SCA used the difference between the stipend it paid its volunteers and the standard labor rate for its services. Since SCA paid volunteers more than a nominal sum, it could have inadvertently converted its volunteers into employees, depending on certain other criteria. If SCA’s volunteers had been converted into employees, SCA would not have been able to use the volunteer hours as in-kind match.

The C.F.R. has no guidance specifying when a not-for-profit should consider an individual a volunteer as opposed to an employee. Therefore, we researched and documented seven criteria to evaluate whether the SCA volunteers could be considered employees, namely—

1. how the individual was described in the agreements with SCA;
2. how the individual was described in the “SCA Member Handbook”;
3. the nominal compensation paid to the individual;
4. whether the individual was in control of his or her own work schedule;
5. whether the work schedule of the individual was fulltime (40 hours per week);
6. whether the nature of the work was usually associated with volunteer work; and
7. whether the hours worked determined the amount of compensation the individual received.

Our analysis determined that SCA did not use the term “volunteer” in any documentation given to volunteers; in the paperwork issued to the volunteers, the term “participant” was used. In addition, SCA paid its volunteers a stipend of

\$█ per week, which was more than █ percent of the standard labor rate (\$902 per week) and also exceeded minimum wage at that time ( $\$7.25 \times 40 \text{ hours} = \$290$  per week). Volunteers were required to work a 40-hour workweek and had no control over their own schedules. We noted that the tasks SCA volunteers performed, such as cleanup, were consistent with volunteer work. Lastly, SCA paid its volunteers the same stipend amount whether they worked the full 40 hours or not, but removed volunteers from the program if they were absent three times.

We discussed the issue with the U.S. Department of Labor (DOL) and our own Office of General Counsel (OGC). DOL stated that it did not have jurisdiction over SCA because SCA is a not-for-profit entity without significant retail sales, and SCA was not involved in interstate commerce. After reviewing the seven criteria, DOL's unofficial opinion was that these individuals were still volunteers. We therefore concluded that SCA had not inadvertently converted its volunteers to employees; however, by paying its volunteers such a large stipend, requiring them to work 40 hours a week on a set schedule, and failing to name them as volunteers in the paperwork they sign, SCA risks converting them into employees on future projects.

### **Recommendations**

We recommend that NPS:

12. Monitor the volunteer participation program used by SCA to prevent the conversion of said participants from volunteers to employees; and
13. Establish rules that clarify the difference between an employee and a volunteer.

---

# Conclusion and Recommendations

## Conclusion

We identified areas with deficiencies throughout our testing of SCA's accounting system and claimed costs, and we have concluded that SCA does not have an accounting system adequate to handle Federal funds. We believe that if NPS is able to address our recommendations, it will help SCA account for and monitor the funds provided by the Federal Government.

We issued a draft of this report to NPS and asked that NPS management respond to our findings and recommendations. Their responses to each recommendation, as well as our analyses of the responses, are summarized below. The original response is included as Appendix 2 of this report, and the current status of the recommendations is summarized in Appendix 3.

## Recommendations Summary

We recommend that NPS:

1. Resolve the \$36,604 in unallowable costs in Agreement 1.<sup>3</sup>

**NPS Response:** In the response to our draft report, NPS management partially concurred with our recommendation. SCA provided additional support that enabled NPS to resolve \$23,204 in the original questioned costs, and determine that \$13,400 was still unsupported under this agreement. NPS then subtracted \$180 for amounts owed to SCA, resulting in an amount due of \$13,220.

**OIG Comment:** Based on NPS' response, we sustained unsupported costs of \$13,400 and \$0 in unsupported match. We agreed that NPS owed \$180 to SCA and that the \$23,204 was resolved, and we revised Figure 1 to reflect \$13,220 in questioned costs (see p. 7). We consider this recommendation open (resolved and not implemented).

2. Resolve the \$542,181 in unallowable costs in Agreement 2.<sup>4</sup>

**NPS Response:** NPS management partially concurred with our recommendation. SCA provided additional support that enabled NPS to determine that \$332,353 in cost and match were unsupported (\$37,979 in unsupported costs and \$294,374 in unsupported match).

**OIG Comment:** We disagreed with NPS and sustained \$403,395 in unsupported costs and match (\$144,543 in unsupported costs and

---

<sup>3</sup> \$20,158 in unsupported costs and \$16,446 in unsupported match owed.

<sup>4</sup> \$194,183 in unsupported costs and \$347,998 in unsupported match owed.

\$258,852 in unsupported match). The unsupported costs includes a \$24,208 overage, deducted from the original cost claimed (see the final version of Figure 3 on pp. 11 through 13). We consider this recommendation unresolved and will refer it to the Office of Policy, Management, and Budget (PMB) for resolution.

NPS management considered the allocated direct costs associated with program management (\$102,841) allowable for this specific agreement, but we do not agree. We found inconsistencies in SCA's allocations of budgeted direct costs and actual direct costs; therefore, we were unable to determine whether the actual allocation was reasonable. In addition, NPS did not consider the overage of \$24,208 as an offset to the unsupported amounts, although it may consider the overage at a later date. We are treating the overage as an offset of the unsupported costs.

3. Resolve the \$414,195 in unallowable costs in Agreement 3.<sup>5</sup>

**NPS Response:** NPS management partially concurred with our recommendation. SCA provided additional support that enabled NPS to determine that \$239,197 in costs and match were unsupported (\$39,323 in unsupported costs and \$199,874 in unsupported match).

**OIG Comment:** We disagreed with NPS and sustained \$324,066 in unallowable costs (\$166,626 in unsupported costs and \$157,440 in unsupported match (see the final version of Figure 4 on p. 16). We consider this recommendation unresolved and will refer it to PMB for resolution.

NPS management considered the allocated direct costs associated with program management (\$101,372) allowable for this specific agreement, but we do not agree. We found inconsistencies in SCA's allocations of budgeted direct costs and actual direct costs; therefore, we were unable to determine whether the actual allocation was reasonable.

Although we disagreed with NPS' response, we agree with NPS' finding that SCA could not use funds budgeted for indirect cost to absorb increases in direct costs because SCA did not obtain prior approval to do so as required by Article 7 of the original master agreement. SCA used an incorrect indirect rate of 27.16 percent instead of the correct rate of 25.58 percent when calculating the budget for Agreement 3. When SCA applied the incorrect indirect rate, funds remained that SCA incorrectly applied to other budget line items. The result was a \$7,939 incorrectly claimed under the agreement. We incorporated these adjustments into the calculation of the indirect rate in our revised Figure 4.

---

<sup>5</sup> \$174,123 in unsupported costs and \$240,072 in unsupported match.

