

PERFORMANCE AUDIT  
OF THE

**Save the Children Federation, Inc.**

**Early Steps to School Success  
Project**

**Grant: KY-17088**

**OIG Report Number: 13-15**

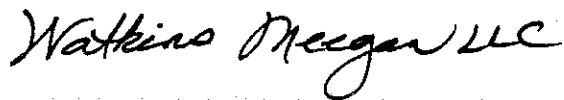
GRANT PERIOD: AUGUST 2011 – JULY 2012

# WATKINS | MEEGAN

Appalachian Regional Commission  
1666 Connecticut Avenue, N.W.  
Suite 700  
Washington, DC 20009-1068

Mr. Hubert N. Sparks  
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Save the Children Federation, Inc., Early Steps to School Success Project Grant KY-17088. The report is in response to Contract No. BPA 11-01-B.



Tysons, Virginia  
August 16, 2013

Save the Children Federation, Inc.

Early Steps to School Success Project Grant

KY-17088

**Background**

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts (LDDs). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects are intended to create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

Save the Children Federation, Inc. (STC) is a nonprofit organization that provides services for children and community self-help assistance. STC operates various early childhood education and parent/family training programs. STC uses a home-visiting model of delivery to bring services to pregnant women and new parents and provides school-based language development and pre-literacy services for children aged 3 to 5.

ARC awarded the Early Steps to School Success (ESSS) Project Grant number KY-17088 (the Grant) to STC for the period August 1, 2011 to July 31, 2012. The Grant provided \$500,000 of ARC (federal) funding and required an equal amount of non-federal funding for total funding of \$1,000,000. Funds from the Grant were to be used to support the employment of STC staff at varying levels of dedicated time to help administer the ESSS program, and cover related fringe benefits, incidental program costs, sub-grant expenses and other indirect charges.

The purpose of the ESSS Project is to increase the language capabilities and school readiness of young children in economically distressed counties in Appalachian Kentucky. The project uses a home-visiting model that benefits the local economy by providing jobs and rigorous professional development, and benefits Appalachian children by giving them the skills and knowledge to succeed in school. Funds from the Grant supported home visiting activities, training and professional development.

**Objective**

Watkins Meegan LLC was engaged to conduct a performance audit of the Save the Children Federation, Inc., Early Steps to School Success Program (ESSS) Program Grant for the period August 1, 2011 to July 31, 2012. The purpose of our performance audit was to determine the following:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC Grant requirements;
- Internal controls were in place to ensure compliance with the Grant requirements; and
- Goals and objectives of the Grant had been achieved.

Save the Children Federation, Inc.

Early Steps to School Success Project Grant

KY-17088

**Executive Summary**

Grant funds were used to fund payroll and benefits for program managers and specialists and funded over 20 sub-grant programs using the ESSS model. Sub-grant expenses included personnel costs for site visitors and home visitors and program costs such as books, curriculum materials, travel, computers, etc. The ESSS model includes home-visiting program activities to ensure school readiness of the future workforce and professional development activities to enhance job skills in the current workforce. Programs served distressed Appalachian counties in Kentucky.

STC received \$500,000 of ARC funding and \$500,000 of matching (non-federal) funding. Program expenditures totaling \$1,000,000 were documented and used to support program activities. Goals of the program included serving 1,000 students and training 37 local employees. In addition, 60 percent of children in the program for more than a year would have vocabulary skills at or above normal range. Overall, the performance objectives of the Grant were met.

**Scope**

We completed a performance audit of the STC Early Steps to School Success Project Grant KY-17088 at the STC office in Kentucky from February 27 to March 1, 2013, as described below. Our audit was based on the terms of the Grant agreement and on the application of procedures compiled in the modified ARC Audit Program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

**Audit Methodology**

Our procedures were based on Audit Program guidelines provided by ARC Office of Inspector General and included suggested procedures over the Grantee's accounting and internal control systems affecting the Grant. We met with the State Program Director, Finance Director and other members of STC's accounting department to discuss the overall organizational structure and processes around Grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the ESSS project.

Our review of background material included the ARC Grant agreement and related documentation, the ARC Grant approval document, the Grant application and STC's fiscal year 2011 audited financial statements.

Our procedures included a review of controls in place for recording, accumulating and reporting costs under the Grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies had been met. This included meeting with a Senior Program Manager and an on-site coordinator to understand their roles and responsibilities.

We examined a sample of timesheets and employment records for the staff whose employment was supported by the ARC funds. We also reviewed files maintained to document the sub-grant awards and monitoring processes and records supporting and approving sub-grant payments. We inquired regarding the methods for allocating indirect costs and assessed the reasonableness of the allocations. Metrics supporting outputs and outcomes in

Save the Children Federation, Inc.

Early Steps to School Success Project Grant

KY-17088

the Grant reporting were reviewed for a sample of the sub-grant programs and overall results were discussed with Grant management. We evaluated payments and other activities for compliance with applicable grant requirements and federal regulations.

Results

Compliance with Grant Provisions

The ARC (federal) share of actual expenditures incurred, reported and supported was \$500,000 and the matching (non-federal) share was also \$500,000 during the period under review. Actual expenditures were equal to the Grant award and the amount of non-federal matching funds and included payments to sub-grantees, payroll, incidental program costs and allocations of fringe benefits and indirect costs. Personnel costs were less than budgeted and sub-grant and incidental costs higher than budgeted. Indirect costs rates were slightly higher than approved provisional and budgeted rates, but appeared reasonable.

Based on our discussions with STC personnel and review of supporting documentation, it appears the program objectives were generally achieved. Eight program directors and program specialists supported the program reviewing and monitoring sub-grant programs and supporting field personnel and home visitors. Over 20 sub-grantees implemented ESSS programs in their communities. Program goals included serving 1,000 students and training 34 workers in the community. Sixty percent of children participating in the program for more than one year would have vocabulary skills at or above normal for their age.

Based on our procedures, we determined that in general, the funds had been expended in compliance with the Grant agreement and performance objectives were achieved. We noted the following:

Performance Measures

STC management was unable to readily provide supporting information for the outputs and outcomes reported in STC reports to ARC. In addition, management was unclear on how the reported metrics had been compiled, reviewed and approved for inclusion in the ARC reports. We were able to obtain summarized information for a representative sample of sub-grant programs to support the reported metrics. While the summarized information was ultimately available, it was maintained in various locations and formats and not cumulated in one place. Grant applications should define outputs and outcomes that can be measured and reported using existing systems and processes, and the results documented in Grant progress reports should be fully supported.

Working with STC management, we were able to review support for the reported results and gain reasonable assurance that the goals and objectives of the Grant had been met.

Recommendation: We recommend that STC assess its methodology for collecting and centralizing performance metrics so that the data is easily available. Support for data provided in reports should be documented contemporaneously with the report preparation and reviewed by management prior to submission.

We discussed our observation in an exit conference during fieldwork and management generally agreed with our recommendation.