

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE
GRANTS AWARDED TO
PENQUIS COMMUNITY ACTION PROGRAM**

OIG REPORT 14-06

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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This report was issued to Corporation management on February 4, 2014. 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 August 4, 2014 and complete its corrective actions by February 4, 2015. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



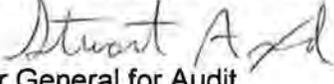
February 4, 2014

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FROM: Stuart Axenfeld 
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SUBJECT: Office of Inspector General (OIG) Report 14-06: Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program

Attached is the final report on the OIG's *Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program*. This audit was performed by OIG staff in accordance with the 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 August 4, 2014. Notice of final action is due by February 4, 2015.

If you have questions pertaining to this report, please contact Thomas Chin, Audit Manager, at (202) 606-9362 or t.chin@cncsoig.gov; or me at (202) 606-9360 or s.axenfeld@cncsoig.gov.

Attachment

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OFFICE OF INSPECTOR GENERAL
AUDIT OF
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
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EXECUTIVE SUMMARY

Penquis Community Action Program (Penquis) received grants totaling approximately \$2.4 million from the Corporation for National and Community Service (Corporation) for its Retired and Senior Volunteer Program (RSVP) and Foster Grandparent Program (FGP) between May 2010 and May 2013. The Corporation's Office of Inspector General (OIG) audited the costs incurred by Penquis during this period, and, as a result, questioned \$394,401, or approximately 21 percent, of the nearly \$1.9 million in Federal costs charged against these grants. The questioned costs stem from non-compliance with applicable laws, regulations, and grant provisions. The audit gave rise to key findings that the grantee:

- Did not perform required background checks for volunteers and verify/document their eligibility before enrolling them.
- Did not conduct and document required background checks for Penquis' staff.
- Did not maintain adequate documentation of service agreements between the grantee and volunteer stations.
- Made longevity awards to long-serving FGP volunteers without adequate transparency, in excessive amounts and by misreporting service hours.

To address these findings, we recommend that the Corporation disallow and recover the questioned costs. To improve compliance, we also recommend that Penquis: (1) develop and implement procedures to ensure that required background checks are done for volunteers and staff; (2) improve monitoring of its volunteer stations to ensure that required documentation is properly prepared and retained; (3) update its policies and procedures to include volunteer longevity awards; and (4) familiarize staff with the grant agreement terms and applicable laws and regulations.

The audit procedures were conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The following table summarizes Penquis' grant awards, the costs claimed, and the questioned costs identified by the audit.

CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS

Grant	Audit Period	Total Federal Grant Awarded (\$)	Total Federal Costs Claimed (\$)	Questioned Cost (\$)	Appendix ¹
Foster Grandparent Program Grant 08SFAME002	05/01/2010 to 06/30/2011	1,073,245	1,048,730	127,644	A
Foster Grandparent Program Grant 11SFAME002	07/01/2011 to 05/31/2013	1,068,913	629,845	116,805	B
Retired and Senior Volunteer Program Grant 09SRAME002	05/01/2010 to 03/31/2012	166,014	153,604	82,365	C
Retired and Senior Volunteer Program Grant 12SRAME002	04/01/2012 to 05/31/2013	104,820	44,382	67,587	D
Total (\$)		2,412,992	1,876,561	394,401	

¹ Separate schedules detailing the questioned costs are presented in Appendices A through D.

FINDINGS

Our audit uncovered violations of applicable grant terms, rules, and regulations, which resulted in questioned costs and overcharges. Our findings fall into five categories:

- Finding No. 1 – Penquis Failed to Verify Eligibility Requirements and Conduct Background Checks for its Volunteers
- Finding No. 2 – Required Background Checks Were Not Conducted and Documented for Penquis Staff
- Finding No. 3 – Longevity Award Practices Undermine Integrity of Timekeeping
- Finding No. 4 – Disallowance of Direct Costs Questioned in the Audit Render Certain Indirect Costs Unallowable
- Finding No. 5 – Penquis' Volunteer Station Files Did Not Contain Adequate Documentation, Including In-Service Training and Memorandums of Understanding

We discuss them in turn, highlighting the questioned costs² associated with each finding.

Finding No. 1 – Penquis Failed to Verify Eligibility Requirements and Conduct Background Checks for its Volunteers

Penquis failed to conduct critical background checks on its volunteers and did not maintain essential volunteer eligibility documentation for its FGP and RSVP volunteers. We question the stipend payments of \$7,066 charged to the FGP grant 08SFAME002 and \$6,559 charged to the FGP grant 11SFAME002. The other deficiencies constitute failures to comply with grant agreement terms and applicable laws and regulations for the RSVP grants.

FGP

FGP volunteers whose income falls below 200 percent of the local poverty threshold are entitled to a stipend of \$2.65 per service hour. Penquis had approximately 197 volunteers during our audit period, and we reviewed the files of 20 volunteers who received FGP stipend payments. In six of these cases, Penquis could produce no record to show that it checked the volunteers' criminal histories, age, complete physical examination or income-eligibility. Penquis paid a total of \$13,625 to these six volunteers without ensuring their eligibility.

To protect members of the public served by FGP volunteers, FGP grantees are required to undergo State Criminal Registry Searches and National Sex Offender Public Website (NSOPW) checks. For two of the six volunteers, there were no records in their volunteer files to demonstrate that this important safety requirement was met. Payments to these two volunteers account for \$12,253 of the \$13,625 questioned.

² A questioned cost is: (1) an alleged violation of a provision of law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that at the time of testing, such costs were not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.

The remaining four files displayed other deficiencies:

- None of them contained any documentation of volunteer's physical examination, which is an eligibility requirement for FGP volunteers.
- One of them also lacked any documentation regarding age verification.

We questioned \$1,372 for stipend payments made to these four volunteers.