4. Collect the proper support from SCA for the in-kind match calculations to gather actual costs.

**NPS Response:** NPS management concurred that the in-kind match in these agreements was not allowable because the estimated hours used to calculate the in-kind amount cannot be verified in SCA's records. NPS will develop a corrective action plan to address this recommendation with SCA.

**OIG Comment:** Based on NPS' response, we consider this recommendation open (management concurs; additional information needed).

5. Work with the DOI Office of Indirect Cost Services to review and approve the cost pools SCA used.

**NPS Response:** NPS management maintained that the various cost pools we refer to in the report are actually direct cost pools, not indirect cost pools, and that the direct allocation method was the correct method to use. Indirect cost pools are reviewed by the Interior Business Center (IBC) as required by 2 C.F.R. Appendix A, E.2. NPS management stated that they worked with IBC and the Department of Health and Human Services (HHS) to determine the appropriate level of review and approval for the direct allocation method. Based on this work with IBC and HHS, NPS considered the allocated direct costs associated with these specific agreements to be allowable.

**OIG Comment:** Based on NPS' response, we consider the recommendation closed (resolved and implemented).

We initially believed that SCA used the multiple allocation base method, as described in 2 C.F.R. Appendix A, D.1.b and D.3.a, not the direct allocation method. The description of the direct allocation method is located in 2 C.F.R. Part 230, Appendix A, D, under the heading "Allocation of Indirect Cost and Determination of Indirect Cost Rates." Locating the direct allocation method under this heading would imply that it is an indirect cost pool. The C.F.R. does not distinguish between the multiple allocation base method described in 2 C.F.R. Part 230, Appendix A, D.3, and the direct allocation method in D.4. We contacted the Office of Management and Budget to provide us with a clarification, but were unable to obtain a response.

We believe clarification is necessary to understand the nature of the costs and who in DOI is responsible for reviewing the direct allocation method. We discussed the issue with IBC employees, who indicated that they do not routinely review the direct allocation method because they believe this task to be the responsibility of the grant management officials.

6. Gather actual costs, not estimates, from SCA as the basis of drawdowns.

**NPS Response:** NPS management stated that they intend to fully comply with all applicable regulations and policies regarding financial assistance payments and related monitoring. They maintained, however, that SCA did not violate regulations when it drew down funds based on the budget as a whole.

**OIG Comment:** Based on NPS' response, we still find the drawdown method inappropriate because payments based on budgets ignore the requirement to draw funds down as soon after the expenditure as possible (2 C.F.R. § 215.22). We fail to see how SCA could determine that it had expended costs if the drawdowns were based on budgeted amounts and not actual expenses supported by financial records. We consider this recommendation unresolved and will refer it to PMB for resolution.

7. Require SCA to have an adequate accounting system that is capable of handling Federal funds (e.g., establish that SCA has written policies and procedures and a job cost system).

**NPS Response:** NPS management concurred that SCA's accounting systems were inadequate and that SCA did not have internal controls and written policies and procedures. NPS will develop a corrective action plan to address this recommendation with SCA.

**OIG Comment:** Based on NPS' response, we consider this recommendation open (management concurs; additional information needed).

8. Inspect SCA's SF-425s to confirm they are completed properly.

**NPS Response:** NPS management concurred with this recommendation and asked SCA to complete a revised SF-425 for all three agreements.

**OIG Comment:** Based on NPS' response, we consider this recommendation open (management concurs; additional information needed).

9. Resolve the unobligated balance of \$180 on Agreement 1.

**NPS Response:** NPS deobligated the \$180 from the contract, but management believed that NPS still owed that amount to SCA. Therefore, they deducted \$180 from the amount owed on Agreement 1.

**OIG Comment:** Based on NPS' response, we consider this recommendation resolved and implemented.

10. Monitor open accounts with SCA to confirm that all funds are drawn down within the appropriate timeframe.

**NPS Response:** NPS instituted a new policy, effective January 21, 2016, that mandates post-award monitoring. It has also implemented new system controls that prevent recipients from drawing down funds when funds are not drawn down in a timely manner.

**OIG Comment:** Based on NPS' response, we consider this recommendation resolved and implemented.

11. Verify that the actual makeup of SCA's work crews are consistent with the agreement requirements.

**NPS Response:** NPS concurred that the titles of SCA's work crews were not consistent on these agreements, but NPS determined that SCA used work crews adequate to meet the agreements' goals and objectives.

**OIG Comment:** Based on NPS' response, we consider this recommendation resolved and implemented.

12. Monitor the volunteer participation program used by SCA to prevent the conversion of said participants from volunteers to employees.

**NPS Response:** NPS stated that financial assistance awarding officers are required to review proposed costs in accordance with DOI policy. In addition, In February 2010, NPS obtained a DOI solicitor's opinion that concluded current practices related to volunteers are acceptable.

**OIG Comment:** Based on NPS' response, we still see a need to monitor volunteer participants to prevent their conversion into an employee status. NPS gave us a solicitor's opinion that was nearly 7 years old, and NPS did not attempt to obtain an updated response that would address the criteria we enumerated in the report. We also believe that NPS needs to monitor agreement circumstances in case they change, resulting in a violation of one of the criteria. We consider this recommendation unresolved and will refer it to PMB for resolution.

13. Establish rules that clarify the difference between an employee and a volunteer.

**NPS Response:** NPS management obtained a DOI solicitor's opinion regarding the valuation of volunteers' time and whether they qualify as employees. The solicitor concluded that, regarding qualification as volunteers and valuation of the volunteers' time, NPS' current practices in this area are acceptable.

**OIG Comment:** As noted in our comment in recommendation 12, the DOI solicitor's opinion did not address the criteria enumerated in the report. Therefore, we consider this recommendation unresolved and will refer it to PMB for resolution.

---

# Appendix I: Scope and Methodology

Our audit focused on the Student Conservation Association's (SCA) claimed costs incurred under Cooperative Agreement No. P09AC00402 with the National Park Service (NPS), specifically task agreements P13AC00279, P13AC01094, and P14AC00445. These costs totaled \$1,649,916 through December 31, 2014, the end of the third task agreement. Our audit included SCA's compliance with applicable Federal regulations, NPS policies and procedures, and agreement terms and conditions. We conducted our fieldwork from June through December 17, 2015.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our objectives, we—

- interviewed the NPS grants officer;
- interviewed the grantee and other appropriate individuals;
- reviewed required reports and cash management practices;
- reviewed SCA's response to an internal control questionnaire sent by our office;
- reviewed the C.F.R. for regulations pertaining to claimed costs;
- reviewed support for SCA's claimed costs; including—
  - direct costs,
  - indirect costs (overhead),
  - general and administrative expenses, and
  - compliance with internal controls;
- reviewed SCA's internal controls for monitoring the agreement;
- reviewed computer generated documentation; and
- conducted a site visit in June 2015.

