

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to New Mexico Commission For Community Volunteerism

Report 18-11

Prepared by:

Office of Inspector General

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This report was issued to Corporation management on June 5, 2018. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than December 5, 2018, and complete its corrective actions by June 5, 2019. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



June 5, 2018

TO: Chester Spellman
Director of AmeriCorps

Joseph Liciardello
Acting Chief Grants Officer

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

SUBJECT: OIG Report 18-11, *Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to New Mexico Commission for Community Volunteerism*

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

Under the Corporation's audit resolution policy, a final management decision on the findings and recommendations in this report is due by December 5, 2018. Notice of final action is due by June 5, 2019.

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

Attachment

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**AGREED-UPON PROCEDURES FOR CORPORATION GRANTS
AWARDED TO NEW MEXICO COMMISSION FOR COMMUNITY VOLUNTEERISM**

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Executive Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with CliftonLarsonAllen LLP (CLA), an independent certified public accounting firm, to perform agreed-upon procedures (AUP) on grant costs incurred by the New Mexico Commission for Community Volunteerism (NMCCV) and two of its subgrantees. NMCCV is the State Commission through which AmeriCorps State and Fixed grants are provided. In addition to the AmeriCorps grants, NMCCV also received a Corporation Training and Technical Assistance grant to provide training and assistance to NMCCV and subgrantee staff. CLA performed the AUP on NMCCV's compliance with Corporation policies and applicable regulations for Corporation-funded Federal assistance.

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

Type of Questioned Costs ¹	Federal Costs	Match Costs	Totals	Percentage of Total
1. Subgrantees' financial management systems do not support the amount claimed	\$ 26,335	\$ 16,866	\$ 43,201	28%
2. Members received living allowance improperly paid as wages and that they were not entitled to under the member agreements	-	102,186	102,186	67%
3. Members were paid living allowances that did not agree with the amount to be paid under the member agreement	1,110	1,015	2,125	1%
4. Cost charged to wrong AmeriCorps grant	2,000	-	2,000	1%
5. Grantee claimed cost incurred before the grant was awarded	-	1,050	1,050	1%
6. Employee State background check was initiated after employee began working on the grant	182	582	764	0%
7. Subgrantee claimed cost that was not supported	-	297	297	0%
Totals	\$ 29,627	\$121,996	\$151,623	100%

The majority of the questioned costs enumerated above were caused by deficiencies in Rocky Mountain Youth Corps' (RMYC) and EcoServants' financial management systems and non-compliance with member living allowance requirements (approximately 97 percent). EcoServants accounted for \$14,463 in Federal and \$102,186 in match costs. RMYC accounted for \$12,982 in Federal and \$17,881 in match costs. See Schedules C and D for details of both subgrantees claimed and matched questioned costs. Detailed Findings are listed in Schedule E of this report.

CLA discovered the following deficiencies at NMCCV and two of its subgrantees, EcoServants and RMYC:

¹ A questioned cost is primarily the result of an alleged violation or non-compliance with grant terms and/or provisions of laws and regulations governing the expenditures of funds. We also questioned costs when adequate documentation was not provided at the time of testing.

Evaluation of Subgrantees' Applications

- Grantee's evaluation of the subgrantee applications did not sufficiently address the subgrantees' financial management systems (Finding 1).

Monitoring of Subgrantees

- Grantee's monitoring did not confirm that the subgrantee's financial management system was meeting the cost reporting requirements (Finding 2).

Monitoring Subgrantees' Single Audits

- Grantee did not routinely monitor the subgrantees' Single Audits (Finding 3).

Member Living Allowance

- Subgrantee's members improperly received living allowances in the form of wages they were not entitled to under the member agreements (Finding 4.a.).
- Subgrantee's members were paid living allowances that did not agree with the amount to be paid under the member agreements (Finding 4.b.).

Financial Management System

- Subgrantees were unable to reconcile Federal and match costs reported on their Periodic Expense Reports (PERs) to the monthly transaction level accounting records (Finding 5).

Other Direct Costs

- Grantee claimed cost against the incorrect AmeriCorps grant (Finding 6.a.).
- Grantee claimed costs that were incurred before the grant was awarded (Finding 6.b.).
- Subgrantee claimed costs without adequate support (Finding 6.c.).

National Service Criminal History Check

- Subgrantee initiated a State background check after an employee started working on the grant (Finding 7).

Administrative Changes

- Grantee hired a new Executive Director without obtaining prior written approval from the Corporation (Finding 8).

SUMMARY OF RESULTS

NMCCV claimed the following Federal and match costs:

Grant No.	Federal	Match	AUP Period
15AFHNM001	\$ 1,424,408	\$ 1,692,101	April 1, 2015 to March 31, 2017
15ACHNM001	1,114,589	1,667,799	April 1, 2015 to March 31, 2017
13CAHNM002	203,305	206,820	January 1, 2015 to December 31, 2016
16CAHNM001	164,910	171,969	January 1, 2016 to December 31, 2016
14ESHNM001 ²	63,394	-	April 1, 2015 to March 31, 2017
16TAHNM001 ³	15,451	-	August 1, 2016 to December 31, 2016
Totals	\$2,986,057	\$3,738,689	

² There is no match requirement for fixed amount grants.

³ There is no match requirement for technical assistance grant (admin).

We found no discrepancies when we compared NMCCV's inception-to-date drawdown amounts with the amounts reported in its most recent Federal Financial Report (FFR) for the period tested. The grant awards reviewed as part of the AUP and related questioned costs are shown in Schedules A through D. Schedule E lists the details concerning the questioned costs and non-compliance with grant provisions and applicable laws and regulations.

**Schedule A
Corporation for National and Community Service
New Mexico Commission for Community Volunteerism
Consolidated Schedule of Claimed and Questioned Costs**

<u>Award No.</u>	<u>Program</u>	<u>Federal Budget</u>	<u>Claimed Federal Costs</u>	<u>Match Budget</u>	<u>Claimed Match Costs</u>	<u>Questioned Costs</u>		
						<u>Federal Costs(a)</u>	<u>Match Costs(b)</u>	<u>Schedule</u>
13CAHNM002 ⁴	ADMIN	\$ 135,842	\$ 203,305	\$ 138,033	\$ 206,820	\$ -	\$ -	
16CAHNM001	ADMIN	209,785	164,910	210,626	171,969	-	1,050	B
14ESHNM001	Fixed State	133,000	63,394	-	-	-	-	
16TAHNM001	Training & Technical Assistance	104,778	15,451	-	-	2,000	-	B
15ACHNM001	AmeriCorps Competitive Total	1,427,568	1,114,589	2,281,026	1,667,799	13,164	18,463	C
15AFHNM001	AmeriCorps Formula Total	2,282,484	1,424,408	2,743,794	1,692,101	14,463	102,483	D
	Total	<u>\$4,293,457</u>	<u>\$2,986,057</u>	<u>\$5,373,479</u>	<u>\$3,738,689</u>	<u>\$29,627</u>	<u>\$121,996</u>	
Total Questioned Costs (a+b)							\$151,623	

Information Specific to Subgrantees Tested								
<u>Program</u>	<u>Subgrantee</u>	<u>Federal Budget</u>	<u>Claimed Federal Costs</u>	<u>Match Budget</u>	<u>Claimed Match Costs</u>	<u>Federal Costs(a)</u>	<u>Match Costs(b)</u>	<u>Schedule</u>
AmeriCorps Competitive	<i>Rocky Mountain Youth Corps</i>	\$1,045,500	\$827,174	\$2,041,336	\$1,612,644	\$13,164	\$18,463	C
AmeriCorps Formula	<i>EcoServants</i>	\$569,949	\$445,895	\$380,942	\$192,710	\$14,463	\$102,483	D

⁴ For grant award No. 13CAHNM002, NMCCV requested a one-year no cost extension. As a result, Federal and match costs applicable to the prior program year were reported late. Match budget amount for the three year period was \$432,527 and NMCCV claimed \$442,106.