RSVP

RSVP had approximately 273 volunteers for the three years within our audit period, of which we reviewed 20. We noted the following deficiencies:

- None of the files contained verification of the volunteer's age.
- Eleven files lacked proof of the volunteer's agreement to serve without compensation.
- Eleven files lacked the volunteer's written acknowledgement of program rules and agreement to comply.
- Six files either lacked evidence of a written assignment plan or the written assignment plan was so vague that the volunteer's duties were not specified.

Because RSVP volunteers do not receive stipends, these audit findings did not result in questioned costs.

Criteria

45 Code of Federal Regulations (CFR) §2540.201, *To whom must I apply the National Service Criminal History Check eligibility criteria?*, states:

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

45 CFR §2540.204, *When must I conduct a National Service Criminal History Check on an individual in a covered position?*, states:

(a) *Timing of the National Service Criminal History Check Components.* (1) You must conduct and review the results of the nationwide NSOPW check required under § 2540.203 before an individual in a covered position begins work or starts service. (2) You must initiate state registry or FBI criminal history checks required under § 2540.203 before an individual in a covered position begins work or starts service. You may permit an individual in a covered position to begin work or start service pending the receipt of results from state registry or FBI criminal history checks as long as the individual is not permitted access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities, without being in the physical presence of an appropriate individual, as described in § 2540.205(g) of this chapter.

(b) *Consecutive terms.* If an individual serves consecutive terms of service in a covered position and does not have a break in service that exceeds 120 days,

then no additional National Service Criminal History Check is required, as long as the original check is a compliant check for the covered position in which the individual will be serving or working following the break in service. If your program or project is designed with breaks in service over 120 days, but less than 180 days between consecutive terms, you may request approval for a break in service of up to 180 days before a new National Service Criminal History Check is required. Your request must describe the overall program design, explain why the longer period is reasonable, and demonstrate that you have established adequate risk management controls for the extended break in service.

45 CFR §2540.206, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

- (a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and
- (b) Maintain the results, or a results summary issued by a State or Federal government body, of the NSOPW check and the other components of each National Service Criminal History Check, unless precluded from doing so by State or Federal law or regulation. You must also document in writing that an authorized grantee representative considered the results of the National Service Criminal History Check in selecting the individual.

45 CFR §2552.25, *What are a sponsor's administrative responsibilities?*, states:

A sponsor shall:

[omitted]

(g) Establish record keeping/reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

45 CFR §2552.41, *Who is eligible to be a Foster Grandparent?*, states:

(a) To be a Foster Grandparent, an individual must:

- (1) Be 55 years of age or older;
- (2) Be determined by a physical examination to be capable, with or without reasonable accommodation, of serving adults with special needs without detriment to either himself/herself or the adults served;
- (3) Agree to abide by all requirements as set forth in this part; and
- (4) In order to receive a stipend, have an income that is within the income eligibility guidelines specified in this subpart D.

45 CFR §2552.43, *What income guidelines govern eligibility to serve as a stipended Foster Grandparent?*, states:

- (a) To receive a stipend, a Foster Grandparent may not have an annual income from all sources, after deducting allowable medical expenses, which exceeds the program's income eligibility guideline for the State in which he or she resides. The income eligibility guideline for each State is 200 percent of the poverty line, as set forth in 42 U.S.C. 9902 (2).
- (b) For applicants to become stipended Foster Grandparents, annual income is projected for the following 12 months, based on income at the time of application. For serving stipended Foster Grandparents, annual income is counted for the past 12 months. Annual income includes the applicant or enrollee's income and that of his/her spouse, if the spouse lives in the same residence. Sponsors shall count the value of shelter, food, and clothing, if provided at no cost by persons related to the applicant, enrollee, or spouse.
- (c) Allowable medical expenses are annual out-of-pocket medical expenses for health insurance premiums, health care services, and medications provided to the applicant, enrollee, or spouse which were not and will not be paid by Medicare, Medicaid, other insurance, or other third party pay or, and which do not exceed 50 percent of the applicable income guideline.
- (d) Applicants whose income is not more than 100 percent of the poverty line shall be given special consideration for enrollment.
- (e) Once enrolled, a Foster Grandparent shall remain eligible to serve and to receive a stipend so long as his or her income, does not exceed the applicable income eligibility guideline by 20 percent.

45 CFR §2552.44, *What is considered income for determining volunteer eligibility?*, states in part:

- (a) For determining eligibility, "income" refers to total cash and in-kind receipts before taxes from all sources including:
 - (1) Money, wages, and salaries before any deduction, but not including food or rent in lieu of wages;
 - (2) Receipts from self-employment or from a farm or business after deductions for business or farm expenses;
 - (3) Regular payments for public assistance, Social Security, Unemployment or Workers Compensation, strike benefits, training stipends, alimony, child support, and military family allotments, or other regular support from an absent family member or someone not living in the household;
 - (4) Government employee pensions, private pensions, and regular insurance or annuity payments; and
 - (5) Income from dividends, interest, net rents, royalties, or income from estates and trusts.

45 CFR §2552.42, *What type of criminal convictions or other adjudications disqualify an individual from serving as a Foster Grandparent or as Foster Grandparent grant-funded employee?*, states:

Any individual who is registered, or who is required to be registered, on a State sex offender registry, or who has been convicted of murder, as defined under Federal law in section 1111 of title 18, United States Code, is deemed unsuitable for, and may not serve in, a position as a Foster Grandparent or as a Foster Grandparent grant-funded employee.