To test the accuracy of the computer-generated general ledger SCA provided, we performed several analytical tests on the data. We were unable to compare the figures in the general ledger to the Federal financial reports, and we could not compare the figures in the general ledger to the drawdowns because SCA never provided the support detail we requested. We relied on computer-generated data to test other direct costs, payroll costs, and to verify amounts drawn down by SCA.

---

## **Appendix 2: Bureau Response to Draft Report**

The National Park Service's response to our draft report follows on page 30.



IN REPLY REFER TO:

## United States Department of the Interior

NATIONAL PARK SERVICE

1849 C Street, N.W.

Washington, D.C. 20240

**SEP 16 2016**

### Memorandum

To: Chris Stubbs  
Director of Financial and Contract Audits, DOI OIG

From: Michael Caldwell *M Caldwell*  
Regional Director, NPS Northeast Region

Subject: Revised (09/16/16) National Park Service (NPS) Response to: Office of Inspector General Report entitled: "*Draft Audit Report – Audit of Task Agreement Nos. P13AC00279, P13AC01094, and P14AC00445 Between the National Park Service and the Student Conservation Association Under Cooperative Agreement No. P09AC00402*" (Report No. 2015-ER-061)

Thank you for providing the National Park Service, Northeast Region the opportunity to review and comment on the Office of Inspector General (OIG) Inspection Report No. 2015-ER-061.

Specific comments are in the attachment. Please note the National Park Service is requesting the final OIG report be adjusted based on the additional documentation provided by SCA to NPS which is referenced in and included with our response. If you have any questions or need additional information, contact Keith Zotti, Chief, Financial Assistance at, 215- [REDACTED] or Jennifer Fleming, Agreements Officer at, 215- [REDACTED]

Attachments

Revised (09/16/16) National Park Service Northeast Region response to: Office of Inspector  
General Report “*Draft Audit Report – Audit of Task Agreement Nos. P13AC00279,  
P13AC01094, and P14AC00445 Between the National Park Service and the Student  
Conservation Association Under Cooperative Agreement No. P09AC00402*”  
(Report No. 2015-ER-061)

**1. Resolve the \$36,604 in unallowable costs in Agreement 1 (P13AC00279):**

RESPONSE:

Questioned cost 1: \$6,758.00 – Program Assistants

The OIG questioned a cost of \$6,758.00 (\$6,416.00 for program assistant wages and \$342.00 for employee taxes) because SCA “could not provide supporting documents” and because it was charged to the agreement “as a direct charge to the agreement”. The OIG further went on to say that SCA “should have charged the amount to the program management pool in accordance with 2 C.F.R. §230, Appendix A, B.1.” The CFR reference provides the definition of a direct charge and states that “a cost may not be assigned to an award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to an award as an indirect cost.”

It is important to note that all the employees working on this agreement were employees directly supporting this agreement, and this agreement only. As such, these employees were not included in any of the direct pooled costs, nor the indirect costs.

2 C.F.R. §230, Appendix A, A.2.g. specifies that to be allowable under an award, costs must meet be adequately documented. In response to this finding, SCA provided NPS with two payroll documents, one relating to the \$6,416.00 charge for program assistant wages (reference attachment 1); and one for the \$342.00 charge for employee taxes (reference attachment 2). NPS found the documentation provided in attachment 1 and 2 to be adequate in showing the employee wages that were charged to the agreement. **Based on the information provided, NPS determined that the \$6,758.00 for program assistance charged under P13AC00279 is an allowable cost.**

Questioned cost 2: \$3,000.00 – - Pooled Technology Costs

**SCA did not adequately explain the technology cost which was charged to the agreement as a direct cost. NPS agrees with the OIG finding that this cost is unallowable.**

Questioned cost 3: \$10,400.00 – Pooled Program Support Costs

SCA did not provide documentation relating to this direct cost, nor were they able to explain what this cost was for. **NPS agrees with the OIG finding that this cost is unallowable.**

Questioned cost 4: \$16,466.00 - Cost Match Owed

In reviewing the task agreement in question, it was discovered that this specific agreement was awarded under the authority 16 U.S.C. §1g which does not require recipient cost share. The OIG

report incorrectly stated that this award was made under the authority which 16 U.S.C. §1729(a)(1), which does contain a cost share requirement. While 16 U.S.C. §1g does not require a cost match by the recipient; the terms of the award specifically state that SCA will “provide a cost share in the form of funds in the amount of \$24,457.58 to cover indirect costs.”

While the wording in the agreement stated an exact amount for indirect costs, the intent of the agreement was that SCA would pay for their actual indirect costs as cost match and the amount estimated at the time of award for this was \$24,457.58. For this reason, NPS concludes that the recipient match was met since SCA did not charge NPS for any indirect costs, even though the actual total indirect costs is less as a result of other disallowed costs. **For this reason, NPS determined that no repayment should be required for cost share associated with this agreement and that this finding should be closed.**

### Summary of questioned costs on Agreement 1:

Based on the information and supporting documents provided under agreement 1, NPS has determined that \$13,400.00 is unallowable under this agreement due to the fact that SCA was not able to provide adequate documentation to support the costs.

- 1. Technology Costs: \$ 3,000.00
  - 2. Program Support Costs: \$10,400.00
- Total Unallowable Costs: \$13,400.00**

It is also important to note that \$180.00 of funds remained as unpaid against this agreement. While the ledger shows that these funds were expended, SCA failed to invoice for these funds due to a typo on their final drawdown. When the final drawdown was made by SCA, there was a balance of \$15,427.00 remaining on the agreement, but SCA inadvertently transposed the numbers and drew down \$15,247.00 instead. As a result, \$180.00 remained as unpaid. For this reason, NPS recommends the total cost owed by SCA of \$13,400.00 be reduced by \$180.00 to account for these funds that were owed to them. **NPS recommends a bill of collection in the amount of \$13,220.00 be sent to SCA to recoup these unallowable costs for P13AC00279 that were paid by NPS.**

### 2. Resolve the \$542,181.00 in unallowable costs in Agreement 2 (P13AC01094):

RESPONSE:

Questioned cost 1: \$20,000.00 – Living Allowance

The OIG noted that SCA could not provide supporting documents for \$20,000.00 in living allowance entries listed in the general ledger. In response to this questioned cost, SCA provided a screen shot of their system generated general ledger report which shows some of the charges made against the referenced agreement. This ledger shows that a charge was made in the amount of \$20,000.00 on August 2, 2013 for living allowances. This charge was made in error and the ledger also shows that the charge was reversed through two separate transactions later than same day (one in the amount of \$2,000.00 and the other in the amount of \$18,000.00). Reference lines 710-712 of attachment titled: “3) P13AC000279 and P13AC01094\_GL Transactions.xls”.