**Schedule of Award and Claimed Costs
For Period January 1, 2016, through December 31, 2016
NMCCV – 16CAHNM001**

	Amount	Reference
Authorized Match Budget	\$210,626	Note 1
Claimed Match Costs	\$171,969	Note 2
Questioned Match Costs:		
Grantee incurred cost before the grant was awarded	\$1,050	Note 3
Total Questioned Match Costs	\$1,050	

**Schedule of Award and Claimed Costs
For Period August 1, 2016, through December 31, 2016
NMCCV – 16TAHNM001**

	Amount	Reference
Authorized Federal Budget	\$104,788	Note 4
Claimed Federal Costs	\$ 15,451	Note 5
Questioned Federal Costs:		
Grantee claimed cost against incorrect AmeriCorps grant	\$2,000	Note 6
Total Questioned Federal Costs	\$2,000	

Notes

1. The Authorized Match Budget represents NMCCV's funding in accordance with the Notice of Grant Award.
2. Claimed Match Costs represent NMCCV's reported match expenditures for the period January 1, 2016 through December 31, 2016.
3. Match costs of \$1,050 was questioned because the grantee incurred the cost before the grant was awarded (Finding 6.b.).
4. The Authorized Federal budget amount represents the funding to NMCCV according to the Notice of Grant Award.
5. Claimed Federal Costs represent NMCCV's reported Federal expenditures for the period January 1, 2015 through December 31, 2016.
6. Match costs of \$2,000 was questioned because the grantee claimed cost against incorrect AmeriCorps grant (Finding 6.a.).

**Schedule of Award and Claimed Costs:
RMYC – 15ACHNM001
AUP Period April 1, 2015, through March 31, 2017**

	Amount	Reference
Authorized Federal Budget	\$1,045,500	Note 1
Claimed Federal Costs	\$ 827,174	Note 2
Authorized Match Budget	\$2,041,336	Note 3
Claimed Match Costs	\$1,612,644	Note 4
Questioned Federal Costs:		
Subgrantee was unable to reconcile Federal and match costs claimed on PERs to the monthly transaction level accounting records	\$11,872	Note 5
Members were paid living allowances that did not agree with amount to be paid under the member agreement	1,110	Note 6
Subgrantee initiated State background check after employee started working on the grant	182	Note 7
Total Questioned Federal Costs	<u>\$13,164</u>	
Questioned Match Costs:		
Subgrantee was unable to reconcile Federal and match costs claimed on PERs to the monthly transaction level accounting records	\$16,866	Note 5
Members were paid living allowances that did not agree with amount to be paid under the member agreement	1,015	Note 6
Subgrantee initiated State background check after employee started working on the grant	582	Note 7
Total Questioned Match Costs	<u>\$18,463</u>	

Notes

1. The Authorized Federal Budget represents the Federal funding to RMYC in accordance with the sub-grant agreement budget.
2. Claimed Federal Costs represent RMYC's Federal expenditures claimed for the period April 1, 2015 through March 31, 2017.
3. The Authorized Match Budget represents the funding from RMYC in accordance with the sub-grant agreement budget.
4. Claimed match costs represent RMYC's match expenditures claimed for the period April 1, 2015 through March 31, 2017.
5. Federal costs of \$11,872 and match costs of \$16,866 were questioned because subgrantee was unable to reconcile Federal and match costs claimed on the PERs to the monthly transaction level accounting records (Finding 5).
6. Federal costs of \$1,110 and match costs of \$1,015 were questioned because the subgrantee paid living allowances that did not agree with the amount to be paid under the member agreement (Finding 4.a.).
7. Federal costs of \$182 and match costs of \$582 were questioned because the subgrantee initiated the State background check after the employee started working on the grant (Finding 7).

**Schedule of Award and Claimed Costs:
EcoServants – 15AFHNM001
AUP Period August 1, 2015, through March 31, 2016**

	Amount	Reference
Authorized Federal Budget	\$569,949	Note 1
Claimed Federal Costs	\$445,895	Note 2
Authorized Match Budget	\$380,942	Note 3
Claimed Match Costs	\$192,170	Note 4
Questioned Federal Costs:		
Subgrantee was unable to reconcile Federal costs claimed on PERs to the monthly transaction level accounting records	\$14,463	Note 5
Total Questioned Federal Costs	<u>\$14,463</u>	
Questioned Match Costs:		
Subgrantee improperly paid members living allowance as wages and that they were not entitled to under the member agreements	\$102,186	Note 6
Subgrantee claimed cost that was not supported	297	Note 7
Total Questioned Match Costs	<u>\$102,483</u>	

Notes

1. The Authorized Federal Budget represents the Federal funding to EcoServants in accordance with the sub-grant agreement budget.
2. Claimed Federal Costs represent EcoServants' Federal expenditures claimed for the period August 1, 2015 through March 31, 2016.
3. The Authorized Match Budget represents the EcoServants funding to be provided in accordance with the sub-grant agreement budget.
4. Claimed Match Costs represent EcoServants' match expenditures claimed for the period August 1, 2015 through March 31, 2016.
5. Federal costs of \$14,463 were questioned because subgrantee was unable to reconcile Federal and match costs claimed on the PERs to the monthly transaction level accounting records (Finding 5).
6. Match costs of \$102,186 were questioned because the members were incorrectly paid the living allowance as wages and were not entitled to receive a member living allowance under their member agreements (Finding 4.b.).
7. Match costs of \$297 were questioned because support for the costs was not provided (Finding 6.c.).

Detailed Findings

Finding 1 – Evaluation of Subgrantees’ Applications

Grantee’s evaluation of the subgrantee applications did not specifically address the subgrantees’ financial management systems.

NMCCV’s evaluation of RMYC and EcoServants grant applications did not specifically address their financial systems. Federal regulations require Federal awarding agencies to conduct a review of risk posed by applicants prior to making a Federal award. The Federal regulations also stated, as a best practice, to use a risk-based approach that may consider such risk factors such as the quality of the applicant’s management systems and its ability to meet the Federal financial management standards.⁵ The financial management system for each applicant must be able to provide the following:

- Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
- Accurate, current, and complete disclosure of the financial results of each Federal award or program.
- Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- Effective control over, and accountability for, all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each Federal award.⁶

The Corporation’s grant terms and conditions also state that NMCCV must ensure that the financial management systems of any sub-recipient can produce reports which support and reconcile to the amounts reported to NMCCV.⁷

NMCCV does not have a formalized evaluation policy and procedure in place for assessing grant applicants. NMCCV’s evaluation process, identified within the Evaluation Committee Report of the grant applicants, only required applicants for new funding to provide their most recent Single Audit, their organization’s financial audit, or other financial statements if they have not had a formal audit. This criteria was evaluated on a pass or fail rating based on whether the documents were submitted; and had no bearing on the evaluation scoring of the grant applications.⁸

⁵ Title 2 Code of Federal Regulations (C.F.R.), Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards, §200.205, Federal awarding agency review of risk posed by applicants (January 2015 and 2016).

⁶ 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302, Financial management, (b) (January 2015 and 2016).

⁷ FY 2016 and 2017 General Grant and Cooperative Agreement Terms and Conditions, Section III, B. Financial Management Standards, 3. Cost Reporting.

⁸ NMCCV *Evaluation Committee Report, AmeriCorps Program Year 2016-2017 (Competitive Pool)*, RFP# 16-631-7003-00032, January 14, 2016.