45 CFR §2552.72, *Is a written volunteer assignment plan required for each volunteer?*, states:

- (a) All Foster Grandparent performing direct services to individual clients in home settings and individual clients in community-based setting, shall receive a written volunteer assignment plan developed by the volunteer station that:
 - (1) Is approved by the sponsor and accepted by the Foster Grandparent;
 - (2) Identifies the individual child(ren) to be served;
 - (3) Identifies the role and activities of the Foster Grandparent and expected outcomes for the child;
 - (4) Addresses the period of time each client is expected to receive such services; and
 - (5) Is used to review the status of the Foster Grandparent's services in working with the assigned child, as well as the impact of the assignment on the child's development.
- (b) If there is an existing plan that incorporates paragraphs (a)(2), (3), and (4) of this section, that plan shall meet the requirement.

45 CFR §2553.41, *Who is eligible to be a RSVP volunteer?*, states:

- (a) To be an RSVP volunteer, an individual must:
 - (1) Be 55 years of age or older;
 - (2) Agree to serve without compensation;
 - (3) Reside in or nearby the community served by RSVP;
 - (4) Agree to abide by all requirements as set forth in this part.

45 CFR §2553.25, *What are a sponsor's administrative responsibilities?*, states:

A sponsor shall:

[omitted]

- (g) Establish record keeping and reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

45 CFR §2553.62, *What are the responsibilities of a volunteer station?*, states:

A volunteer station shall undertake the following responsibilities in support of RSVP volunteers:

- (a) Develop volunteer assignments that impact critical human and social needs, and regularly assess those assignments for continued appropriateness;

Recommendations:

We recommend that the Corporation:

- 1a. Disallow and recover the questioned costs totaling \$13,625;
- 1b. Ensure that Penquis staff attend training that addresses the volunteer eligibility requirements, including the documentation necessary to demonstrate compliance with these requirements;
- 1c. Require Penquis to develop and implement procedures to ensure that volunteer eligibility requirements are met and proper documentation is maintained, notwithstanding staff turnover; and
- 1d. Ensure that Penquis volunteer stations create and document volunteers' written assignment plans.

Penquis' Response

Penquis disagreed with findings related to FGP, noting that it had located missing documentation following the completion of audit fieldwork, but acknowledged that it needed to do a better job of making information more easily identifiable and accessible in the volunteer files. The grantee urged the Corporation to allow the questioned costs, totaling \$13,625, since the relevant documentation is now contained in the FGP files.

Penquis partially concurred with findings related to RSVP, indicating that its ongoing review of the audited files found that some required documentation was absent. The grantee stated that it is in the process of updating the volunteer files to ensure that the files include all necessary information.

Penquis agreed with recommendations 1b through 1c.

OIG's Comment

OIG acknowledges that certain missing documentation was provided to us after the issuance of our draft report, but applicable regulations require documentation be maintained in the files as stated in the criteria section above. We recommend the Corporation review the additional supporting documentation and determine whether any questioned costs should be recovered.

Finding No. 2 – Required Background Checks Were Not Conducted and Documented for Penquis Staff

Penquis was unable to demonstrate that it conducted background checks for its staff. None of the six FGP and seven RSVP staff we reviewed had NSOPW checks conducted before or after beginning their employment with Penquis. While Penquis did conduct National Service Criminal History checks for three FGP and five RSVP staff, these checks took place one to three years after September 2009, when the Corporation began to require grantees to perform background checks on staff members.

Applicable rules and regulations expressly require not only that the checks be performed but also that the grantee maintains the original documentation of the results. See the table below for the questioned Federal costs for salaries and fringe benefits associated with these FGP and RSVP staff:

Grants	Questioned Cost (\$)
FGP 08SFAME002	110,097
FGP 11SFAME002	88,466
RSVP 09SRAME002	76,193
RSVP 12SRAME002	62,007
Total (\$)	336,763

Criteria

45 CFR §2540.201, *To whom must I apply the National Service Criminal History Check eligibility?*, states:

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

45 CFR §2540.204, *When must I conduct a National Service Criminal History Check on an individual in a covered position?*, states:

- (a) *Timing of the National Service Criminal History Check Components.* (1) You must conduct and review the results of the nationwide NSOPW check required under § 2540.203 before an individual in a covered position begins work or starts service. (2) You must initiate state registry or FBI criminal history checks required under § 2540.203 before an individual in a covered position begins work or starts service. You may permit an individual in a covered position to begin work or start service pending the receipt of results from state registry or FBI criminal history checks as long as the individual is not permitted access to children age 17 years or younger, to individuals age 60 years or older, or to individuals with disabilities, without being in the physical presence of an appropriate individual, as described in § 2540.205(g) of this chapter.
- (b) *Consecutive terms.* If an individual serves consecutive terms of service in a covered position and does not have a break in service that exceeds 120 days, then no additional National Service Criminal History Check is required, as long as

the original check is a compliant check for the covered position in which the individual will be serving or working following the break in service. If your program or project is designed with breaks in service over 120 days, but less than 180 days between consecutive terms, you may request approval for a break in service of up to 180 days before a new National Service Criminal History Check is required. Your request must describe the overall program design, explain why the longer period is reasonable, and demonstrate that you have established adequate risk management controls for the extended break in service.

45 CFR §2540.206, *What documentation must I maintain regarding a National Service Criminal History Check for a covered position?*, states:

You must:

- (a) Document in writing that you verified the identity of the individual in a covered position by examining the individual's government-issued photo identification card, and that you conducted the required checks for the covered position; and
- (b) Maintain the results, or a results summary issued by a State or Federal government body, of the NSOPW check and the other components of each National Service Criminal History Check, unless precluded from doing so by State or Federal law or regulation. You must also document in writing that an authorized grantee representative considered the results of the National Service Criminal History Check in selecting the individual.

45 CFR §2552.25, *What are a sponsor's administrative responsibilities?*, states:

A sponsor shall:

[omitted]

- (g) Establish record keeping/reporting systems in compliance with Corporation requirements that ensure quality of program and fiscal operations, facilitate timely and accurate submission of required reports and cooperate with Corporation evaluation and data collection efforts.

