ATTACHMENT B

CALIFORNIA'S ONE MILLION NEW INTERNET USERS COALITION

Audit Report

CONSORTIA PROGRAM

March 1, 2012 through March 1, 2015

BETTY T. YEE
California State Controller

November 2015

BETTY T. YEE
California State Controller

November 9, 2015

Tim Sullivan, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Mr. Sullivan:

The State Controller's Office (SCO) audited the Korean Churches for Community Development (KCCD)-sponsored coalition, California's One Million New Internet Users (NIU) Coalition Consortia Program. By agreement with the California Public Utilities Commission (CPUC), KCCD serves as fiscal agent for the NIU Coalition's Consortia Program. The program is funded through a CPUC grant awarded from the California Advanced Services Fund (CASF). The SCO conducted this audit pursuant to an interagency agreement with the CPUC.

The purpose of the audit was to determine whether reimbursement claims against the CASF grant funds were for allowable Consortia Program activities pursuant to the Consortia Grant Agreement (CPUC Resolution T-17355); specifically, to determine whether (1) the NIU Coalition's accounts and records substantiated the level of agreed-upon effort; (2) the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and (3) program expenses were substantiated with accounting records and source documents.

On February 21, 2012, the CPUC approved a $450,000 CASF grant to the NIU Coalition for the Consortia Program for the period of March 1, 2012, through March 1, 2015. The NIU Coalition submitted claims to the CPUC through its fiscal agent, KCCD, for reimbursement of costs incurred for the Consortia Program activities.

The NIU Coalition claimed and was reimbursed $353,784 for costs incurred for the first 10 quarters, from March 1, 2012, through August 31, 2014. The CPUC withheld $96,216 of the grant funds for the remainder of the grant period, from September 1, 2014, through March 1, 2015, pending the results of this SCO audit.

The CPUC requested that the SCO audit the records of both KCCD and the NIU Coalition for grant fund reimbursement for the period of March 1, 2012, through March 1, 2015.

We issued a draft report to the KCCD and sent a copy to the NIU Coalition on September 18, 2015. Via letter dated October 5, 2015, and through series of emails from October 5, 2015, through October 19, 2015, the KCCD and the NIU Coalition disagreed with the audit results. The KCCD and the NIU Coalition provided additional documentation and explanation to support the questioned Consortia Program reimbursements. Except for $6,544 of KCCD's personnel

costs for allowable activities (classroom training[1] totaling $4,800 and bookkeeping totaling $1,744), the audit results remain unchanged because:

- The KCCD and the NIU Coalition did not provide complete records, specifically bank statements and canceled checks, to substantiate that the Consortia Program costs were also not charged against the NIU Coalition's many other available grants of approximately half a million dollars.

- The KCCD's $46,621 ($53,165 less $6,544) claim for grant fund-related administrative charges remains unallowable because the additional documentation does not substantiate grant-related fiscal-agent responsibilities. Instead, these costs are associated with Consortia Program Tasks 1, 2, 3, 4, and 6 (Attachment 5); the CPUC has approved all of these tasks as responsibilities of the NIU Consortia and not the KCCD.

Our audit found that:

- The NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program-related activities and costs.

- The NIU Coalition provided approximately 50% (20 of 40 hours per participant) of broadband instructional training agreed upon in the terms of the CASF grant.

- The NIU Coalition did not provide complete records; therefore, we could not determine whether $182,801 of CASF-reimbursed costs also may have been charged against other grants or funds.

- KCCD's accounting records and source documents suggest that $46,621 was charged for unallowable Consortia Program activities. These costs were not incurred for allowable fiscal agent responsibilities.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

Attachment

[1] Included in NIU Coalition's Invoice as trainer costs.

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Audit Report

Summary

On February 21, 2012, the California Public Utilities Commission (CPUC) approved a $450,000 grant from the California Advanced Services Fund (CASF) to Korean Churches for Community Development (KCCD). An agreement between the CPUC and KCCD provided that the grant funds were to be used to support the California's One Million New Internet Users (NIU) Coalition, Consortia Program, for the period of March 1, 2012, through March 1, 2015 (12 quarters).

The NIU is a coalition of community service agencies. The Consortia Program received one of 16 grants to various Consortia throughout the state. The funding agreement between the CPUC and KCCD specifies that KCCD will serve as fiscal agent for the NIU Coalition for the purposes of the CASF grant. KCCD is allowed to charge administrative (overhead) costs against the grant award for serving as the NIU Coalition's fiscal agent.

The NIU Coalition submitted quarterly claims for program costs to the CPUC through its fiscal agent, KCCD.

The CPUC reimbursed $353,784 (see Schedule 1A) of costs claimed by the NIU Coalition for the first ten quarters of the program, March 1, 2012, through August 31, 2014. The CPUC withheld $96,216 of allocated grant funds for the remaining two quarters of the period, from September 1, 2014, through March 1, 2015, pending results of this audit. The CPUC requested that the State Controller's Office (SCO) audit the records of both KCCD and the NIU Coalition for grant fund reimbursement for the period of March 1, 2012, through March 1, 2015.

Our audit found that:

- The NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program-related activities and costs.

- The NIU Coalition provided aproximately 50% (20 of 40 hours per participant) of broadband instructional training agreed upon in the terms of the CASF grant.

- The NIU Coalition did not provide complete records; therefore, we could not determine whether $182,801 of CASF-reimbursed costs also may have been charged against other grants or funds.

- KCCD's accounting records and source documents suggest that $46,621 was charged for unallowable Consortia Program activities. These costs were not incurred for allowable fiscal agent responsibilities.

Background

California Advanced Services Fund

On February 21, 2012, the CPUC authorized a CASF Grant to the NIU Coalition for the Consortia Program for the period of March 1, 2012, through March 1, 2015, in accordance with California Public Utilities (PU) Code section 701. The CASF provides grants to "telephone corporations," as defined under PU Code section 234, to bridge the "digital divide" (computer networks/broadband) in unserved and underserved areas throughout California. In June 2011, the CPUC implemented the Rural and Urban Regional Broadband Consortia Grant Program to help fund activities promoting broadband deployment (building structure), access, and adoption (training), with a budget of $10 million.

The CPUC adopted procedures and guidelines for administering the CASF grant-funded Consortia Program that included application, evaluation, and selection processes. As part of the screening process, the CPUC required each applicant coalition/consortium to submit a detailed action plan that described the goals, tasks, activities, measurable deliverables, expected outcomes, and specific timeline necessary to meet the needs of the targeted region for broadband deployment, access, and adoption. Each applicant included detailed budgets for each of the activities identified in its work plan. Grant recipients agreed to comply with the grant terms, conditions, and requirements set forth by the CPUC.

Sixteen consortia located throughout the state were awarded grants to participate in the CASF-funded Consortia deployment or adoption programs. On a quarterly basis, these consortia, via their CPUC-approved fiscal agents, submit claims for reimbursement, and are required to include records to support claimed costs.

Korean Churches for Community Development

KCCD is the CPUC-approved fiscal agent for the NIU Coalition. KCCD, located in the City of Los Angeles, is a non-profit faith-based organization, which serves as a bridge between the Korean community and the greater populace. Through private and public collaboration, KCCD's purpose is to promote local community participation, contribution, and influence through faith-based and community partnerships.

As the fiscal agent for the NIU Coalition's Consortia Program, KCCD's program-related responsibilities include:

- Verifying that CASF program activities are in compliance with and progressing according to the approved work plan milestones;
- Receiving and reviewing all claim requests for CASF reimbursement;
- Verifying CASF services rendered;
- Receiving payments from the CPUC; and
- Disbursing payments to the NIU Coalition.

The CPUC authorized KCCD to claim administrative fees for costs incurred for the above-mentioned services. Thus, upon receipt of claim

reimbursements from the CPUC, the fiscal agent sets aside a portion of the reimbursement for its administrative efforts, and disburses the remainder of the funds to the NIU Coalition.

California's One Million New Internet Users Coalition

The NIU Coalition conducts business under its business name, Community Union. The NIU Coalition's stated mission for the Consortia Program is to bridge the "digital divide." Through this program, the NIU Coalition proposed to educate more than 2,000 parents by, as provided in the grant agreement, providing computer network training, enabling the parents to improve their children's academic efforts.

Consortia Program-related grant activities include:

- Performing public outreach to create awareness of available opportunities via conference and community meetings;
- Consulting elected community officials and local school administrators and principals to help secure Empowerment Hubs for students to use;
- Conducting orientations, meetings with parents to inform them of the internet services and broadband resources that are available to them;
- Recruiting and training staff to lead the parents through the curriculum in the classroom and self-study settings;
- Conducting broadband training;
- Conducting graduation ceremonies; and
- Offering post-graduate workshops to those parents who complete the course.

CPUC's Audit Request

In January 2014, the CPUC became aware that the NIU Coalition curriculum had been reduced from 40 hours to 20 hours of parent training. Though the CPUC deemed the reduction of curriculum hours to be a major change, the NIU Coalition failed to submit these changes to CPUC for the required approval. The 40-hour parent training, per the CPUC, was the paramount objective of the NIU Coalition, necessary to lead parents to broadband adoption.

As the NIU Coalition did not request and receive advance approval for this curriculum change, the CPUC reduced the final grant year (Year 3) award from $150,000 to $95,440. The NIU Coalition disagreed with the CPUC's actions and requested that the full amount of the grant be reinstated.
In a letter dated December 17, 2014, the CPUC informed the NIU Coalition that, as a condition of reinstating the full award for Year 3, the CPUC would request that a third party conduct an audit to evaluate NIU Coalition's grant performance. Per the CPUC, Year 3 allocations would be adjusted pending the outcome of this third-party audit. Therefore, the CPUC requested that the SCO conduct this performance audit of the NIU Coalition's Consortia Program.

Objectives, Scope, and Methodology

The purpose of this audit was to evaluate the NIU Coalition's CASF grant performance; specifically, to determine whether (1) the NIU Coalition's accounts and records substantiated the level of agreed-upon Consortia Program's effort pursuant to the Consortia Program Action Plan (see Finding 3); (2) the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and (3) program expenses were substantiated with accounting records and source documents.

Audit methodology, through inquiry, observation, and test procedures, included:

- Reviewing grant provisions and applicable CPUC decisions, including applicable laws, rules, and regulations, to determine reimbursement eligibility;
- Conducting site visits to the KCCD and the NIU Coalition's business premises to gain an understanding of grant-related activities, internal control standards for administrative and accounting functions, and recordkeeping practices;
- Reviewing available broadband training materials and other documents that evidenced services and extent of services rendered;
- On a sample basis, inquiring of NIU employees and contractors to determine their understanding, roles, and responsibilities for the Consortia Program;
- On a sample basis, interviewing Consortia Program participants (parents) to determine the extent of program services received; and
- On a sample basis, examining available accounting records and source documents to substantiate claimed costs.

We conducted this performance audit in accordance with the generally accepted government auditing standards, issued by the Comptroller General of the United States. 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.

We did not audit KCCD or the NIU Coalition's financial statements. In addition to developing appropriate auditing procedures, our review of internal control was limited to gaining an understanding of transaction flow, accounting system, and applicable controls to determine KCCD and the NIU Coalition's ability to accumulate allowable Consortia Program costs. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the accounts and records substantiated the level of Consortia Program's agreed-upon effort; the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and program expenses were substantiated with accounting records and source documents.

Conclusion

We conducted an audit of the NIU Coalition's CASF-funded Consortia Program for the period of March 1, 2012, through March 1, 2015.

Our audit determined that the NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program-related activities and costs. The NIU Coalition's Consortia Program provided approximately 50%, or 20 hours, of the broadband instructional training, rather than the agreed-upon 40 hours. The NIU Coalition also did not provide complete records for review; therefore, we could not determine whether $182,801 of CASF-funded activities also were charged against other available grant funds. KCCD could not substantiate $46,621 of claimed administrative costs.

As mentioned below, the KCCD and the NIU Coalition disagreed with the audit results. The KCCD and the NIU Coalition provided additional documentation and explanation to support the questioned Consortia Program reimbursements. Except for $6,544 of KCCD's personnel costs for allowable activities (classroom training[2] totaling $4,800 and bookkeeping totaling $1,744), the audit results remain unchanged because:

- The KCCD and the NIU Coalition did not provide complete records, specifically bank statements and canceled checks, to substantiate that the Consortia Program costs were also not charged against the NIU Coalition's many other available grants of approximately half a million dollars.

- The KCCD's $46,621 ($53,165 less $6,544) of grant funds claimed for fiscal agent responsibilities remains unallowable because the additional documentation does not provide evidence of the allowable administrative activities noted in Finding 1 of this report.

[2] Included in NIU Coalition's Invoice to CPUC as trainer costs.

Views of Responsible Officials

We issued a draft report to the KCCD and sent a copy to the NIU Coalition on September 18, 2015. Via letter dated October 5, 2015, and through a series of emails from October 5, 2015, through October 19, 2015, the KCCD and the NIU Coalition provided additional documentation disagreeing with the audit results. Please refer to Attachment 1 for the draft report responses and our comments to these responses. In addition, Finding 1 through Finding 4 include KCCD and the NIU Consortia's responses and our comments to their respective responses.

Restricted Use

This report is solely for the information and use of the California Public Utilities Commission, the Korean Churches for Community Development, the California's One Million New Users Coalition, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

November 9, 2015

Schedule 1—
Summary of Allowable and Reimbursable
Consortia Program Costs
March 1, 2012 through March 1, 2015

Approved budgeted available funds				
Grant Year (March 1 to February 28)	CASF	Other	Total	Reference [1]
2012 - (Year 1)	$ 150,000	$ 236,653	$ 386,653	
2013 - (Year 2)	150,000	236,653	386,653	
2014 - (Year 3)	150,000	236,653	386,653	
	450,000	709,959	1,159,959	
% of available funds to total	39%	61%	100%	
Audited (allowable) program costs (Schedule 1B)			438,419	
Allowable program costs allocated to available funds				
CASF @ 39% (allocated allowable program costs)			170,983	
Other @ 61%			267,436	
Difference - CASF funds reimbursed over allocated allowable costs				
Amount CASF reimbursed (Schedule 1A)			353,784	
Allocated allowable program costs			170,983	
Difference - Excess CASF payments over allowable costs			182,801	Finding 4

[1] See the Findings and Recommendations section.

Schedule 1A—
Summary of Quarterly Claimed and Reimbursed Consortia Program Costs
March 1, 2012 through March 1, 2015

Grant Year	Grant Quarter	Claimed	Reimbursed [1]	Difference
2012 - (Year 1)	Quarter 1 - 03/01/12 - 05/31/12	$21,857.17	$21,857.17	–
	Quarter 2 - 06/01/12 - 08/31/12	$38,176.94	$38,176.93	$0.01
	Quarter 3 - 09/01/12 - 11/30/12	$33,597.88	$33,583.83	$14.05
	Quarter 4 - 12/01/12 - 02/28/13	$41,672.29	$41,419.07	$253.22
2013 - (Year 2)	Quarter 1 - 03/01/12 - 05/31/13	$34,378.02	$37,500.00	$3,121.98
	Quarter 2 - 06/01/13 - 08/31/13	$37,500.00	$37,500.00	–
	Quarter 3 - 09/01/13 - 11/30/13	$37,500.00	$37,500.00	–
	Quarter 4 - 12/01/13 - 02/28/14	$37,500.00	$37,500.00	–
				–
2013 - (Year 3)[1]	Quarter 1 - 03/01/14 - 05/31/14	$37,500.00	$37,500.00	–
	Quarter 2 - 06/01/14 - 08/31/14	$31,246.50	$31,247.00	$(0.50)
	Total	$350,928.80	$353,784.00	$(2,855.20)

[1] The CPUC withheld $96,216 ($450,000 grant award less $353,784 grant fund reimbursed) of allocated grant funds for the remaining two quarters of Year 3 pending results of this audit. No claims were submitted and approved for reimbursement for these quarters.

Schedule 1B—
Summary Claimed and Audited Consortia Program Costs
March 1, 2012 through March 1, 2015

Payee[1]	Audited[2]	Claimed[2]	Difference[2,3]	Reference
Coalition Members				
D F	$ 200	$ 1,477	$ (1,277)	
L O	68,105	39,073	29,032	
Subtotal- Coalition members	68,305	40,550	27,755	
Liaisons				
A O	37,306	39,109	(1,803)	
APCF	8,111	2,857	5,254	
J G	15,809	11,471	4,338	
Subtotal – Liaisons	61,227	53,437	7,790	
Lead Trainers				
F G	27,821	18,288	9,533	
N R	59,133	47,843	11,289	
T C	9,185	11,825	(2,640)	
Subtotal - Lead Trainers	96,138	77,956	18,182	
CU Trainers				
A M C	6,622	8,147	(1,525)	
A L	545	545	–	
A O	2,125	825	1,300	
A C	2,350	2,154	197	
A P	1,867	95	1,772	
A O	4,768	3,131	1,637	
A G	1,906	305	1,601	
B S	30	30	–	
C B	2,043	175	1,868	
C C	742	875	(133)	
D M	575	575	–	
D B	684	490	194	
D F	29,449	23,936	5,513	
D T	894	800	94	
D A	3,745	3,225	520	
E L R	4,729	585	4,144	
E G	3,681	2,620	1,061	
E G	1,800	1,650	150	
E P	806	828	(22)	
E M	1,563	1,828	(265)	
E W	2,315	2,420	(105)	
E M	450	360	90	
E R	240	240	–	
E M	11,280	8,395	2,885	
E O	1,540	1,480	60	
F M	2,528	2,200	328	
F R	4,643	4,475	168	
G R	110	70	40	
G I	434	390	44	
H D	3,228	3,278	(50)	
J R	150	310	(160)	
J R	5,319	3,932	1,386	
J S	2,912	1,285	1,627	
J R	2,723	2,355	368	
J N	1,019	1,310	(291)	
J M	3,294	2,897	397	

Schedule 1B (continued)

J A	1,440	1,540	(100)	
J C S	1,215	1,205	10	
J L	3,025	2,840	185	
J F	1,572	1,390	182	
J R	930	930	–	
K C	6,369	5,884	484	
K C	911	850	61	
L J	1,140	1,060	80	
L M	420	495	(75)	
L L	1,924	95	1,829	
L E	2,623	2,640	(17)	
M R	1,320	1,265	55	
M P	3,973	3,152	820	
M T	580	715	(135)	
M Z	2,000	1,750	250	
M G	728	640	88	
M L	455	505	(50)	
M U	3,405	3,499	(94)	
M A	2,024	1,470	554	
M V	750	850	(100)	
M P	5,587	2,694	2,893	
M O	1,745	1,765	(20)	
M R	585	585	–	
M H	3,908	3,065	843	
N T	1,729	1,720	9	
O M C	190	220	(30)	
R P	1,300	1,180	120	
S S	521	395	126	
S O	2,805	2,780	25	
S E	1,146	860	286	
V C	790	728	63	
J C	4,800	4,800	–	
Y M	1,359	1,125	234	
Subtotal – Trainers	**176,375**	**142,907**	**33,468**	
Others	34,630[4]	–	34,630	
Subtotal - NIU Audited and Claimed	**436,675**	**314,851**	**–**[3]	
KCCD – Fiscal Agent	1,744	48,365	(46,621)[3]	Finding 2
Grand Total	**438,419**	**363,216**	**(46,621)**	

[1] To protect personal and confidential information, individuals are identified only by initials.

[2] Rounded to the nearest dollar.

[3] Difference is due to NIU Coalition limiting the invoice amount, Schedule 1A, to what they can claim for that quarter, up to $37,500.

[4] The NIU Coalition provided checks totaling $34,630 for 13 payees that were not included in the claim.

Findings and Recommendations

FINDING 1— Inadequate administrative and accounting internal controls

The California's One Million New Internet Users (NIU) Coalition lacks adequate administrative and accounting internal controls to ensure proper accounting for the California Advanced Services Fund (CASF)-funded Consortia Program activities and program-related costs. Further, the NIU Coalition lacks proper accounting records and evidence of timely-prepared source documents for the CASF Program activities and related costs. These deficiencies are due to (1) inadequate oversight by the NIU Coalition's fiscal agent, Korean Churches for Community Development (KCCD), and (2) authority for making program-related operational and budget decisions is concentrated solely with one person, the NIU Coalition's co-founder.

KCCD is the fiscal agent for the NIU Coalition. KCCD, located in the City of Los Angeles, is a non-profit faith-based organization, with a stated mission to serve as a bridge between the Korean community and the greater populace and, through private and public collaboration, to promote local community participation, contribution, and influence through faith-based and community partnerships.

As the fiscal agent for the NIU Coalition, KCCD's CASF grant-related responsibilities include:

- Verifying that CASF program activities are in compliance with the California Public Utilities Commission's Resolution (CPUC) T-17355 and progressing according to the approved work plan milestones;
- Receiving and reviewing all claim requests for CASF reimbursement;
- Verifying CASF services rendered;
- Requesting program-related reimbursements and accepting payments from the CPUC; and
- Disbursing payments to the NIU Coalition.

We noted that NIU Coalition's business decisions were made solely by its co-founder. The co-founder prepared and/or approved accounting records and source documents, including time cards, and maintained these records as well as prepared invoices that were submitted via KCCD to the CPUC for reimbursement.

We also found that the NIU Coalition had other sources of funds for the Consortia Program. The NIU Coalition anticipated that approximately 39% of Consortia Broadband Adoption Program expenses were to be charged against the CASF grant and 61% were to be charged against "other funds." We were not provided with any accounting records or source documents relative to non-CASF funds in order to determine the proportion of program activities, costs, recordkeeping, and claims that may have been charged against other funds

During the course of the audit, we requested the CPUC-required accounting records and source documents. The NIU Coalition did not make available any records or source documents during the course of the audit; in fact, the source documents—specifically, time cards—were made available only after the initial audit results were shared with the KCCD and the NIU Coalition. The NIU Coalition has not maintained required accounting records, such as a general ledger. The time cards that were submitted after the audit were neither signed by the individual employees and trainers, nor were they approved by the NIU Coalition. There was no evidence to support that these time cards were prepared at the time the activities took place. Due to the lack of accounting records, and untimely and incomplete source documents, we could not readily determine the extent of Consortia Program activities and related costs. As a result, the audit required extensive and unnecessary test procedures, such as confirmations with service providers and service recipients, to determine the validity of claimed activities and related costs.

Prudent business practices require that a business entity establish a system of internal controls to help meet its goals. Practical reasons for establishing internal controls include the ability to:

- Have accurate information to carry out business operations;
- Safeguard assets and records;
- Promote operational efficiency by preventing unnecessary duplication of effort and waste in all aspects of business operations; and
- Ensure compliance with policies, business agreements, and laws and regulations.