The practice of NMCCV awarding grants to applicants with financial management systems that do not meet the Corporation's cost reporting requirements increases the risk that Federal and match funds may not be properly accounted for by its subgrantees. For example, we noted the following at the two subgrantees we selected for review:

- EcoServants was unable to provide a reconciliation that accounts for the differences between their financial management system and the PERs reported to NMCCV. EcoServants claimed Federal costs in its PERs that exceeded the Federal cost in its financial accounting system for the period of September 2015 through March 2017 by \$14,463.⁹ Refer to **Finding 5 - Financial Management System**, for some of the reasons that EcoServants management indicated caused the claimed costs to be different from the actual cost recorded in their financial management system.
- RMYC was unable to provide a reconciliation that accounts for all differences between their financial management system and the PERs reported to NMCCV. The financial management system does not distinguish between Federal and match costs (see **Finding 5 - Financial Management System**). RMYC also allocates costs as Federal and match through a manual process using a monthly billing template spreadsheet to support what is reported in the PER. However, differences were noted between the accounting records and the billing template. For example, we noted that Federal costs for the months of October and November of 2016 were overstated by \$4,591 and \$7,281 respectively. It was also noted that match costs were overstated for November 2016 by \$16,866.¹⁰

Recommendation:

We recommend that the Corporation:

1. Ensure that NMCCV develop and implement formal pre-award evaluation procedures for assessing the risk of grant applicants. The procedures should use a risk based approach with clearly defined risk factors and criteria for how the risk scoring should be performed and documented. The risk assessment should also assess the adequacy of the entity's financial management system to ensure it meets Federal financial management standards.

NMCCV Response:

NMCCV concurs with Finding 1. NMCCV indicated that by August 2018 it will implement a formal pre-award evaluation process using a scored risk-based approach that assesses the adequacy of the entity's financial management system to ensure effective and accurate Federal financial management.

Auditor's Comment:

NMCCV concurred with the Finding, therefore the Finding remains as stated. During the audit resolution phase, the Corporation should evaluate the effectiveness of the pre-award evaluation process and determine if it adequately assesses the subgrantee's financial management systems.

⁹ These costs are questioned in Finding 5.

¹⁰ These costs are questioned in Finding 5.

Finding 2 – Monitoring of Subgrantees

Grantee’s monitoring did not confirm that the subgrantees’ financial management systems were meeting cost reporting requirements

During the period of September 1, 2015, through March 31, 2017, NMCCV conducted two desk reviews and a site visit at EcoServants and found no compliance issues. NMCCV also performed three desk reviews and two site visits at RMYC and found no compliance issues concerning their financial management system. There was no documentation to support that NMCCV verified that the subgrantees’ financial management systems were meeting the cost reporting requirement under the Corporation’s grant terms and conditions. As a result, NMCCV was not aware of the financial management system issues regarding EcoServants and RMYC that were described in Finding 1 above.

The Corporation’s grant terms and conditions indicate that NMCCV must ensure that the financial management systems of any sub-recipient can produce reports which support and reconcile to the amounts reported to NMCCV.¹¹

Recommendation:

We recommend that the Corporation:

2. Ensure that NMCCV strengthens its fiscal monitoring procedures so that site and desk reviews will be conducted and documented and verify that a subgrantee’s financial management system is meeting the cost reporting requirement under the Corporation’s grant terms and conditions.

NMCCV Response:

NMCCV concurs with Finding 2. NMCCV indicated that it is working with the Department of Workforce Solutions Finance Management Bureau to create fiscal monitoring procedures that will include a process to evaluate the subgrantee’s financial management system to ensure that subgrantees are meeting the cost reporting requirement during either a site or desk review.

Auditor’s Comment:

NMCCV concurred with the Finding, therefore the Finding remains as stated. During the audit resolution phase, the Corporation should review and verify that the corrective action is completed.

Finding 3 – Monitoring Subgrantees’ Single Audits

Grantee did not routinely monitor the subgrantees’ Single Audits.

NMCCV provided no documentation to support that they obtained and reviewed the Single Audit reports of any of its subgrantees that met the audit threshold requirements.

¹¹ FY 2016 and 2017 General Grant and Cooperative Agreement Terms and Conditions, Section III, B. Financial Management Standards, 3. Cost Reporting.

NMCCV - Single Audit Report Monitoring	
Subgrantee	Fiscal Year Not Monitored
Rocky Mountain Youth Corps	2015 & 2016
New Mexico Highlands University	2015 & 2016
Teach for America	2015 & 2016

Federal regulations require that pass-through entities, such as NMCCV, monitor its subgrantees to ensure sub-awards are used for authorized purposes, are in compliance with Federal statutes and regulations, and are in compliance with the terms and conditions of the sub-award. The pass-through entity must also follow-up and ensure the subgrantees take timely and appropriate action on all deficiencies detected through audits. The pass-through entity must also issue a management decision on those audit findings pertaining to the Federal award it provided to the subgrantee. Pass-through entities are also required to verify that every subgrantee is audited when it is expected that a subgrantee's Federal awards expended during the respective fiscal year would equal or exceed the threshold set forth in the Federal regulations.¹²

NMCCV management was not aware that Single Audits were conducted on the specified subgrantees. Furthermore, NMCCV does not have policies and procedures that address the requirement to conduct and document the Single Audit monitoring of its subgrantees.

By not reviewing the single audit reports, NMCCV may not detect, and timely remedy, deficiencies in the subgrantees' management of Corporation resources.

Recommendation:

We recommend that the Corporation:

3. Verify that NMCCV develops sub-grant management procedures that ensure its subgrantees comply with the Single Audit requirements and include the following procedures:
 - Identify all subgrantees with Corporation expenditures for each State fiscal year and determine which of the subgrantees underwent Single Audits;
 - Review the audit reports for findings that affect Corporation grants to determine if NMCCV records require an adjustment;
 - Reconcile subgrantee Schedule of Expenditures of Federal Awards (SEFA) for Corporation grants to NMCCV payments to the subgrantees to determine if NMCCV records require an adjustment;
 - Determine if subgrantees accurately presented Corporation awards on their SEFA schedules; and
 - Retain documentation of NMCCV monitoring and reviews of subgrantee audit reports, along with management decisions made or corrective actions implemented.

¹² Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.331, Requirements for pass-through entities (d) and (f) (January 2015 and 2016).

NMCCV Response:

NMCCV concurs with Finding 3. NMCCV stated that it will implement a procedure, effective September 1, 2018, requiring Single Audit reports from grant applicants that meet the Single Audit reporting threshold requirement and issue a funding decision based in part on those audit findings. NMCCV also indicated that, effective December 2018, it will employ the following procedures:

- Review subgrantee audit reports for findings that affect Corporation grants to determine if NMCCV records require an adjustment;
- Reconcile subgrantee's SEFA for Corporation grants to NMCCV payments to determine if NMCCV records require an adjustment;
- Determine if subgrantees accurately presented Corporation awards on their SEFA schedules; and
- Retain documentation of monitoring performed regarding the review of subgrantee audit reports, along with management decisions made or corrective actions implemented.

Auditor's Comment:

NMCCV concurred with the Finding, therefore the Finding remains as stated. However, NMCCV did not address the first bullet in the recommendation to identify in each State fiscal year those current subgrantees that are required to undergo a Single Audit. The subgrantee's status can change from year-to-year depending on the level of Federal assistance expenditures they incurred. During the audit resolution phase, the Corporation should follow-up with NMCCV to determine how this part of the recommendation will be addressed. The Corporation should also review and verify that NMCCV has completed all corrective actions related to this recommendation.

Finding 4 – Member Living Allowance

a. EcoServants' members received living allowances that were incorrectly paid as wages and that they were not entitled to under the member agreements.