Recommendations:

We recommend that the Corporation:

- 2a. Disallow and recover the questioned costs totaling \$336,763;
- 2b. Ensure that Penquis staff are properly trained regarding the performance and documentation regarding background checks for staff members; and
- 2c. Require Penquis to develop and implement procedures to ensure that grant requirements associated with the National Service Criminal History and NSOPW checks for staff are met and documented.

Penquis' Response

Penquis partially concurred with the finding. The grantee asserted that, although background checks were performed for staff, they were not conducted timely and the results were not documented in the staff personnel files. Penquis subsequently performed the State Criminal Registry Searches and NSOPW for all staff, and the results found no disqualifying conduct. Penquis stated that it recognized that timeliness is important and agreed that some financial penalty might be appropriate. Penquis also agreed with recommendations 2b and 2c.

OIG's Comment

As acknowledged by Penquis, its staff background checks were not performed and documented timely. The additional supporting documentation provided to us reflects the results of staff background checks performed and documented subsequent to conclusion of our audit fieldwork. We recommend the Corporation verify the latest staff background check results and determine whether any questioned costs should be recovered.

Finding No. 3 – Longevity Award Practices Undermine Integrity of Timekeeping

Beginning in 2011, Penquis began a practice of imputing bonus hours annually to its long-serving FGP volunteers, adding them to the volunteer's actual service hours for purposes of calculating stipend payments. In other words, longtime volunteers are paid for more hours than they in fact worked. These longevity bonuses range from 40 hours (\$106) for 5-9 years of service, to 70 hours (\$185.50) for more than 20 years of service. During the audit period, Penquis paid a total of \$12,190 in longevity bonuses and reported 4,600 hours that were never served.

We discovered this practice when, during our stipend payment testing, we noted that one volunteer had recorded service hours in excess of the weekly maximum allowed 40 hours. The FGP Project Coordinator advised that this volunteer received a longevity award of 60 bonus hours, which were added to the volunteer's service hours. We learned that longevity awards are made by the Coordinator by adding hours to the timesheet after it is completed by the volunteer and approved by the station supervisor. The Coordinator provided us a memorandum listing the names and bonus hours associated with FGP volunteers who received longevity awards.

Penquis' practices with respect to these awards are not memorialized in rules, regulations or procedures, the Corporation's FGP Operations Handbook, or the Penquis' FGP Volunteer Handbook. We were told that other Senior Corps grantees also pay longevity bonuses. Penquis claimed that it obtained an advance approval from the Corporation's Maine State Office, but was unable to provide us any electronic mail or other documentation of this approval. The State Office was not aware of the practice; the current staff did not know whether anyone at Headquarters was aware that not all of the hours claimed were bona fide.

Reporting fictitious hours undercuts the integrity of the timekeeping process, on which the Corporation relies. The impact of Penquis' mischaracterizations may be small, but widespread adoption of this practice—paying an unearned 1-2 weeks of stipend to every volunteer with five or more years of service—is potentially significant.

FGP has suggested that these bonuses may be permissible as costs of “recognition for [volunteers’] service,” which are reimbursable pursuant to 45 CFR § 2252.46(e)(2). But FGP’s own guidelines on recognition refer to celebratory events, tokens and public acknowledgements, not monetary awards. Thus, FGP’s Operations Handbook refers to: “formal public recognition” of volunteer service; “recognition events [which] may consist of special ceremonies, teas, breakfasts, luncheons and recreational outings,” which may be supported by in-kind donations of “food, decorations, and transportation;” tokens of appreciation, such as “pins and certificates for stated terms of service;” and “informal recognition” by listening to and acting on volunteers’ recommendations, praise and increasingly satisfying assignments. “Foster Grandparents Operations Handbook, Chapter 9, *Cost Reimbursements, g. Recognition*”, at page 93. The listed items are qualitatively different from payment of bonus. Moreover, nothing in these guidelines authorizes grantees to show their appreciation by overstating reported hours.

Mischaracterizing these cash awards as stipends for service prevents oversight of recognition expenses, with obvious risks. With no transparency about recognition expenses, the Corporation has no way to monitor such expenditures or determine whether they are excessive. It is thus not surprising that FGP senior officials were unaware of Penquis’ practice.

We believe that acknowledgement of long service is warranted, but Penquis has gone about it the wrong way. Recognition cannot be accomplished by falsifying the reported service hours, however well intentioned.

Criteria

45 CFR § 2543.21, *Standards for financial management systems*, states:

(b) Recipients’ financial management systems shall provide for the following:

[omitted]

(6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

45 CFR § 2552.12, *Definitions*, states:

[omitted]

(i) Cost Reimbursement. Reimbursements provided to volunteers such as stipends to cover incidental costs, meals, and transportation, to enable them to serve without cost to themselves. Also included are the costs of annual physical examinations, volunteer insurance and recognition which are budgeted as Volunteer Expenses.

45 CFR § 2552.46, *What cost reimbursements are provided to Foster Grandparents?*, states:

Cost reimbursements include:

(a) *Stipend*. Foster Grandparents who are income eligible will receive a stipend in an amount determined by the Corporation and payable in regular installments, to enable them to serve without cost to themselves. The stipend is paid for the time Foster Grandparents spend with their assigned children, for earned leave, and for attendance at official project events.

[omitted]

(e) *Meals and recognition.* Foster Grandparents shall be provided the following within limits of the project's available resources:

- (1) Assistance with the cost of meals taken while on assignment; and
- (2) Recognition for their service.

(f) *Other volunteer expenses.* Foster Grandparents may be reimbursed for expenses incurred while performing their volunteer assignments, provided these expenses are described in the Memorandum of Understanding negotiated with the volunteer station to which the volunteer is assigned and there are sufficient funds available to cover these expenses and meet all other requirements identified in the notice of grant award.