CPUC Decision 11-06-038, section 5. Amount of Grant Funding Allocations states, in part:

> An applicant is required to keep detailed records, i.e., invoices and receipts, of each program element as specified below. These program elements must, in turn, be supported by an attached Action Plan and Work Plan, as well as execution of a Consent Form

CPUC Decision 11-06-038, section 6.4.4 Assignment of a Fiscal Agent states, in part:

> Each regional Consortium must retain at least one Fiscal Agent with lead responsibility and legal authority to represent consortium for purposes of sponsoring the application, and for administration of Consortium activities, including receipt and disbursement of Consortium grant funds. In any event, the Fiscal Agent must affirmatively agree, on behalf of the Consortium, to comply with the Commission's directives and conditions relating to the review , approval, and administration of any Consortia application grants. This requirement is to provide assurance that Consortium members or contractors retained by the Consortium are capable and committed to delivering on the commitments to be funded.

CPUC Decision 11-06-038, section 8. Oversight of Consortia Activities Subsequent to Grant Approval states, in part:

> Grant funds will be disbursed in accordance with, and within the time specified in, California Government Code Section 927. The Commission's Communication Division has the authority to initiate any necessary audit, verification, and discovery of Consortium members relating to grant funding activities to ensure that CASF Consortia grant funds are spent in accordance with the Commission's adopted rules and standards. Each Consortia grantee shall maintain books, records, documents, and other evidence sufficient to substantiate expenditures covered by the grant, according to generally accepted accounting practices. Each Consortia grantee shall make these records available to the Commission upon request and agrees that these records are subject to a financial audit by the Commission at any time within three years after the Grantee incurred the expense being audited. A Consortia grantee shall provide access to the Commission upon 24 hours' notice to evaluate work completed or being performed pursuant to the grant.

The CPUC's CASF payment letters issued to KCCD stipulate:

> ….all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions….

Recommendation

If the NIU Coalition were to continue participating in the State-funded programs, we recommend that the NIU Coalition establish and adhere to policies, procedures, accounting records, and internal control standards to ensure that program-related costs are adequately supported, authorized, approved, recorded, and claimed. Doing so will ensure that future grant funds are used for reasonable, allowable, and necessary program-related costs.

NIU Coalition's Response

The NIU Coalition provided an extensive response to the draft audit report. Please refer to Attachment 2 for the response. Responses 29-33, as delineated below, are the NIU Coalition's responses related to this finding.

> 29. False Statement of facts. SCO attempts to apply a standard that was not used in the contract, albeit documents existed, "source documents" used for reimbursement purposes were the actual invoices of the consultants used in the contract to provide the services. Much like a carpet layer, painter, roofer, consultants provided invoices for work performed. These invoices were then compiled into a reimbursement package submitted to the CPUC. The invoices contained elements found to be acceptable to the PCAOB. The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports:

a. Who Performed the work
b. The dates in which said work was performed
c. The persons who reviewed the work
d. And the date of the review
e. We do not argue that the SCO may want to see the source – source document, albeit not a requisite established between the CPUC and KCCD in their process of reimbursement.
f. We provided said documents to the SCO as they requested in addition to the source documents originally provided
g. SCO misstated the facts when it says source documents were not provided, approximately 490 invoices from Trainers (consultants) were given to SCO upon their first visit.
h. In fact the SCO built a schedule using these invoices and later presented that schedule to us shortly after their first visit to Community Union, clearly showing that the SCO misstates the facts when it says no source documents were provided.

30. See Exhibit B, email sent to SCO on 6/10 with Statements attached. SCO denies receiving said documents despite it going to two different persons, neither received documents.
    a. We are resubmitting PL and GL information from Community Unionp
31. The SCO misstates the facts all documentation was provided to SD:
    a. The details of each quarter's reimbursement package were provided. This document references a separate document named Source of Draft Audit, in it are highlights of specific phrases and sentences in the Draft Audit Report accompanied by a number. Those numbers refer to the numbered items below. For example #1 on Source of Draft Audit document refers to response provided in number 1 of this report.
    b. In these detailed quarterly reimbursement packages are the source documents articulating the exact extent of Consortia Program Activity
        i. Number of meetings conducted with whom
        ii. # of media impressions and by whom
        iii. # of graduation ceremonies and by whom, when address of sites where training and promotion were taking place
        iv. Names and contract information of actual persons participating in course,
        v. Sites from where these participants attended these courses
        vi. Invoices (source documents) showing costs incurred to manage programs
        vii. Detailed results of performance against stated work plan goals
32. We do not agree with SCO's characterization of certain test procedures being unnecessary.
    a. SCO demanded detailed contact information on participants of program, NIU objected, but acquiesced to their requirement.
    b. Given the SCO went through the exercise confirming with service providers and service recipients that NIU actually provided said services, the SCO should state outcomes of those exercises.

i. Detailing who they contacted and the specific results from each of these contacts, thereby being in a position to articulate a conclusion for which they are saying were unable to reach relative to the activities that took place.

ii. Having the contacts and having made contact with this group acts as evidence to contradict SCO's position "not having support needed to substantiate NIU activities."

iii. Either they did contact recipients and service providers and thereby had the evidence to substantiate NIU activities or

iv. Did not contact recipients and service providers.

33. The CPUC and NIU as well as other consortia groups met extensively and had a heavy load of document exchange prior to the arriving at the current procedure of reimbursement package submission. The procedure mutually agreed upon to meet the requisite of all citations made by the SCO: CPUC Decision 11-06-038 sec. 5, 6.4.4 and 8.

a. NIU maintains the requisite of providing source documents was met through our initial feed of documents to the SCO.

b. The fact that the SCO wanted the source of the source documents from the subcontractor is a very different situation than saying source documents were not provided.

c. In fact, the source of the source documents were provided upon the SCO's request.

SCO's Comment

The finding remains unchanged. Please also see Attachment 1 for additional responses to these comments. Our responses below are specific to Finding 1, Inadequate Administrative and Accounting Internal Controls. The finding describes our initial observations and the alternative audit procedures we performed to substantiate the Consortia Program costs.

The NIU Coalition agrees that the Consortia and the KCCD lacked the proper internal control and it does intend to create processes that "show clearer lines of separation of duties" (Comment 25 (b)).

The NIU Coalition disagrees with the finding, specifically arguing that the accounting records and source documents were made available for the audit. The KCCD and the NIU Coalition did not provide accounting records and source documents during the audit. In fact, records were made available after the audit results were discussed at the exit interview. The audit explains the lack of accounting records and lack of evidence to substantiate contemporaneously prepared source documents.

After reviewing the records provided, we could not dispute that the Consortia Program activities and related expenses were incurred. We determined that there was lack of agreed-upon training effort (Finding 3), and that due to incomplete accounting records and source documents (Finding 4), we could not determine if the grant-funded expenses were also paid by other grants and funds.

FINDING 2—Unsupported administrative costs claimed

KCCD claimed and received $53,165 of CASF grant funds for administrative (overhead) costs. Our audit initially found that KCCD had neither accounting records nor source documents to substantiate the program activities and related costs. Upon discussing the initial findings during the audit, KCCD shared an allocation methodology to substantiate an approximation of actual costs incurred for the Consortia Program. KCCD attested to providing the following program-related services:

- Conducting computer classes at the 1736 Family Crisis Center
- Hiring staff
- Preparing for computer classes
- Recruiting and coordinating trainers
- Administering and documenting a student database
- Hosting and preparing graduation classes, graduation programs and certificates
- Marketing and performing outreach, including an "email blast" and distribution of flyers
- Performing accounting tasks, including reporting and documentation, submission, review and payments, and reimbursement of checks

Our audit determined that the estimated administrative costs claimed were reasonable, as these were primarily an allocation of KCCD's administrative costs over its various grant and community-funded activities. However, except for submitting the NIU Coalition-prepared claims to the CPUC, receiving reimbursements, and submitting proceeds to the NIU Coalition, the KCCD did not provide any records to substantiate the remainder of the above-described program-related activities.

We found that the activities described above were performed by NIU coalition staff members—specifically, the co-founder, vice president, and lead trainer. These individuals recruited and hired staff, prepared computer classes, trained trainers, maintained a student database, coordinated graduation ceremonies, and performed recordkeeping functions. The KCCD did not provide any records that substantiated that it also performed these activities. Thus, while the allocated administrative costs appeared to be a reasonable estimation of overhead costs, we could not determine whether KCCD actually performed the program-related activities. We could not determine the extent of overhead costs incurred by KCCD for submitting the NIU Coalition-prepared claims to the CPUC and receiving/distributing CASF funds.

KCCD disagrees with the audit results and asserts that accounting records and source documents substantiate administrative activities and related costs; its response to this draft report, in part, may include those accounting records and source documents that substantiates its position.

As discussed below (SCO's Comments), the KCCD provided additional documenation to substantiate $6,544 of Consortia Program–related costs. Hence, the unsupported administrative costs have been reduced to $46,621.

CPUC Decision 11-06-038, 8. Oversight of Consortia Activities Subsequent to Grant Approval states, in part:

> An applicant is required to keep detailed records, i.e., invoices and receipts, of each program element as specified below……Funds will be disbursed in accordance with, and within the time specified in, California Government Code Section 927. The Commission's Communication Division has the authority to initiate any necessary audit, verification, and discovery of Consortium members relating to grant funding activities to ensure that CASF Consortia grant funds are spent in accordance with the Commission's adopted rules and standards. Each Consortia grantee shall maintain books, records, documents, and other evidence sufficient to substantiate expenditures covered by the grant, according to generally accepted accounting practices. Each Consortia grantee shall make these records available to the Commission upon request and agrees that these records are subject to a financial audit by the Commission at any time within three years after the Grantee incurred the expense being audited. A Consortia grantee shall provide access to the Commission upon 24 hours' notice to evaluate work completed or being performed.

CPUC's CASF payment letters issued to KCCD stipulate:

> ….all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions….

Recommendation

We recommend that the CPUC take appropriate action.

KCCD's Response:

> Specifically, we disagree with your statement, found on page 1 of your report that states – "KCCD lacked accounting records and source documents to substantiate $53,165 of KCCD's Costs". On Page 12 of the report, you finding #2 provides more detail for KCCD's scope of work but again we would have to disagree with your fallacious conclusion that "KCCD did not provide any records to substantiate the remainder of the above described program related activities".
>
> For the second time, we are again providing the source and back up documents that substantiate our $53,165 claim. Please find attached:
>
> 1. Program and administrative cost file with CASF outcomes. Originally Submitted 5/25/15.
> 2. Backup Payroll Registers originally submitted 5/27/15.
> 3. Organizational actuals originally submitted 6/29/15. This file contains time allocations.
> 4. Financial Statements for 2012 and 2013 (audited) originally submitted 7/6/15.
> 5. In addition we are not able to submit our audited financials for 2014.

NIU Coalition's Response

Response 34 – Attachment 3

Contradiction in fact: SCO states they had no evidence to substantiate KCCD activities. Documentation provided on two occasions was given to SCO. A third attempt will be made with the submission of these responses.

SCO's Comment

The KCCD provided additional documentation and explanation to support the questioned Consortia Program reimbursements. Except for $6,544 of the KCCD's personnel costs for the allowable activities of classroom training[2] ($4,800) and bookkeeping ($1,744), the audit results remain unchanged because the additional documentation does not substantiate grant-related fiscal-agent responsibilities. Instead, these costs are associated with Consortia Program Tasks 1, 2, 3, 4, and 6 (Attachment 5); the CPUC has approved all of these tasks as responsibilities of the NIU Coalition and not of the KCCD.

Furthermore, while KCCD's documents indicate the Consortia Program activities, the audit could not determine if the KCCD incurred the remainder of the $46,621, representing approximately 10% of the $450,000 CASF grant fund the for activities that included: Graduation, Planning Hiring Staff, E-mail Blast, Flyers/Promotions, Elected Official Certificates, Graduation Preparation and Ceremony, Make and Review Reports, Video and Pictures, and Review Classes. The NIU Coalition time records suggest that these activities were the responsibility of the Consortia.

FINDING 3— Unapproved changes made to 40 hour Grant objective without prior CPUC approval

In its required Consortia Program Action Plan to the CPUC, the NIU Coalition agreed to provide seven distinct types of Consortia Program services (approved activities), as follows:

1. Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings.
2. Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members. Get signed MOUs to guarantee the set-up of permanent Internet access points (Empowerment Hubs).
3. Parent Orientation Meeting: Meet with Parents and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources.
4. The One Million NIU model creates jobs through the Train the Trainer program. College students and One Million NIU alumni (parents graduating from the NIU program) in cooperation with Workforce Development/Worksource Centers, are trained as trainers in an intense 40 hour Train the Trainer program. Trainers are then deployed to Empowerment Hub sites to deliver training to the parents and other adult community members.

[2] Included in NIU Coalition's Invoice to CPUC as trainer costs.

5. Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs. School Site, NPO, Church, Community Center Materials
6. One Million NIU Graduation Ceremony – huge press event, provides momentum to expand model in other schools, community-based organizations, churches and community centers.
7. Conduct post One Million NIU Graduate workshops, where NIU Graduates engage in email exercises, mobilizing on current issues e.g. education, immigration, economics, etc.

As a result, the NIU Coalition received grant funds, primarily to provide 40 hours per participant of Broadband Adoption training. However, approximately 20 hours of in-classroom training for "Parent Engagement through Technology Sessions" were provided; this amounts to 50% of the stated objective, as agreed upon with and approved by the CPUC. The NIU Coalition failed to notify the CPUC and obtain approval for the revised curriculum and service reduction.

Our inquiries with NIU Coalition co-founder, trainers, and sampled participants revealed that seven three-hour training sessions were provided. The trainings were based on classroom materials and curriculum designed by the NIU Coalition's lead trainers. Per the NIU Coalition co-founder, while the NIU Coalition did agree to provide 40 hours of training, the 20-hour classroom sessions achieved the desired results. The Co-Founder stated that the students did receive the adequate training, but for only approximately 50% of the time, and any savings of time and effort were then used for other allowable activities such as follow-up with students.

The CPUC-Approved Work Plan of January 2012, (the same work plan that was submitted and approved for each of the three years in the grant-funded period) Activity 5 states, in part:

> Conduct the 40-hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs. Performance Measure(s): Annual Target number of Parents to complete the 40 hours of training: 790.

CPUC Decision 11-06-038, Section 10. Execution and Performance states, in part:

> …Should the recipient or its contractor fail to commence work at the agreed upon time, the Commission, upon ten business days written notice to the CASF Consortia Grant Account recipient, may terminate the award. In the event that the CASF Consortia Grant Account recipient fails to complete the project, in accordance with the terms of approval granted by the Commission, the recipient will be required to reimburse some or all of the CASF Consortia Grant Account funds that it has received. Any changes to the substantive terms and conditions underlying Commission approval of the Consortium grant (e.g., changes to Action Plan, Work Plan, budget or designated Fiscal Agent, etc.) must be communicated in writing to the Communications Division Director at least 30 days before the anticipated change, and may be subject to approval by either the Director or by Commission resolution before becoming effective. . . .

Recommendation

We recommend that the CPUC take appropriate action pursuant to CPUC Decision 11-06-038.

NIU Coalition's Response

> The NIU Coalition provided an in-depth response to the draft audit report. Please refer to Attachment 2, for a full content of these responses. Response 35, as described below, is the NIU Coalition's disagreement to this finding.
>
> SCO misstates the facts. See response #4 above.
>
> a. SCO makes NIU's point from above that the training (40, 30 ro 20 hours) is only one of seven other activities.

SCO's Comment

The finding remains unchanged. The audit results do not state that the Consortia did not provide services as they relate to the other six of the seven activities. The audit exception discusses deficiencies for a specific task, Activity 5.

Please refer to Attachment 1 for additional NIU Coalition responses and our comments to these responses.

FINDING 4— Repeated recovery of Consortia Program costs

In all, the CPUC paid out $353,784 of CASF funds to the NIU Coalition for the Consortia Program expenses. Our audit initially determined that the CPUC reimbursed approximately $185,353 in CASF funds for Consortia Program expenses that may have been charged to other NIU Coalition funds. As a result of additional allowable costs of $6,544 CASF's overpayment has been reduced to $182,801.

The available cancelled checks and KCCD's records showed expenses of $438,419 for Consortia Program-related expenses for the audit period (Schedule 1B). Of these expenses, the NIU Coalition submitted invoices for reimbursement for approximately $363,216. The NIU Coalition requested CASF quarterly draws of approximately $37,500, ($150,000 annual contribution equally allocated for each quarter).

The NIU Coalition submitted to the CPUC the required Consortia Program Action Plan identifying activities and their related costs for each of the Consortia Program tasks. As illustrated in the table below, approximately 39% of Consortia Program expenses were anticipated by the NIU Coalition to be charged against the CASF grant, and 61% to be charged against other funds. The NIU Coalition did not make available accounting records and/or source documents for any other funds; therefore, we could not determine whether the CPUC-reimbursed program costs also were charged against other funds.

As there were no accounting records available to determine if these CPUC-reimbursed program costs were charged against other funds, we used the best available means to approximate Consortia Program costs eligible for

reimbursement. Thus, while we do realize that the Action Plan budget contained projected and invisible costs, as explained below, we have only this budget as a sole source by which to determine how the Consortia Program costs would have been allocated by the NIU Coalition, given their planned spending habits. Therefore, while not a perfect methodology, we are using the percentages presented in the aforementioned table to allocate CASF program costs.

Absent accounting records and source documents for expenses charged other funds, we estimate that the CASF reimbursement should have been approximately $170,983 rather than $353,784, a potential overpayment of $182,801.

Budgeted CASF and Other Funded Consortia Program

Fiscal Year	CASF	Others	Total
2012	$ 150,000	$ 236,653	$ 386,653
2013	150,000	236,653	386,653
2014	150,000	236,653	386,653
	$ 450,000	$ 709,959	$ 1,159,959
	39%	61%	100%

The NIU Coalition disagreed that the CASF funds were overcharged, arguing that the approved budget included non-cash service values, meaning many of the costs such as Task 1, Media Blast for Program Awareness, and Task 5, Empowerment Hub for Training Centers, while necessary for the Consortia Program, were received at no cost to the NIU Coalition; in fact, the NIU Coalition determined and assigned monetary values for these donated or no-cost services. The NIU Coalition did acknowledge that in addition to the consortia grant funds, there were other grants which, in part, also paid for the Consortia Program's actual costs incurred.

In order to determine the extent of other funds and grant funds and related expenses charged against these respective grants we requested, but the NIU Coalition has been unable to provide, bank statements and account records for other grant fund charges to substantiate the extent of Consortia Program expenses eligible for the CASF grant reimbursement.

CPUC Resolution, R-10-12-008, states in part:

9. Each application must include an Action Plan and Work Plan which provide at a minimum, the information and disclosures set forth in Attachment A, B, C hereto. A Work Plan must be submitted for each funding year, e.g., Work Plan Year 1, Work Plan Year 2, Work Plan Year 3.
10. Each application must include a budget of planned activities, a designated Fiscal Agent, and an affidavit attesting to the application's truth and accuracy. A budget must be submitted for each funding year, e.g., Budget Year 1, Budget Year 2, Budget Year 3.
11. Any proposed consortium budget must expressly exclude any costs for activities or programs within the consortia region that are

> separately funded from any other sources in order to ensure that California Advanced Services Fund (CASF) grants do not duplicate funding from any other source. Any proposed consortium budget must be accompanied by a description of any and all existing broadband adoption or deployment activities funded by any other state or federal grants or by any other sources within the region covered by the consortium application, together with supporting detail necessary to confirm that the CASF consortium budget does not duplicate any such finding.

CPUC CASF payment letters issued to KCCD state:

> ….all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions. . . .

Recommendation

We recommend the CPUC take appropriate action.

NIU Coalition's Comments

The NIU Coalition provided an in-depth response to the draft audit report. Please refer to Attachment 2 for the full response; the responses below are specific to this finding.

40. Cancelled checks represented what was billable to the CASF contract. It is NOT as the SCO suggest, representative of all consortia costs.
    a. All consortia related program costs were submitted to the SCO via email, See Exhibit B and will again be provided in this response.
41. The year stated in the report is incorrect, should be 2014.
    a. We are most disappointed with the lack of integrity and attention to detail the SCO has brought to this audit. SCO has missed emails, out and out memory failures as it relates to supporting documentation, submitted on multiple occasions, to the very most elementary detail that even a 6th grade student would better. Albeit a simple typo, by itself, harmless, but when combined with missed data, wrong calculations, is speaks volumes as to the overall integrity.
42. The protocol for the $37,500 was setup by CASF. NIU was only following this protocol.
43. GL and PL sent, See Exhibit B below.
44. SCO misstates the test. By their own account SCO was to determine if costs were allowable, not to determine how costs were applied to the in-kind commitment NIU made as part of the grant agreement.
    a. SCO makes big error in reversing the how the funding was made. By stating Other Grants(in-kind contribution made by NIU to the grant) were to be paid first then CPUC costs would

be reimbursed, totally reverses the process which CPUC and NIU agreed to work under this contract.

45. We do not understand what SCO means by invisible costs. We request SCO to elaborate.
46. SCO erroneously implies "the extent of consortia Program Expenses eligible for CASF grant reimbursement" is contingent on what other grant charges covered or did not cover.
    a. The SCO attempts to apply a fixed percentage to be applied, after all other funding sources have been paid, to the overall costs incurred that the CPUC would reimburse on. When no such statement exist in the contract agreement or Rules in the entire CASF contract.
    b. The SCO erroneously implies such a relationship exist when not such think is stated or implied in the contract. What is stated is that 69% is expected to be covered through other sources be it in-kind or cash grants.
47. We are unsure why the SCO chose no-costs services. We are unfamiliar with this word and would suspect readers of the report would be unfamiliar as well. As such we ask the SCO to use the term in-kind contribution, a generally accepted accounting principle term, commonly used in grant administration and budgets.
    a. SCO attempts to in their statement to show that it is uncommon, or unique for values to be assigned to in-kind contributions where in fact it is very common.
    b. In the case of NIU's budget line item **NIU Sites** an approximate value for this in-kind contribution is ($2,000 per site). NIU Site covers building, security, computer, Internet, programs, desk, chairs, lights, insurance, parking, and printer. If NIU was to purchase the utilization of these items over the period of a 1-2 month course, it is estimated to cost approximately $2,000.
    c. When taking the 126 sites used during the delivery of the courses, multiplied by the cost factor $2,000, you arrive at a total value of $252,000. A considerable value NIU has brought to the delivery of the services that should not be discounted or misnamed as something insignificant by the SCO.
    d. This misuse of terminology in this case speaks to the lack of integrity the SCO carries in this Audit.
    e. And although a check is not physically written for in-kind contributions, the Goodwill (a bookable generally accepted accounting principle term) should be weighed in the SCO calculations.
48. NIU, through financial Statements provided to the SCO and in comparison to the budget attempted to make clear that CPUC's contribution was only a percentage of funding provided to cover the overall costs incurred with delivering the program.
    a. We made clear to the SCO that as part of the contract NIU was responsible for finding funds necessary to cover costs not covered by the CASF grant and that it was contractually specified.
49. We asked that the SCO explain why they are including excerpts from CPUC Res. R-10-12-008. Is this a finding? There is no connection that is being made here.
    a. NIU has met all three pints within this Resolution. For example in #11, NIU's budget clearly separates CASF from Other

Funding. There are clear descriptions of what Other Funds will support and the exact amounts of Other Funds.

SCO's Comment

The finding primarily remains unchanged, except for an additional allowance of $6,544 in allowable costs.