Our procedures determined that EcoServants improperly paid living allowances to part-time members as hourly wages, which is not allowed according to Federal regulations. In addition, the AmeriCorps Member Service Agreements stated that part time members were not entitled to a member living allowance. EcoServants did not use Federal funds to pay the living allowances, but they did claim the costs as match, which is likewise not allowable per Federal regulations and the member service agreement terms.

EcoServants stated their belief that the AmeriCorps Member Service Agreements only pertained to the Federal funding. Also, NMCCV provided a copy of an email from a CNCS official that NMCCV believed approved the hourly wages as match living allowance. However, we found the email to be inadequate documentation to support their claims. In addition, Federal regulations clearly indicate that a living allowance is not a wage and may not be paid on an hourly basis.¹³

¹³ Title 45 C.F.R., §2522.245, *How must living allowances disbursed?* (October 2015).

Given that the members are not entitled to a member living allowance per the member agreements and that living allowances cannot be paid as an hourly wage, we are questioning the total match cost of \$102,186 for the member living allowances.

The questioned match costs are detailed in the following table:

August 2016 PER Living Allowance¹⁴	Match
Full-Time	\$ -
Half-Time	11,200
Reduced Half-Time	10,500
Quarter Time	13,500
Minimum Time	60,000
Total Living Allowance PY 2015-2016	95,200
Questioned Member Living Allowance	95,200
Questioned Match Indirect Costs	6,986
Total Questioned Living Allowance Costs from September 2015 through March 2017¹⁵	\$102,186

b. RMYC's members were paid living allowances that did not agree with the amount to be paid under the member agreement.

The following RMYC AmeriCorps members received living allowance payments that did not agree with the member agreement:

Member	Amount Paid	Entitled To	Questioned Costs							
			Federal Direct	Match Direct	Total Direct	Federal Admin	Match Indirect	Total Admin & Indirect	Total Federal	Total Match
Sample #6	\$ 7,796	\$ 7,004	\$ 391	\$401	\$ 792	\$20	\$54	\$ 74	\$ 411	\$ 455
Sample #8	3,672	3,400	163	109	272	8	9	17	171	118
Sample #11	3,584	3,400	94	90	184	8	1	9	102	91
Sample #13	4,615	3,876	398	341	739	28	10	38	426	351
Totals	\$19,667	\$17,680	\$1,046	\$941	\$1,987	\$64	\$74	\$138	\$1,110	\$1,015

For Sample #6, the Member Service Agreement stated that the member was to be paid a bi-weekly member living allowance of \$680, but the member was paid \$760 throughout the service term. We questioned the amount paid in excess of the authorized living allowance. As a result, we questioned a total cost of \$866, which includes applicable administrative and indirect costs (\$792 + \$74).

¹⁴ The August 2016 PER is the final PER that provides the cumulative cost claimed by budget line item for program year 2015 through 2016.

¹⁵ EcoServants did not claim any member living allowance costs from September 2016 through March 2017.

For Sample #8, on July 22, 2016, the member received a living allowance and \$272 in hourly wages. We questioned a total cost of \$289, which includes applicable administrative and indirect costs (\$272 + \$17).

For Sample #11, there were two issues:

- On July 22, 2016, the member received a living allowance of \$24 in hourly wages. We questioned the \$24 in hourly wages.
- The Member Service Agreement stated that the member was to be paid a bi-weekly member living allowance of \$680, but the member was paid \$760 instead on August 5, 2016, and August 19, 2016. We questioned the \$160 amount paid in excess of the authorized living allowance.

Overall, we are questioning a total cost of \$193, which includes applicable administrative and indirect costs (\$184 + \$9).

For Sample #13, there were three issues:

- On June 10, 2016, the member received a prorated living allowance of \$247, when the correct amount should have been \$228. We questioned the difference of \$19.
- On July 22, 2016, the member received a living allowance payment of \$760 and \$288 in hourly wages as living allowance. We questioned the \$288 in hourly wages.
- On August 5, 2016 and August 19, 2016, the member was paid hourly wages of \$960 and \$840, respectively, instead of the living allowance of \$760 and \$608 respectively that the member was entitled to receive for those periods. The \$200 and \$232 paid in excess of the living allowance was questioned.

Overall, we are questioning a total cost of \$777, which includes applicable administrative and indirect costs (\$739 + \$38).

The AmeriCorps Member Service Agreements, under the benefits section, stated that the member living allowance is designed to help members meet the necessary living expenses incurred while participating in the AmeriCorps Program. Programs must not pay a living allowance on an hourly basis. It is not a wage and should not fluctuate based on the number of hours members serve in a given time period.

Federal regulations also indicate that a living allowance is not a wage and may not be paid on an hourly basis. Member living allowance payments may be increased only on the basis of increased living expenses (i.e., food, housing, or transportation).¹⁶

NMCCV indicated that it received approval from the Corporation to claim the wages as match living allowance costs. However, the support provided by NMCCV was an unclear email that lacked context from a Corporation official who is no longer with the Corporation. We questioned the wage cost in excess of the living allowance amount due to this inadequate supporting documentation. NMCCV indicated that the other differences were due to human error.

¹⁶ Title 45 C.F.R., §2522.245, *How are living allowances disbursed?* (October 2015).

Recommendations:

We recommend that the Corporation:

4. Ensure that NMCCV strengthens the monitoring of its subgrantees by verifying that AmeriCorps members' living allowance are paid in accordance with the Member Service Agreements and the Federal regulations.
5. Recover the \$1,110 in questioned Federal costs and address any potential impact to Federal costs of the \$1,105 in questioned match costs related to RMYC for grant No. 15ACHNM001.
6. Address any potential impact to Federal costs due to the \$102,186 in questioned match costs related to EcoServants for grant No. 15AFHNM001.
7. Monitor the Commission matching requirements on these awards and at the end of the grant, determine whether the Commission met the match requirements.
8. Verify that the Commission monitored subgrantee matching requirements on these awards and, at the end of the grant, determine whether each subgrantee met the match requirements.
9. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require the Commission to adjust its FFR for the disallowed costs.

NMCCV Response:

NMCCV does not fully concur with Finding 4. NMCCV indicated that it based its policy on the use of match funds (Youth Conservation Corps) from an interpretation of email communication with the Corporation and advised EcoServants and RMYC accordingly. NMCCV requested that the OIG waive the questioned match cost of \$102,186 based on that communication. NMCCV stated that it has worked with the Corporation to establish a policy pertaining to the administration of the match funds and member living allowances that satisfies all Federal and State requirements. NMCCV indicated that it has taken direct action to bring its subgrantees into full compliance with the new policy by moving forward regarding the administration of the match funds.

Corporation Response:

The Corporation noted an error in the draft report where questioned Federal costs of \$18,680 that had been resolved were not removed from recommendation 6. Those questioned cost were removed from the final report.

Auditor's Comment:

NMCCV did not follow Federal regulations for match funds because it incorrectly relied on its interpretation of one Corporation email. NMCCV did not dispute any of the facts indicated in the Finding. As a result, the costs will remain questioned and the Corporation should recover the questioned costs and resolve this issue during the audit resolution process.

Finding 5 – Financial Management System

Subgrantees were unable to reconcile Federal and match costs reported on their PERs to the monthly transaction level accounting records.

EcoServants was unable to provide sufficient support for the differences between what was claimed in the PERs submitted to NMCCV and its accounting records. EcoServants claimed Federal costs in its PERs that exceeded what was recorded in its accounting system for the period September 2015 through March 2017 by \$14,463. As a result, we are questioning the \$14,463 in Federal costs. EcoServants management indicated that some of the reasons that the claimed costs were different from the actual cost recorded in their financial management system were as follows:

- Claimed staff travel cost was based on a mileage rate, but EcoServants recorded the actual gasoline cost in the general ledger.
- Claimed unemployment and workers compensation withholdings cost monthly, but recorded the amount quarterly in the general ledger to reflect the payment of the withholdings.
- Claimed office rent cost for the month of September 2015, but it was not recorded within EcoServants' general ledger. This was a onetime occurrence that was due to human error.