45 CFR § 2552.51, *What are the terms of service of a Foster Grandparent?*, states:

A Foster Grandparent shall serve a minimum of 15 hours per week and a maximum of 40 hours per week. A Foster Grandparent shall not serve more than 2088 hours per year. Within these limitations, a sponsor may set service policies consistent with local needs.

45 CFR § 2552.92, *What are project funding requirements?*, states:

[omitted]

(f) *May a sponsor pay stipends at a rate different than the rate established by the Corporation?* A sponsor shall pay stipends at the same rate as that established by the Corporation.

Foster Grandparents Operations Handbook, Chapter 9, *Cost Reimbursements*, g. *Recognition*, states:

Appropriate recognition is provided for Foster Grandparents. [45 CFR 2552.46]

- (1) At least annually, the FGP project sponsor plans and arranges for formal public recognition of Foster Grandparents' service to the community. Sponsors are also authorized to recognize local individuals and agencies or organizations for significant activities that support Foster Grandparent project goals.
- (2) Informal recognition should be on-going. This includes listening to and acting on recommendations by Foster Grandparents, offering honest praise, and providing assignments that are increasingly satisfying.
- (3) Recognition events may consist of special ceremonies, teas, breakfasts, luncheons, and recreational outings at which pins and certificates for stipulated terms of service are awarded.
- (4) The Community Advisory Group and volunteer stations are expected to participate in recognition activities. Community contributions in support of recognition activities can enhance the quality of the events. Contributions need not be monetary; donated space, food, decorations, and transportation should be encouraged.
- (5) To emphasize the importance of the occasion, Corporation Field and Headquarters staff, as well as city and county officials and officers of local organizations, may be invited to recognition events.

Recommendations:

We recommend that the Corporation:

- 3a. Disallow and recover stipends totaling \$12,190 for hours that were reported but were not served;
- 3b. Make clear to all grantees that recordation of fictitious hours is never acceptable;
- 3c. Provide guidance to all grantees to ensure resources and funds spent on volunteer recognition are utilized in a reasonable and consistent manner; and
- 3d. Ensure that Penquis develops clear rules for longevity awards and captures them in writing.

Penquis' Response

Penquis disagreed with the finding, contending that it implemented the longevity awards in accordance with its "collective interpretation" obtained at the Atlantic Cluster meetings. The grantee considered the longevity awards to be a category of time earned and accrued by volunteers and acknowledge that the associated hours were mistakenly recorded as regular service hours. Thus, the grantee maintains that the hours awarded to volunteers were appropriate and do not constitute falsification. Consequently, Penquis did not agree with recommendation 3a, but concurred with recommendations 3b through 3d.

OIG's Comment

However well-intentioned this practice may have been, it clearly resulted in recordation of service hours that were not actually served or otherwise authorized. The longevity awards cannot be treated as "earned" as Penquis suggests. Applicable regulations permit a Foster Grandparent to be paid a stipend for time spent with children, earned leave, and for attendance at official project events. "Earned leave" is paid *leave*; it involves accrual of payment for time in which the participant is absent, such as vacation or sick days. It cannot be stretched to embrace longevity awards unrelated to leave. Thus, the problem is not, as Penquis contends, a simple documentation error in which longevity hours were mistakenly recorded as service hours, but rather that the grantee was not authorized to use Federal funds to pay longevity bonuses.

Moreover, the longevity payments are in addition to a generous earned leave policy in which a volunteer serving 31 hours per week accrues 15.2 hours of leave per month regardless of longevity, for annual leave of 182.4 hours, or up to 5.88 weeks of paid leave.³ A 20-year volunteer who serves 15 hours per week will receive a longevity bonus equal to 4.67 weeks of compensation, in addition to his or her 91.92 hours of paid leave.⁴

³ Penquis' policy allows service participants to accrue additional leave for time spent on earned leave. A volunteer serving 31 hours per week accrues 5.88 weeks of leave annually, while a volunteer serving 40 hours per week accrues 4.56 weeks of leave.

⁴ Unlike earned leave, the longevity awards remain the same whether the volunteer works as little as 15 hours per week or as much as 40 hours.

These longevity bonuses cannot be justified as a form of “recognition.” OIG believes that the taxpayers and the Corporation would readily identify a volunteer appreciation lunch or token costing \$106-\$185 person as excessive. Penquis’ longevity awards amount to the same thing. Recording these costs as service hours obscured their excessiveness. To approve such expenses based on a “collective interpretation” of an unrecorded discussion at the Corporation’s meeting was not reasonable.

OIG is troubled by the grantee’s failure to appreciate the implications of its conduct now that the matter has come to light. The \$12,190 that Penquis paid in longevity bonuses would have funded two full-time FGP volunteers for more than one year, during which each would have tutored multiple children, including those at-risk students in academic and social skills. Expending Federal funds for excessive and unauthorized volunteer bonuses reduces the amount of service to the community.

For these reasons, we reiterate our recommendation that the Corporation recover the funds and take steps to ensure that no other grantees are pursuing similar practices.

Finding No. 4 – Disallowance of Direct Costs Questioned in the Audit Render Certain Indirect Costs Unallowable

Penquis applies its approved indirect cost rate to all direct costs charged to the FGP and RSVP grants. Thus, having questioned certain direct costs in connection with Findings 1 through 3, we are likewise required to question related indirect costs, totaling \$20,071 in the case of FGP and \$11,752 for RSVP.