As a result of additional allowable costs of $6,544 CASF's overpayment has been reduced to $182,801. We concluded that there was lack of complete records; thus, we could not determine if the grant-funded expenses were also charged against other funds. Subsequent to the exit interview, the NIU Coalition agreed to provide cancelled checks and bank statements to substantiate other sources of funds, grants, etc., and their respective expenses.

The NIU Coalition has not made any such records available. The NIU Coalition made available what appears to be another check register; we performed a cursory review of this document and identified approximately half a million dollars in cash proceeds that appeared to be in addition to the Consortia grant contributions. Revenue sources included the AT&T Grant and several contributions from the surrounding school districts. These amounts are in excess of the $438,419 (Schedule 1B) Consortia Program expenses. Without a complete record, we cannot determine if the expenses charged to the CASF grant were also recovered from these many other available sources of funds.

The reference to the CPUC Resolution R-10-12-008 denotes the CPUC's Order (Authority). This document represents the rules, regulations, and guidelines that govern the Consortia Program. The reference to this resolution in the report provides the bases for this audit finding by assessing audit observations against these applicable set of rules.

Attachment 1—
Summary of SCO's Comments to NIU Coalition's Response

Issue	*NIU's Coalition's Response*	SCO's Comment
1.	*The NIU Coalition is KCCD, Community Union, SEA, BBA and APCF. There is no entity named NIU Coalition and therefore should be corrected. The SCO requested audit records from KCCD the primary contractor (fiscal agent) to the CPUC-CASF grant and Community Union, a subcontractor in this endeavor, using KCCD as the fiscal agent.*	The audit report identifies the NIU Coalition not as an entity, but as a Consortia, formed by KCCD and NIU.
2.	*Request SCO to correct Audit Period end date to September 30 2014. In all references relative to the Audit Period the SCO must correct this date. No records were asked for or provided after September 30, 2014 period.*	The CPUC requested that the SCO conduct the audit for a specific time period to include all claims submitted and paid through March 1, 2015. The audit report also clarifies that claims for the last two quarters; September 1, 2014, through March 1, 2015, were not included in the audit scope, as these claims have neither been accepted nor paid by the CPUC.
3.	*Xx*	No Comment
4.	*SCO makes blatant mischaracterization of the facts that is the first of many errors we intend to reveal, made during this audit by the SCO.* *a. There is but one reference to the number of hours in the contract. It is in title only, and only a placeholder used to state classes would be conducted. This title represents one of several curriculums NIU uses in the delivery of Training. As will be stated later in this section of our responses, CPUC staff approved the delivery of training would be left to NUI's discretion.* *b. CPUC has little to no expertise in the area of Broadband adoption and is compelled to defer to the expertise of the contractor.* *c. See email Exhibit A below.* *d. Type of training, hours, curriculum, outcomes are not stated. The SCO is in error to imply a specific curriculum with hours and outcomes were submitted and/or incorporated into the contract.* *e. NO SUCH document was ever submitted or incorporated into the contract.* *f. Furthermore, the SCO omits a key fact that the conduct of courses is but one Activity of a total of 7 Activities to be conducted during the contract, and represents only 16% of the overall Activities to be performed in the contract.* *g. The SCO, in their omission of these materials facts lead the reader to believe that Activity V (Training) is the sole Activity for which NIU was contracted to perform, when in fact it only represents 16% of what NIU was contracted to perform under this CASF contract.* *h. The SCO has reviewed the budget at length and in the budget it is clearly articulates the 7 Activities and what percentage they are to the overall contract.* *i. SCO statement explicitly states all courses were 20 hours, this is a false statement and contradicts the source documents provided to the SCO, as well as CPUC's stipulated position on number of hours of training conducted in Training by NIU.* *j. CPUC stipulates in a letter sent to KCCD, "some courses were conducted at 40 hours, where others appear to have been conducted at 20 hours." This directly contradicts the SCO statements, and further questions the integrity put forth in this Audit by their office.* *k. The data provided (Source Documents) to the SCO on Start Dates, End Dates and Graduation Dates, hours of classes and number of days, number enrolled, etc. on courses conducted show that courses were offered at varying hours,*	Please refer to Finding 3, SCO's Comments.

	40, 30, 20 hours. *l. Finally, even if what the SCO states about 20 hours is true, "all courses were conducted at 20 hours," we have an email from CPUC staff representative, Ms. Angel Ahsam, confirming a conversation, the reviewing of a letter from KCCD and an approval of the flexibility in how courses would be delivered was granted.* *m. Ms. Ahsam reaffirms there is no stated or incorporated curriculum, set hours, specific outcomes by directing us to make changes only to budget based on our conversation. That conversation between Larry Ortega and Ms. Ahsam stated the various courses we would offer, and the need for the flexibility in how we achieved the ultimate desired outcome of* ***broadband adoption.*** *n. The conversation with Ms. Ahsam included information about the Technology Redeployment Program, a 30 hour program, the Civic Engagement through Technology program a 20 hour program, the Quick Start to Technology Engagement Program, a 20 hour program.* *o. Never did Ms. Ahsam say submit new curriculum or outcomes, because there are none that were submitted or incorporated into the contract in the first place.* *p. The SCO statement implies that curriculum, outcomes and hours in-class were part of a contractually approved curriculum. This is false.*	
5.	*During the Exit Interview with SCO, KCCD indicated that supporting documentation had been previously sent. SCO denies receiving these source documents from KCCD.* *a. Ther eis an email proving information was sent with a date, approximately 2 weeks prior to the Exit interview.* *b. Again KCCD during the Exit Interview provided the hardcopy documents to the SCO. The SCO acknowledged receipt and stated in the Exit Interview meeting that they would remove this finding.* *c. This Final Draft was received, this finding remained. We ask the SCO to remove this finding as they had already committed to doing.*	Please see Finding 2; the audit determined that the estimated administrative charges were reasonable; however, the KCCD lacked records to substantiate Consortia Program-related activities, meaning no evidence was provided to substantiate that KCCD also performed the said activities. Please refer to Finding 2 for detailed discussion of the activities in question.
6.	*The SCO omits CASF grants also provided to CBO's, not only telephone companies. We ask the SCO to state the entities to whom CASF is able to provide grants to.*	The reference to "telephone" companies is correct, as they have been charged with the responsibility for collecting CASF surcharges. The CASF funds are then used for many other purposes, such as: the CASF and CBO- Community Business Organizations.
7.	*SCO acknowledges the interconnectedness and inseparability of each of the Activities in the Work Plan as incorporated into the contract. Furthers the claim that the SCO errored in attempting to exclude 6 of the 7 Activities above in Number 4,* *a. Here they site Work Plan and the interconnectedness of the Activities. One cannot be accomplished without the other, as the work plan implies.*	The audit report does not conclude that the Consortia Program activities are interconnected or are inseparable. Please see our comments to Response 4. Finding 3 of this report identifies NIU Coalition's Consortia Program activities.
8.	*The SCO, in error, attempts to paint a picture that shows all agencies were funded to do the same Activities, and therefore would be held to the same standards of evaluation on performance.* *a. The second sentence fails to mention this is NIU contract language.* *b. Using the first sentence in this paragraph implies, erroneously, that all 16 grantees have the subsequent sentences in their contracts.* *c. NIU is the singular agency funded under CASF to specify*	The audit report has been clarified to discuss the Consortia Program to include broadband adoption (training) and deployment (building structure) activities. Each participating Consortia was required to provide a work plan for the Consortia Program-related adoption and deployment activities. The NIU Coalition requested and was granted CASF funds for training-related activities.

	such great detail, *d. No other agency funded under CASF went into such great detail whatsoever, on the type of training they would provide.* *e. No other agency was being held to any standard on number of training hours or outcomes achieved. Those agencies that did state hours of training, typically had one day seminars, one hour trainings, and the like.* *f. We request that SCO make this statement clear and not lead the reader to believe all other funded agencies were treated the same as NIU, or had same contract language as NIU.*	
9.	*Set asides does no accurately describe the accounting flow KCCD and NIU Coalition members used. KCCD payments were reimbursements for real costs incurred, supported by payroll repots and time allocation schedules, submitted as part of the overall reimbursement package. The process went as follows:* *a. Reimbursement Requests are submitted;* *b. KCCD and Community Union show costs incurred via invoices, payroll reports and receipts;* *c. The costs incurred by KCCD during the period for which we submit reimbursement on is included; The KCCD costs are a specific amount, associated with specific time spent on the contract, reflected in the payroll reports and included in the reimbursement package* *d. Upon CASF payment received by KCCD, checks are dispersed according to the reimbursements submitted by the agency.* *e. It is not as the SCO states "set asides".* *f. The money retained by KCCD is payment for claims made in the reimbursement package. As supported by specific detailed source documents.*	Please refer to Finding 3; the audit properly describes the grant fund reimbursement KCCD retained for administrative costs.
10.	*The SCO misstates the relationship, and remaining subcontractors in the grant.* *a. Community Union is the subcontractor in the grant* *b. The NIU is the name of the consortia who is APCF, BBA, SEA, KCCD and CU,* *c. The consortia as a whole par took in collaborating and providing service at varying levels to accomplish the goal of the grant* *d. This has been explained to the SCO and is clearly indicated in the grant application and contract, please refer to CPUC CASF website.*	The audit report notes that the NIU Coalition did business under the name Community Union; please see Comment 1. The claims to CPUC included documents identifying the Community Union as the business conducting the NIU Coalition's Consortia Program activities.
11.	*The SCO acknowledges there are 7 inseparable, interconnected Activities associated with NIU grant activities, but fails to note the percentage each activity represents to the overall activity.* *a. This omission is a critical omission, that if stated would lead the reader to understand the SCO's finding is but 16% of the overall services to be delivered* *b. Also the SCO does not connect Activity V here with their finding #2 on 40 hours.* *c. Not connecting Activity V here with the 40 hours Finding above, misleads the reader by giving the assumption they are not connected, when in fact they are inseparable and brings accurate perspective to this finding.*	The narrative in Finding 3 delineates the Consortia Program activities; the purpose of this narrative was not to explain or quantify the extent of each task compared to the Consortia Program in its entirety.

12.	*SCO misstates the facts, documented evidence via an email to CASF and acknowledgment of telephone conversation implies specific discussion and agreement from CASF on enhancing and making more robust the specifics of Activity V as it relates to the Other 6 Activities.* *a. NIU Coalition in several meetings and telephone conversations made the SCO aware of this fact, yet despite verified evidence to the contrary the SCO in what cold be nothing other than blatant incompetency, maintain a baseless position.*	The email messages and other discussions in or around August 2012, per CPUC, were as a result of many discussions between the CPUC and the NIU Consortia; all of these discussions lead to the approved annual work plans. The NIU Consortia agreed to provide the Consortia Program related services as delineated in the CPUC approved work plan (proposed performance). Subsequently, the CPUC, when it became aware of the lack of compliance with the work plan, notified the KCCD and the NIU Coalition. The CPUC's July 22, 2014 and December 17, 2014 letters to the KCCD and the NIU Coalition (Attachment 4) state that the Consortia was not in compliance with the proposed 40 training sessions. These letters further advise that the reduction to proposed 40-hour training sessions did not meet the standards and were a major change requiring CPUC approval. The KCCD and the NIU Coalition did not request, and the CPUC had not approved, this major change to the proposed work plan. The attached letter also explains grant reductions as a result.
13.	*NIU Coalition maintains this statement is an obvious contradiction to the facts given the aforementioned "program related grant activity" the SCO cites above* *a. NIU maintains that changing 1 of 7 of the Activities does not constitute major change* *b. and goes to SCO's lack of understanding on grant purpose "Broadband Promotion and Adoption"* *c. which necessitates the inseparable activities outlined in the work plan (1-7)*	Please see Comment 12, above.
14.	*There can be no change in curriculum if there was NEVER any curriculum submitted initially.* *a. There is no curriculum incorporated into the contract.*	Please see Comment 12, above.
15.	*SCO erroneously expresses grant was reduced due to reduction in hours in the singular Activity of Activity V, this statement contradicts the facts:* *a. CPUC initially reduced grant amount by $100,000 in 2013 citing lack of NUI meeting goals.* *b. Then when NIU met the stated goals in the contract, CPUC restored $50,000 citing they were still unconvinced we would attain all goals, this communication from CPUC is dated late 2013.* *c. CPUC in their communication stated they were still unsure is NIU would meet stated future goals and therefore would leave reduction in place pending review of performance against stated goals.* *d. Subsequent to CPUC's approval of intra-budget categorical shifts in budget line items, NIU for Y3 to show modifications in work load, who would be doing what. Specifically less activity would be undertaken by Trainers and shifted to the Coalition Members specifically relating to outreach and in-class hours.* *i. CPUC took the unreasonable position of "well since you don't need dollars for Training" then that meant we did not need dollars at all, when in fact it was merely a categorical shift within the budget that would enhance our ability to meet the goals, which history showed it had already worked.* *1. In fact, NIU through several formal written communications clearly articulated that the effort was shifting to Consortia Leaders, providing ample evidence through the quarterly reimbursement submission of reports which showed NIU was able to meet or exceed all but one of the stated goals in the*	Please see Comment 12, above.

	work plan, where NIU achieved 85% of this goal. *e. The budget amount had been snatched away in Y2 not Y3 as the SCO expressly states in error.* *f. At no time did the CPUC express or imply that they would withhold dollars because of reduced hours of training, an Activity that represented only 16% of the overall budget.* *g. Taking the SCO's statement at face value would imply the CPUC intended to reduce NIU's budget by 33% overall, due to a modification in hours, **NOT elimination,** on an Activity that only represented 16% of the overall contract, which mathematically escapes all logic.*	
16.	*This statement by the SCO omits relevant history on CPUC's reason for engaging the SCO. The CPUC has shifted its reasoning for reducing NIU's budget on at least 3 separate occasion over the 18 months prior to engaging the SCO.* *a. CPUC continued to shift its rationale for reducing NIU budget starting in 2013.* *b. The Audit results was just another attempt by the CPUC to financially bilk the NIU Coalition for services rendered in good faith and in full contractual compliance.* *c. In fact not only did NIU meet and/or exceed all contractual targets, but brought an additional $324,000, value added, to the agreement through the TV coverage they received over the three years. NIU got TV coverage from Univision, ABC7, Telemundo, and others featured in Spanish, English, Korean and Chinese languages and can be seen via the NIU website NIU Grads Videos.* *d. Since CPUC previous reasoning regarding the reduction on NIU budget had been negated CPUC now turned to the "audit results", and made the audit the reason why they would reduce NIU's budget.*	The December 17, 2014 letter to the KCCD and NIU Coalition is included in Attachment 4; it describes the purpose of the upcoming third-party audit.
17.	*The SCO cites a "Finding 4" yet the report does not show any reference to a "Finding 4". We believe this citation is made in error and ask the SCO to clarify. We have noted 10 other clerical errors in the report, which begs the question if the SCO can be so sloppy in such simple tasks, how is it they should be trusted to have any integrity relative to their bigger findings, particularly given the aforementioned misstatements of facts and omissions.* *a. The results given the aforementioned errors and omissions provide good rationale to question the overall integrity of the Audit.*	The Objectives, Scope, and Methodology section of the audit report has been corrected to state Finding 3.
18.	*There is no NIU business premises. The relationship to the parties involved and their names were explained earlier.*	Please see Comment 10, above.
19.	*At no time were Activity 5, broadband training materials provided to the SCO. This statement is false. At no time were the "content of services provided" materials asked for as the SCO in several oral communications stated that the performance of the delivery of services was not part of this audit. Given said statement, SCO has no need for content materials.*	Finding 3 describes the documents reviewed, as well as the audit tests procedures performed to validate the extent of consortia program-related activities and related costs.
20.	*The SCO's statement "the Consortia Program's agreed upon effort, level" is intelligible.* *a. What does the SCO mean by level?* *b. Cost incurred in accordance with provisions? What provisions?*	Finding 3 of the report describes the agreed-upon effort; it is the NIU Coalition's proposed and CPUC approved work plan consisting of seven distinct tasks. The agreed-upon effort relates to these agreed-upon activities.
21.	*The period stated is incorrect. September 2014 is the end date. No accounting records were asked for or provided after September 2014. We ask the SCO to correct this statement.*	Please see Comment 2, above.

22.	*SCO misstates the facts regarding the 20 hours. This was previously addressed in Response above.*	Please refer to SCO Comments, Finding 3.
23.	*SCO is stepping outside of the scope of the Audit with this statement and lacks contractual engagement with Other Grantors to even be in position to make this statement. SCO implies they are attempting to incorporate the Audit of the Other Grants, on behalf of Other Grants, into this Audit with CPUC. SCO does not have access nor authority to Other Grants' information to make such a statement.* *a. Further, SCO states a total $353,784 was reimbursed by CPUC, and found only $168,431 to be allowable.* *b. The source documents provided to the SCO to support the allowable $168,431, are the same source documents that support the $185,353 that SCO cites as excess payments.* *c. SCO makes no statement of fact as to why the source documents were sufficient for the $168,431, but not sufficient for the $185,353, when in fact they are the exact same type and kind of source documents.* *d. SCO implies they have a responsibility to ensure Other Grants do not receive duplicate charges. We disagree with this contention, by their own admission SCO states their role is to "ensure allowable costs to the CPUC grant," not Other Grants activities.* *e. SCO implies a process to which Other Grants' charges are checked first, then what ever expenses remaining are charged to CPUC* *f. The process is the exact opposite of SCO's contention and in fact, CPUC charges are applied then whatever expenses not supported by CPUC are billed to Other Grants, covered by in-kind contributins.* *g. SCO also seems to imply they have some responsibility to verify Other Grant activity and charges, we do not understand this contention and find it to be out of the scope of this audit.* *h. We ask the SCO to please remove and/or reword this statement to accurately depict the facts of the contract and relationship between CPUC and NIU, omitting references to their work to verify Other Grant changes made-up of cash and in-kind cnotributinos..*	Finding 3 provides, in detail, the extent of tests procedures performed to determine if the Consortia Program-related incurred costs were properly charged against the grant funds.
24.	*This is a false statement and should be removed from the report.*	Finding 2 provides an in-depth explanation of the audit observation and conclusion. Please also refer to KCCD's Response and SCO's Comments for this finding for the SCO's follow-up on additional documentation submitted after the exit interview.
25.	*The key phrase, or word in this case is "ensure". The SCO at no time states the Consortia Program DID NOT function as intended. Rather they expressly state a lack of internal controls.* *a. This is not uncommon for small "mom and pop" operations that tend to wear many hats during the delivery of services.* *b. We do not disagree with the SCO relative to a lack of internal controls, and intend to create processes that show clearer lines of separation of duties.* *c. Let the record be clear that at no time is the SCO saying Consortia "did not" function as intended, only that a "lack of controls could not **ensure**".* *d. NIU did function as intended as documented in their quarterly reports submitted to CPUC, allowing them to meet or exceed all stated contractual goals.* *e. At no time does SCO say services were not delivered nor goals met.* *f. NIU maintains that the SCO is required to state all contract*	The NIU coalition agrees on issues of lack of internal controls. Finding 1 describes the recommended internal control safeguards.

	goals as outlined in the work plan (Activities 1 – 7) were met and/or exceeded. *g. Leaving this lack of proper internal controls without stating the actual outcome leaves the reader to believe contract goals were not met due to these lack of internal controls.*	
26.	*NIU maintains the SCO denying source documents had not been received, financial statements from Community Union, etc., lacks credibility. An email dated 2 weeks prior to the Exit Interview shows that financial statements had been emailed to the SCO See Exhibit B.* *a. Community Union, the subcontractor in this endeavor, is again providing a copy of their Income Statement and General Ledger to SCO.*	During the post exit interview, we made specific requests for the NIU Coalition's bank statements and canceled checks. These documents were not provided. As for financial statements, please refer to Finding 1 through 4 for the description of the lack of required accounting records. The NIU Coalition did not provide the general ledger and financial statements that it was required to maintain pursuant to the grant fund agreement. What the NIU Coalition provided subsequent to discussion of the audit results appears to be, in part, a check register. No documents, accounting records, or source documents were made available to authenticate the check register recorded transactions.
27.	*SCO attempts to apply 39% and 61% factors using erroneous start points in their calculations, and completely omitting all in-kind contributions, a major factor in budget, representing 61% of overall cost (budget) needed to conduct program. Schedule 1 and 1B errors:* *a. Does not reflect KCCD contribution in Audited column* *b. Fails to include in-kind contribution NIU's partners provided for the 2.5 years of Audit period, see annual budget.* *c. True Start point for Schedule 1 allowable cost is $1,076,673, not $431,875, when corrected to include appropriate factors, e.g. in-kind contributions.* *d. If SCO intends to use percentages then it is incumbent on them to use in-kind contributions amounts as reflected in the budget, since in-kind contributions make-up 61% of budget and it is from this budget they are pulling the percent factors of 39% and 61%.*	The rationale and bases for this estimation is discussed in detail in Finding 4.
28.	*Using SCO logic model, NIU added the table placed along side of SCO's Schedule 1 (See Source of Draft Audit document page 10) the correct start point number of $1,076,673 is used and in so doing there is no excess payment. In fact, when using the budget's (NIU's) in-kind contributions, the corrected factors show that NIU brought an additional value $66,118 during the audit period.*	Please see Comment 27, above.
29.	*SCO makes a false Statement of facts. SCO attempts to apply a standard that was not used in the contract, albeit documents existed, "source documents" used for reimbursement purposes were the actual invoices of the consultants used in the contract to provide the services. Much like a carpet layer, painter, or roofer, NIU consultants provided invoices for work performed. These invoices were then compiled into a reimbursement package submitted to the CPUC. The invoices contained elements found to be acceptable to the PCAOB. The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports: PCAOB cites 4 factors must be present to affirm documents are "source document, see a – d below:* *a. Who performed the work* *b. The dates in which said work was performed* *c. The persons who reviewed the work* *d. And the date of the review* *e. We do not argue that the SCO may want to see deeper details of the source document, albeit not a requisite established between the CPUC and KCCD in their process of reimbursement.* *f. We provided these deeper details (documents) to the SCO as they requested in addition to the source documents originally provided.*	Please also refer to the SCO's comments to Finding 1. As explained in Findings 1 through 4, the CPUC established record-retention requirements as well as criteria for accounting principles and applicable accounting records and source documents. Findings 1 through 4 delineate the lack of accounting records and alternative audit procedures the SCO performed, as a result, to validate the Consortia Program costs charged to the grant funds. The Public Company Accounting Oversight Board established auditing and related professional practice standards for registered public accounting firms to follow in the preparation and issuance of audit reports. The CPUC documents (Court Orders/Resolutions) do not instruct Consortia Program participants to conform to these standards.

	g. *SCO misstated the facts when it says source documents were not provided, approximately 490 invoices from Trainers (consultants) were given to SCO upon their first visit.* h. *In fact the SCO built a schedule using these invoices and later presented that schedule to us shortly after their first visit to Community Union, clearly showing that the SCO misstates the facts when it says no source documents were provided.*	
30.	*See Exhibit B, email sent to SCO on 6/10 with Statements attached. SCO denies receiving said documents despite it going to two different persons, neither received documents.* a. *We are resubmitting PL an GL information from Community Union, with this response document,*	Please see Comment 26, above, and Finding 4. The NIU Coalition did not provide any accounting records other than what appeared to be, in part, a check register. Subsequently, NIU Coalition did send a detailed document that also appears to be a check register. During the exit conference, we asked for and the NIU Coalition agreed to provide bank statements and cancelled checks. None of these documents have been made available for the audit. As also explained in SCO Comments for Finding 4, we did perform a cursory review of this second set of documents (check register) and identified approximately a half million dollars of proceeds that appeared to be in addition to the consortia grant contributions. Revenue sources included an AT&T Grant and several contributions from surrounding school districts. Without a complete record, we could not determine if the expenses charged against the $353,784 (Schedule 1A), of grant funds were also charged against these as well as the other funds discussed in Finding 4.
31.	*The SCO misstates the facts all documentation was provided to SD:* a. *The details of each quarters reimbursement package were provided* b. *In these detailed quarterly reimbursement packages are the source documents articulating the exact extent of Consortia Program Activity* i. *Number of meetings conducted with whom* ii. *# of media impressions and by whom* iii. *# of graduation ceremonies and by whom, when address of sites where training and promotion were taking place* iv. *Names and contact information of actual persons participating in course,* v. *Sites from where these participants attended these courses* vi. *Invoices (source documents) showing costs incurred to manage programs* vii. *Detailed results of performance against stated work plan goals*	Finding 1 explains the lack of requested documents and the alternative audit procedures performed. The alternative test procedures were performed because the required and necessary records were not provided. These included account records (general ledger) and source documents (invoices, time records, canceled checks, and bank statements). As mentioned in Finding 1, the audit could not determine if the invoices and the time records were submitted by responsible individuals at the time these activities took place.
32.	*We do not agree with SCO" characterization of certain test procedures being unnecessary.* a. *SCO demanded detailed contact information on participants of program, NIU objected, but acquiesced to their request.* b. *Given the SCO went through the exercise confirming with service providers and service recipients that NIU actually provided said services, the SCO should state outcomes of those exercises.* i. *Detailing who they contacted and the specific results from each of these contacts, thereby being in a position to articulate a conclusion for which they are saying were unable to reach relative to the activities that took place.* ii. *Having the contacts and having made contact with this group acts as evidence that contradict SCO's position "not having support needed to substantiate NIU activities."* iii. *Either they did contact recipients and service providers and thereby had the evidence to substantiate NIU*	Please see Comment 31, above. As a result of the alternative audit procedures, the audit determined that the Consortia Program activities were incurred as specified in the accompanying invoices to the CPUC. Schedule 1B notes the audit results. The audit did not conclude that the Consortia Program activities were unsubstantiated. Due to lack of complete records (Finding 4) we could not determine if the grant fund-paid Consortia Program costs were also charged to the other funds. Please also see Comment 30 above.