In addition, SCA provided a full general ledger to validate that a \$20,000.00 charge was made and then reversed through two separate transactions. Each of the individual costs for the living

allowances was calculated and it was found that the total cost of the living allowance was accurate. Examination of the ledger further verified that the \$20,000.00 was indeed reversed.

**Based on the documentation provided by SCA, NPS determined that no repayment is required for this specific questioned cost and recommends this finding be closed.**

Questioned cost 2: \$10,857.00 - Transportation:

2 C.F.R. §230, Appendix A, A.2.g. specifies that to be allowable under an award, costs must be adequately documented.

- \$ [REDACTED] – Field Van Rental from Enterprise – used to transport members to worksite;
- \$ [REDACTED] – Enterprise –passenger van used to transport members to their worksite;
- \$ [REDACTED] – Enterprise – passenger van used to transport members to their worksite;
- \$ [REDACTED] – Enterprise rental vehicle (not details provided);
- \$ [REDACTED] – Enterprise rental vehicle (not details provided).

**Adequate documentation was not provided that would allow NPS to verify these costs in the total amount of \$10,827.69 were legitimate expenses. NPS agrees with the OIG findings that the aforementioned costs are unallowable.**

In addition, another \$29 was unallowable because \$9 in tolls were from Oakland, CA (not New York or New Jersey), and \$20 came from SCA leaders who were not part of the project the agreement was paying for. In response, SCA confirmed that both of these toll charges were errors that should not have been charged to this agreement. **NPS agrees with the OIG finding that these costs are unallowable.**

**After review of the findings related to the transportation costs, NPS agrees that \$10,857.00 is unallowable.**

Questioned Cost 3: \$17,785.00 – Training of Community Crews; and  
Questioned Cost 4: \$ 1,225.00 – Training YCC Crew (total: \$19,010.00)

**SCA was unable to provide adequate documentation to support the training expenses. NPS agrees with the OIG finding to disallow the training costs and finds the \$19,010.00 training costs to be unallowable.**

Questioned Cost 5: \$102,841.00 – Pooled Program Management

The OIG stated that supporting documents provided for \$102,841.00 in pooled program management expenses were incomplete. “SCA failed to provide sufficient support for how it pooled and allocated the costs”.

SCA walked NPS through the process on how they calculate their pooled direct costs. The full NPS response to the direct allocated pool methodology being applied by SCA is addressed in questions 5 and 6 later in this report.

The documentation provided by SCA included the details of the calculation of the direct cost allocation applicable to FY13 agreements (attachments 6 & 7) as well as a comparison to actual expenses at the end of the fiscal year (attachment 8). SCA however did not utilize the full calculated direct allocation rates in the budgets or for the drawdowns associated with these agreements but discounted the rates and recently provided a written explanation as to why the discounts were provided (attachment 6). **Since documentation regarding the calculation of the direct allocation rates was provided, a rate lower than the calculated rate was used in the budget and for drawdowns and the resultant actual expenses SCA incurred were higher than the total of the direct allocations charged to the Federal government NPS considers the allocated direct costs associated with this specific agreement allowable.**

Questioned Cost 6: \$41,475.00 – Indirect Cost Adjustment

Under P13AC01094, SCA charged indirect costs to the government in the amount of \$201,907.71 (27.16% of the budgeted total of \$743,401.00) which will need to be adjusted based on the costs determined to be unallowable.

The total amount of costs determined to be unallowable is: \$29,867.00

1. Transportation:	\$10,857.00
2. Training (Community Crew):	\$17,785.00
3. Training (YCC Crew):	\$ 1,225.00
Total:	\$29,867.00

**As a result of the unallowable costs previously identified, SCA shall also repay the indirect costs associated with these unallowable costs: \$8,112.00 (\$29,867.00 x 27.16%).**

Questioned Cost 7: \$347,998.00 – Insufficient in-kind matches

In-kind contributions (\$347,998.00): The OIG questioned costs of in-kind contributions due to; (1) the fact that SCA used estimates instead of actuals to calculate these costs, and (2) paid volunteers were used which gives them the appearance of being employees instead of volunteers. Later in the report, it was determined that these individuals adequately classified as volunteers.

The Public Land Corp Authority requires that the government is “to pay not more than 75% of the costs” of the project carried out by the authority (16 U.S.C. § 1729(a)(1)). The federally funded portion of the agreement was \$921,101.00. As a result, SCA should have been required to provide a minimum of \$307,034.00 in order to meet the cost share requirements of the Public Land Corp Authority.

2 C.F.R. §215.23(a) also states that: All contributions, including in-kind, must be (1) verifiable from the recipient’s records. **After reviewing the documentation provided by SCA, NPS agrees with the OIG finding that the in-kind contribution could not be adequately verified through SCA’s records (see the response recommendation #4 for additional information).**

To determine the appropriate amount of in-kind contribution that SCA should be required to provide under this agreement, it is important to take into consideration other costs that are now being determined to be unallowable. The total government portion of the agreement was originally determined to be \$921,101.26; however, this number would need to be reduced by \$29,867.00 (for

costs determined to be unallowable) and an additional \$8,112.00 for the associated indirect costs. This results in a new government total of \$883,122.00.

**The Public Land Corp Authority requires that the government pay no more than 75% of the agreement. For this reason, SCA is required to provide in-kind contributions in the minimum amount of \$294,374.00 to meet its cost share requirement based on the new total.**

**Summary of questioned costs on Agreement 2:**

Of the \$542,181.00 OIG questioned costs, NPS agrees with the following OIG findings:

1. Transportation:	\$10,857.00
2. Training (Community Crew):	\$17,785.00
3. Training (YCC Crew):	\$ 1,225.00
Total unallowable costs:	\$29,867.00

Indirect Cost Adjustment: \$ 8,112.00

**Total unallowable costs excluding in-kind: \$ 37,979.00**  
**Insufficient in-kind matches: \$294,374.00**

**Under 2 C.F.R. §200.345 repayment can be made in the form of offsets to other agreements. While 2 C.F.R. §200 was not in effect at the time of award for this specific agreement, the regulations that are applicable to these specific agreements are silent regarding repayment options. NPS recommends that repayment of in-kind contributions be made through equivalent in-kind contributions on future awards, as applicable, as future awards are not guaranteed. If full repayment in the form of allowable in-kind offset has not been completed and adequately documented by a date to be established by NPS the remaining balance will result in a bill of collection.**

**The NPS also recommends a bill of collection be sent to SCA in the amount of \$37,979.00 to recover the total unallowable costs excluding in-kind under agreement P13AC01094.**

**3. Resolve the \$414,195 in unallowable costs in Agreement 3 (P14AC00445):**

RESPONSE:

Questioned cost 1: \$2,198.00 – Living Allowance

The OIG noted that the supporting documentation provided by SCA indicated an overpayment of \$2,198 in living allowance as a result of SCA paying some members 3 and 4 weeks' worth of stipends within a 2-week pay period.