EcoServants does not have procedures to ensure that its financial management system report is reconciled to the amounts claimed in the PERs submitted to NMCCV.

RMYC was unable to adequately reconcile costs claimed (Federal & match) on its PERs to monthly transaction level accounting records. The comparison for the period of September 2105 through March 2017 between transaction level accounting records and the PERs only indicated an overstatement of total costs (Federal and match) of \$41,329. We were unable to discern how much of that cost was Federal versus match costs.

RMYC did not have an adequate accounting system to separately track individual transactions as either Federal or match. Furthermore, the process that RMYC used to allocate costs between Federal and match for reporting purposes was cumbersome, requiring the use of intermediary billing templates to determine the allocation.

Given the effort needed to reconcile each billing template to the transaction level accounting records, which was not performed by RMYC, we focused on the months of October and November 2016 because those months contained \$30,311, which was the largest amount of the over-reported total costs of \$41,329. We reconciled those direct cost line items where we could from the transaction level accounting records to the monthly billing template and found the following:

- For October 2016, RMYC claimed Federal costs of \$4,591 in excess of what was supported by its transaction level accounting records.
- For November 2016, RMYC claimed Federal costs of \$7,281 and match costs of \$16,866 in excess of what was supported by its transaction level accounting records.

As a result, we are questioning the known overstatement of \$11,872 in Federal costs and \$16,866 in match costs for those months. It should be noted that this was not a complete reconciliation for each of those months, which is why the questioned amounts do not tie back to the original \$30,311 in total overstated costs for those months. In addition, we are questioning the remaining overstated total costs of \$11,018 (\$41,329 less \$30,311) as unsupported.

The Corporation's grant terms and conditions indicate that NMCCV must ensure that the financial management systems of any sub-recipient can produce reports which support and reconcile to the amounts reported to NMCCV.¹⁷

Recommendations:

We recommend that the Corporation:

10. Ensure that NMCCV verifies that subgrantees can meet the cost reporting requirements under the CNCS General Grant and Cooperative Agreement Terms and Conditions, Section III. General Terms and Conditions, subsection B. Financial Management Standards
11. Ensure that NMCCV works with RMYC to obtain a complete reconciliation of the amounts in its accounting records to the amounts reported in PERs for the period of April 1, 2015 to March 31, 2017 to identify and resolve any unsupported costs.
12. Recover the \$14,463 in questioned Federal costs related to EcoServants for grant No. 15AFHNM001
13. Recover the \$11,872 in questioned Federal costs and address any potential impact to Federal costs of the \$16,866 in questioned match costs related to RMYC for grant No. 15ACHNM001.
14. Require that NMCCV determine how much of the \$11,018 is Federal and how much is match, then recover the identified questioned Federal costs and address any potential impact to Federal costs of the questioned match costs.
15. Monitor the Commission matching requirements on these awards; at the end of the grant, determine whether the Commission met the match requirements.
16. Verify that the Commission monitored subgrantee matching requirements on these awards and, at the end of the grant, determine whether each subgrantee met the match requirements.
17. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require the Commission to adjust its FFR for the disallowed costs

¹⁷ FYs 2016 and 2017 General Grant and Cooperative Agreement Terms and Conditions, Section III, B. Financial Management Standards, 3. Cost Reporting.

NMCCV Response:

NMCCV provided no indication that it concurred or did not concur with Finding 5. NMCCV only indicated that it will verify that its subgrantees can meet the cost reporting requirements under the CNCS General Grant and Cooperative Agreement Terms and Conditions. NMCCV did state that it will work with RMYC to obtain a complete reconciliation of the amounts in its accounting records to the amounts reported in PERs for the period of April 1, 2015 to March 31, 2017 to identify and resolve any unsupported costs. NMCCV also requested an extension of three months to work with its subgrantee to determine the origins of the unsupported costs of \$41,329. NMCCV did not address recommendation 12 concerning the questioned costs related to EcoServants or recommendations 15 through 17.

Auditor's Comment:

NMCCV did not clearly indicate that they concurred with the Finding. However, as NMCCV did not provide any information to contradict the audit results, the Finding remains as stated. During the audit resolution phase, the Corporation should review and verify that NMCCV has completed all corrective actions. As a result, the costs will remain questioned and the Corporation should recover these costs.

Finding 6 – Other Direct Costs

a. Grantee claimed cost against incorrect AmeriCorps grant.

For one transaction tested, NMCCV incorrectly charged \$2,000 for fees for the Association of State Service Commissions to grant No. 16TAHNM001 due to a coding error. Federal regulations indicate that a cost is allocable to the Federal award if it is incurred specifically for the Federal award.¹⁸ As a result, we questioned the Federal cost of \$2,000.

b. Grantee incurred costs before the grant was awarded.

For one transaction tested, NMCCV incurred match cost of \$1,050 in October 2015 for AmeriCorps patches for grant No. 16CAHNM001. This occurred before the grant was awarded on December 4, 2015, and prior to the award start date of January 1, 2016. Federal regulations state that any cost incurred before an award was made has to be authorized by the Corporation to be allowable.¹⁹ NMCCV personnel were not aware that an authorization from the Corporation is required prior to incurring costs. As a result, we questioned these match costs of \$1,050.

c. Subgrantee claimed cost was not supported.

For one transaction tested, EcoServants did not have any documented support for the costs incurred other than a check paid to an individual. EcoServants explained that the cost was related to services provided for the Interagency Fuel Reduction and Prescribed Fire Implementation Project, but no other supporting documentation was provided to show that a service agreement existed with this individual. Federal regulations require the financial

¹⁸ Title 2 C.F.R., Subpart E – Cost Principles, §200.405, Allocable Costs, (a) (1) (January 2016).

¹⁹ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.309, Period of Performance (January 2015 and 2016).

management systems of each subgrantee to have records that identify adequately the application of funds for federally-funded activities. These records must contain information pertaining to the expenditures and must be supported by source documentation.²⁰ In addition, Federal regulations indicate that in determining the allowability of professional service costs, the adequacy of the contractual agreement for the service should be considered along with support that the services were rendered.²¹ EcoServants concurred that it lacked supporting documentation, but was adamant that the work performed was in support of the AmeriCorps grant and indicated that they were present when this individual performed the service. Given the lack of supporting documentation, we questioned the match cost of \$297.

Recommendations:

We recommend that the Corporation:

18. Ensure that NMCCV strengthens its internal controls so that:
 - Costs are charged to the correct Federal award.
 - Claimed costs are incurred within a Federal award's period of performance and obtain authorization from the Corporation to incur a cost prior to the start of an award.
19. Recover the \$2,000 in questioned Federal costs claimed on grant No. 16TAHNM001 and address any potential impact to Federal costs of the \$1,050 in questioned match costs claimed on grant No. 16CAHNM001.
20. Ensure that NMCCV strengthens the monitoring of its subgrantees to verify that subgrantees are maintaining adequate documentation to support all professional services costs in accordance with Federal regulations.
21. Address any potential impact to Federal costs of the \$297 in questioned match costs related to EcoServants for grant No. 15AFHNM001.
22. Monitor the Commission matching requirements on these awards; at the end of the grant, determine whether the Commission met the match requirements.
23. Verify that the Commission monitored subgrantee matching requirements on these awards and, at the end of the grant, determined whether each subgrantee met the match requirements.
24. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require the Commission to adjust its FFR for the disallowed costs.

²⁰ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.302, Financial Management, (b) (3) (January 2015 and 2016).

²¹ Title 2 C.F.R., Subpart E – Cost Principles, §200.459, Professional service costs, (a) (1) (January 2015 and 2016).