Penquis calculates its indirect cost rate annually, and this rate is approved by the Program Support Center, Financial Management Services, Division of Cost Allocations of the Department of Health and Human Services. For each of the fiscal years under audit, Penquis’ approved indirect cost rates were as follows:

Date	Indirect Cost Rate
10/01/2010-09/30/2011 (FY 2011)	8.1%
10/01/2011-09/30/2012 (FY 2012)	9.0%
10/01/2012-Until Amended (FY2013)	9.0%

We applied the above rates to each of the questioned costs, by the fiscal year when the costs were incurred. Based on this procedure, we calculated the questioned costs for each grant as follows:

Finding No.	FGP 08SFAME002		FGP 11SFAME002	
	Questioned Costs (\$)	Indirect Cost (\$)	Questioned Costs (\$)	Indirect Cost (\$)
1	7,066	572	6,559	531
2	110,097	9,909	88,466	7,962
3	-	-	12,190	1,097
Total (\$)	117,163	10,481	107,215	9,590

Finding No.	RSVP 09SRAME002		RSVP 12SRAME002	
	Questioned Costs (\$)	Indirect Cost (\$)	Questioned Costs (\$)	Indirect Cost (\$)
2	76,193	6,172	62,007	5,580
Total (\$)	76,193	6,172	62,007	5,580

Recommendation:

We recommend that the Corporation:

4. Disallow and recover the questioned costs totaling \$31,823.

Penquis' Response

Penquis concurred with our finding and recommendation, subject to the final disposition of disallowed costs from findings noted in the report.

OIG's Comment

We recommend the Corporation determine whether any questioned costs should be recovered based on its decisions on allowing/disallowing questioned costs reported in Findings 1, 2, and 3.

Finding No. 5 – Penquis’ Volunteer Station Files Did Not Contain Adequate Documentation, Including In-Service Training and Memorandums of Understanding

Penquis’ FGP and RSVP programs conduct their activities at multiple sites, 91 volunteer stations in the case of FGP and 55 stations for RSVP. Program sponsors are expected to enter into a Memorandum of Understanding (MOUs) with each volunteer station, to set forth project requirements and divide responsibilities between the sponsor and the on-site supervisors. Furthermore, program sponsors are expected to organize and document pre-service orientation and in-service training. The orientation and training ensures that volunteers are educated about their rights and responsibilities relating to the programs. The sponsor is also expected to monitor the volunteer sites to ensure that the program achieves its objectives and complies with applicable requirements.

We reviewed Penquis’ oversight of ten volunteer stations, divided evenly between FGP and RSVP. None of these stations could demonstrate that volunteers were provided with an orientation or in-service training.

Further, one FGP volunteer station had no MOU in its files. The MOU found at one of the RSVP volunteer stations was incomplete. Though signed, the agreement failed to specify the “Volunteer Station Responsibilities,” and instead left this section of the form blank.

Clear documentation of the respective responsibilities of volunteer stations and sponsors is essential to ensure that the parties understand and fulfill their obligations and accomplish program goals. The absence of an agreed allocation of responsibilities may weaken Penquis’ ability to hold volunteer stations accountable. Likewise, volunteers must be trained to ensure that they understand their duties and the constraints under which they are to operate.

Criteria

45 CFR §2552.23(c), *What are a sponsor’s program responsibilities?*, states:

Develop and manage a system of volunteer stations by:

[omitted]

- (2) Ensuring that the placement of Foster Grandparent is governed by a Memorandum of Understanding:
 - (i) That is negotiated prior to placement;
 - (ii) That specifies the mutual responsibilities of the station and sponsor;
 - (iii) That is renegotiated at least every three years; and
 - (iv) That states the station assures it will not discriminate against volunteers or in the operation of its program on the basis of race; color; national origin, including individuals with limited English proficiency; sex; age; political affiliation; religion; or on the basis of disability, if the participant or member is a qualified individual with a disability.

45 CFR § 2552.62, *What are the responsibilities of a volunteer station?*, states:

A volunteer station shall undertake the following responsibilities in support of Foster Grandparent volunteers:

- (a) Develop volunteer assignments that meet the requirements specified in §§ 2552.71 through 2552.72 and regularly assess those assignments for continued appropriateness.
- (b) Select eligible children for assigned volunteers.
- (c) Develop a written volunteer assignment plan for each child that identifies the role and activities of the Foster Grandparent and expected outcomes for the child served.
- (d) Obtain a Letter of Agreement for Foster Grandparents assigned in-home. This letter must comply with all Federal, State and local regulations.
- (e) Provide Foster Grandparents serving the station with:
 - (1) Orientation to the station and any in-service training necessary to enhance performance of assignments;
 - (2) Resources required for performance of assignments including reasonable accommodation; and
 - (3) Appropriate recognition.
- (f) Designate a staff member to oversee fulfillment of station responsibilities and supervision of Foster Grandparents while on assignment.
- (g) Keep records and prepare reports required by the sponsor.
- (h) Provide for the safety of Foster Grandparents assigned to it.
- (i) Comply with all applicable civil rights laws and regulations including reasonable accommodation for Foster Grandparents with disabilities.
- (j) Undertake such other responsibilities as may be necessary to the successful performance of Foster Grandparents in their assignments or as agreed to in the Memorandum of Understanding.

45 CFR §2553.23(c)(3), *What are a sponsor's program responsibilities?*, states:

Develop and manage a system of volunteer stations by to provide a wide range of placement opportunities that appeal to persons age 55 and over by:

- (3) Annually assessing the placements of RSVP volunteers to ensure the safety of volunteers and their impact on meeting the needs of the community.

Recommendations:

We recommend that the Corporation:

- 5a. Ensure that Penquis execute MOUs for all volunteer stations; and
- 5b. Ensure that Penquis' volunteer stations provide orientations and in-service training to volunteers and maintain proper documentation for related activities.

Penquis' Response

Penquis concurred with the finding and recommendations. It has begun to update all volunteer station files to ensure adequate documentation of in-service training and MOUs.

OIG's Comment

The plan proposed by Penquis meets the intent of our recommendation. We recommend the Corporation follow up with Penquis to ensure its plan is implemented.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

OIG conducted a performance audit of the Corporation grants awarded to Penquis. The audit objectives were to examine Penquis' compliance with the grant terms; to determine whether the claimed costs are allowable, adequately supported, and properly charged; and to report upon such compliance issues, controls and questioned costs that may result from performing these audit procedures. The audit covered a three-year period from May 2010 to May 2013.