In response to this questioned cost, SCA noted that three of the members on this agreement were not fully set up in the payroll system in order to process their initial stipend payments when the service began. As a result, these members did not receive their stipend during the first pay period and were then back paid the following pay period. Two of the members were issued manual checks. The other member elected to receive the stipend back payment in conjunction with her next regular pay cycle. Documentation was provided by SCA showing these payments were made (reference attachment 9).

**Based on the documentation provided by SCA, NPS determined these costs to be allowable and recommends this finding be closed.**

Questioned cost 2: \$10,129.00 – Transportation

2 C.F.R. §230, Appendix A, A.2.g. specifies that to be allowable under an award, costs must meet be adequately documented. **Regarding \$1,789.00 in transportation charges and \$500.00 in E-Z Pass tolls SCA was unable to provide adequate documentation to support these costs and for this reason NPS agrees with the OIG finding for this questioned cost.**

OIG stated “SCA charged \$7,840.00 in metro cards to Agreement 3, but it purchased the cards a full year before the beginning of the agreement’s period of performance, and there is no way to prove when or where the cards were used within that year.”

SCA responded by indicating that the wrong receipt was provided and therefore contained the wrong date. An updated receipt was provided to the NPS which showed a date that correlates with the period of performance of this agreement (reference attachment 10). In addition, SCA also provided a member orientation memorandum (attachment 4) that they give to all members under the agreement. This memorandum states that each member will receive a metro card. SCA provided a list of members who are working under this agreement (attachment 11) and a review of this list found that there were 74 members working under this agreement. The receipt provided by SCA shows that 70 metro cards were purchased which is in line with their memorandum that each member receives a metro card. **NPS determined that the costs associated with the metro cards have been adequately documented and an allowable cost and recommends this finding be closed.**

**Based on the review of the individual items making up this total cost, NPS recommends repayment of \$2,289.00 of the \$10,129.00 in questioned travel costs.**

Questioned cost 3: \$6,781.00 – Salary and Fringe Benefits

The OIG questioned \$6,781.00 in taxes charged to Agreement 3, because it appeared the work associated with these taxes was accomplished in 2013 under one of the previous agreements. In addition, it also appears that the listed employees did not perform work on this project. SCA confirmed that this charge was erroneously coded to P14AC00445.

**NPS agrees with the OIG finding that this is an unallowable cost.**

Questioned cost 4: \$15,647.00 – Training and Education

**SCA was unable to provide adequate documentation to support the training expenses. NPS agrees with the OIG finding to disallow the training costs and finds the \$15,647.00 training costs to be unallowable.**

Questioned cost 5: \$101,372.00 – Pooled Program Management Costs

The OIG stated that supporting documents provided for \$101,372.00 in pooled program management expenses were incomplete. “SCA failed to provide sufficient support for how it pooled and allocated the costs”.

SCA walked NPS through the process on how they calculate their pooled direct costs. The full NPS response to the direct allocated pool methodology being applied by SCA is addressed in questions 5 and 6 later in this report.

The documentation provided by SCA included the details of the calculation of the direct cost allocation applicable to FY13 agreements (attachments 6 & 7) as well as a comparison to actual expenses at the end of the fiscal year (attachment 12). SCA however did not utilize the full calculated direct allocation rates in the budgets or for drawdowns associated with these agreements but discounted the rates and recently provided a written explanation as to why the discounts were provided. **Since documentation regarding the calculation of the direct allocation rates was provided, a rate lower than the calculated rate was used in the budget and for drawdowns and the resultant actual expenses SCA incurred were higher than the total of the direct allocations charged to the Federal government NPS considers the allocated direct costs associated with this specific agreement allowable.**

Questioned cost 6: \$2,528.00 – Pre-award costs

The OIG questioned \$2,528.00 in costs used to pay for expenditures that it incurred before the agreement began. While the U.S. Government allows pre-award costs if the agreement authorizes them, the OIG found no evidence of such approval. SCA broke down these costs in the amount of \$2,254.00 for background checks, \$228.00 for leader travel, and \$46.00 for a cell phone charge.

A pre-approval was provided to SCA for pre-award recruiting costs (such as background checks) within the terms of the master cooperative agreement under Article 6, H. **As such, the charge of \$2,254.00 for background checks is considered to be allowable.**

**Due to a lack of documentation provided by SCA to adequately explain the cell phone charge and the travel charge, the NPS agrees with the OIG finding and consider the cost of \$46.00 and \$228.00 to be unallowable.**

Questioned cost 7: \$35,468.00 – Indirect Cost Adjustment

In regards to the Indirect Costs charged under this agreement, there were two concerns. (1) an incorrect cost rate was used (SCA used their old cost rate of 27.16% instead of their new negotiated indirect cost rate of 25.58%); and (2) the indirect costs would need to be adjusted based on other costs determined to be unallowable.

Under P14AC00445, SCA charged indirect costs to the government in the amount of \$136,472.00 (27.16% of the budgeted total of \$502,473.00) which will need to be adjusted based on the correct indirect cost rate and the costs determined to be unallowable

The total amount of costs determined to be unallowable is: \$24,991.00

- |                               |             |
|-------------------------------|-------------|
| 1. Transportation:            | \$ 2,289.00 |
| 2. Salary and Fringe:         | \$ 6,781.00 |
| 3. Training (Community Crew): | \$15,647.00 |

4. Pre-award costs:	\$ 274.00
Total:	\$24,991.00

The original amount of the agreement charged to the government is \$502,473.00. When subtracting the unallowable costs from the original total amount, the new total is reduced to: \$477,482.00.

Applying the correct indirect cost rate (25.58%) to the new total results in an actual indirect cost of \$122,140.00 (477,482.00 x 25.58%). The difference between what was paid (\$136,472.00) and the actual indirect costs (122,140.00) is \$14,332.00.