NMCCV Response:

NMCCV concurs with each of the Findings 6a, 6b and 6c. NMCCV will review accounting transactions on a sample basis and reconcile fees to avoid future coding errors.

Auditor's Comment:

NMCCV concurred with all of the Findings but did not respond to the Recommendations; therefore the Findings will remain as stated. During the audit resolution phase, the Corporation should review and verify that NMCCV has completed all corrective actions. As a result, the costs will remain questioned and the Corporation should recover these costs.

Finding 7 – National Service Criminal History Check

RMYC initiated the State background check after the employee started working on the grant.

One employee that we tested began working on grant No. 15ACHNM001 on August 29, 2016. However, the employee's New Mexico State background check was not initiated until September 6, 2016. The Federal regulations require that a non-Federal entity must initiate the State registry criminal history check before an individual begins work or starts service.²² RMYC normally initiates the National Service Criminal History Checks (NSCHC) for an employee during their orientation. However, RMYC paid an employee to attend a staff retreat one week prior to his scheduled orientation. As a result, we questioned Federal costs of \$182 and match costs of \$582 for grant No. 15ACHNM001 that were incurred prior to the employee's NSCHC.

Recommendations:

We recommend that the Corporation:

25. Ensure that NMCCV strengthens the monitoring of its subgrantees to verify that subgrantees have policies and procedures that require National Service Criminal History Checks to be initiated before an employee starts working on AmeriCorps grants.
26. Recover the \$182 in questioned Federal costs and address any potential impact to Federal costs of the \$582 in questioned match costs related to RMYC for grant No. 15ACHNM001.
27. Monitor the Commission matching requirements on these awards; at the end of the grant, determine whether the Commission met the match requirements.
28. Verify that the Commission monitored subgrantee matching requirements on these awards and, at the end of the grant, determined whether each subgrantee met the match requirements.

²² Title 45 C.F.R., §2540.204 *When must I conduct a National Service Criminal History Check on an individual in a covered position?*, (a) (2) (October 2015).

29. Calculate and recover the appropriate amount of disallowed costs and related administrative costs based on costs questioned, and require the Commission to adjust its FFR for the disallowed costs.

NMCCV Response:

NMCCV concurs with Finding 7. NMCCV indicated that it will verify during monitoring that subgrantees have policies and procedures that require the NSCHC to be initiated before an employee starts working on AmeriCorps grants, and are following these policies and procedures. NMCCV stated that it will evaluate, on a sample basis, this requirement during the monitoring process. NMCCV indicated that additional training may be provided to the subgrantees to ensure NSCHC compliance.

Auditor's Comment:

NMCCV concurred with Finding 7, therefore the finding will remain as stated. During the audit resolution phase, the Corporation should review and verify that NMCCV has completed all corrective actions. As a result, the costs will remain questioned and the Corporation should recover these costs.

Finding 8 – Administrative Changes

NMCCV hired a new Executive Director without obtaining prior written approval from the Corporation.

NMCCV hired a new Executive Director in September 2016. NMCCV indicated that the Corporation was notified of the new hire, but they could not provide any documentation that the Corporation approved the hiring prior to the staffing change. Federal regulations require prior approvals for changes to key personnel specified in the grant application.²³ In addition, the Corporation's grant terms and conditions indicate that prior approval is required for changes in key personnel identified in the budget.²⁴ NMCCV was not aware that a written approval from the Corporation was required prior to making any changes in key personnel and NMCCV internal policies and procedures did not include obtaining authorization from the Corporation. Failure to notify and obtain prior written approval from the Corporation regarding changes in key personnel could result in NMCCV hiring personnel that may not be experienced enough to carry out the mission and objectives of the AmeriCorps program. We noted this Finding as a non-compliance issue.

Recommendation:

We recommend that the Corporation:

²³ Title 2 C.F.R., Subpart D – Post Federal Award Requirements, §200.308, Revision of budget and program plans, (c) (1) (ii) (January 2016).

²⁴ 2016 General Grant and Cooperative Agreement Terms and Conditions, II. General Terms and Conditions, C. Changes in Budget or Key Personnel, and 2017 General Grant and Cooperative Agreement Terms and Conditions, III. General Terms and Conditions, C. Changes in Budget or Key Personnel.

30. Ensure that NMCCV revises and updates its internal policies and procedures to include language indicating that prior written approval must be obtained from the Corporation prior to any changes in key personnel.

NMCCV Response:

NMCCV concurs with Finding 8. NMCCV indicated that it will seek written approval from the Corporation prior to making any future changes in key personnel, and will add this requirement to its internal policies and procedures.

Auditor's Comment:

NMCCV concurred with Finding 8, therefore the Finding will remain as stated. During the audit resolution phase, the Corporation should review and verify that NMCCV has completed the corrective action.

BACKGROUND

The New Mexico State Commission, known as New Mexico Commission for Community Volunteerism (NMCCV) was established by Executive Order signed by the Governor on January 28, 1994. The executive order enumerates duties for the NMCCV including:

- (1) Prepare a national three-year plan for the State's implementation of the National and Community Service Trust Act, which follows State and Federal guidelines.
- (2) Prepare the State's application for service positions supported by the National and community service Trust Act within Federal and State guidelines, with the quality of programs being the primary criterion;
- (3) Assist in the preparation of the application by the New Mexico Department of Education for school based service learning programs for school-aged youth funded by the Corporation;
- (4) Make technical assistance available to interested groups to plan and implement Corporation-funded service programs;
- (5) Develop and implement a system of obtaining information and technical support concerning implementation of AmeriCorps and community-based service learning for school-aged youth;
- (6) Promote strong interagency collaboration as an avenue for maximizing resources and provide that model on the State level;
- (7) Provide public recognition of successful implementation of its efforts by groups and individuals;
- (8) Identify and utilize State and private resources to initiate, expand and reinforce its quality service programs;
- (9) Serve as the State's liaison and voice to the Corporation;
- (10) Develop a system to assist with the recruitment and placement of participants in AmeriCorps and disseminate information concerning such opportunities;
- (11) Administer the State's grant program under AmeriCorps and Corporation-funded community-based service learning programs using assistance provided to the State, including selection, oversight and evaluation of grant recipients; and
- (12) Coordinate its functions (including recruitment, public awareness and training activities) with any division of the Federal ACTION program or the corporation as required by the Corporation.

Subgrantees use the funds to support their program operations and are required to maintain supporting documentation for the claimed costs. In addition, subgrantees are required to provide monthly PERs to NMCCV as dictated in the sub-grant agreement. NMCCV prepares the aggregate Federal Financial Report (FFR)²⁵ for the grants by accumulating the expenses reported by the subgrantees and submits its FFR through the Corporation's online eGrants system. The Corporation and grantees manage the grants using this system to process grant applications, awards and FFRs.

NMCCV uses an informal risk assessment process to develop a plan to monitor its subgrantees. NMCCV performs desk-based monitoring and site visits. Those subgrantees determined to be at high risk will receive the following:

1. Site assessment within three months of the program year start date. The purpose of the assessment is to strengthen relationships with subgrantee program staff, provide targeted technical assistance, and identify potential deficiencies in subgrantees financial and/or program management.
2. Focus area documentation review which targets one or more specific components of program implementation including but not limited to fiscal, criminal history, member training, and position descriptions.
3. Full monitoring site visit to include a review of risk factors and progress towards improvement, as well as appropriate modules selected from NMCCV Commission Site Visit Form.

Those subgrantees rated at moderate risk will receive the focus area documentation review and a limited scope monitoring visit. The purpose of the visit is to conduct a basic review of program implementation, including review of member file samples and targeted monitoring based on Quarterly Report Cards, and earlier desk audits. Those subgrantees rated at low risk will receive the focus area documentation review.