	*activities **or*** *iv. Did not contact recipients and service providers.*	
33.	*The CPUC and NIU as well as other consortia groups met extensively and had a heavy load of document exchange prior to the arriving at the current procedure for reimbursement package submission. The procedure was implemented and mutually agreed upon to meet the requisite of all citations made by the SCO: CPUC Decision 11-06-038 sec. 5, 6.4.4 and 8. The SCO challemge would be with CPUC, not the Auditee..* *a. NIU maintains the requisite of providing source documents was met through our initial feed of documents given to the SCO.* *b. The fact that the SCO wanted the source of the source documents from the subcontractor should be noted as additional request rather than saying source documents were not provided. Documents were provided. Saying they were not is a false statement and furthers the questions on integrity of this Audit.* *c. The SCO request of a deeper source of documents were provided upon the SCO's request.* *d. The SCO spent an entire afternoon, 4 auditors from the L.A. Office on site at Community Headquarters, scanning time tracking reports, nearly 1,000 pages of documents.* *e. The SCO to say no source documents were provided, totally contradicts the facts, and again further throws into question the integrity of this audit.*	Please see Finding 1 and the above comments regarding lack of records and alternative audit procedures.
34.	*Contradiction in fact: SCO states they had no evidence to substantiate KCCD activities. Documentation provided on two occasions was given to SCO. A third attempt will be made with the submission of these responses.*	Please see Comment 2. The audit results properly show that the KCCD claims to also have also provided the same program-related activities as the NIU Coalition. Finding 2 explains in detail the audit results and conclusions.
35.	*SCO misstates the facts. See response #4 above.* *a. SCO makes NIU's point from above that the training (40, 30 ro 20 hours) is only one of seven other activities.*	Please See Comment 4, above.
36.	*Schedule 1B OTHERS: What are the sources comprising this Others category we cannot accurately respond without knowing what it represents.*	The $34,630 represents various individuals that were identified as payees per the NIU Consortia provided checks; however, the invoices to the CPUC did not include these individuals for whom grant funds were charged. A note has been added to this schedule for clarification.
37.	*NIU asks SCO to include KCCD costs in the Audited column, details in the form of quarterly payroll reports were provided to the SCO.* *a. KCCD attempted to provide to the SCO on three separate occasions source documents supporting expenses.* *b. We ask that the SCO include KCCD's $53,165 in the Audited column.*	Please refer to Finding 2, SCO's Comments.
38.	*Xx*	
39.	*Title on Schedule 1, 1A and 1B are incorrect. The period stated is incorrect. End date should read September 2014. No data provided after September 2014.*	Please refer to Comment 2, above.
40.	*Cancelled checks represented what was billable to the CASF contract. It is NOT as the SCO suggest, representative of all consortia costs.* *a. All consortia related program costs were submitted to the SCO via email, See Exhibit B and will again be provided in this response.*	Please see Schedule 1B. This schedule represents all individuals who were identified as grant fund recipients. The schedule provides a comparison of what the available checks identified as being actually paid to these payees compared to what was claimed and the difference.
41.	*The year stated in the report is incorrect, should be 2014.* *a. We are most disappointed with the lack of integrity and attention to detail the SCO has brought to this audit. SCO*	Please see Comment 2 for explanation of the audit period. An error has been corrected to state Finding 3 rather than Finding 4.

	has missed emails, out and out memory failures as it relates to supporting documentation, submitted on multiple occasions, to the very most elementary detail that even a 6th grade student would better. Albeit a simple typo, by itself, harmless, but when combined with missed data, wrong calculations, is speaks volumes as to the overall integrity.	The audit did not exclude or omit any relevant information for consideration. If data were deemed improper, the audit report explains these instances. Please refer to Findings 1 through 4 for specific instances of improper or lack of accounting records and source documents.
42.	*The protocol for the $37,500 was setup by CASF. NIU was only following this protocol.*	Schedule 1B explains the reimbursement limit.
43.	*GL and PL sent, See Exhibit B below.*	Please see above comments and Findings 1, 3, and 4 for a description of the lack of the CPUC-required general ledger. The findings also explain the lack of financial statements, as without the general ledger, there are no financial statements. Please refer to above for "PL" comments, as these appear to relate to the consortia-provided check register.
44.	*SCO misstates the test. By their own account SCO was to determine if costs were allowable to the CPUC-CASF grant, not to determine how costs were applied to the in-kind commitment NIU made as part of the grant agreement.* *a. SCO errors in reversing the protocol setup by CPUC for Reimbursement. By stating Other Grants (in-kind contribution made by NIU to the grant) were to be paid first, then CPUC costs would be reimbursed, reverses the process which CPUC and NIU agreed to work under this contract.* *b. Allowable costs would be paid by CPUC up to $37,500, quarterly, with NIU being responsible to find the balance of funding to conduct the program,*	Please refer to Finding 4; the audit finding describes the reimbursement to be actual incurred costs that have not been paid by other sources. Finding 4 explains the rationale for utilizing the revenue estimates as a bases of determining grant-funded Consortia Program expenses.
45.	*We do not understand what SCO means by invisible costs. We request SCO to elaborate.*	Please see Finding 4; invisible costs are described as donated or no-cost services.
46.	*SCO erroneously implies "the extent of consortia Program Expenses eligible for CASF grant reimbursement" is contingent on what other grant charges covered or did not cover.* *a. No such statement exist in the contract.*	Please see Comment 44, above and the SCO Comments to Finding 4.
47.	*The SCO choice of term "no-costs services". We are unfamiliar with this word and would suspect readers of the report would be unfamiliar as well. As such we ask the SCO to use the term* ***in-kind contribution,*** *a generally accepted accounting principle term, commonly used in grant administration and budgets.* *a. SCO attempts to show that it is uncommon, or unique for values to be assigned to in-kind contributions when in fact it is very common.* *b. In the case of NIU's budget line item* ***NIU Sites*** *an approximate value for this in-kind contribution is ($2,000 per site). NIU Site covers building, security, computer, Internet, programs, desk, chairs, lights, insurance, parking, and printer. If NIU was to purchase the utilization of these items over the period of a 1-2 month course, it is estimated to cost approximately $2,000.* *c. When taking the 126 sites used during the delivery of the courses, multiplied by the cost factor $2,000, you arrive at a total value of $252,000. A considerable value NIU has brought to the delivery of the services that should not be discounted or misnamed as something insignificant by the SCO.* *d. This misuse of terminology in this case speaks to the lack of integrity the SCO carries in this Audit.* *e.* ***In-kind contributions****, are a bookable generally accepted accounting principle term and must be weighed in the SCO's calculations of this audit, because it represents 69% of the budget as the SCO has previously stated.*	Please see Comment 45, above.

48.	*NIU, through financial Statements provided to the SCO and in comparison to the budget attempted to make clear that CPUC's contribution was only a percentage of funding provided to cover the overall costs incurred with delivering the program.* *a. We made clear to the SCO that as part of the contract NIU was responsible for finding funds necessary to cover costs not covered by the CASF grant and that it was contractually specified.*	The audit does not question other sources of funds. Finding 4 notes that due to lack of complete records, the audit could not determine if the Consortia Program costs charged to the program were also charged to these other funds.
49.	*We ask that the SCO explain why they are including excerpts from CPUC Res. R-10-12-008. Is this a finding? There is no connection that is being made here.* *a. NIU has met all three pints within this Resolution. For example in #11, NIU's budget clearly separates CASF from Other Funding. There are clear descriptions of what Other Funds will support and the exact amounts of Other Funds.*	This resolution, R-10-12-008, is the CPUC's Order (Authority). This document represents the rules, regulations, and guidelines that govern the Consortia Program. The reference to this resolution in the report provides the bases for the audit findings by assessing audit observations against these applicable set of rules.

Attachment 2—
Draft Report Response – KCCD

Briones International, LLC

Oct. 5, 2015

Mr. Andrew Finlayson, Chief
State Agency Audit Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Finlayson:

This letter is in response to the audit report issued to Korean Churches for Community Development (KCCD) for the period March 1, 2012 through March 1, 2015.

Specifically, we disagree with your statement, found on page 1 of your report that states – "KCCD lacked accounting records and source documents to substantiate $53,165 of KCCD's Costs". On page 12 of the report, your finding #2 provides more detail for KCCD's scope of work but again we would have to disagree with your fallacious conclusion that "KCCD did not provide any records to substantiate the remainder of the above described program related activities".

For the second time, we are again providing the source and back up documents that substantiate our $53,165 claim. Please find attached:

1. Program and administrative cost file with CASF outcomes. Originally submitted 5/25/15.
2. Backup Payroll Registers originally submitted 5/27/15.
3. Organizational actuals originally submitted 6/29/15. This file contains time allocations.
4. Financial Statements for 2012 and 2013 (audited) originally submitted 7/6/15.
5. In addition we are now able to submit our audited financials for 2014.

If you need more documentation, please contact Maria Oakey at 213 985-1500. Her email address is maria.oakey@kccd3300.org. If you would like to meet with both of us for further explanations please let us know your availability.

Sincerely,

Louis Briones

cc: Hyepin Im

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Attachment 3—
Draft Report Response – NIU Coalition

Prasad, Chris

From: Maria Oakey <maria.oakey@kccd3300.org>
Sent: Monday, October 19, 2015 11:39 AM
To: Finlayson, Andrew; Prasad, Chris; Brownfield, Jeff
Cc: Hyepin Im; Ortega, Larry
Subject: Fwd: Response cleaned-up grammar and spelling: NIU's Response Letter on Draft Audit Report
Attachments: Source of Draft Audit ii.pdf; CU Responses to Draft Audit Report ii.pdf

Good Afternoon Mr. Finlayson,

Larry Ortega has send you an updated electronic response to the Draft Audit Report. We will certified mail the documents to your attention.

Thanks,

Maria Luisa Oakey
KCCD
Phone: 213-985-1500
Cell: 818-472-1561

Draft Audit Report Response

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1. The NIU Coalition is KCCD, Community Union, SEA, BBA and APCF. There is no entity named NIU Coalition and therefore should be corrected. The SCO requested audit records from KCCD the primary contractor (fiscal agent) to the CPUC-CASF grant and Community Union, a subcontractor in this endeavor, using KCCD as the fiscal agent.
2. Request SCO to correct Audit Period end date to September 30 2014. In all references relative to the Audit Period the SCO must correct this date. No records were asked for or provided after September 30, 2014 period.
3. Xx
4. SCO makes blatant mischaracterization of the facts that is the first of many errors we intend to reveal, made during this audit by the SCO.
    a. There is but one reference to the number of hours in the contract. It is in title only, and only a placeholder used to state classes would be conducted. This title represents one of several curriculums NIU uses in the delivery of Training. As will be stated later in this section of our responses, CPUC staff approved the delivery of training, would be left to NIU's discretion.
    b. CPUC has little to no expertise in the area of Broadband adoption and is compelled to defer to the expertise of the contractor.
    c. See email Exhibit A below.
    d. Type of training, hours, curriculum, outcomes are not stated. The SCO is in error to imply a specific curriculum with hours and outcomes were submitted and/or incorporated into the contract.
    e. NO SUCH document was ever submitted or incorporated into the contract.
    f. Furthermore, the SCO omits a key fact that the conducting of courses is but one Activity of a total of 7 Activities to be conducted during the contract, and represents only 16% of the overall Activities to be performed in the contract.
    g. The SCO, in their omission of these materials facts lead the reader to believe that Activity V (Training) is the sole Activity for which NIU was contracted to perform, when in fact it only represents 16% of what NIU was contracted to perform under this CASF contract.
    h. The SCO has reviewed the budget at length and in the budget it is clearly articulates the 7 Activities and what percentage they are to the overall contract.
    i. SCO statement explicitly states all courses were 20 hours, this is a false statement and contradicts the source documents provided to the SCO, as well as CPUC's stipulated position on number of hours of training conducted in Training (activity V) by NIU.
    j. CPUC stipulates in a letter sent to KCCD, "some courses were conducted at 40 hours, where others appear to have been conducted at 20 hours." This directly contradicts the SCO statements, and further questions the integrity put forth in this Audit by their office.
    k. The data provided (Source Documents) to the SCO on Start Dates, End Dates and Graduation Dates, hours of classes and number of days, number enrolled, etc. on courses conducted show that courses were offered at varying hours, 40, 30, 20 hours.
    l. Finally, even if what the SCO states about 20 hours is true, "all courses were conducted at 20 hours," we have an email from CPUC staff representative, Ms. Angel Ahsam, confirming a

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conversation, the reviewing of a letter from KCCD and an approval of the flexibility in how courses would be delivered.

m. Ms. Ahsam reaffirms there is no stated or incorporated curriculum, set hours, specific outcomes by directing us to make changes only to budget based on our conversation. That conversation between Larry Ortega and Ms. Ahsam stated the various courses we would offer, and the need for the flexibility in how we achieved the ultimate desired outcome of **broadband adoption**.

n. The conversation with Ms. Ahsam included information about the Technology Redeployment Program, a 30 hour program, the Civic Engagement through Technology program a 20 hour program, the Quick Start to Technology Engagement Program, a 20 hour program.

o. Never did Ms. Ahsam say submit new curriculum or outcomes, because there are none that were submitted or incorporated into the contract in the first place.

p. The SCO statement implies that curriculum, outcomes and hours in-class were part of a contractually approved curriculum. This is false.

5. During the Exit Interview with SCO, KCCD indicated that supporting documentation had been previously sent. SCO denies receiving these source documents from KCCD.
   a. Ther eis an email proving information was sent with a date, approximately 2 weeks prior to the Exit Interview.
   b. Again KCCD during the Exit Interview provided the hardcopy documents to the SCO. The SCO acknowledged receipt and stated in the Exit Interview meeting that they would remove this finding.
   c. This Final Draft was received, this finding remained. We ask the SCO to remove this finding as they had already committed to doing.
6. The SCO omits CASF grants also provided to CBO's, not only telephone companies. We ask the SCO to state the entities to whom CASF is able to provide grants to.
7. SCO acknowledges the interconnectedness and inseparability of each of the Activities in the Work Plan as incorporated into the contract. Furthers the claim that the SCO errored in attempting to exclude 6 of the 7 Activities above in Number 4,
   a. Here they cite Work Plan and the interconnectedness of the Activities. One cannot be accomplished without the other, as the work plan implies.
8. The SCO, in error, attempts to paint a picture that shows all agencies were funded to do the same Activities, and therefore would be held to the same standards of evaluation on performance.
   a. The second sentence fails to mention this is NIU contract language only.
   b. Using the first sentence in this paragraph implies, erroneously, that all 16 grantees have the subsequent sentences in their contracts.
   c. NIU is the singular agency funded under CASF to specify such great detail,
   d. No other agency funded under CASF went into such great detail whatsoever, on the type of training they would provide.

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e. No other agency was being held to any standard on number of training hours or outcomes achieved. Those agencies that did state hours of training, typically had one day seminars, one hour trainings, and the like.

f. We request that SCO make this statement clear and not lead the reader to believe all other funded agencies were treated the same as NIU, or had same contract language as NIU.

9. The term "Set asides" as used by the SCO does not accurately describe the payment flow KCCD and NIU Coalition members used. KCCD payments were reimbursements for real costs incurred, supported by payroll repots and time allocation schedules, submitted as part of the overall reimbursement package. The process went as follows:
   a. Reimbursement Requests are submitted;
   b. KCCD and Community Union show costs incurred via invoices, payroll reports and receipts;
   c. The costs incurred by KCCD during the period for which we submit reimbursement, is included; The KCCD costs are a specific amount, associated with specific time spent on the contract, reflected in the payroll reports and included in the reimbursement package
   d. Upon CASF payment received by KCCD, checks are dispersed according to the reimbursements submitted by each agency.
   e. It is not as the SCO states "set asides".
   f. The money retained by KCCD is payment for claims made in the reimbursement package. As supported by specific detailed source documents.
10. The SCO misstates the relationship, and remaining subcontractors in the grant.
    a. Community Union is the sub-contractor to the grant
    b. The NIU is the name of the consortia who is APCF, BBA, SEA, KCCD and CU,
    c. The consortia as a whole collaborated and provided service at varying levels to accomplish the goal of the grant
    d. This has been explained to the SCO and is clearly indicated in the grant application and contract, please refer to CPUC CASF website.
11. The SCO acknowledges there are 7 inseparable, interconnected Activities associated with NIU grant activities, but fails to note the percentage each activity represents to the overall activity.
    a. This omission is a critical omission, that if stated would lead the reader to understand the SCO's finding is but 16% of the overall services to be delivered
    b. Also the SCO does not connect Activity V here with their finding #2 on 40 hours.
    c. Not connecting Activity V here with the 40 hours Finding above, misleads the reader by giving the assumption they are not connected, when in fact they are inseparable and brings accurate perspective to this finding.
12. SCO misstates the facts, documented evidence via an email to CASF and acknowledgment of telephone conversation implies specific discussion and agreement from CASF on enhancing and making more robust the specifics of Activity V as it relates to the Other 6 Activities.
    a. NIU Coalition in several meetings and telephone conversations made the SCO aware of this fact, yet despite verified evidence to the contrary the SCO maintained a baseless position.

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13. NIU Coalition maintains this statement, highlighted and numbered #13, is an obvious contradiction to the facts given the aforementioned "program related grant activity" the SCO cites above
    a. NIU maintains that changing 1 of 7 of the Activities does not constitute major change
    b. and goes to SCO's lack of understanding on grant purpose "Broadband Promotion and Adoption"
    c. work plan necessitates the inseparable activities outlined therein(1-7)
14. There can be no change in curriculum if there was NEVER any curriculum submitted initially.
    a. There is no curriculum incorporated into the contract.
15. SCO erroneously expresses grant was reduced due to reduction in hours in the singular Activity of Activity V, this statement contradicts the facts:
    a. CPUC initially reduced grant amount by $100,000 in 2013 citing lack of NIU meeting goals.
    b. Then when NIU met the stated goals in the contract, CPUC restored $50,000 citing they were still unconvinced we would attain all goals, this communication from CPUC is dated late 2013.
    c. CPUC in their communication stated they were still unsure if NIU would meet stated future goals and therefore would leave reduction in place pending review of performance against stated goals.
    d. Subsequent to CPUC's approval of intra-budget categorical shifts in budget line items, NIU for Y3 showed modifications in work load, who would be doing what. Specifically less activity would be undertaken by Trainers and shifted to the Coalition Members specifically relating to outreach and in-class hours.
        i. CPUC took the unreasonable position of "well since you don't need dollars for Training" then that meant we did not need dollars at all, when in fact it was merely a categorical shift, shifts they had allowed and approved the previous 2 years, within the budget that would enhance our ability to meet the goals, which history showed it had already worked.
            1. In fact, NIU through several formal written communications clearly articulated that the effort was shifting to Consortia Leaders, providing ample evidence through the quarterly reimbursement submission of reports which showed NIU was able to meet or exceed all but one of the stated goals in the work plan, where NIU achieved 85% of this goal.
    e. The budget amount had been snatched away in Y2 not Y3 as the SCO expressly states in error.
    f. At no time did the CPUC express or imply that they would withhold dollars because of reduced hours of training, an Activity that represented only 16% of the overall budget.
    g. Taking the SCO's statement at face value would imply the CPUC intended to reduce NIU's budget by 33% due to a modification in hours, **NOT elimination**, on an Activity that only represented 16% of the overall contract, which mathematically escapes all logic.