**As a result of the unallowable costs previously identified and the incorrect indirect cost rate used, NPS recommends that SCA repay the indirect costs in the amount \$14,332.00.**

Questioned Cost 8: \$240,072.00 – Insufficient in-kind matches

In-kind contributions (\$240,072.00): The OIG questioned costs of in-kind contributions due to (1) the fact that SCA used estimates instead of actuals to calculate these costs, and (2) paid volunteers were used which gives them the appearance of being employees instead of volunteers. Later in the report, it was determined that these individuals adequately classified as volunteers.

The Public Land Corp Authority requires that the government is “to pay not more than 75% of the costs” of the project carried out by the authority (16 U.S.C. §1729(a)(1)). The federally funded portion of the agreement was \$638,945.00. As a result, SCA should have been required to provide a minimum of \$212,981.00 in order to meet the cost share requirements of the Public Land Corp Authority.

2 C.F.R. §215.23(a) also states that: “All contributions, including in-kind, must be (1) verifiable from the recipient’s records”. After reviewing the documentation provided by SCA, **NPS agrees with the OIG finding that the in-kind contribution could not be adequately verified through SCA’s records (see the response to recommendation #4 for additional information).**

To determine the appropriate amount of in-kind contribution that SCA should be required to provide under this agreement, it is important to take into consideration other costs that are now being determined to be unallowable. The total government portion of the agreement was originally determined to be \$638,945.00; however, this number would need to be reduced by \$24,991.00 (for costs determined to be unallowable) and an additional \$14,332.00 for the associated indirect costs. This results in a new government total of \$599,622.00.

**The Public Land Corp Authority requires that the government pay no more than 75% of the agreement. For this reason, SCA is required to provide in-kind contributions in the minimum amount of \$199,874.00 to meet its cost share requirement based on the new total.**

**Summary of questioned costs on agreement 3:**

Of the \$414,195.00 in questioned costs in Agreement 3 (P13AC00445), NPS agrees with the following OIG findings:

1. Transportation:	\$ 2,289.00
2. Salary and Fringe:	\$ 6,781.00
3. Training (Community Crew):	\$15,647.00

4. Pre-award costs: \$ 274.00  
Total unallowable costs: \$24,991.00

Indirect Cost Adjustment: \$14,332.00

**Total unallowable costs excluding in-kind: \$ 39,323.00**  
**Insufficient in-kind matches: \$199,874.00**

**Under 2 C.F.R. §200.345 repayment can be made in the form of offsets to other agreements. While 2 C.F.R. §200 was not in effect at the time of award for this specific agreement, the regulations that are applicable to these specific agreements are silent regarding repayment options. NPS recommends that repayment of in-kind contributions be made through equivalent in-kind contributions on future awards, as applicable, as future awards are not guaranteed. If full repayment in the form of allowable in-kind offset has not been completed and adequately documented by a date to be established by NPS the remaining balance will result in a bill of collection.**

**The NPS also recommends a bill of collection be sent to SCA in the amount of \$39,323.00 to recover the total unallowable costs excluding in-kind that were paid under agreement P14AC00445.**

**4. Collect the proper support from SCA for the in-kind match calculations to gather actual costs:**

RESPONSE:

The responses to the in-kind match questioned costs are documented in the responses above for agreements 2 and 3 respectively.

Based on conversations and documentation provided by SCA, they calculate their in-kind contributions based on the labor hours provided by the individual youth that make up crew member teams who are participating under these agreements. Each crew member team typically consists of 2 leaders and 10 youth members. The youth members are counted as volunteers for the sake of the in-kind contributions, but the crew leaders are not considered volunteers since these members receive a salary.

The crew member teams are assigned to individual projects for the duration of the agreement. They meet at a set time and location of each day where they are then transported to the location of project. Each day is assumed to be 8 hours of volunteer time by SCA as the crew leaves for the day together, and then returns back to the meeting location together at the end of the day. If a member shows up that day, they are counted as having provided 8 hours of volunteer time. If they failed to show up, they are considered absent for that day.

In documentation provided by SCA (attachment 4) it is indicated that the member's work day begins at 7:30 AM, the time they are expected to meet with their crew. They then return to the same location no later than 4 PM at the end of each day. This results in a total of eight and a half hours, but includes travel time to the site, breaks, and return back to the meet-up location. The actual amount of time spent traveling varies from site to site. In addition, the 4 PM return time is the estimated time the members will be back, but the actual time could be earlier. The documentation provided by SCA also indicates that one day per week members may be dismissed earlier.

To calculate the total number of volunteer hours, SCA counts the total number of days the crews were working on a project, and then subtracts the number of days members were absent to arrive at the actual number of days the volunteers worked. This number is then multiplied by 8 (8 hours per day) to give the estimated total number of hours provided by volunteer members.

SCA considers the equivalent hourly rate for the labor provide by the members to be \$22.55 per hour based on independentsector.org. Therefore, SCA multiplies the total number of hours provided by the members by \$22.55 per hour to arrive at the total amount of volunteer labor provided by the members.

Since living allowances, also referred to as subsistence or stipends, are also already being paid to the members and charged to the agreement, this amount is subtracted from the total amount of volunteer labor provided to arrive at the final in-kind contribution.

2 C.F.R. §215.23(a)(1) Cost sharing or matching requires that "...All contributions... are verifiable from the recipient's records." **Since the 8 hour day is an estimate and is not verifiable from the recipient's records NPS is in agreement that the result of the in-kind contribution calculation is unallowable as the 8 hour day is not verifiable from the recipient's records as required by regulations.**

OIG also referenced 2 C.F.R. §230, Appendix B, 8.m.(2)(a) as being applicable to SCA in-kind match calculations which requires that compensation for personal services (labor costs) "reflect an after-the-fact determination of the actual activity of each employee" and specifically states that "budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards." NPS does not believe this is applicable to payments to youth participants. 2 C.F.R. §230, Appendix B, 33. Participant Support Costs is more applicable and therefore 2 C.F.R. §230, Appendix B, 8.m.(2)(a) would also not be applicable to their time as volunteers.

**Overall, NPS agrees that the in-kind match is not allowable as exhibited in these agreements with estimated hours used in the calculation of the in-kind amount which are not verifiable from the recipient's records. NPS will develop a corrective action plan to address this recommendation with SCA.**

##### **5. Work with the DOI Office of Indirect Cost Services to review and approve the cost pools SCA used:**

###### **RESPONSE:**

It is important that SCA's direct pooled costs be differentiated from the indirect costs. The various pools referred to by OIG are not indirect costs, but are instead direct pooled costs. This is the Direct Allocation Method that is found in 2 C.F.R. Part 230, Appendix A, D.4. and this methodology is allowable. The Direct Allocation Method allows non-profit organizations to separate costs into categories and then prorate individually as direct costs to each award. Under this method, indirect costs would still be applied consistently according to the Simplified Allocation Method.