The following table identifies the number of members and employees of the selected subgrantees charged to the grants and the grant program objectives.

Subgrantee	Members	Employees	Grant Program Objectives
RMYC	104	10	Responsible for public land improvements and trail construction and/or maintenance. AmeriCorps members will leverage episodic volunteers to address identified community needs including trail repair and public land clean up.
EcoServants	72	3	Developing new trails and mitigation of existing trails while engaging economically disadvantaged youth as National Service Participants.

²⁵ The FFR is a standardized, consolidated report of Federal grant awards and associated Federal share and match costs claimed, which are required to be reported by grantees to the Corporation on a semi-annual basis.

AGREED-UPON PROCEDURES SCOPE

CLA applied the agreed-upon procedures to the period January 1, 2015 through March 31, 2017. The procedures covered the allowability, allocability, and reasonableness of the financial transactions reported for the following grants and AUP periods:

Award No.	AUP Periods
15AFHNM001	September 1, 2015 to March 31, 2017
15ACHNM001	September 1, 2015 to March 31, 2017
13CAHNM001	January 1, 2015 to December 31, 2016
16CAHNM001	January 1, 2016 to December 31, 2016
14ESHNM001	April 1, 2015 to March 31, 2017
16TAHNM001	August 1, 2016 to December 31, 2016

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

In addition to reviewing NMCCV's administration of these grant funds, CLA selected the following NMCCV subgrantees from a total of twelve subgrantees for detailed testing:

- Rocky Mountain Youth Corps (RMYC)
- EcoServants

These subgrantees were judgmentally selected based on an assessment of overall risk to NMCCV and the Corporation. The assessment included consideration of several factors, namely the amount of costs claimed by each subgrantee, the results of subgrantee monitoring reports, and findings, if any, contained in the Single Audit reports for each entity.²⁶ CLA performed procedures at NMCCV and the two subgrantees, RMYC and EcoServants, tested NMCCV transactions of \$123,842, and tested subgrantee transactions totaling \$159,230 for RMYC and \$86,961 for EcoServants.

EXIT CONFERENCE

CLA provided a summary of the findings to be included in the draft report and discussed its contents with officials of the Corporation, NMCCV, and applicable subgrantees at an exit conference on March 26, 2018. Responsive comments to the draft report from NMCCV and the Corporation have been included as appendices in this report.

²⁶ Title 2 C.F.R., Subpart F – Audit Requirements addresses the requirement for Single Audits.

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

Office of Inspector General
Corporation for National and Community Service

We have performed the procedures, detailed in the "Agreed-Upon Procedures for Corporation Awards to Grantees (including Subgrantees) dated June 2016," not included herein. These procedures were agreed to by the Corporation for National and Community Service (Corporation) Office of Inspector General (OIG), solely to assist you with respect to certain information reported by NMCCV in accordance with its Corporation grant terms and provisions, and applicable laws and regulations, for the agreed-upon procedures periods from January 1, 2015, through March 31, 2017. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for agreed-upon procedures contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Corporation's OIG. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The results of our procedures are described in Schedules A through E in the accompanying report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on NMCCV's compliance with its Corporation grant terms and provisions, and applicable laws and regulations, for the AUP periods from January 1, 2015 through March 31, 2017. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

CliftonLarsonAllen LLP



Arlington, Virginia
June 5, 2018



May 11, 2018

Mr. Stuart Axenfeld
 Assistant Inspector General for Audit
 Office of Inspector General
 Corporation for National and Community Service
 250E Street, SW Suite 4100
 Washington, DC 20525

Dear Mr. Axenfeld:

Thank you for the opportunity to respond to the OIG's draft report for the Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to the New Mexico Commission for Community Volunteerism.

The OIG audit, though a lengthy and highly involved process for Commission and New Mexico Department of Workforce Solutions staff, as well for as the staff of our subgrantees EcoServants and Rocky Mountain Youth Corps, proved to be enormously helpful in the strengthening and improvement of our operations. We appreciate the hard work of CLA's team assigned to this audit, and are committed to implementing the recommendations detailed in the report.

Accordingly, since the issuance of this report the Commission has initiated a robust action plan to strengthen its monitoring of its sub-grantees to verify all professional services costs in accordance with Federal regulations. Most significantly, effective March 15, 2018, the Commission has been placed under the administrative oversight of New Mexico's Workforce Innovation and Opportunities Act (WIOA) program, which has committed a part-time Fiscal Grant Monitor to provide direct support to Commission program monitoring operations.

I. Response to Findings 1, 2, 3

In response to the first three findings, the Commission has undertaken the following corrective actions:

Finding 1 – Evaluation of Subgrantee Applications

Commission Response: The Commission understands that awarding funding to subgrantees with financial management systems that do not meet the Corporation's cost reporting requirements increases the risk that Federal and match funds may not be accounted for accurately. As a result of this finding, the Commission Executive Director, Program Officer and Fiscal Grant Monitor are implementing a formal pre-award evaluation process using a scored risk-based approach that assesses the





adequacy of the entity's financial management system to ensure effective and accurate Federal financial management. This system will be finalized by the beginning of August, 2018.

Finding 2 – Monitoring of Subgrantees

Commission Response: As the report reveals that our Commission's monitoring "did not confirm that the subgrantees' financial management systems were meeting cost reporting requirements," the Commission Executive Director and Program Officer are working with the Department of Workforce Solutions Finance Management Bureau to create fiscal monitoring procedures that will include a process to evaluate the subgrantee's financial management system. These established procedures will be used during site and desk reviews. The result of these implemented fiscal monitoring procedures are that each subgrantee's financial management systems will be closely analyzed to ensure the subgrantee is meeting the cost reporting requirement under the Corporation's grant terms and conditions. These procedures will be finalized by October 2018, prior to PY 18-19 on-site monitoring.

Finding 3 – Grantee did not routinely monitor the subgrantees' Single Audits.

Commission Response: Prior to the issuance of a grant agreement, effective September 1, 2018 the Commission Executive Director will require Single Audit reports from any applicants that meet the audit threshold requirements, and issue a funding decision based in part on those audit findings. Furthermore, during subgrantee monitoring effective December 2018, the Commission will employ the following procedures:

- The Program Officer and Fiscal Grant Monitor will review subgrantee audit reports for findings that affect Corporation grants to determine if NMCCV records require an adjustment;
- DWS Office of Grants Management will reconcile subgrantee Schedule of Expenditures of Federal Awards (SEFA) for Corporation grants to NMCCV payments to the subgrantees to determine if Commission records require an adjustment;
- The Fiscal Grant Monitor will determine if subgrantees accurately presented Corporation awards on their SEFA schedules.

The Commission will retain documentation of monitoring and the above-mentioned reviews of subgrantee audit reports, along with management decisions made or corrective actions implemented.



II. Non-Concurrence with Finding #4: Member Living Allowance Issue

The Commission respectfully seeks further consideration regarding the most financially impactful finding of this audit, which determined that, “EcoServants’ members received living allowances that were incorrectly paid as wages and that they were not entitled to under the member agreements.”

The audit has determined that:

“EcoServants improperly paid living allowances to part-time members as hourly wages, which is not allowed according to Federal regulations... in addition, the AmeriCorps Member Service Agreements stated that part time members were not entitled to a member living allowance. EcoServants did not use Federal funds to pay the living allowances, but they did claim the costs as match, which is likewise not allowable per Federal regulations and the member service agreement terms.”

“Also, NMCCV stated that a CNCS official approved the hourly wages as match living allowance in an email. However, we found inadequate documentation to support their claims. In addition, Federal regulations clearly indicate that a living allowance is not a wage and may not be paid on an hourly basis... given that the members are not entitled to a member living allowance per the member agreements and that living allowances cannot be paid as an hourly wage, we are questioning the total match cost of \$102,186 for the member living allowances.”