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16. This statement by the SCO omits relevant history on CPUC's reason for engaging the SCO. The CPUC has shifted its reasoning for reducing NIU's budget on at least 3 separate occasion over the 18 months prior to engaging the SCO.
    a. CPUC continued to shift its rationale for reducing NIU budget starting in 2013.
    b. The Audit results was just another attempt by the CPUC to financially bilk the NIU Coalition for services rendered in good faith and in full contractual compliance.
    c. In fact not only did NIU meet and/or exceed all contractual targets, but brought an additional $324,000, value added, to the agreement through the TV coverage they received over the three years. NIU got TV coverage from Univision, ABC7, Telemundo, and others featured in Spanish, English, Korean and Chinese languages and can be seen via the NIU website NIU Grads Videos.
    d. Since CPUC previous reasoning regarding the reduction on NIU budget had been negated, goals were met by NIU, CPUC now turned to the "audit results", and made the audit the reason why they would reduce NIU's budget.
17. The SCO cites a "Finding 4" yet the report does not show any reference to a "Finding 4". We believe this citation is made in error and ask the SCO to clarify. We have noted 10 other clerical errors in the report, which begs the question if the SCO can be so sloppy in such simple tasks, what level of integrity has their findings, particularly given the aforementioned misstatements of facts and omissions.
    a. The results given the aforementioned errors and omissions provide good rationale to question the overall integrity of the Audit.
18. There is no NIU business premises. The relationship to the parties involved and their names were explained earlier.
19. At no time was Activity 5, broadband training materials provided to the SCO. This statement is false. At no time were the "content of services provided" materials asked for as the SCO in several oral communications stated that the performance of the delivery of services was not part of this audit. Given said statement, SCO has no need for content materials.
20. The SCO's statement "the Consortia Program's agreed upon effort, level" is unintelligible.
    a. What does the SCO mean by level?
    b. Cost incurred in accordance with provisions? What provisions?
21. The period stated is incorrect. September 2014 is the end date. No accounting records were asked for or provided after September 2014. We ask the SCO to correct this statement.
22. SCO misstates the facts regarding the 20 hours. This was previously addressed in Response above.
23. SCO is stepping outside of the scope of the Audit with this statement and lacks contractual engagement with Other Grantors to even be in position to make this statement. SCO implies they are attempting to incorporate the Audit of the Other Grants, on behalf of Other Grants, into this Audit for CPUC. SCO does not have access nor authority to Other Grants' information to make such a statement.

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a. Further, SCO states a total $353,784 was reimbursed by CPUC, and found only $168,431 to be allowable.
b. The source documents provided to the SCO to support the allowable $168,431, are the same source documents that support the $185,353 that SCO cites as excess payments.
c. SCO makes no statement of fact as to why the source documents were sufficient for the $168,431, but not sufficient for the $185,353, when in fact they are the exact same type and kind of source documents.
d. SCO implies they have a responsibility to ensure Other Grants do not receive duplicate charges. We disagree with this contention, by their own admission SCO states their role is to "ensure allowable costs to the CPUC grant," not Other Grants activities.
e. SCO implies a process to which Other Grants' charges are checked first, then what ever expenses remaining are charged to CPUC
f. The process is the exact opposite of SCO's contention and in fact, CPUC charges are applied then whatever expenses not supported by CPUC are billed to Other Grants, covered by in-kind contributins.
g. SCO also seems to imply they have some responsibility to verify Other Grant activity and charges, we do not understand this contention and find it to be out of the scope of this audit.
h. We ask the SCO to please remove and/or reword this statement to accurately depict the facts of the contract and relationship between CPUC and NIU, omitting references to their work to verify Other Grant changes made-up of cash and in-kind cnotributinos..

24. This is a false statement and should be removed from the report.
25. The key phrase, or word in this case is "ensure". The SCO at no time states the Consortia Program DID NOT function as intended. Rather they expressly state a lack of internal controls.
    a. This is not uncommon for small "mom and pop" operations that tend to wear many hats during the delivery of services.
    b. We do not disagree with the SCO relative to a lack of internal controls, and intend to create processes that show clearer lines of separation of duties.
    c. Let the record be clear that at no time is the SCO saying Consortia "did not" function as intended, only that a "lack of controls could not **ensure**".
    d. NIU did function as intended as documented in their quarterly reports submitted to CPUC, allowing them to meet or exceed all stated contractual goals.
    e. At no time does SCO say services were not delivered nor goals met.
    f. NIU maintains that the SCO is required to state all contract goals as outlined in the work plan (Activities 1 – 7) were met and/or exceeded.
    g. Leaving this lack of proper internal controls without stating the actual outcome were achieved leaves the reader to believe contract goals were not met due to these lack of internal controls.

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26. NIU maintains the SCO denying source documents had been received, financial statements from Community Union, etc., lacks credibility. An email dated 2 weeks prior to the Exit Interview shows that financial statements had been emailed to the SCO See Exhibit B.
    a. Community Union, the subcontractor in this endeavor, is again providing a copy of their Income Statement and General Ledger to SCO.
27. SCO attempts to apply 39% and 61% factors using erroneous start points in their calculations, and completely omitting all in-kind contributions, a major factor in budget, representing 61% of overall cost (budget) needed to conduct program. Schedule 1 and 1B errors:
    a. Does not reflect KCCD contribution in Audited column
    b. Fails to include in-kind contribution NIU's partners provided for the 2.5 years of Audit period, see annual budget.
    c. True Start point for Schedule 1 allowable cost is $1,076,673, not $431,875, when corrected to include appropriate factors, e.g. in-kind contributions.
    d. If SCO intends to use percentages then it is incumbent on them to use in-kind contributions amounts as reflected in the budget, since in-kind contributions make-up 61% of budget and it is from this budget they are pulling the percent factors of 39% and 61%.
28. Using SCO logic model, NIU added the table placed along side of SCO's Schedule 1 (See Source of Draft Audit document page 10) the correct start point number of $1,076,673 is used and in so doing there is no excess payment. In fact, when using the budget's (NIU's) in-kind contributions, the corrected factors show that NIU brought an additional value $66,118 during the audit period.
29. SCO makes a false statement of the facts. SCO attempts to apply a standard that was not used in the contract, albeit documents existed, "source documents" used for reimbursement purposes were the actual invoices of the consultants used in the contract to provide the services. Much like a carpet layer, painter, or roofer, NIU consultants provided invoices for work performed. These invoices were then compiled into a reimbursement package submitted to the CPUC. The invoices contained elements found to be acceptable to the PCAOB. The PCAOB is a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. PCAOB cites 4 factors must be present to affirm documents are "source document, see a – d below:
    a. Who performed the work
    b. The dates in which said work was performed
    c. The persons who reviewed the work
    d. And the date of the review
    e. We do not argue that the SCO may want to see deeper details of the source document, albeit not a requisite established between the CPUC and KCCD in their process of reimbursement.
    f. We provided these deeper details (documents) to the SCO as they requested in addition to the source documents originally provided.

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g. SCO misstated the facts when it says source documents were not provided, approximately 490 invoices from Trainers(consultants) were given to SCO upon their first visit.
h. In fact the SCO built a schedule using these invoices and later presented that schedule to us shortly after their first visit to Community Union, clearly showing that the SCO misstates the facts when it says no source documents were provided.

30. See Exhibit B, email sent to SCO on 6/10 with Statements attached. SCO denies receiving said documents despite it going to two different persons, neither received documents.
    a. We are resubmitting PL an GL information from Community Union, with this response document,
31. The SCO misstates the facts: all documentation *was* provided to SCO:
    a. The details of each quarters reimbursement package were provided
    b. In these detailed quarterly reimbursement packages are the source documents articulating the exact extent of Consortia Program Activity
        i. Number of meetings conducted with whom
        ii. # of media impressions and by whom
        iii. # of graduation ceremonies and by whom, when, address of sites where training and promotion were taking place
        iv. Names and contact information of actual persons participating in course,
        v. Sites from where these participants attended these courses
        vi. Invoices (source documents) showing costs incurred to manage programs
        vii. Detailed results of performance against stated work plan goals
32. We do not agree with SCO's characterization of certain test procedures being "unnecessary".
    a. SCO demanded detailed contact information on participants of program, NIU objected, but acquiesced to their request.
    b. Given the SCO went through the exercise confirming with service providers and service recipients that NIU actually provided said services, the SCO should state outcomes of those exercises.
        i. Detailing who they contacted and the specific results from each of these contacts, thereby being in a position to articulate a conclusion for which they are saying were unable to reach relative to the activities that took place.
        ii. Having the contacts and having made contact with this group acts as evidence that contradict SCO's position "not having support needed to substantiate NIU activities."
        iii. Either they did contact recipients and service providers and thereby had the evidence to substantiate NIU activities **or**
        iv. Did not contact recipients and service providers.
33. The CPUC and NIU as well as other consortia groups met extensively and had a heavy load of document exchange prior to arriving at the current procedure for reimbursement package submission. The procedure was implemented and mutually agreed upon to meet the requisite

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of all citations made by the SCO: CPUC Decision 11-06-038 sec. 5, 6.4.4 and 8. The SCO challenge would be with CPUC, not the Auditee..

a. NIU maintains the requisite of providing source documents was met through our initial feed of documents given to the SCO.
b. The fact that the SCO wanted the source of the source documents from the subcontractor should be noted as additional request rather than saying source documents were not provided. Documents were provided. Saying they were not is a false statement and furthers the questions on integrity of this Audit.
c. The SCO's request of a deeper set of source documents were provided upon the SCO's request.
d. The SCO spent an entire afternoon, 4 auditors from the L.A. Office on site at Community Headquarters, scanning time tracking reports, nearly 1,000 pages of documents.
e. The SCO to say no source documents were provided, totally contradicts the facts, and again further throws into question the integrity of this audit.

34. Contradiction in fact: SCO states they had no evidence to substantiate KCCD activities. Documentation provided on two occasions was given to SCO. A third attempt will be made with the submission of these responses.
35. SCO misstates the facts. See response #4 above.
    a. SCO makes NIU's point from above that the training (40, 30 ro 20 hours) is only one of seven other activities.
36. Schedule 1B OTHERS: What are the sources comprising this Others category we cannot accurately respond without knowing what it represents.
37. NIU asks SCO to include KCCD costs in the Audited column, details in the form of quarterly payroll reports were provided to the SCO.
    a. KCCD attempted to provide to the SCO on three separate occasions source documents supporting expenses.
    b. We ask that the SCO include KCCD's $53,165 in the Audited column.
38. Xx
39. Title on Schedule 1, 1A and 1B are incorrect. The period stated is incorrect. End date should read September 2014. No data provided after September 2014.
40. Cancelled checks represented what was billable to the CASF contract. It is NOT as the SCO suggest, representative of all consortia costs.
    a. All consortia related program costs were submitted to the SCO via email, See Exhibit B and will again be provided in this response.
41. The year stated in the report is incorrect, should be 2014.
    a. We are most disappointed with the lack of integrity and attention to detail the SCO has brought to this audit. SCO has missed emails, out and out memory failures as it relates to supporting documentation, submitted on multiple occasions, to the very most elementary detail that even a 6th grade student would better. Albeit a simple typo, by itself, harmless,

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but when combined with missed data, wrong calculations, its speaks volumes as to the overall integrity.

42. The protocol for the $37,500 was setup by CASF. NIU was only following this protocol.
43. GL and PL sent, See Exhibit B below.
44. SCO misstates the test. By their own account SCO was to determine if costs were allowable to the CPUC-CASF grant, not to determine how costs were applied to the in-kind commitment NIU made as part of the grant agreement.
    a. SCO errors in reversing the protocol setup by CPUC for Reimbursement. By stating Other Grants (in-kind contribution made by NIU to the grant) were to be paid first, then CPUC costs would be reimbursed, reverses the process which CPUC and NIU agreed to work under this contract.
    b. Allowable costs would be paid by CPUC up to $37,500, quarterly, with NIU being responsible to find the balance of funding to conduct the program,
45. We do not understand what SCO means by "invisible costs". We request SCO to elaborate.
46. SCO erroneously implies "the extent of consortia Program Expenses eligible for CASF grant reimbursement" is contingent on what other grant charges covered or did not cover.
    a. No such statement exist in the contract agreement.
47. The SCO choice of the term "no-costs services". We are unfamiliar with this word and would suspect readers of the report would be unfamiliar as well. As such we ask the SCO to use the term **in-kind contribution**, a generally accepted accounting principle term, commonly used in grant administration and budgets.
    a. SCO attempts to show that it is uncommon, or unique for values to be assigned to in-kind contributions, when in fact it is very common.
    b. In the case of NIU's budget line item **NIU Sites** an approximate value for this in-kind contribution is ($2,000 per site). NIU Site covers building, security, computer, Internet, programs, desk, chairs, lights, insurance, parking, and printer. If NIU was to purchase the utilization of these items over the period of a 1-2 month course, it is estimated to cost approximately $2,000.
    c. When taking the 126 sites used during the delivery of the courses, multiplied by the cost factor $2,000, you arrive at a total value of $252,000. A considerable value NIU has brought to the delivery of the services that should not be discounted or misnamed as something insignificant by the SCO.
    d. This misuse of terminology in this case speaks to the lack of integrity the SCO carries in this Audit.
    e. **In-kind contributions are** a bookable generally accepted accounting principle term, and must be weighed in the SCO's calculations of this audit, because it represents 69% of the budget as the SCO has previously stated.
48. NIU, through financial statements provided to the SCO and in comparison to the budget attempted to make clear that CPUC's contribution was only a percentage of funding provided to cover the overall costs incurred with delivering the program.

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a. We made clear to the SCO that as part of the contract NIU was responsible for finding funds necessary to cover costs not covered by the CASF grant and that it was contractually specified.

49. We ask that the SCO explain why they are including excerpts from CPUC Res. R-10-12-008. Is this a finding? There is no connection that is being made here.
    a. NIU has met all three points within this Resolution. For example in #11, NIU's budget clearly separates CASF from Other Funding. There are clear descriptions of what Other Funds will support and the exact amounts of Other Funds.

Draft Audit Report Response

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This document references a separate document named Source of Draft Audit, in it are highlights of specific phrases and sentences in the Draft Audit Report accompanied by a number. Those numbers refer to the numbered items below. For example #1 on Source of Draft Audit document refers to response provided in number 1 of this report.

EXHIBITS

EXHIBIT A

From: "Ahsam, Angel" <angel.ahsam@cpuc.ca.gov>
To: "aortega@communityunion.org" <aortega@communityunion.org>, "lortega@communityunion.org" <lortega@communityunion.org>
Date: August 15, 2012 at 2:37 PM
Subject: NIU Budget (approved) & 1st Qtr Rpt Comments

Hi, Alicia & Larry,
I'm working from home today and finished reviewing the budget and 1st Qtr Rpt (have questions to follow-up). Let me email this first - I have to pick up my daughter at noon/Oakland and will be back at home in the afternoon if either of you have time to talk about the report.

First, **I approve the Year 1 Budget reallocations submitted. Your letter to Hyepin clearly explained the shifting of dollars just as Larry explained to me a week ago. Please make the adjustments of the money going forward as of August 1 (coincides with Hyepin's July 31 letter).**

Regarding the 1st Qtr report, everything looks good but I'd like just a bit more info on the following (by Activity):
Activity II -
Number of Parents having Access: How is NIU calculating an Actual of 10,400 parents (and the Goal of 3,900, too)?
Activity V -
c. Training Parents to be Trainers: I understand why 0 this quarter. If NIU has completed establishing the first sites, can you tell me if (at this time) the 2nd Quarter Report will pick up its Actual or catch up as Yr1 continues? Is the Parent-Trainer Goal still achievable as approved or should we talk/adjust it?
d & e. revising verbage: How's that going? Will NIU be able to show improved numbers of Parent commitments/access in 2nd Qtr?
Activity VI -
Estimated Completion Date of graduations was in May, correct? To add clarity, feel free to include Mo/Yr in the "estimated completion date" column, and all other columns in the future.
Activity VII -
Probably should add a Comment/explanation about the post-grad workshops and why the Goal/Actuals are low. Does NIU mean 25 GRADS out of 514? I think so. Did the 25 post-grads attend 1 workshop, or were there more workshops presented? Is NIU targeting Number of Grads Participating OR Number of Workshops Held? Some more info about this Activity will be very helpful for me.

I apologize for such late feedback that you have to go back in time - we're nearly at the end of 2nd Qtr. I promise to be better. But, maybe this makes it easier for you to give me the info above since some remedies and time may have worked to catch up NIU's Numbers/Goals.
I'll check my email here when I return home (around 1pm) - if one of you can talk to me about these questions, just send me your availability and I can call. I'd like to complete the payment voucher paperwork for NIU tomorrow afternoon (after the morning Check-in Meeting).
Thanks,
Angel

END EXHIBIT A

Draft Audit Report Response

To be incorporated into final Audit report that is to be made public

This document references a separate document named Source of Draft Audit, in it are highlights of specific phrases and sentences in the Draft Audit Report accompanied by a number. Those numbers refer to the numbered items below. For example #1 on Source of Draft Audit document refers to response provided in number 1 of this report.

Exhibit B


P/L, G/L and supporting detail CASF ONLY: NIU data request

To: cprasad@sco.ca.gov 6/10/2015 4:44 PM

6 attachments Download Save to Drive

Please see attached files on general ledger, P/L and supporting detail to P/L.

On June 3, 2015 at 9:40 AM cprasad@sco.ca.gov wrote: Hi Larry: Since we been receiving student data from Alicia Clark, we just want to confirm that she is representing NIU on your behalf and that she is providing the same set of data that you would have otherwise. Chris Prasad, CPA, CFE State Coor...

BETTY T. YEE
California State Controller

September 18, 2015

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Hyepin C. Im, President
Korean Churches for Community Development
California's One Million New Internet Users Coalition
3550 Wilshire Blvd, Suite 736
Los Angeles, CA 90010

Dear Ms. Im:

The State Controller's Office (SCO) audited the Korean Churches for Community Development (KCCD)-sponsored coalition, California's One Million New Internet Users (NIU) Coalition Consortia Program. By agreement with the California Public Utilities Commission (CPUC), KCCD serves as fiscal agent for the NIU Coalition's Consortia Program. The program is funded through a CPUC grant awarded from the California Advanced Services Fund (CASF). The SCO conducted this audit pursuant to an interagency agreement with the CPUC.

The purpose of the audit was to determine whether reimbursement claims against the CASF grant funds were for allowable Consortia Program activities pursuant to the Consortia Grant Agreement (CPUC Resolution T-17355); specifically, to determine whether (1) the NIU Coalition's accounts and records substantiated the level of agreed-upon effort; (2) the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and (3) program expenses were substantiated with accounting records and source documents.

On February 21, 2012, the CPUC approved a $450,000 CASF grant to the NIU Coalition for the Consortia Program for the period of March 1, 2012, through March 1, 2015. The NIU Coalition submitted claims to the CPUC through its fiscal agent, KCCD, for reimbursement of costs incurred for the Consortia Program activities.

The NIU Coalition claimed and was reimbursed $353,784 for costs incurred for the first 10 quarters, from March 1, 2012, through August 31, 2014. The CPUC withheld $96,216 of the grant funds for the remainder of the grant period, from September 1, 2014, through March 1, 2015, pending the results of this SCO audit.

The CPUC requested that the SCO audit the records of both KCCD and the NIU Coalition for grant fund reimbursement for the period of March 1, 2012, through March 1, 2015.

1

2

P.O. Box 942850, Sacramento, CA 94250 • (916) 445-2636
3301 C Street, Suite 700, Sacramento, CA 95816 • (916) 324-8907
901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 • (323) 981-6802

Our audit found that:

- The NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program-related activities and costs.
- The NIU Coalition provided only 50% (20 of 40 hours per participant) of broadband instructional training agreed upon in the terms of the CASF grant.
- The NIU Coalition did not provide complete records; therefore, we could not determine whether $185,353 of CASF-reimbursed costs also may have been charged against other grants or funds.
- KCCD lacked accounting records and source documents to substantiate $53,165 of its administrative costs.

Please submit any comments concerning the draft report within ten (10) days after you receive this letter. In particular, you should address the audit findings and recommendations. We may modify the report based on your comments or additional data that develops as we complete the audit. In addition, we will include your response in the final report.

Please send your response to Andrew Finlayson, Chief, State Agency Audits Bureau, at the State Controller's Office, Division of Audits, P.O. Box 942850, Sacramento, CA 94250-5874. If we do not receive your comments within the specified time, we will release the report as final.

This draft audit report is confidential. We limit report access and distribution to those referenced in this letter. However, when we issue the final report, it becomes a public report.

If you have any questions, please contact Mr. Finlayson at (916) 324-6310.

Sincerely,

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

Attachment

cc: Larry Ortega, Co-founder
California's One Million New Internet Users Coalition

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5

CALIFORNIA'S ONE MILLION NEW INTERNET USERS COALITION

Audit Report

CONSORTIA PROGRAM

March 1, 2012 through March 1, 2015

BETTY T. YEE
California State Controller

September 2015

Contents

Audit Report

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Audit Report

Summary

On February 21, 2012, the California Public Utilities Commission (CPUC) approved a $450,000 grant from the California Advanced Services Fund (CASF) to Korean Churches for Community Development (KCCD). An agreement between the CPUC and KCCD provided that the grant funds were to be used to support the California's One Million New Internet Users (NIU) Coalition, Consortia Program, for the period of March 1, 2012, through March 1, 2015 (12 quarters).

The NIU is a coalition of community service agencies. The Consortia Program received one of 16 grants to various consortia throughout the state. The funding agreement between the CPUC and KCCD specifies that KCCD will serve as fiscal agent for the NIU Coalition for the purposes of the CASF grant. KCCD is allowed to charge administrative (overhead) costs against the grant award for serving as the NIU Coalition's fiscal agent.

The NIU Coalition submitted quarterly claims for program costs to the CPUC through its fiscal agent, KCCD.

The CPUC reimbursed $353,784 (see Schedule 1A) of costs claimed by the NIU Coalition for the first ten quarters of the program, March 1, 2012, through August 31, 2014. The CPUC withheld $96,216 of allocated grant funds for the remaining two quarters of the period, from September 1, 2014, through March 1, 2015, pending results of this audit. The CPUC requested that the State Controller's Office (SCO) audit the records of both KCCD and the NIU Coalition for grant fund reimbursement for the period of March 1, 2012, through March 1, 2015.

Our audit found that:

- The NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program-related activities and costs.
- The NIU Coalition provided only 50% (20 of 40 hours per participant) of broadband instructional training agreed upon in the terms of CASF grant.
- The NIU Coalition did not provide complete records; therefore, we could not determine whether $185,353 of CASF-reimbursed costs also may have been charged against other grants or funds.
- KCCD lacked accounting records and source documents to substantiate $53,165 of KCCD's administrative costs.

Background

California Advanced Services Fund

On February 21, 2012, the CPUC authorized a CASF Grant to the NIU Coalition for the Consortia Program for the period of March 1, 2012, through March 1, 2015, in accordance with California Public Utilities (PU) Code section 701. The CASF provides grants to "telephone corporations" as defined under PU Code section 234, to bridge the "digital divide" (computer networks/broadband) in unserved and underserved areas throughout California. In June 2011, the CPUC implemented the Rural and Urban Regional Broadband Consortia Grant Program to help fund activities promoting broadband deployment, access, and adoption, with a budget of $10 million.

The CPUC adopted procedures and guidelines for administering the CASF grant-funded Consortia Program that included application, evaluation, and selection processes. As part of the screening process, the CPUC required each applicant coalition/consortium to submit a detailed action plan that described the goals, tasks, activities, measurable deliverables, expected outcomes, and specific timeline necessary to meet the needs of the targeted region for broadband deployment, access, and adoption. Each applicant included detailed budgets for each of the activities identified in its work plan. Grant recipients agreed to comply with the grant terms, conditions, and requirements set forth by the CPUC.

Sixteen consortia located throughout the state were awarded grants to participate in the CASF-funded program. The grant purpose is to bridge the "digital divide" by using existing technology resources, such as available computer labs, in community centered areas, such as schools, to promote adult and/or parent computer training. Through these curricula, these consortia intend to reach thousands of persons by providing computer networks training, enabling the parents to improve their children's academic efforts.