The audit procedures required us to obtain an understanding of Penquis and its policies, procedures, and grants. They also included reviewing documents at Penquis' offices related to volunteer eligibility, claimed costs, matching costs, and compliance with laws, regulations, and the terms of grant agreements. Our audit procedures included randomly selecting samples to test costs claimed by Penquis for compliance with its Corporation grant agreements and other Federal requirements. The questioned costs detailed in this report are based on this limited sample; the total costs questioned might have been higher if we had tested all of the expenditures incurred during the audit period, and we have not projected or estimated the amounts that would have been questioned had all of the claimed costs been tested. We began our audit in June 2013; conducted our on-site fieldwork at the Penquis offices in Bangor, Maine, from July 15, 2013, to July 18, 2013; and concluded our audit fieldwork in October 2013.

We conducted this performance 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.

BACKGROUND

The Corporation, under the authority of the National Community Service Trust Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, and tribes and territories to assist in the creation of full- and part-time national and community service programs. Through these grantees, volunteers perform service to meet educational, human, environmental, and public safety needs.

Penquis, headquartered at Bangor, Maine, was incorporated in 1967 as a result of the Economic Opportunity Act of 1964 to bring locally developed solutions to the multifaceted problems faced by the poor. Its mission is to assist individuals and families in preventing,

reducing or eliminating poverty in their lives and through partnership to engage the community in addressing economic and social needs.

Penquis receives grants from the Corporation for FGP and RSVP. Its FGP program operates in 14 of the 16 counties in Maine. FGP addresses the education focus area to increase school readiness of preschool children and to increase success of K-12 students. FGP volunteers read to and tutor children, and provide assistance and support to improve social and emotional development and literacy and math skills. A nominal stipend of \$2.65 per service hour is available to volunteers whose incomes fall below a predetermined threshold pegged to the poverty level. During the audit period, approximately 197 FGP volunteers served at Penquis.

Penquis manages its RSVP program in three counties in Maine. The volunteers read to children under five years of age, prepare and distribute food to individuals experiencing food insecurity, provide assistance to older adults and persons with disabilities, and provide services to nonprofit organizations in the region. RSVP grants support programs through which volunteers age 55 and over provide a broad range of services to meet community needs. RSVP does not provide financial stipends to volunteers. During the audit period, approximately 273 RSVP volunteers served at Penquis.

EXIT CONFERENCE

Our exit conference was conducted on November 25, 2013. At the exit conference, we presented each of the findings set forth in this report. The Penquis' response was received on December 16, 2013 and is included in its entirety in Appendix E. The Corporation's response was received on January 9, 2014 and is included in its entirety in Appendix F.

APPENDICES

**PENQUIS COMMUNITY ACTION PROGRAM
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 08SFAME002 (FGP)**

Issues	Questioned Costs (\$)	Notes
Missing Eligibility Determination	7,066	1
Missing Criminal and Sex Offender Documentation for Staff	110,097	2
Indirect Costs	10,481	3
Total (\$)	127,644	

NOTES:

1. Penquis failed to conduct critical background checks on its volunteers and did not maintain essential volunteer eligibility documentation for the FGP grant. This resulted in questioned cost of \$7,066 paid to the volunteers as stipend payments. (See Finding No. 1)
2. Penquis did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its staff. (See Finding No. 2)
3. Indirect costs that must be disallowed because of the direct costs questioned during the audit. (See Finding No. 4)

**PENQUIS COMMUNITY ACTION PROGRAM
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 11SFAME002 (FGP)**

Issues	Questioned Costs (\$)	Notes
Missing Eligibility Determination	6,559	1
Missing Criminal and Sex Offender Documentation for Staff	88,466	2
Longevity Award	12,190	3
Indirect Costs	9,590	4
Total (\$)	116,805	

NOTES:

1. Penquis failed to conduct critical background checks on its volunteers and did not maintain essential volunteer eligibility documentation for the FGP grant. This resulted in questioned cost of \$6,559 paid to the volunteers as stipend payments. (See Finding No. 1)
2. Penquis did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its staff. (See Finding No. 2)
3. Penquis overstated service hours in order to provide longevity bonuses to long-serving FGP volunteers, without policies and procedures. (See Finding No. 3)
4. Indirect costs that must be disallowed because of the direct costs questioned during the audit. (See Finding No. 4)

**PENQUIS COMMUNITY ACTION PROGRAM
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 09SRAME002 (RSVP)**

Issues	Questioned Costs (\$)	Notes
Missing Criminal and Sex Offender Documentation for Staff	76,193	1
Indirect Costs	6,172	2
Total (\$)	82,365	

NOTES:

1. Penquis did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its staff. (See Finding No. 2)
2. Indirect costs that must be disallowed because of the direct costs questioned during the audit. (See Finding No. 4)

**PENQUIS COMMUNITY ACTION PROGRAM
SCHEDULE OF QUESTIONED COSTS
AWARD NO. 12SRAME002 (RSVP)**

Issues	Questioned Costs (\$)	Notes
Missing Criminal and Sex Offender Documentation for Staff	62,007	1
Indirect Costs	5,580	2
Total (\$)	67,587	

NOTES:

1. Penquis did not maintain evidence that it conducted the required National Service Criminal History and NSOPW Checks for its staff. (See Finding No. 2)
2. Indirect costs that must be disallowed because of the direct costs questioned during the audit. (See Finding No. 4)

APPENDIX E

**PENQUIS COMMUNITY ACTION PROGRAM
RESPONSE TO DRAFT REPORT**

PENQUIS

Helping Today • Building Tomorrow

December 13, 2013

Stuart Axenfeld
Assistant Inspector General for Audit
Office of Inspector General
1201 New York Avenue, NW
Suite 830
Washington, D.C. 20525

RE: Comments on draft Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program

Dear Mr. Axenfeld:

Thank you for the opportunity to comment on the draft Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program (the "Draft Report"). We appreciate the effort that went into the Draft Report. While we agree with some findings, we disagree with others, and with yet others we ask you to reconsider the questioned costs.