We have reviewed how SCA pools and allocates their direct costs on multiple occasions with a focus on whether or not the overall methodology is allowable as well as a review of the allocation methodologies related to the associated cost pools. In 2010, this review included communications with National Business Center (NBC) Indirect Cost Services and SCA as well as a review of the budget documentation provided by SCA and research conducted by NPS FA personnel. In 2016, this review included

communications with Interior Business Center (IBC) Indirect Cost Services, Health and Human Services Cost (HHS) Allocation Services, and SCA as well as a review of the actual and projected expense information provided by SCA. All communications with NBC/IBC and HHS personnel on this topic have indicated that costs associated with the Direct Allocation Method are direct costs, not indirect costs. Recent communications with both IBC and HHS, as well as examples on their websites, have indicated an expectation that the Direct Allocation Method direct cost pool categories and related allocation base or methodology be included on the indirect cost rate proposal. SCA's most recent indirect cost rate proposal does include this information (reference attachment 19). These recent communications also indicated that the level of review provided by IBC and HHS is limited to indirect costs in detail and all costs at a higher level only to ensure all costs are accounted for in accordance with financial documentation and/or audits. It was communicated by both IBC and HHS that audits are relied on for a more detailed review of specific costs within specific accounts.

Many of SCA's overall direct project costs are not easily attributed to any one single agreement which is why the direct allocation method is appropriate. For example, recruiting youth is an ongoing effort that is a direct cost to every agreement, as applicable. Other costs are also allocated across multiple agreements. To account for these costs, SCA pools these total costs for a year, and then uses an allocation method in which they divide these costs across their agreements, as applicable, based on the number of crews serving on each individual agreement. NPS finds this type of direct cost allocation methodology to be allowable in accordance with 2 C.F.R. Part 230, Appendix A, D.4.b. which requires that "each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity." The same citation further states "The bases must be established in accordance with reasonable criteria, and be supported by current data."

The explanation received from SCA regarding how they account for these costs is as follows, SCA pools these total costs for a year based on prior year actuals, and then uses an allocation methodology in which they divide these costs across their agreements based on the actual number of crews serving on each individual agreement. These pooled direct costs include: (1) recruiting and admissions, (2) measurement and reporting, (3) program planning and field direction & support, and (4) incident management and response. SCA stated they evaluate this methodology annually and adjust the allocation rate each year based on prior year actual expenses and volumes and then allocate the expenses based on this calculated rate and actual volumes.

While it does not appear that SCA provided sufficient documentation to the OIG, after NPS had multiple meetings with SCA and NPS requested additional information SCA did provide additional documentation. The documentation provided by SCA included the details of the calculation of the direct cost allocation applicable to FY13 agreements as well as a comparison to actual expenses at the end of the fiscal year. SCA, however did not utilize the full calculated direct allocation rates in the budgets or for the drawdowns associated with these agreements but discounted the rates and recently provided a written explanation as to why the discounts were provided. Since documentation regarding the calculation of the direct allocation rates was provided, a rate lower than the calculated rate was used in the budget and for drawdowns, and the resultant actual expenses SCA incurred were higher than the total of the direct allocations charged to the Federal government NPS considers the allocated direct costs associated with these two specific agreements allowable. Note: Agreement 1 did not contain allocated direct costs so this topic is not applicable to agreement 1.

**NPS has worked with NBC/IBC as well as consulted with HHS to determine the appropriate level of review and approval for the Direct Allocation Method. For the agreements included in this report specifically, based on the review conducted by NPS in consultation with IBC and HHS, NPS considers the allocated direct costs associated with these specific agreements to be allowable (see**

**responses to recommendations 2 & 3 for more detail). Based on the actions taken NPS recommends this finding be closed.**

**6. Gather actual costs, not estimates, from SCA as the basis of drawdowns;**

RESPONSE:

The OIG noted that the drawdowns for all pooled costs are unreasonable because SCA based the drawdowns on budget estimates, not actual costs, and never compared the budgeted pooled costs to the actual pooled costs as required by 2 C.F.R. Part 230, Appendix B, 8.m.(2)(a) and 2 C.F.R. Part 230, Appendix A, A.2.b.

NPS agrees that 2 C.F.R. Part 230, Appendix B, 8.m.(2)(a) requires that distribution of salaries and wages to awards be supported by personnel activity reports and that the reports must reflect an after-the-fact determination of actual activity, must account for the total activity, must be signed and must be prepared at least monthly. The regulation however does not define “activity” which leaves this open to some interpretation regarding what tracking activity entails. Within NPS, this 2 CFR reference is interpreted to mean that a recipient of a financial assistance award must maintain records to show that the labor provided by the recipient organization is equivalent to, or more than, the funds that were drawn down. If the funds that were drawn down are greater than the actual labor that was provided, NPS would expect the recipient organization to account for the funding overage. Based on the documentation provided for these three agreements, it appears there was one instance (P13AC01094) where the actual wages paid were less than the amount drawn down. In this particular instance, there were other costs in which actual costs were greater than the amount estimated, and thus SCA wages drawdown for labor were actually applied to other cost elements.

SCA seems to view the budget holistically when it comes to drawdowns, versus applying drawdowns to individual cost categories. 2 C.F.R. §215.25 provides the rules regarding deviating from a budget plan, but does not prohibit SCA from following their methodology in looking at the budget as a whole within the restrictions identified in the regulations.

When it comes to the direct pooled costs, there are employee wages included within the individual cost pools identified. These pooled costs, which include employee wages, are then allocated to individual agreements. SCA does track the actual wages based on payroll; however, this is done after the fact. No adjustment is made for actual costs. In some cases (for the direct pooled costs) the actuals are not even known until the following fiscal year after the agreements. As such, the amounts billed on the agreements for the direct pooled costs are different from the actuals. In the case of these agreements, the amounts paid by the NPS were less than the actuals for total allocated directs. The regulations are silent regarding whether or not any adjustment is required for actuals when using the direct allocation method.

In response to the OIG finding, it is important to note that SCA has direct costs and direct pooled costs, which are indeed direct costs and not indirect costs, associated with two of its agreements; both of which contain SCA employees. It is also important to note that the above CFR Appendix B reference only applies to compensation of “employees” which does not include the youth participant payments which are considered subsistence or stipends.