On a quarterly basis, these consortia, via their CPUC-approved fiscal agents, submit claims for reimbursement, and are required to include records to support claimed costs.

Korean Churches for Community Development

KCCD is the CPUC-approved fiscal agent for the NIU Coalition. KCCD, located in the City of Los Angeles, is a non-profit faith-based organization, which serves as a bridge between the Korean community and the greater populace. Through private and public collaboration, KCCD's purpose is to, promote local community participation, contribution, and influence through faith-based and community partnerships.

As the fiscal agent for the NIU Coalition's Consortia Program, KCCD's program-related responsibilities include:

- Verifying that CASF program activities are in compliance with and progressing according to the approved work plan milestones;
- Receiving and reviewing all claim requests for CASF reimbursement;
- Verifying CASF services rendered;

- Receiving payments from the CPUC; and
- Disbursing payments to the NIU Coalition.

9 The CPUC authorized KCCD to claim administrative fees for costs incurred for the above-mentioned services. Thus, upon receipt of claim reimbursements from the CPUC, the fiscal agent sets aside a portion of the reimbursement for its administrative efforts, and disburses the remainder of the funds to the NIU Coalition.

California's One Million New Internet Users Coalition

10 The NIU Coalition conducts business under its business name, Community Union. The NIU Coalition's stated mission for the Consorta Program is to bridge the "digital divide." Though this program, the NIU Coalition proposed to educate more than 2,000 parents by, as provided in the grant agreement, providing computer network training, enabling the parents to improve their children's academic efforts.

Consorta Program-related grant activities include:

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- Performing public outreach to create awareness of available opportunities via conference and community meetings;
- Consulting elected community officials and local school administrators and principals to help secure Empowerment Hubs for students to use;
- Conducting orientations meetings with parents to inform them of the internet services and broadband resources that are available to them;
- Recruiting and training staff to lead the parents through the curriculum in the classroom and self-study settings;
- Conducting broadband training;
- Conducting graduation ceremonies; and
- Offering post-graduate workshops to those parents who complete the course.

CPUC's Audit Request

12 In January 2014, the CPUC became aware that the NIU Coalition curriculum had been reduced from 40 hours to 20 hours of parent training. Though the CPUC deemed the reduction of curriculum hours to be a major change, the NIU Coalition failed to submit these changes to CPUC for the required approval. The 40-hour parent training, per the CPUC, was the paramount objective of the NIU Coalition, necessary to lead parents to broadband adoption.

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14 As the NIU Coalition did not request and receive advance approval for this curriculum change, the CPUC reduced the final grant-year (Year 3) award from $150,000 to $95,440. The NIU Coalition disagreed with the CPUC's actions and requested that the full amount of the grant be reinstated.

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In a letter dated December 17, 2014, the CPUC informed the NIU Coalition that, as a condition of reinstating the full award for Year 3, the CPUC would request that a third party conduct an audit to evaluate NIU Coalition's grant performance. Per the CPUC, Year 3 allocations would be adjusted pending the outcome of this third-party audit. Therefore, the CPUC requested that the SCO conduct this performance audit of the NIU Coalition's Consortia Program.

Objectives, Scope, and Methodology

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The purpose of this audit was to evaluate the NIU Coalition's CASF grant performance; specifically, to determine whether **(1)** the NIU Coalition's accounts and records substantiated the level of agreed-upon Consortia Program's effort pursuant to the Consortia Program Action Plan (see Finding 4); **(2)** the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and **(3)** program expenses were substantiated with accounting records and source documents.

Audit methodology, through inquiry, observation, and test procedures, included:

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- Reviewing grant provisions and applicable CPUC decisions, including applicable laws, rules, and regulations, to determine reimbursement eligibility;
- Conducting interviews to the KCCP and the NIU Coalition's business practices to gain an understanding of grant-related activities, internal control standards, for administrative and accounting functions, and recordkeeping practices;

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- Reviewing available broadband training materials and other documents that evidenced services and extent of services rendered;
- On a sample basis, inquiring of NIU employees and contractors to determine their understanding, roles, and responsibilities for the Consortia Program;
- On a sample basis, interviewing Consortia Program participants (parents) to determine the extent of program services received; and
- On a sample basis, examining available accounting records and source documents to substantiate claimed costs.

We conducted this performance audit in accordance with the generally accepted government auditing standards, issued by the Comptroller General of the United States. 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.

We did not audit KCCD or the NIU Coalition's financial statements. In addition to developing appropriate auditing procedures, our review of internal control was limited to gaining an understanding of transaction flow, accounting system, and applicable controls to determine KCCD and the NIU Coalition's ability to accumulate allowable consortia program costs. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the accounts and records substantiated the level of Consortia Program's agreed-upon effort; the costs reimbursed with grant funds were for costs incurred in accordance with the CPUC's Consortia Program provisions; and program expenses were substantiated with accounting records and source documents. KCCD provided financial statements

20

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Conclusion

We conducted an audit of the NIU Coalition's CASF-funded Consortia Program for the period of March 1, 2012, through March 1, 2015.

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Our audit determined that the NIU Coalition lacked proper internal control safeguards to ensure that the Consortia Program functioned as intended and that the accounting records and source documents properly substantiated program related activities and costs. The NIU Coalition's Consortia Program provided only 50%, or 20 hours, of the broadband instructional training, rather than the agreed-upon 40 hours. The NIU Coalition also did not provide complete records for review; therefore, we could not determine whether $110,353 of CASF-funded activities also were charged against other available grant funds. KCCD could not substantiate $23,165 of claimed salaries and benefit costs.

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Views of Responsible Officials

We discussed our review results with Larry Ortega, the NIU Coalition's Co-founder; Hyepin Im, President, Korean Churches for Community Development; Maria Oakey, KCCD's Office Manager; and Louie Briones of Briones International LLC, Accountant; during an exit conference conducted on September 2, 2015. The auditee representatives disagreed with the audit results, specifically that there was insufficient and or lack of records to substantiate the grant costs claimed. We explained, and the representatives agreed, that their response to this draft report could also include those accounting records and source documents to support their claims. We also informed the auditee representatives that the final report to CPUC will include views of responsible officials.

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Restricted Use

This report is solely for the information and use of the California Public Utilities Commission, the Korean Churches for Community Development, the California's One Million New Users Coalition, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

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JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

_____, 2015

Attachment J			
One Million NIU (New Internet Users) Coalition - Los Angeles			
Requested Budget*			
Fiscal Year: 2013			
Budget Line Item	Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
Personnel/Staff Compensation (inclusive of all benefit, payroll taxes, contributions, etc.)			
NIU Project Team			
NIU Coalition Members:	20900	20900	
Team Support			
NIU Administration:			
Accountant, Legal Team, Payroll, Human Resources, Fund Development Team	1620		1620
Translators	3960	3960	
Evaluator	8800	8800	
Community College Liaison	868		868
NIU Liaisons	30700	30700	
NIU On-Site Support Staff			
School Site Principals, Title I Coordinator, Executive Director, Pastor, Community Center Director (depending on site location)	6300		6300
Parent Leaders	5000	5000	
Trainer	36200	36200	
Custodians	37800		37800
NIU Support Staff			
Community Union Vice President of Operations	16800		16800
Lead Trainer	34900	34900	
IT Technician	9000		9000
NIU Sites			
School Site, NPO, Church, Community Center	135000		135000
Materials			
NIU Promotional Materials and Manuals	38805	9540	29265
TOTAL COST	386653	150000	236653

NIU Annual Budget

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California's One Million New Internet Users Coalition — *Consortia Program*

Schedule 1—
Summary of Allowable and Reimbursable Consortia Program Costs
March 1, 2012 through March 1, 2015

Approved budgeted available funds	CASF	Other	Total	Reference [1]
Grant Year (March 1 to February 28)				
2012 - (Year 1)	$ 150,000	$ 236,653	$ 386,653	
2013 - (Year 2)	150,000	236,653	386,653	
2014 - (Year 3)	150,000	236,653	386,653	
	450,000	709,959	1,159,959	
% of available funds to total	39%	61%	100%	
Audited (allowable) program costs (Schedule 1B)			431,875	$ 1,076,673
Allowable program costs allocated to available funds				
CASF @ 39% (allocated allowable program costs)			168,431	$ 419,902
Other @ 61%			263,444	$ 656,770
Difference - CASF funds reimbursed over allocated allowable costs				
Amount CASF reimbursed (Schedule 1A)			353,784	$ 353,784
Allocated allowable program costs			168,431	$ 419,902
Difference - Excess CASF payments over allowable costs			185,353 Finding 4	$ (66,118)

Adjusted Schedule to reflect actual expenditures		39%	61%
Schedule 1B Allowable per Auditor	431875		
KCCD's cost erroneously omitted from Schdule 1B	53165		
Annual In-kind Contribution provided by NIU's partners, multiplied by 2.5, for 10 months of activity.	591632.5		
	$ 1,076,673	$ 419,902	$656,770

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[1] See the Findings and Recommendations section.

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Schedule 1A—
Summary of Quarterly Claimed and Reimbursed Consortia Program Costs
March 1, 2012 through March 1, 2015

Grant Year	Grant Quarter	Claimed	Reimbursed [1]	Difference
2012 - (Year 1)	Quarter 1 - 03/01/12 - 05/31/12	$21,857.17	$21,857.17	-
	Quarter 2 - 06/01/12 - 08/31/12	$38,176.94	$38,176.93	$0.01
	Quarter 3 - 09/01/12 - 11/30/12	$33,597.88	$33,583.83	$14.05
	Quarter 4 - 12/01/12 - 02/28/13	$41,672.29	$41,419.07	$253.22
2013 - (Year 2)	Quarter 1 - 03/01/13 - 05/31/13	$34,378.02	$37,500.00	$3,121.98
	Quarter 2 - 06/01/13 - 08/31/13	$37,500.00	$37,500.00	-
	Quarter 3 - 09/01/13 - 11/30/13	$37,500.00	$37,500.00	-
	Quarter 4 - 12/01/13 - 02/28/14	$37,500.00	$37,500.00	-
2013 - (Year 3)	Quarter 1 - 03/01/14 - 05/31/14	$37,500.00	$37,500.00	-
	Quarter 2 - 06/01/14 - 08/31/14	$31,246.80	$31,247.30	$(0.50)
	Total	$350,928.80	$353,784.00	$(2,855.20)

[1] The CPUC withheld $96,216 ($450,000 grant award less $353,784 grant fund reimbursed) of allocated grant funds for the remaining two quarters of Year 3 pending results of this audit. No claims were submitted and approved for reimbursement for these quarters.

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Schedule 1B—
Summary Claimed and Audited Consortia Program Costs
March 1, 2012 through March 1, 2015

Payee[1]	Audited[2]	Claimed[3]	Difference[4,5]	Reference
Coalition Members				
DF	$ 200	$ 1,477	$ (1,277)	
LO	68,105	39,073	29,032	
Subtotal- Coalition members	68,305	40,550	27,755	
Liaisons				
AQ	37,306	39,109	(1,803)	
APCF	8,111	2,857	5,254	
JG	15,809	11,473	4,336	
Subtotal – Liaisons	61,227	53,437	7,790	
Lead Trainers				
FG	27,821	18,288	9,533	
NR	59,133	47,843	11,289	
TC	9,185	11,825	(2,640)	
Subtotal - Lead Trainers	96,138	77,956	18,182	
CU Trainers				
AMC	5,622	8,147	(2,525)	
AL	545	545	-	
AC	2,125	825	1,300	
AP	2,650	2,453	197	
AO	1,867	95	1,772	
AG	4,768	3,131	1,637	
BS	3,906	305	3,601	
CB	30	30	-	
CC	2,043	175	1,868	
DM	742	875	(133)	
DB	575	575	-	
DF	684	490	194	
DT	29,449	23,936	5,513	
DA	894	800	94	
ELR	3,745	3,225	520	
EG	4,729	585	4,144	
EG	3,681	2,620	1,061	
EP	1,800	1,650	150	
EM	806	828	(22)	
EW	1,563	1,828	(265)	
BM	2,315	2,420	(105)	
ER	450	360	90	
EM	240	240	-	
EG	11,280	8,395	2,885	
FM	1,540	1,480	60	
FR	2,528	2,200	328	
GR	4,643	4,475	168	
GI	110	70	40	
HD	434	390	44	
JK	3,228	3,278	(50)	
JZ	150	310	(160)	
JS	5,319	3,932	1,386	
JR	2,912	1,285	1,627	
JN	2,723	2,355	368	
JM	1,019	1,310	(291)	
	3,294	2,897	397	

Schedule 1B (continued)

J A	1,440	1,540	(100)	
J C S	1,215	1,205	10	
J L	3,025	2,840	185	
J F	1,572	1,390	182	
J R	930	930	-	
K C	6,369	5,884	484	
K C	911	850	61	
L J	1,140	1,060	80	
L M	420	495	(75)	
L L	1,924	95	1,829	
L E	2,623	2,640	(17)	
M R	1,320	1,265	55	
M P	3,973	3,152	820	
M T	580	715	(135)	
M Z	2,009	1,750	259	
M G	728	640	88	
M L	455	505	(50)	
M U	3,405	3,499	(94)	
M A	2,024	1,470	554	
M V	750	850	(100)	
M P	5,587	2,694	2,893	
M Q	1,745	1,765	(20)	
M R	585	585	-	
M H	3,908	3,065	843	
N T	1,729	1,720	9	
O M C	190	220	(30)	
X P	1,360	1,180	180	
S S	522	396	126	
S O	2,805	2,780	25	
S E	1,145	860	286	
Y C	790	728	63	
Y M	1,359	1,125	234	
Subtotal – Trainers	171,575	138,107	33,468	
Others	34,630	-	34,630	
Subtotal - NIU Audited and Claimed	431,875	310,287	[3]	
KCCD	-	53,165	(53,165)	Fin/Eng 2
Grand Total	431,875	363,216	(53,165)	

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[1] To protect personal and confidential information, individuals are identified only by initials.
[2] Rounded to the nearest dollar.
[3] Difference is due to NIU Coalition limiting the invoice amount, Schedule 1A, to what they can claim for that quarter, up to $37,500.

Findings and Recommendations

FINDING 1— Inadequate administrative and accounting internal controls

The California's One Million New Internet Users (NIU) Coalition lacks adequate administrative and accounting internal controls to ensure proper accounting for the California Advanced Services Fund (CASF)-funded Consortia Program activities and program-related costs. Further, the NIU Coalition lacks proper accounting records and evidence of timely-prepared source documents for the CASF Program activities and related costs. These deficiencies are due to (1) inadequate oversight by the NIU Coalition's fiscal agent, Korean Churches for Community Development (KCCD), and (2) authority for making program-related operational and budget decisions is concentrated solely with one person, the NIU Coalition's co-founder.

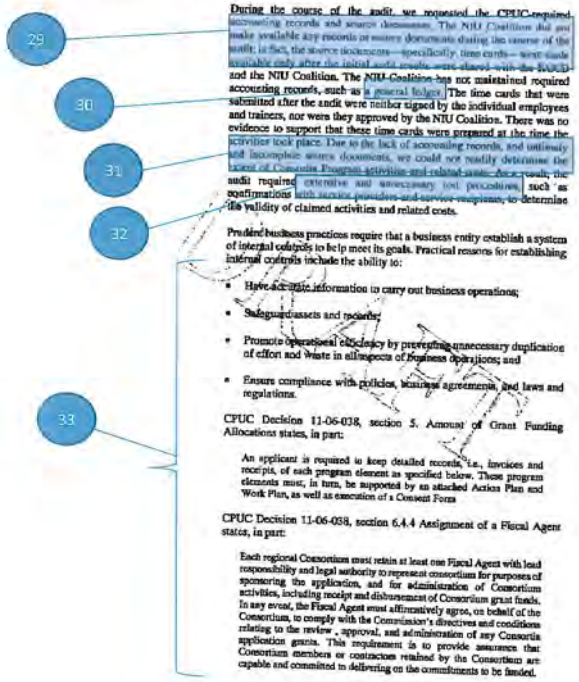
KCCD is the fiscal agent for the NIU Coalition. KCCD, located in the City of Los Angeles, is a non-profit faith-based organization, with a stated mission to serve as a bridge between the Korean community and the greater populace and, through private and public collaboration, to promote local community participation, contribution, and influence through faith-based and community partnerships.

As the fiscal agent for the NIU Coalition, KCCD's CASF grant-related responsibilities include:

- Verifying that CASF program activities are in compliance with the California Public Utilities Commission's Resolution (CPUC) T-17355 and progressing according to the approved work plan milestones;
- Receiving and reviewing all claims requests for CASF reimbursement;
- Verifying CASF services rendered;
- Requesting program-related reimbursements and accepting payments from the CPUC; and
- Disbursing payments to the NIU Coalition.

We noted that NIU Coalition's business decisions were made solely by its co-founder. The co-founder prepared and/or approved accounting records and source documents, including time cards, and maintained these records as well as prepared invoices that were submitted via KCCD to the CPUC for reimbursement.

We also found that the NIU Coalition had other sources of funds for the Consortia Program. The NIU Coalition anticipated that approximately 39% of Consortia Broadband Adoption Program expenses were to be charged against the CASF grant and 61% were to be charged against "other funds." We were not provided with any accounting records or source documents relative to non-CASF funds in order to determine the proportion of program activities, costs, recordkeeping, and claims that may have been charged against other funds



During the course of the audit, we requested the CPUC-required accounting records and source documents. The NIU Coalition did not make available any records or source documents during the course of the audit; in fact, the source documents—specifically, time cards—were made available only after the initial audit results were shared with the SACCD and the NIU Coalition. The NIU Coalition has not maintained required accounting records, such as a general ledger. The time cards that were submitted after the audit were neither signed by the individual employees and trainers, nor were they approved by the NIU Coalition. There was no evidence to support that these time cards were prepared at the time the activities took place. Due to the lack of accounting records, and untimely and incomplete source documents, we could not readily determine the extent of Consortia Program activities and related costs. As a result, the audit required extensive and unnecessary test procedures, such as confirmations with service providers and service recipients, to determine the validity of claimed activities and related costs.

Prudent business practices require that a business entity establish a system of internal controls to help meet its goals. Practical reasons for establishing internal controls include the ability to:

- Have accurate information to carry out business operations;
- Safeguard assets and records;
- Promote operational efficiency by preventing unnecessary duplication of effort and waste in all aspects of business operations; and
- Ensure compliance with policies, business agreements, and laws and regulations.

CPUC Decision 11-06-038, section 5. Amount of Grant Funding Allocations states, in part:

> An applicant is required to keep detailed records, i.e., invoices and receipts, of each program element as specified below. These program elements must, in turn, be supported by an attached Action Plan and Work Plan, as well as execution of a Consent Form

CPUC Decision 11-06-038, section 6.4.4 Assignment of a Fiscal Agent states, in part:

> Each regional Consortium must retain at least one Fiscal Agent with lead responsibility and legal authority to represent consortium for purposes of sponsoring the application, and for administration of Consortium activities, including receipt and disbursement of Consortium grant funds. In any event, the Fiscal Agent must affirmatively agree, on behalf of the Consortium, to comply with the Commission's directives and conditions relating to the review , approval, and administration of any Consortia application grants. This requirement is to provide assurance that Consortium members or contractors retained by the Consortium are capable and committed to delivering on the commitments to be funded.

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CPUC Decision 11-06-038, section 8, Oversight of Consortia Activities Subsequent to Grant Approval states, in part:

> Grant funds will be disbursed in accordance with, and within the time specified in, California Government Code Section 927. The Commission's Communication Division has the authority to initiate any necessary audit, verification, and discovery of Consortium members relating to grant funding activities to ensure that CASF Consortia grant funds are spent in accordance with the Commission's adopted rules and standards. Each Consortia grantee shall maintain books, records, documents, and other evidence sufficient to substantiate expenditures covered by the grant, according to generally accepted accounting practices. Each Consortia grantee shall make these records available to the Commission upon request and agrees that these records are subject to a financial audit by the Commission at any time within three years after the Grantee incurred the expense being audited. A Consortia grantee shall provide access to the Commission upon 24 hours' notice to evaluate work completed or being performed pursuant to the grant.

The CPUC's CASF payment letters issued to KCCD stipulate:

> ... all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions....

Recommendation

If the NIU Coalition were to continue participating in the State-funded programs, we recommend that the NIU Coalition establish and adhere to policies, procedures, accounting records, and internal control standards to ensure that program-related costs are adequately supported, authorized, approved, recorded, and claimed. Doing so will ensure that future grant funds are used for reasonable, allowable, and necessary program-related costs.

FINDING 2—Unsupported administrative costs claimed

KCCD claimed and received $53,165 of CASF grant funds for administrative (overhead) costs. Our audit found that KCCD had neither accounting records nor source documents to substantiate the program activities and related costs. Upon discussing the initial findings during the audit, KCCD shared an allocation methodology to substantiate an approximation of actual costs incurred for the Consortia Program. KCCD attested to providing the following program-related services:

- Conducting computer classes at the 1736 Family Crisis Center
- Hiring staff
- Preparing for computer classes
- Recruiting and coordinating trainers
- Administering and documenting a student database

- Hosting and preparing graduation classes, graduation programs and certificates
- Marketing and performing outreach, including an "email blast" and distribution of flyers
- Performing accounting tasks, including reporting and documentation, submission, review and payments, and reimbursement of checks

Our audit determined that the estimated administrative costs claimed were reasonable, as there were primarily an allocation of KCCD's administrative costs over its various grant and community-funded activities. However, except for submitting the NIU Coalition-prepared claims to the CPUC, receiving reimbursements, and submitting proceeds to the NIU Coalition, the KCCD did not provide any records to substantiate the remainder of the above-described program-related activities.

We found that the activities described above were performed by NIU coalition staff members – specifically, the co-founder, vice president, and [illegible] staff, prepared computer classes, trained trainers, maintained a student database, coordinated graduation ceremonies, and performed recordkeeping functions. The KCCD did not provide any records that substantiated that it also performed these activities. Thus, while the allocated administrative costs appeared to be a reasonable estimation of overhead costs, we could not determine whether KCCD actually performed the program-related activities. We could not determine the extent of overhead costs incurred by KCCD for submitting the NIU Coalition-prepared claims to the CPUC and receiving/distributing CASF funds.

KCCD disagrees with the audit results and asserts that accounting records and source documents substantiate administrative activities and related costs; its response to this draft report, in part, may include those accounting records and source documents that substantiates its position.

CPUC Decision 11-06-038, 8. Oversight of Consortia Activities Subsequent to Grant Approval states, in part:

> An applicant is required to keep detailed records, i.e., invoices and receipts, of each program element as specified below……Funds will be disbursed in accordance with, and within the time specified in, California Government Code Section 927. The Commission's Communication Division has the authority to initiate any necessary audit, verification, and discovery of Consortium members relating to grant funding activities to ensure that CASF Consortia grant funds are spent in accordance with the Commission's adopted rules and standards. Each Consortia grantee shall maintain books, records, documents, and other evidence sufficient to substantiate expenditures covered by the grant, according to generally accepted accounting practices. Each Consortia grantee shall make these records available to the Commission upon request and agrees that these records are subject to a financial audit by the Commission at any time within three years after the Grantee incurred the expense being audited. A Consortia grantee shall provide access to the Commission upon 24 hours' notice to evaluate work completed or being performed.