As requested by your letter dated November 27, 2013, our comments are organized under each of the findings.

Finding No. 1 -- Penquis Failed to Verify Eligibility Requirements and Conduct Background Checks for its Volunteers

This finding is separated into two categories: FGP and RSVP. We will address each category separately. We will also address the recommendations.

FGP. Disagree. Penquis CAP has conducted a thorough review of the volunteer files in question, and we have identified all the required information as timely collected and present in the volunteer files. Under separate cover we have already copied and sent the information to one of the auditors for review and verification. We acknowledge that we can do a better job of making the information more easily identifiable and accessible in the volunteer files. However, according to our records, no money was paid to volunteers without ensuring their eligibility.

RSVP. Partially disagree. We have not completed our review of all the files. From the files we have reviewed, it appears that some of the missing information is present in the files, and some is not. We are in the process of updating all of the files, and ensuring all the information is present in the files. Since RSVP volunteers do not receive stipends, there are no questioned costs to address.

262 Harlow Street	(207) 973-3500
PO Box 1162	Fax (207) 973-3699
Bangor, Maine 04402	TDD (207) 973-3520
www.penquis.org	1-800-215-4942

Recommendations. Since all the required information was present in the FGP volunteer files in question, we believe the Corporation should allow the \$13,625 in questioned costs identified by the Draft Report. We agree with the other recommendations.

Finding No. 2 -- Required Background Checks Were Not Conducted and Documented for Penquis Staff

Partially disagree. We acknowledge that there was a period of time prior to an internal change in management that background checks were not timely performed. Beginning in December 2012 background checks were performed on [REDACTED], [REDACTED], [REDACTED] and [REDACTED]. Background checks were done on [REDACTED] when [REDACTED] joined the program in May 2013. Unfortunately while completed, these were not added to their personnel file. In addition, State Criminal Registry Searches and NSOPW checks were ultimately performed on all the staff, including past supervisors and support staff. National Service Criminal History checks were ultimately conducted for all the staff requiring those checks. We are attaching the documents for your review. Importantly, the criminal and NSOPW checks show that none of the staff had any disqualifying conduct in their background.

Accordingly, we maintain that it would be disproportionate and unfair to disallow and recover the salaries and benefits associated with the staff in question. The documentation shows that all the staff were eligible and would not have been disqualified. The staff did the work required by the grant. Thus, the issue is one of untimeliness, not eligibility or services provided. Of course, we recognize and acknowledge that timeliness is important, and so we agree that some financial penalty might be appropriate. We agree with the other recommendations.

Finding No. 3 -- Longevity Award Practices Undermine Integrity of Timekeeping

Disagree. The manner in which we implemented the longevity incentive award was guided by our collective interpretation at the Atlantic Cluster meetings. Our intent was simple: to provide additional earned time based on years of service in the program.

We acknowledge our implementation was marred by internal documentation mistakes, which unfortunately confused the auditors. In our documentation, earned time was mis-labeled as regular time. In other words, time that should have been entered as earned time was recorded as regular time. The volunteers involved legitimately accrued the earned time, and they got no more than they were entitled to. Once the documentation errors are understood, it is clear that no volunteers were paid for regular time that was not served.

We are attaching a letter announcing the longevity policy, and we are in the process of updating a written description of the policy itself.

Once we account for the confusing manner in which staff documented volunteer earned time, it is clear that no amounts were paid for regular hours not served. While our documentation was confusing and faulty, the earned time was legitimate and deserved, and we strenuously object to any finding suggesting Penquis CAP falsified reported service hours or reported fictitious hours.

Stuart Axenfeld
Dec. 13, 2013
Page 3

Hence, we believe the Corporation should allow the \$12,129 in questioned costs identified by the Draft Report. We agree with the other recommendations.

Finding No. 4 -- Disallowance of Direct Costs Questioned in the Audit Render Certain Indirect Costs Unallowable

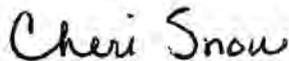
Agree. However, if our proposed reductions in disallowed costs are accepted and any penalties associated with finding #2 are not related to the compensation paid, there are no disallowed direct costs and no need for a reduction in indirect costs.

Finding No. 5 -- Penquis' Volunteer Station Files Did Not Contain Adequate Documentation, Including In-Service Training and Memorandum of Understanding

Agree. We also agree with the recommendations, and we have already begun to update all station files to ensure adequate documentation of in-service training and MOUs.

Thank you for the opportunity to comment on the Draft Report.

Sincerely,



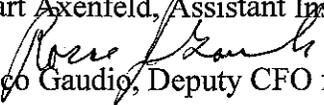
Cheri Snow
Department Director

APPENDIX F

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
RESPONSE TO DRAFT REPORT**

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

To: Stuart Axenfeld, Assistant Inspector General for Audit

From:  Rocco Gaudio, Deputy CFO for Grants

Cc: David Rebich, CFO
Valerie Green, General Counsel
Doug Hilton, Director Office of Oversight and Accountability

Date: January 9, 2014

Subject: Response to OIG Draft of Agreed-Upon Procedures Report for
Corporation for National and Community Service (CNCS) Grants
Awarded to the Penquis Community Action Group

Thank you for the opportunity to review the draft Agreed-Upon Procedures report of CNCS's grants awarded to the Penquis Community Action Group. We will respond to all findings and recommendations in our management decision after the final audit is issued; the OIG has provided us with the audit working papers; and we have worked with the grantee to develop appropriate corrective action.