**NPS agrees that all costs must be adequately documented in accordance with 2 C.F.R. §230, Appendix A, A.2.g. and while regulations do require personnel activity reports for those receiving salaries and wages in accordance with 2 C.F.R. §230, Appendix B, 8.m.(2)(a) the regulations are silent regarding tracking actuals as it relates to the direct allocation method. The regulations do**

**allow for some flexibility regarding budget changes under 2 C.F.R. §215.25 and timing of drawdowns is discussed but not specifically defined under 2 C.F.R. §215.22. NPS intends to fully comply with all applicable regulations and policies regarding financial assistance payments and related monitoring.**

**7. Require SCA to have an adequate accounting system that is capable of handling Federal funds (e.g., establish that SCA has written policies and procedures and a job cost system):**

RESPONSE:

Internal control, as defined by A-133, means a process, affected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations;
2. Reliability of financial reporting; and
3. Compliance with applicable laws and regulations.

**NPS agrees with the OIG finding that SCA's accounting systems are inadequate. SCA is also lacking in internal controls and written policies and procedures. NPS will develop a corrective action plan to address this recommendation with SCA.**

**8. Inspect SCA's SF-425s to confirm they are completed properly:**

RESPONSE:

NPS has inspected the SF-425s received from SCA and verified that they contained errors.

SCA has now executed a new SF-425 tracking system that was not available at the time of these three awards. In addition, SCA provided a checklist which it now uses when completing SF-425s (reference attachment 15) and has provided additional staff training for completing this form. This checklist was created after the award of these three agreements.

**NPS has requested corrected final SF-425s from SCA for each of these agreements.**

**9. Resolve the unobligated balance of \$180 on Agreement 1:**

RESPONSE:

NPS verified that there is a balance of \$180.00 remaining on agreement P13AC00279. The Financial Assistance Awarding Officer has modified the agreement to de-obligate those funds. The balance still owed to SCA under this agreement shall be reduced from the unallowable amount that SCA is required to pay back under that same agreement (reference recommendation #1).

In addition, SCA has now executed a new SF-425 tracking system that was not available at the time of these three awards. In addition, SCA provided a checklist which it now uses when completing SF-425s (reference attachment 15) and has provided additional staff training for completing this form. This checklist was created after the award of these three agreements.

**Based on the actions taken to de-obligate the balance of funds and the actions being taken by SCA to prevent future SF-425 errors, NPS recommends this finding be closed.**

**10. Monitor open accounts with SCA to confirm that all funds are drawn within the appropriate timeframe;**

RESPONSE:

As of January 21, 2016, NPS released a Financial Assistance Monitoring Policy (FAP&P 1443-2016-02) that mandates post-award monitoring responsibilities by Financial Assistance Awarding Officers and Agreements Technical Representatives which includes a requirement to review (and document the review) of the SF-425s. In addition, new controls have been added to the ASAP system that automatically suspends unused funds in ASAP after 120 days past the agreement period of performance end date. This prevents recipients from being able to draw down funds without approval when funds are not drawn down in a timely manner.

**Based on the actions already taken to ensure funds are drawn down in an appropriate timeframe, NPS recommends this finding be closed.**

**11. Verify that the actual makeup of SCA's work crews are consistent with the agreement requirements:**

RESPONSE:

For the purposes of these agreements, the Financial Assistance Awarding Officer (FAAO) reviewed and agreed to the work crews as identified within the statement of work. In the supporting documentation provided by SCA, the various work crews were not consistently labeled to match what was in the agreement. While the titles of the work crews were used inconsistently, the FAAO found the documentation to be adequate to determine the goals and objectives of the agreement were being met in accordance with the terms of the agreement and therefore the did not question the actual titles of the work crews that were used on these agreements. NPS agrees that the titles of SCA's work crews were not consistent on these agreements, but recommends this finding be closed as the work crews used were found to be adequate to meet the goals and objectives of these agreements.

**Based on the actions that have already been taken, NPS recommends this finding be closed.**

**12. Monitor the volunteer participation program used by SCA to prevent the conversion of said participants from volunteers to employees:**

RESPONSE:

SF-424s and related detailed budget information are required to be reviewed prior to the award of any new financial assistance agreement. These documents include any proposed in-kind cost match, including proposed volunteer hours and related valuation. Financial Assistance Awarding Officers (FAAOs) are required to review these proposed costs in accordance with DOI policy, DIG 2013-06 Financial Assistance Cost Review Guidance, that is already in place. The valuation of a volunteer has also been previously addressed both regarding acceptable sources of valuation and deducting the stipend or subsistence as a method of accounting for any level of payment. Further, a solicitor opinion has

previously been obtained specifically relating to SCA's and other youth organization's use of volunteers and whether or not they qualify as employees. The solicitor opinion (reference attachment 18) has concluded that current practices in this area are acceptable both regarding qualification as a volunteer and valuation of a volunteer. NPS has also addressed the NPS Volunteer In Parks (VIP) program to differentiate a NPS volunteer from a recipient volunteer for the purposes of cost share.

**Based on the actions that have already been taken, NPS recommends this finding be closed.**

**13. Establish rules that clarify the difference between an employee and a volunteer:**

RESPONSE:

SF-424s and related detailed budget information are required to be reviewed prior to the award of any new financial assistance agreement. These documents include any proposed in-kind cost match, including proposed volunteer hours and related valuation. Financial Assistance Awarding Officers (FAAOs) are required to review these proposed costs in accordance with DOI policy, DIG 2013-06 Financial Assistance Cost Review Guidance, that is already in place. The valuation of a volunteer has also been previously addressed both regarding acceptable sources of valuation and deducting the stipend or subsistence as a method of accounting for any level of payment. Further, a solicitor opinion has previously been obtained specifically relating to SCA's and other youth organization's use of volunteers and whether or not they qualify as employees. The solicitor opinion (reference attachment 18) has concluded that current practices in this area are acceptable both regarding qualification as a volunteer and valuation of a volunteer. NPS has also addressed the NPS Volunteer In Parks (VIP) program to differentiate a NPS volunteer from a recipient volunteer for the purposes of cost share.

**Based on the actions that have already been taken, NPS recommends this finding be closed.**

## Appendix 3: Status of Recommendations

Recommendation	Status	Action Required
1	Open – resolved, but not implemented	We will refer this recommendation to the Office of Policy, Management and Budget (PMB) to track its implementation.
4, 7, and 8	Open – management concurs (additional information needed)	We will refer these recommendations to PMB to track their implementations.
5, 9, 10, and 11	Closed – resolved and implemented	None.
2, 3, 6, 12, and 13	Unresolved – OIG disagreed with management	We will refer these recommendations to PMB for resolution.