CPUC's CASF payment letters issued to KCCD stipulate:

> ...all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions....

Recommendation

We recommend that the CPUC take appropriate action.

FINDING 3— Unapproved changes made to 40 hour Grant objective without prior CPUC approval

In its required Consortia Program Action Plan to the CPUC, the NIU Coalition agreed to provide seven distinct types of Consortia Program services (approved activities), as follows:

1. Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings.
2. Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members. Get signed MOUs to guarantee the set-up of permanent Internet access points (Empowerment Hubs).
3. Parent Orientation Meeting: Meet with Parents and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources.
4. The One Million NIU model' centers gets through the Train the Trainer program. College students and One Million NIU alumni (parents graduating from the NIU program) in cooperation with Workforce Development/Worksource Centers, are trained as trainers in an intense 40 hour Train the Trainer program. Trainers are then deployed to Empowerment Hub sites to deliver training to the parents and other adult community members.
5. Conduct the 40 hour Parent Engagement through Technology sessions on actual site (community-based organizations, community centers where computer labs are located and Empowerment Hubs: School Site, NPO, Church, Community Center locations).
6. One Million NIU Graduation Ceremony – huge press event, provides momentum to expand model in other schools, community-based organizations, churches and community centers.
7. Conduct post One Million NIU Graduate workshops, where NIU Graduates engage in small exercises, mobilizing on current issues e.g. education, immigration, economics, etc.

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As a result, the NIU Coalition received grant funds, primarily to provide 40 hours per participant of Broadband Adoption training. However, only 20 hours of in-classroom training for "Parent Engagement through Technology Sessions" were provided; this amounts to 50% of the stated objective, as agreed upon with and approved by the CPUC. The NIU Coalition failed to notify the CPUC and obtain approval for the revised curriculum and service reduction.

Our inquiries with NIU Coalition co-founder, trainers, and sampled participants revealed that seven three-hour training sessions were provided. The trainings were based on classroom materials and curriculum designed by the NIU Coalition's lead trainers. Per the NIU Coalition co-founder, while the NIU Coalition did agree to provide 40 hours of training, the 20-hour classroom sessions achieved the desired results. The Co-Founder stated that the students did receive the adequate training, but for only approximately 50% of the time, and any savings of time and effort were then used for other allowable activities such as follow-up with students.

The CPUC-Approved Work Plan of January 2012, (the same work plan that was submitted and approved for each of the three years in the grant-funded period) Activity 5 states, in part:

> Conduct the 40-hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs. Performance Measure/Annual Target number of Parents to complete the 40 hours of training: 750.

CPUC Decision 11-06-038, Section 10. Execution and Performance states, in part:

> Should the recipient or its contractor fail to commence work at the agreed upon time, the Commission, upon ten business days written notice to the CASF Consortia Grant Account recipient, may terminate the award. In the event that the CASF Consortia Grant Account recipient fails to complete the project, in accordance with the terms of approval granted by the Commission, the recipient will be required to reimburse some or all of the CASF Consortia Grant Account funds that it has received. Any changes to the substantive terms and conditions underlying Commission approval of the Consortium grant (e.g., changes to Action Plan, Work Plan, budget or designated Fiscal Agent, etc.) must be communicated in writing to the Communications Division Director at least 30 days before the anticipated change. Said may be subject to approval by either the Director or by Commission resolution before becoming effective.

Recommendation

We recommend that the CPUC take appropriate action pursuant to CPUC Decision 11-06-038.

FINDING 4— Repeated recovery of Consortia Program costs

In all, the CPUC paid out $353,784 of CASF funds to the NIU Coalition for the Consortia Program expenses. Our audit determined that the CPUC reimbursed approximately $185,353 in CASF funds for Consortia Program expenses that may have been charged to other NIU Coalition funds.

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The available cancelled checks and KCCD's records showed expenses of $421,875 for Consortia Program-related expenses for the audit period (Schedule 3A). Of these expenses, the NIU Coalition submitted invoices for reimbursement for approximately $363,216. The NIU Coalition requested CASF quarterly draws of approximately $21,900 ($150,000 annual contribution equally allocated for each quarter).

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The NIU Coalition submitted to the CPUC the required Consortia Program Action Plan identifying activities and their related costs for each of the Consortia Program tasks. As illustrated in the table below, approximately 39% of Consortia Program expenses were anticipated by the NIU Coalition to be charged against the CASF grant, and 61% to be charged against other funds. The NIU Coalition did not make available accounting records and/or source documents for any other funds; therefore, we could not determine whether the CPUC-reimbursed program costs also were charged against other funds.

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As there were no accounting records available to determine if these CPUC-reimbursed program costs were charged against other funds, we used the best available means to approximate Consortia Program costs eligible for reimbursement. That is, while we do realize that the Action Plan budget contained [imputed] and invisible costs, as explained below, we have only this budget as a sole source by which to determine how the Consortia Program costs would have been allocated by the NIU Coalition, given their planned spending habits. Therefore, while not a perfect methodology, we are using the percentages presented in the aforementioned table to allocate CASF program costs.

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Absent accounting records and source documents for expenses charged other funds, we estimate that the CASF reimbursement should have been approximately $189,166 rather than $353,784, a potential overpayment of $185,355.

Budgeted CASF and Other Funded Consortia Program

Fiscal Year	CASF	Others	Total
2012	$ 150,000	$ 236,653	$ 386,653
2013	150,000	236,653	386,653
2014	150,000	236,653	386,653
	$ 450,000	$ 709,959	$ 1,159,959
	39%	61%	100%

The NIU Coalition disagreed that the CASF funds were overcharged, arguing that the approved budget included non-cash service values, meaning many of the costs such as Task 1, Media Blast for Program Awareness, and Task 3, Empowerment Hub for Training Centers, while necessary for the Consortia Program, were received at no cost to the NIU Coalition; in fact, the NIU Coalition determined and assigned monetary values for these donated, or no-cost services. The NIU Coalition did acknowledge that in addition to the consortia grant funds, there were other grants which, in part, also paid for the Consortia Program's actual costs incurred.

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In order to determine the extent of other funds and grant funds and related expenses charged against these respective grants we requested, but the NIU Coalition has been unable to provide, bank statements and account records for other grant fund charges to substantiate the extent of Consortia Program expenses eligible for the CASF grant reimbursement.

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CPUC Resolution, R-10-12-008, states in part:

9. Each application must include an Action Plan and Work Plan which provide at a minimum, the information and disclosures set forth in Attachment A, B, C hereto. A Work Plan must be submitted for each funding year, e.g., Work Plan Year 1, Work Plan Year 2, Work Plan Year 3.
10. Each application must include a budget of planned activities, a designated Fiscal Agent, and an affidavit attesting to the application's truth and accuracy. A budget must be submitted for each funding year, e.g., Budget Year 1, Budget Year 2, Budget Year 3.
11. Any proposed consortium budget must expressly exclude any costs for activities or programs within the consortia region that are separately funded from any other sources in order to ensure that California Advanced Services Fund (CASF) grants do not duplicate funding from any other source. Any proposed consortium budget must be accompanied by a description of any and all existing broadband adoption or deployment activities funded by any other state or federal grants or by any other sources within the region covered by the consortium application, together with supporting detail necessary to confirm that the CASF consortium budget does not duplicate any such funding.

CPUC CASF payment letters issued to KCCD state:

. . . all payments are subject to audit and other verification for compliance with Commission orders and directives. If, at a later date, portions of the payment are found to be out of compliance, Communications Division will inform you, by letter, of the status of any adjustments. If this happens, Korean Churches for Community Development will be responsible for refunding the disallowed amount along with appropriate interest at rates determined in accordance with applicable Commission decisions. . . .

Recommendation

We recommend the CPUC take appropriate action.

Attachment 4—
CPUC Letters Dated, July 22, 2014 and December 17, 2014

STATE OF CALIFORNIA
PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Edmund G. Brown Jr., *Governor*

July 22, 2014

Hyepin Im
Korean Churches for Community Development
California's 1 Million NIU Broadband Consortium
3550 Wilshire Blvd, Ste 736
Los Angeles, CA 90010

Larry Ortega
Community Union, Inc.
3626 East 1st Street
Los Angeles, CA 90063

Subject: ***California's 1 Million NIU's Request to Reconsider CPUC Decision to Reduce NIU's Budget***

Dear Ms. Im and Mr. Ortega:

In my letter dated January 14, 2014 I informed you that the Communications Division (CD) had determined to fund up to $49,088 in NIU consortium expenses for Year 3, and up to $10,000 in supplemental funding to attend the Annual Summit. This determination was based on concerns with NIU's performance during Years 1 and 2 of its CASF grant and NIU's continuing to fall behind in meeting its performance metrics despite being given opportunities to address these issues. This letter was followed by NIU submitting a corrective action plan and later a formal request dated June 12, 2014, which requested that the CPUC restore NIU's budget to $150,000. This request was based on NIU's assertion that NIU had improved its performance. However, despite NIU's claims that it is meeting performance targets, the majority of NIU's sessions are for less than the 40 hours stated in both the Work Plan and NIU's original application. Therefore, we do not consider these classes as having met the standards set forth by NIU. This and another other item outlined below prevent us from restoring NIU's funding to $150,000. As such, we hereby restore NIU's budget to $95,440 in consortium expenses for Year 3, and up to $10,000 in supplemental funding to attend the Annual Summit. This decision is based upon the following:

1. As stated above, despite performance improvements, the majority of NIU's sessions are for less than the 40 hours stated in the Work Plan and NIU's original application. There is no record of the CPUC having ever approved a decrease in the number of session hours. Therefore, we do not consider these classes as having met the standards set forth by NIU. Per NIU, these trainings averaged 30 hours in Year 2 Quarter 4, or 75% of the amount of hours NIU committed to in its Work Plan and original submission and averaged 26 hours in Year 3 Quarter 1, or 65% of the amount of hours NIU committed to in its Work Plan and original submission. We therefore reduce NIU's $150,000 budget by 30% to $105,000 to reflect this.

2. In NIU's Year 3 Budget and Work Plan submitted December 13, 2013, NIU requested moving $9,560 that was no longer needed for translators and evaluators into the trainer category. As

we had noted in our letter dated January 14, 2014, NIU did not propose using these funds to offer additional classes or to train additional parents. Therefore, our decision to reduce NIU's budget by the $9,560 that is no longer needed for translators and evaluators still stands.

3. Per our letter dated January 14, 2014 we are not approving the proposed revisions to Activity 7. The Work Plan and Budget should be updated accordingly to reflect this. We have gone ahead and approved paying NIU for Year 3 Quarter 1 activities associated with Activity 7 based on course materials for this activity sent to us by NIU.

In summary, based on the above, we hereby restore NIU's budget to $95,440 in consortium expenses for Year 3, and up to $10,000 in supplemental funding to attend the Annual Summit. Please submit an updated Year 3 Work Plan and Budget for approval.

You may call Zenaida Tapawan-Conway at 415-703-5221or email her at zenaida.tapawan-conway@cpuc.ca.gov if you have any questions.

Sincerely,

Ryan Dulin
Director
Communications Division

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

December 17, 2014

Hyepin Im
Korean Churches for Community Development
California's 1 Million NIU Broadband Consortium
3550 Wilshire Blvd, Suite 736
Los Angeles, CA 90010

Larry Ortega
Community Union, Inc.
3626 East 1st Street
Los Angeles, CA 90063

SUBJECT: RESPONSE TO LETTERS FROM CALIFORNIA'S 1 MILLION NIU's TO REQUEST FULL RESTORATION OF CONSORTIA FUNDING FOR YEAR 3.

Dear: Ms. Im and Mr. Ortega:

This is in response to your August 8, 2014 and October 22, 2014, letters requesting reinstatement of NIU's full funding of $150,000 for Year 3. Specifically, I address several points raised in your letters and further explain our decision to reduce NIU's Year 3 funding.

1. Reduction in hours for Activity V – Parent Engagement Technology sessions

In NIU's original application submitted in 2011, NIU's Action Plan states that:

"The NIU Coalition will maximize investments by using funds to train parents how to better guide their children to college using Internet research skills. It costs the NIU Coalition $190 to run one parent through NIU training. With a $450,000 investment ($150,000 annually for three years), the California's One Million NIU Coalition will train 790 parents annually or 2,370 in total over the three years of the grant period."

NIU committed to conduct 40-hour Parent Engagement through Technology sessions provided at various school sites, community-based organizations, and community centers where computer labs are turned into Empowerment Hubs.

Communications Division (CD) staff therefore believes that the core objective of the consortium is to lead parents to broadband adoption through the 40-hour training sessions that NIU offers. NIU apparently shortened the in-class sessions to 20 hours supplemented by homework assignments "within the first 2 quarters of executing the contract" (i.e., within Year 1) as Ms. Im disclosed in her August 8, 2014, letter. NIU did not communicate this change in class design to CD staff, and instead gave the impression that the consortium has been offering the 40-hour in-class training in all its quarterly reports and in its requests for Year 2 and Year 3 budgets submitted on October 1, 2012 and December 3, 2013, respectively. CD staff became aware of the curriculum change upon further analyses of documentation that NIU submitted after January 2014.

Mr. Ortega argues that the reduction in the in-class hours "streamlined Activity V and became more efficient, without effecting the integrity of the outcomes" and that "CASF staff concluded less hours meant not meeting the goal, yet could not offer any insights as to why." I disagree with this characterization. NIU committed to offering the 40-hour training, which we consider as the core activity of this consortium; hence, it is incumbent upon NIU to justify why a substantial reduction in in-class hours does not materially impact the outcomes.[1] Mr. Ortega indicated that the curriculum changes are based on "empirical observation netted through our surveys" and to date NIU has not provided any supporting documentation to substantiate this claim. CD Staff concluded NIU failed to meet the target number of parents it proposed to train annually with CASF's investment as promised in its Action Plan, and the training hours offered to those parents who actually graduated were less than what NIU committed to do in its work plan.

2. Seven activities in NIU's work plan

In your letters, you requested reconsideration of NIU's funding based on NIU's performance in all seven activities that NIU undertakes under its grant and questioned why NIU is being measured by only one of the seven activities. Mr. Ortega argues that Activity V represents an "average of only 16.7% of everything [NIU is] obligated to perform" under the grant and "could not warrant a $50,000 (or 1/3) reduction in the budget."

CD staff acknowledges that NIU undertakes other activities aside from Activity V. These include conference/community meetings to create awareness about broadband opportunities in the region (Activity I), meetings with administrators to establish empowerment hubs (Activity II), parent orientation meetings (Activity III), train the trainer program (Activity IV), graduation ceremonies (Activity VI), and post-NIU graduate workshops (Activity VII).

[1] As indicated in Decision (D.) 11-06-038 and reiterated in the Consortia Administrative Manual, a consortium must inform the CASF Consortia Grant Coordinator as soon as possible of proposed changes to its action plan including its work plan, budget allocation, membership, and/or fiscal agent. Any change to the substantive terms and conditions underlying Commission approval of a grant must be communicated in writing to the CD Director at least 30 days before the anticipated change and may be subject to approval either by the Director or by Commission resolution before becoming effective. The Consortia Grant Coordinator will determine whether a proposed change is substantive requiring formal Commission approval and will advise the consortium accordingly.

However, as I indicated above, CD staff deems the goal of this consortium based on NIU's representation in its original proposal is to provide parent trainings that would lead to "true adoption". This goal of NIU's program is accomplished through Activities V and VII. NIU had underperformed in Activity V and had changed the metric for Activity VII from number of parents taking the post-graduate course to a less onerous metric based on number of modules taken by parent graduates. Based on NIU's initial application, the other activities are undertaken as part of the seven-step process that results in training that leads to broadband adoption. The intent is to maximize existing resources by holding NIU training in existing computer labs at churches, schools and community-based organizations creating Empowerment Hubs. Thus, even if NIU undertook and met its performance metrics in those other activity areas, it was concluded NIU underperformed in its core responsibility. NIU failed to achieve its goals of training 790 parents in Year 1, 909 parents (to make up the difference for Year 1) in Year 2. Now in Year 3 and Quarter 2 reached only 42% of its goal promising to make up the difference in the remainder of Year 3.

3. Media coverage of NIU Activities

Your letters pointed out that the "unprecedented promotion" NIU has received in the media coverage of its graduation ceremonies (Activity VI) should be a factor for our reconsideration of NIU's funding. You indicated that these media coverages received over 5.5 million impressions with estimated value of $273,000. Mr. Ortega further argues that NIU's "over-performance" in this area "mitigates any perceived under achievements in any of the other activities" since millions of people are seeing the success of NIU's program and therefore "promotes broadband adoption." While I laud NIU for being able to generate all this media exposure of its program, CD does not believe media exposure necessarily translates to actual broadband adoption, as Mr. Ortega seems to imply. As NIU characterized in its initial Action Plan, the NIU graduation ceremony is a huge press event, which provides momentum to expand the NIU model in other schools, community-based organizations and community centers. Thus, at the end, these media coverages should result in actual number of persons trained through the NIU program and eventually lead to broadband adoption.

Based on NIU's continued requests to recover its CASF grant funds for Year 3 and CASF staff's concerns regarding NIU's performance during Years 1, 2 and 3, I believe it is necessary for a third-party audit review to evaluate NIU's CASF grant performance at this stage. This determination is consistent with Decision (D.) 11-06-038, which contains Commission rules and guidelines related to the Consortia Grant program, along with Resolution T-17355, which approved NIU's grant.

In summary based on the above, I am denying NIU's request to restore full budget of $150,000 for Year 3. Due to the disparity in the assessment of performance of NIU, CD will be pursuing a third-party audit review. Pending a positive outcome of the third-party audit, CD will adjust NIU's budget for Year 3 accordingly.

Until then, NIU's budget will continue at $95,440 for Year 3, and up to $10,000 in supplemental funding to attend the Annual Summit, as I have indicated in my July 22, 2014, letter.

You may call Robert Wullenjohn at 415-703-2265 or email him at Robert.wullenjohn@cpuc.ca.gov if you have questions.

Sincerely,

Ryan Dulin, Director
Communications Division

Cc: Michael Peevey, President
Michel Florio, Commissioner
Catherine Sandoval, Commissioner
Carla Peterman, Commissioner
Michael Picker, Commissioner
Ryan Dulin, Director, Communications Division
Robert Wullenjohn, Program Manager
Zenaida Tapawan-Conway, Program and Project Supervisor
Devla Singh, Public Utilities Regulatory Analyst

Attachment 5—
Approved Consortia Program Work Plan/Annual Budget

ATTACHMENT I
One Million NIU (New Internet Users) Coalition - Los Angeles
California's One Million NIU

WORK PLAN - JAN '12 - DEC '12 (Activities 1-7 will occur quarterly within each funded year)

1. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	Annual	NIU Project Team, NIU Administration, NIU On-Site Support Staff, NIU Support Staff	Number of Conference/community Meetings: 6
			Number of key leaders to be invited to speak at the conferences: 18
			Number of people drawn to Conference/Meeting because of key leaders confirmation: 300
			Number of Administrators to meet post-conference: 24

2. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members. Get signed MOU's to guarantee the setup of permanent Internet access points, (Empowerment Hubs).	Annual	NIU Project Team, NIU Administration	Number of Administrators we meet with per Activity I's results (above): 24
			Fifty percent (50%) of those Administrators we meet with, will enter into MOU, thereby guaranteeing 12 Empowerment Hubs.
			The opening of 12 Empowerment Hubs will guarantee access to communicating with constituencies of Empowerment Hubs which is the entre' to Activity III (Parent Orientation Meetings)
			Twelve (12) Empowerment Hubs will guarantee Internet Access for parents of students attending schools within one mile radius of Empowerment Hub (number of Empowerment Hubs * avg. number of students per school (650) * 2 because spouse or other family member will also join): 15,600 parents

3. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Parent Orientation Meeting: Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	First month of quarter.	NIU On-Site Support Staff, NIU Support Staff	Number of parents NIU Coalition will have access to because of MOU with Empowerment Hub (assume average of 650 students per school site(Empowerment Hub): 7,800
			Send communications via regular mail to all constituencies of 12 Empowerment Hubs. Three times the target number of enrollees must go out in order to achieve target enrollment (790 * 3): 2,370
			From those invited 1/3 (or 790) will show to Orientation Meeting and signup. Applications to be accepted for enrollment will be at a rate of 115% of target enrollment because there is a 15% rate of attrition from those that enroll but do not finish. Additional applications accepted will be kept on waiting list: 909

4. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
The One Million NIU model creates jobs through the Train the Trainer program. College students and One Million NIU alumni (parents graduating from the NIU program) in cooperation with Workforce Development/Worksource Centers, are trained as trainers in an intense 40 hour Train the Trainer program. Trainers are then deployed to Empowerment Hub sites to deliver training to the parents and other adult community members.	Beginning of each quarter	NIU Project Team, NIU Administration	Train the Trainer: Community Colleges provide a credible source for quality students to enter the train the trainer program. A minimum of 24 trainers will have completed the train the trainer program annually. Benchmarks for Region Leads will be measured on a quarterly basis and will provide NIU Coalition members an inventory of trainers for deployment to Empowerment Hubs. This will provide the necessary scalability requisites in training 790 parents annually.

5. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	20 days into quarter begin 10 weeks of NIU training, with final week of NIU training to be held last week of quarter	NIU On-Site Support Staff, NIU Support Staff	Annual Target Number of Parents to complete the 40 hours of training: 790
			Through pre and post surveys we will measure the following: One Million NIU Benchmarks to be achieved by NIU graduates: a. 80% of parents become more engaged in their child's education,
			b. 40% of parents move to true adoption: 316
			c. 10% of parents (NIU alumni) will enter Train the Trainer program: 79
			d. 95% of parents get an email account, which is the equivalent to a drivers license on the digital highway: 751
			e. 90% of parents improve their digital communication skills: 711

6. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
One Million NIU Graduation Ceremony! – huge press event, provides momentum to expand model in other schools, community-based organizations, churches and community centers.	Last week of 3rd month of quarter	NIU Project Team, NIU Administration, NIU On-Site Support Staff, NIU Support Staff	Each Empowerment Hub will conduct a Graduation Ceremony 3 times a year, Spring, Summer and Fall. A total of 36 graduation ceremonies will be conducted and will result in Media Coverage in local newspapers and regional TV, where tens of thousands (10,000) more will hear of the positive impact that One Million NIU model has made, prompting the readership and viewership of these TV and other Media outlets to want to replicate One Million NIU model in their region. Local elected officials are also invited to recognize the accomplishments of the One Million NIU graduates, which presents an opportunity to expand into other school districts via introductions these elected officials can make on behalf of the One Million NIU Initiative. Benchmark is to open one (1) additional Empowerment Hub within a 12 month period following the graduation ceremony. This will allow for us to double the number of Empowerment Hubs annually, which will provide Internet access via the Empowerment Hubs for thousands of low income families throughout the target Regions I - V.

7. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Conduct post One Million NIU Graduate workshops, where NIU Graduates engage in email exercises, mobilizing on current issues, e.g. education, immigration, economics, etc.	Delivered through the following quarters	NIU On-Site Support Staff, NIU Support Staff	Sixty-five percent (65%) of the 940 NIU graduates (514 NIU graduates) will enter the post-NIU Workshops. Five hundred fourteen NIU graduates will attend and successfully complete tasks during post-course workshops. This activity will help solidify True Adoption among new One Million NIU graduates. Moving 514 One Million NIU graduates to True Adoption defined as "low income communities personally maximizing the use of on-line resources for improved quality of life."

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2012

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
	1) Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	2) Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members	3) Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	4) Conduct Orientation Meetings with Community Colleges, and WIB (Workforce Investment Boards), link the two and begin Train the Trainer program to develop trainers who will conduct One Million NIU Roll-out	5) Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	**6) One Million NIU Graduation Ceremony!** – huge press event, provides momentum to expand model in other schools, community-based organizations and community centers.	7) Conduct post One Million NIU Graduate workshops, where the parents and community members are involved in email exercises, mobilizing on current issues, e.g. DreamAct, budget cuts, Opening the Revenue Spigot.			
Personnel/Staff Compensation (inclusive of all benefit, payroll taxes, contributions, etc.)										
NIU Project Team										
NIU Coalition Members: Debra Fong, Asian Pacific Community Fund; Skip Cooper, Black Business Association; Larry Ortega, Community Union; Hyepin Im, Korean Churches for Community Development, and Nathan Arias, Soledad Enrichment Action Charter Schools	975	975		975		975		3900	3900	
Team Support										
NIU Administration:										
Accountant, Legal Team, Payroll, Human Resources, Fund Development Team	405	405		405		405		1620		1620
Translators	990	990		990		990		3960	3960	
Evaluator	2700	2700		2700		2700		10800	10800	
Community College Liaison	217	217		217		217		868		868
NIU Liaisons	4500	4500		4500		4500		18000	18000	
NIU On-Site Support Staff										
School Site Principals, Title I Coordinator, Executive Director, Pastor, Community Center Director (depending on site location)	1260		1260		1260	1260	1260	6300		6300
Parent Leaders	2880		2880		2880	2880	2880	14400	14400	
Trainer	14040		14040		14040	14040	14040	70200	70200	
Custodians	7560		7560		7560	7560	7560	37800		37800
NIU Support Staff										
Community Union Vice President of Operations	3360		3360		3360	3360	3360	16800		16800
Lead Trainer	3840		3840		3840	3840	3840	19200	19200	
IT Technician	1800		1800		1800	1800	1800	9000		9000
NIU Sites										

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2012

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
	1) Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	2) Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members	3) Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	4) Conduct Orientation Meetings with Community Colleges, and WIB (Workforce Investment Boards), link the two and begin Train the Trainer program to develop trainers who will conduct One Million NIU Roll-out	5) Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	**6) One Million NIU Graduation Ceremony!** – huge press event, provides momentum to expand model in other schools, community-based organizations and community centers.	7) Conduct post One Million NIU Graduate workshops, where the parents and community members are involved in email exercises, mobilizing on current issues, e.g. DreamAct, budget cuts, Opening the Revenue Spigot.			
School Site, NPO, Church, Community Center								135000		135000
Materials										
NIU Promotional Materials and Manuals								38805	9540	29265
TOTAL COST								366653	150000	236653

* A yearly budget must be submitted for each funding year

ATTACHMENT I

One Million NIU (New Internet Users) Coalition - Los Angeles

California's One Million NIU

WORK PLAN - MAR '13 - FEB '14 (Activities 1-7 will occur quarterly within each funded year)

1. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	Annual	NIU Project Team, NIU Administration, NIU On-Site Support Staff, NIU Support Staff	Number of Conference/community Meetings: 6
			Number of key leaders to be invited to speak at the conferences: 18
			Number of people drawn to Conference/Meeting because of key leaders confirmation: 300
			Number of Administrators to meet post-conference: 24

2. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members. Get signed MOU's to guarantee the setup of permanent Internet access points, (Empowerment Hubs).	Annual	NIU Project Team, NIU Administration	Number of Administrators we meet with per Activity I's results (above): 48

			Fifty percent (50%) of those Administrators we meet with, will enter into MOU, thereby guaranteeing 24 Empowerment Hubs.
			The opening of 24 Empowerment Hubs will guarantee access to communicating with constituencies of Empowerment Hubs which is the entre' to Activity III (Parent Orientation Meetings)
			Twenty-four (24) Empowerment Hubs will guarantee Internet Access for parents of students attending schools within one mile radius of Empowerment Hub (number of Empowerment Hubs * avg. number of students per school (650) * 2 because spouse or other family member will also join): 31,200 parents

3. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Parent Orientation Meeting: Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	First month of quarter.	NIU On-Site Support Staff, NIU Support Staff	Number of parents NIU Coalition will have access to because of MOU with Empowerment Hub (assume average of 650 students per school site(Empowerment Hub): 15,600
			Send communications via regular mail to all constituencies of 24 Empowerment Hubs. Three times the target number of enrollees must go out in order to achieve target enrollment (790 * 3): 2,370
			From those invited 1/3 (or 790) will show to Orientation Meeting and signup. Applications to be accepted for enrollment will be at a rate of 115% of target enrollment because there is a 15% rate of attrition from those that enroll but do not finish. Additional applications accepted will be kept on waiting list: 909

4. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)

The One Million NIU model creates jobs through the Train the Trainer program. College students and One Million NIU alumni (parents graduating from the NIU program) in cooperation with Workforce Development/Worksource Centers, are trained as trainers in an intense 40 hour Train the Trainer program. Trainers are then deployed to Empowerment Hub sites to deliver training to the parents and other adult community members.	Beginning of each quarter	NIU Project Team, NIU Administration	Train the Trainer: Community Colleges provide a credible source for quality students to enter the train the trainer program. A minimum of 24 trainers will have completed the train the trainer program annually. Benchmarks for Region Leads will be measured on a quarterly basis and will provide NIU Coalition members an inventory of trainers for deployment to Empowerment Hubs. This will provide the necessary scalability requisites in training 790 parents annually.

5. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	20 days into quarter begin 10 weeks of NIU training, with final week of NIU training to be held last week of quarter	NIU On-Site Support Staff, NIU Support Staff	Annual Target Number of Parents to complete the 40 hours of training: 790 + deficit number of graduates from previous grant year,
			Through pre and post surveys we will measure the following: One Million NIU Benchmarks to be achieved by NIU graduates: a. 80% of parents become more engaged in their child's education,
			b. 40% of parents move to true adoption: 316
			c. 10% of parents (NIU alumni) will enter Train the Trainer program: 79
			d. 95% of parents get an email account, which is the equivalent to a drivers license on the digital highway: 751
			e. 90% of parents improve their digital communication skills: 711

6. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
One Million NIU Graduation Ceremony! – huge press event, provides momentum to expand model in other schools, community-based organizations, churches and community centers.	Last week of 3rd month of quarter	NIU Project Team, NIU Administration, NIU On-Site Support Staff, NIU Support Staff	Each Empowerment Hub will conduct a Graduation Ceremony 1-2 times a year. A total of 36 graduation ceremonies will be conducted and will result in Media Coverage in local newspapers and regional TV, where tens of thousands (10,000) more will hear of the positive impact that One Million NIU model has made, prompting the readership and viewership of these TV and other Media outlets to want to replicate One Million NIU model in their region. Local elected officials are also invited to recognize the accomplishments of the One Million NIU graduates, which presents an opportunity to expand into other school districts via introductions these elected officials can make on behalf of the One Million NIU Initiative. Benchmark is to open one (1) additional Empowerment Hub within a 12 month period following the graduation ceremony. This will allow for us to double the number of Empowerment Hubs annually, which will provide Internet access via the Empowerment Hubs for thousands of low income families throughout the target Regions I - V.

7. Activity(ies)	Timeline	Responsible Party(ies)	Performance Measure(s)
Conduct post One Million NIU Graduate workshops, where NIU Graduates engage in email exercises, mobilizing on current issues, e.g. education, immigration, economics, etc.	Delivered through the following quarters	NIU On-Site Support Staff, NIU Support Staff	250 Modules will be completed by One Million NIU Alumni (est. 35 Alumni will complete 7 modules each) in post-NIU Workshops. Thirty five NIU graduates will attend and successfully complete tasks during post-course workshops. This activity will help solidify True Adoption among new One Million NIU graduates. Moving 35 One Million NIU graduates to True Adoption defined as "low income communities personally maximizing the use of on-line resources for improved quality of life."

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2013

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
	1) Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	2) Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members	3) Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	4) Conduct Orientation Meetings with Community Colleges, and WIB (Workforce Investment Boards), link the two and begin Train the Trainer program to develop trainers who will conduct One Million NIU Roll-out	5) Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	**6) One Million NIU Graduation Ceremony!** – huge press event, provides momentum to expand model in other schools, community-based organizations and community centers.	7) Conduct post One Million NIU Graduate workshops, where the parents and community members are involved in email exercises, mobilizing on current issues, e.g. DreamAct, budget cuts, Opening the Revenue Spigot.			
Personnel/Staff Compensation (inclusive of all benefit, payroll taxes, contributions, etc.)										
NIU Project Team										
NIU Coalition Members: Debra Fong, Asian Pacific Community Fund; Skip Cooper, Black Business Association; Larry Ortega, Community Union; Hyepin Im, Korean Churches for Community Development, and Nathan Arias, Soledad Enrichment Action Charter Schools	975	975		975		975		3900	3900	
Team Support										
NIU Administration:										
Accountant, Legal Team, Payroll, Human Resources, Fund Development Team	405	405		405		405		1620		1620
Translators	990	990		990		990		3960	3960	
Evaluator	2700	2700		2700		2700		10800	10800	
Community College Liaison	217	217		217		217		868		868
NIU Liaisons	4500	4500		4500		4500		18000	18000	
NIU On-Site Support Staff										
School Site Principals, Title I Coordinator, Executive Director, Pastor, Community Center Director (depending on site location)	1260		1260		1260	1260	1260	6300		6300
Parent Leaders	2880		2880		2880	2880	2880	14400	14400	
Trainer	14040		14040		14040	14040	14040	70200	70200	
Custodians	7560		7560		7560	7560	7560	37800		37800

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2013

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
	1) Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	2) Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members	3) Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	4) Conduct Orientation Meetings with Community Colleges, and WIB (Workforce Investment Boards), link the two and begin Train the Trainer program to develop trainers who will conduct One Million NIU Roll-out	5) Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	**6) One Million NIU Graduation Ceremony!** – huge press event, provides momentum to expand model in other schools, community-based organizations and community centers.	7) Conduct post One Million NIU Graduate workshops, where the parents and community members are involved in email exercises, mobilizing on current issues, e.g. DreamAct, budget cuts, Opening the Revenue Spigot.			
NIU Support Staff										
Community Union Vice President of Operations	3360		3360		3360	3360	3360	16800		16800
Lead Trainer	3840		3840		3840	3840	3840	19200	19200	
IT Technician	1800		1800		1800	1800	1800	9000		9000
NIU Sites										
School Site, NPO, Church, Community Center								135000		135000
Materials										
NIU Promotional Materials and Manuals								38805	9540	29265
TOTAL COST								386653	150000	236653

STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

January 14, 2013

Hyepin Im
Korean Churches for Community Development
California's 1 Million NIU Broadband Consortium
3550 Wilshire Blvd, Ste 736
Los Angeles, CA 90010

Larry Ortega
Community Union, Inc.
3626 East 1st Street
Los Angeles, CA 90063

Subject: ***California's 1 Million NIU Broadband Consortium Year 3 Workplan***

Dear Ms. Im and Mr. Ortega:

After reviewing California's 1 Million New Internet Users Broadband Consortium's (NIU) proposed Year 3 work plan and budget (for operations beginning March 1, 2014), Commission staff have determined to fund up to $49,088 in consortium expenses for Year 3, and up to $10,000 in supplemental funding to attend the March 2014 Annual Summit. This determination is consistent with Decision (D.)11-06-038, which contains Commission rules and guidelines related to the Consortia Grant program, along with Resolution T-17355, in which the Commission approved NIU's grant. The rationale for this determination, including NIU's performance during Years 1 and 2 of its CASF grant, is outlined below.

A. Performance

CD staff has discussed its concerns with NIU that it was not meeting its proposed performance metrics on several occasions. The seven activity areas in NIU's approved workplan and key performance metrics under each include:

1. Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings. [*Metrics include number of community meetings held, key leaders invited to speak, people attending, administrators met post-conference*]

2. Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the impact that it will have with their parents and other community members. Get signed MOU's to guarantee the setup of permanent Internet access points (Empowerment Hubs). [*Target is to sign MOUs with administrators to open 12 Empowerment Hubs a year.*]

3. Parent Orientation Meeting: Meet with Parent and Community Leaders(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources. [*Metrics include number of parents NIU will have access to because of Empowerment Hubs, number of parents showing up at orientation meetings and applying for the 40-hour training.*]

4. The One Million NIU model creates jobs through the Train the Trainer program. College students and One Million NIU alumni (parents graduating from the NIU program) in cooperation with Workforce Development/Worksource Centers, are trained as trainers in an intense 40 hour Train the Trainer program. Trainers are then deployed to Empowerment Hub sites to deliver training to the parents and other adult community members. [*Target is to have a minimum of 24 trainers complete the train the trainer program annually.*]

5. Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs. [*Annual target number of parents to complete the training is 790.*]

6. One Million NIU Graduation Ceremony – huge press event, provides momentum to expand model in other schools, community-based organizations, churches and community centers. [*Each Empowerment Hub will conduct a Graduation Ceremony 3 times a year, with total of 36 graduation ceremonies each year.*]

7. Conduct post One Million NIU Graduate workshops, where NIU Graduates engage in email exercises, mobilizing on current issues, e.g. education, immigration, economics, etc. [*The initial approved workplan in January 2012 targets 65% of the 790 NIU graduates (514 NIU graduates) will enter the post-NIU workshops. This activity was later modified and metric changed to number of modules as discussed below.*]

As of the end of Year 1, NIU was behind in the following areas:

1. 85% completion rate for Activity 5 (Annual target number of parents to complete the 40 hours of training: 790)

2. 19% completion rate for Activity 7 (Annual target number was revised in Year 1 from 514 NIU graduates to 514 modules.)

CD staff discussed its concerns with NIU on several occasions, while offering it the opportunity to address these issues. During a February 25, 2013, conference call, NIU and CD agreed to increase the target number of parents graduating from 790 to 909 in Year 2 in order to make up for shortfalls in Year 1. During that call, NIU also clarified that the yearly targets will cumulate so that at the end of the 3rd year number would be the total number of parents targeted to go through the training for all three years. Also, NIU requested a change in the metric for Activity 7 that would shift the measurement of post- graduation training from "number of parents" to "number of modules". After this conversation, NIU submitted a revised Work Plan on March 1, 2013 that revised Year 2 Activity 5 and 7. In its cover letter, NIU indicated that NIU would add the deficit number of graduates for Activity 5 from Year 1 to the Year 2 total and also confirmed that NIU revised Activity 7 to *"reduce the goal for modules completed by NIU Alumni down*

from 514 to 250 for Year 2 in order to allow the NIU Coalition to focus efforts on establishing NIU Empowerment Hubs and training more parents earlier in the year." Consequently, CD approved NIU's Year 2 funding with the understanding that NIU would catch up and make up for the targets they didn't meet in Year 1.

Despite these opportunities, as of the end of Year 2, Quarter 3, rather than catch up, NIU instead has fallen even further behind in the above categories, along with a number of additional categories, including the following:

1. 49% completion rate for the Activity 5 (Annual target number of parents to complete the 40 hours of training: 790)
2. 36% completion rate for Activity 7 (Annual target number of modules completed by NIU Alumni: 250)
3. 58% completion rate for Activity 2 (Annual target number of administers entering into MOU to establish Empowerment Hubs: 24; Target number of parents that will have access to the Internet as a result of New Empowerment Hubs: 31,200)
4. 58% completion rate for Activity 3 (Annual target number of parents NIU Coalition will have access to because of MOU with Empowerment Hub: 15,600)

During a July 12, 2013, conference call with Larry Ortega and Alicia Ortega, CASF staff discussed NIU's being behind in a number of performance measurement areas. During this meeting CD staff raised the possibility of withholding payment as a result of not meeting performance goals. Subsequently, per the CPUC's July 18, 2013 payment letter to NIU for Year 2 Quarter 1 Activities, *"The CPUC notes that although NIU is making progress towards reaching its performance measurements, NIU is still behind in a number of areas. Although the CPUC is not withholding any funds from NIU's 1st Quarter payment request for not meeting performance measurements, the CPUC reserves the right to do so in the future."*

Despite being given ample opportunity to catch up, in the approximately six months since that conversation, NIU continues to lag in many of its performance metrics, including Activity 5. Per Attachment H, Section VI of NIU's original grant application in August 2011, NIU's CASF grant funding is primarily based on it costing the amount needed to run each parent through NIU training. According to NIU's application, *"The NIU Coalition will maximize investments by using funds to train parents how to better guide their children to college using Internet research skills. It costs the NIU Coalition $190 to run one parent through NIU training."*

NIU committed to training 790 parents in Year 1, and only trained 671, 85% of its target. To make up for this shortfall, NIU committed to training 909 parents in Year 2. As of Year 2 Quarter 3, NIU has only trained 446 parents, 49% of its target. Based on this performance history, we are disallowing $75,000 from NIU's total proposed budget (50% of NIU's proposed total budget) because NIU has not been able to meet the performance metric that represents the crux of what NIU's funding is based upon.

B. Proposed Revisions to Activity 7

CD staff also is concerned by NIU's proposal to fundamentally alter its performance metrics. We will not approve this proposed change because it is not consistent with the scope of NIU's initial submission and also because we are not in support of paying NIU to have parents perform tasks which are dedicated to what NIU terms as *"pure recruitment and promotion"* including *"video which will be posted to Youtube [sic] where they [parents] will articulate the impact NIU has made on their lives, and how it has helped with communication with their children, their family and just life in general."* (Cover Letter, Year 3 Work Plan Revised).

This is the second time that NIU has requested the Commission to approve a change in this metric because of its failure to meet this requirement. As you may recall, at the conclusion of Year 1, NIU was at a 19% completion rate for Activity 7. After making a substantial change to Activity 7 for Year 2, as of Year 2 Quarter 3, NIU is at 36% completion. NIU has not met this performance metric despite extensively changing this particular metric in the past. As such, we are not approving any of the expenses associated with Activity 7 ($16,352).

C. Request to Move $9,560 into Trainer Expense Category

In its cover letter, NIU requested moving $9,560 from the Translators and Evaluators categories into the trainer category. We will not approve this budget reallocation since NIU has not proposed training additional students or conducting additional classes. Additionally, since we presume that NIU is proposing removing the $9,560 from the Translators and Evaluators categories because the funds are no longer needed in either of these two categories, we are further reducing NIU's budget by an additional $9,560 to reflect this.

In summary, NIU has not met key performance metrics despite being given ample opportunity by CD staff to improve. Furthermore, NIU has proposed changing Activity 7 to include activities outside the scope of the grant, and has also had very poor historical performance in Activity 7 during Years 1 and 2. Additionally, since NIU has not proposed training additional students or conducting additional classes, CD will not approve moving funds no longer needed in the Translator and Evaluator categories into the Trainer category. Consequently, for all of these above reasons, Commission staff have determined to reduce NIU's funding to up to $49,088 in consortium expenses for Year 3, and up to $10,000 in supplemental funding to attend the March 2014 Annual Summit. The disbursement of funds is subject to the requirements set forth in Decision 11-06-038 including the submission of periodic progress reports and supporting documentation for payment reimbursement

You may call Penney Legakis at (415) 703-2785 or email her at penney.legakis@cpuc.ca.gov if you have any questions.

Sincerely,

Ryan Dulin
Director
Communications Division

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2014

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
	1) Create awareness around the tremendous broadband resources and opportunities available within the region via NIU Conferences/Community Meetings	2) Meet with Administrators (School site, library, community based organizations, community centers, etc.) to inform them about One Million NIU and the Impact that it will have with their parents and other community members	3) Meet with Parent and Community Leader(s) to inform them about One Million NIU and how they will learn to use the Internet to access critical on-line resources	4) Conduct Orientation Meetings with Community Colleges, and WIB (Workforce Investment Boards), link the two and begin Train the Trainer program to develop trainers who will conduct One Million NIU Roll-out	5) Conduct the 40 hour Parent Engagement through Technology sessions on school site, community-based organizations, community centers where computer labs are turned into Empowerment Hubs	**6) One Million NIU Graduation Ceremony!** -- huge press event, provides momentum to expand model in other schools, community-based organizations and community centers.	7) Conduct post One Million NIU Graduate workshops, where the parents and community members are involved in email exercises, mobilizing on current issues, e.g. DreamAct, budget cuts, Opening the Revenue Spigot.			
Personnel/Staff Compensation (inclusive of all benefit, payroll taxes, contributions, etc.)										
NIU Project Team										
NIU Coalition Members: Debra Fong, Asian Pacific Community Fund; Skip Cooper, Black Business Association; Larry Ortega, Community Union; Hyepin Im, Korean Churches for Community Development, and Nathan Arias, Soledad Enrichment Action Charter Schools	975	975		975		975		3900	3900	
Team Support										
NIU Administration:										
Accountant, Legal Team, Payroll, Human Resources, Fund Development Team	405	405		405		405		1620		1620
Translators	990	990		990		990		3960	3960	
Evaluator	2700	2700		2700		2700		10800	10800	
Community College Liaison	217	217		217		217		868		868
NIU Liaisons	4500	4500		4500		4500		18000	18000	
NIU On-Site Support Staff										
School Site Principals, Title I Coordinator, Executive Director, Pastor, Community Center Director (depending on site location)	1260		1260		1260	1260	1260	6300		6300
Parent Leaders	2880		2880		2880	2880	2880	14400	14400	
Trainer	14040		14040		14040	14040	14040	70200	70200	
Custodians	7560		7560		7560	7560	7560	37800		37800
NIU Support Staff										
Community Union Vice President of Operations	3360		3360		3360	3360	3360	16800		16800
Lead Trainer	3840		3840		3840	3840	3840	19200	19200	
IT Technician	1800		1800		1800	1800	1800	9000		9000

Attachment J

One Million NIU (New Internet Users) Coalition - Los Angeles

Requested Budget*

Fiscal Year: 2014

Budget Line Item	Activities as stated in the Work Plan (List/describe each broadband activity as mentioned in the Work Plan. Insert more Activity columns as needed.)							Total Cost	Amount Funded by CASF Consortia Account	Amount Funded by Others
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NIU Sites										
School Site, NPO, Church, Community Center								135000		135000
Materials										
NIU Promotional Materials and Manuals								38805	9540	29265
TOTAL COST								386853	150000	236853

* A yearly budget must be submitted for each funding year

State Controller's Office
Division of Audits
Post Office Box 942850
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