Commission response: It is understood by the Commission that Federal regulations state a living allowance is not a wage and may not be paid on an hourly basis, and member living allowance payments may be increased only on the basis of increased living expenses.

As stated by OIG, “*NMCCV indicated that it received approval from the Corporation to claim the wages as match living allowance costs. However, the support provided by NMCCV was an unclear email that lacked context from a Corporation official who is no longer with the Corporation. We questioned the wage cost in excess of the living allowance amount due to this inadequate supporting documentation. NMCCV indicated that the other differences were due to human error.*”

Response: The Commission continues to maintain that written guidance from CNCS dated May 28, 2015 indicated that it *was possible* for member living allowances to be paid as match, although there is ambiguity as to whether or not this guidance from CNCS was provided for quarter time members, or whether it was understood by CNCS that the intention was to administer these funds on an hourly or prorated basis.



The fact that the neither the Corporation staff person who corresponded with the Commission Program Officer who authorized this practice are still in their respective positions complicates clarifying this communication. What is certain is that the Commission based its policy on the use of Youth Conservation Corps (YCC) funds from an interpretation of this communication with CNCS, and advised EcoServants and Rocky Mountain Youth Corps accordingly.

Since the time of this finding, the Commission has worked with CNCS to establish a policy pertaining to the administration of YCC funds and Member Living Allowance with subgrantees that satisfies all federal and state requirements. The New Mexico office of YCC issued a letter of agreement (attached) that approves this arrangement.

However, if the questioned match-cost of \$102,186 leveraged against EcoServants were upheld, this disallowance would effectively bankrupt a small environmental non-profit that has historically met all AmeriCorps benchmarks (evidenced by its status as a competitively-funded program). Additionally EcoServants has had a profound economic impact in New Mexico's Lincoln County by providing service and professional development opportunities for a generation of underserved at-risk youth.

The Commission respectfully requests the Corporation and Office of Inspector General waive the questioned costs based on previous communication and guidance. The Commission has taken direct action to bring its subgrantees into full compliance with the required policy and is moving forward regarding the administration of YCC funds.

III. Response to Findings Five, Six, Seven and Eight

Response to Finding 5 – Financial Management System

Response: The Commission's Fiscal Grant Monitor and DWS Finance Management Bureau will verify that subgrantees can meet the cost reporting requirements under the CNCS General Grant and Cooperative Agreement Terms and Conditions. Likewise, the Commission will work with RMYC to obtain a complete reconciliation of the amounts in its accounting records to the amounts reported in PERs for the period of April 1, 2015 to March 31, 2017 to identify and resolve any unsupported costs. In order to do so, the Commission, however, asks for an extension of 3 months to work with our subgrantees to determine the origins of the \$41,329 in question.



Response to Finding 6 – Other Direct Costs

Commission Response: The Commission concurs the finding that \$2,000 for fees for the Association of State Service Commissions to grant No. 16TAHNM001 were incorrectly allocated due to a coding error. The Commission's Fiscal Grant Monitor will review accounting transactions on a sample basis and reconcile fees to avoid a future coding error.

Grantee incurred costs before the grant was awarded.

Commission Response: The Commission concurs that the incurred match cost of \$1,050 in October 2015 for AmeriCorps patches for grant No. 16CAHNM001 occurred before the grant was awarded on December 4, 2015, and prior to the award start date of January 1, 2016, and accepts the disallowed match costs of \$1,050.

Subgrantee claimed cost was not supported: For one transaction tested, EcoServants did not have any documented support for the costs incurred other than a check paid to an individual.

Commission Response: The Commission concurs, and accepts its responsibility to recover the \$2,000 in questioned Federal costs claimed on grant No. 16TAHNM001. The Commission will also address the \$297 in questioned match costs related to EcoServants for grant No. 15AFHNM001.

Response to Finding 7 - National Service Criminal History Check:

Commission Response: As RMYC initiated the State background check after the employee started working on the grant, the Commission concurs, and agrees to recover the \$182 and match costs of \$582 for grant No. 15ACHNM001. Moreover, the Commission will verify during monitoring that subgrantees have policies and procedures that require National Service Criminal History Checks are initiated before an employee starts working on AmeriCorps grants, and are following these policies and procedures. The Commission will evaluate on a sample basis this requirement during the monitoring process. Additional training may be provided to the subgrantee staff by the Commission Program Officer to ensure NSCHC compliance.

Finding 8 – Administrative Changes: NMCCV hired a new Executive Director without obtaining prior written approval from the Corporation.

Commission Response: The Commission concurs, and understands Federal regulations require prior approvals for changes to key personnel specified in the grant application. Going forward, the Commission Executive Director will seek written



NEW MEXICO COMMISSION FOR
**COMMUNITY
VOLUNTEERISM**



approval from the Corporation prior to making any future changes in key personnel,
and will add this requirement to our internal policies and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Samuel Sokolove".

Samuel Sokolove
Executive Director

Chester Spellman, Director, AmeriCorps State and National
Robert McCarty, Chief Financial Officer
Desiree Tucker-Sorini, Chief of Staff, CNCS
Tim Noelker, General Counsel, CNCS
Jennifer Bastress Tahmasebi, Deputy Director, AmeriCorps State and National
Autumn Rose, Senior Grants Officer, CNCS
Monica Kitlas, Agency Audits and Investigations Coordinator, CNCS
Mia Leswing, Partner, CliftonLarsonAllen, LLP





Susana Martinez,
Governor

New Mexico Youth Conservation Corps Commission



Wanda Bowman
Chair

Beth Wajahn
Vice Chair

Wendy Kent
Executive Director

Public Members:

Wanda Bowman
Ana Mangino
Andrew Frederick
Sharon Hickey
Cindy Lovato-Farmer

Agency:

Aubrey Dunn
Commissioner, SLO

Christopher N. Ruskowski
Acting Cabinet Secretary, PED

Monique Jacobsen
Cabinet Secretary, CYFD

Ken McQueen,
Cabinet Secretary, EMNRD

April 5, 2018

New Mexico Youth Conservation Corps supports and approves EcoServants and Rocky Mountain Youth Corps in the implementation of a Daily Stipend policy for New Mexico Youth Conservation Corps members participating in their seasonal and summer Youth Corps programs. I fully understand that EcoServants and Rocky Mountain Youth Corps will have different Daily Living Stipend amounts that are reflective of each individual program demographic area and needs of Corps Members that both programs will determine.

Sincerely,

Wendy Kent, Executive Director


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Corporation for National and Community Service

NationalService.gov



To: Stuart Axenfeld, Assistant Inspector General for Audit

From: Joseph Liciardello, Acting Chief Grants Officer 

Date: April 30, 2018

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

Thank you for the opportunity to review the draft report of Agreed-Upon Procedures for the Corporation for National and Community Service Grants Awarded to the New Mexico Commission for Community Volunteerism.

CNCS has the following technical correction to the report:

Finding 4, Recommendation 6: Auditors recommend that CNCS “recover the \$18,680 in questioned Federal costs and address any potential impact to Federal costs of the \$102,186 in questioned match costs related to EcoServants for grant No. 15AFHNM001.” Neither Schedule D nor the finding summary include \$18,680 in questioned Federal costs for EcoServants, so it is unclear where these costs come from.

We will respond with our management decision after we receive the final report and have reviewed the auditor’s working papers and the New Mexico Commission’s corrective action plan. We will work with Commission representatives to ensure its corrective action adequately addresses all audit findings and recommendations.

Cc: Robert McCarty, Chief Financial Officer
 Chester Spellman, Director of AmeriCorps
 Tim Noelker, General Counsel
 Lori Giblin, Chief Risk Officer

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