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**OFFICE OF THE INSPECTOR GENERAL**

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

**Audit of**

**Northwest Service Academy**

**Corvallis, Oregon**

**Commission Grant Number 93NMSTOR0007**

**This report is issued to CNS Management. According to OMB Circular A-50, *Audit Follow Up*, the Corporation must make final management decisions on the report's findings and recommendations no later than March 17, 1996. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.**

**The Inspector General must approve any request for public release of the report.**

Corporation for National Service  
Office of Inspector General  
Audit of Costs Incurred by Northwest Service Academy  
Under the National and Community Service Act of 1990  
Grant Agreement #93NMSTOR0007

We performed an audit of costs incurred under grant agreement 93NMSTOR0007 to support the Northwest Service Academy (NWSA). The former Commission on National and Community Service awarded the grant under the National and Community Service Act of 1990<sup>1</sup> (Public Law 101-610). Our audit included an examination to determine whether NWSA complied with the award and that claimed costs were allowable, allocable and consistent with the objectives of the grant, Public Law 101-610, Commission regulations, and Federal regulations. The audit included testing compliance with such criteria from August 1, 1993 through December 31, 1995, the performance period of the grant.

#### RESULTS IN BRIEF

We found that the majority of the \$2.5 million of costs charged to the grant during the 30 month period were allowable, allocable and in compliance with the grant award. However, we found that NWSA

- made unallowable charges of \$19,389 to the grant related to fund raising expenses;
- paid costs for members' room and board at the Mt. Adams residential site with grant funds rather than with program income as required (as a result, we are questioning \$23,358 in related costs);
- exceeded the five percent limitation on administrative costs that can be charged to the grant (we are questioning \$43,955 in related costs); and
- allowed prohibited lobbying material in one issue of its newsletter.

We also noted weaknesses in NWSA's management controls over financial reporting and tracking of service hours for post-service education benefits. NWSA continues to receive funding from CNS under grant number 95ADNOR005, therefore, we have included recommendations to correct these conditions. These matters are discussed in greater detail in our reports on the Schedule of Award Costs, Internal Controls, and Compliance with Laws and Regulations.

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<sup>1</sup>On December 14, 1993, the Corporation for National and Community Service established audit responsibility for all programs administered by the Corporation as well as grants awarded by the former Commission on National and Community Service in its Office of Inspector General.

We provided a draft of this report to NWSA and CNS officials for their comments. NWSA's response is presented in its entirety as Exhibit A. CNS did not provide a response.

In their response NWSA agreed with our findings related to the internal control weaknesses and stated that it has taken appropriate steps to correct these weaknesses. NWSA disagreed with several of our findings related to questioned costs. A summary of NWSA's response and our assessment are included in these findings. NWSA also provided copies of additional documentation related to administrative costs which we have forwarded to CNS Grants Management for their review during the audit resolution process.

## BACKGROUND

The Commission on National and Community Service (the Commission) awarded the State of Oregon a two year grant in the amount of \$2,936,620 to support a national demonstration service program, the Northwest Service Academy (NWSA). The performance period of the grant was August 1, 1993 through December 31, 1995.

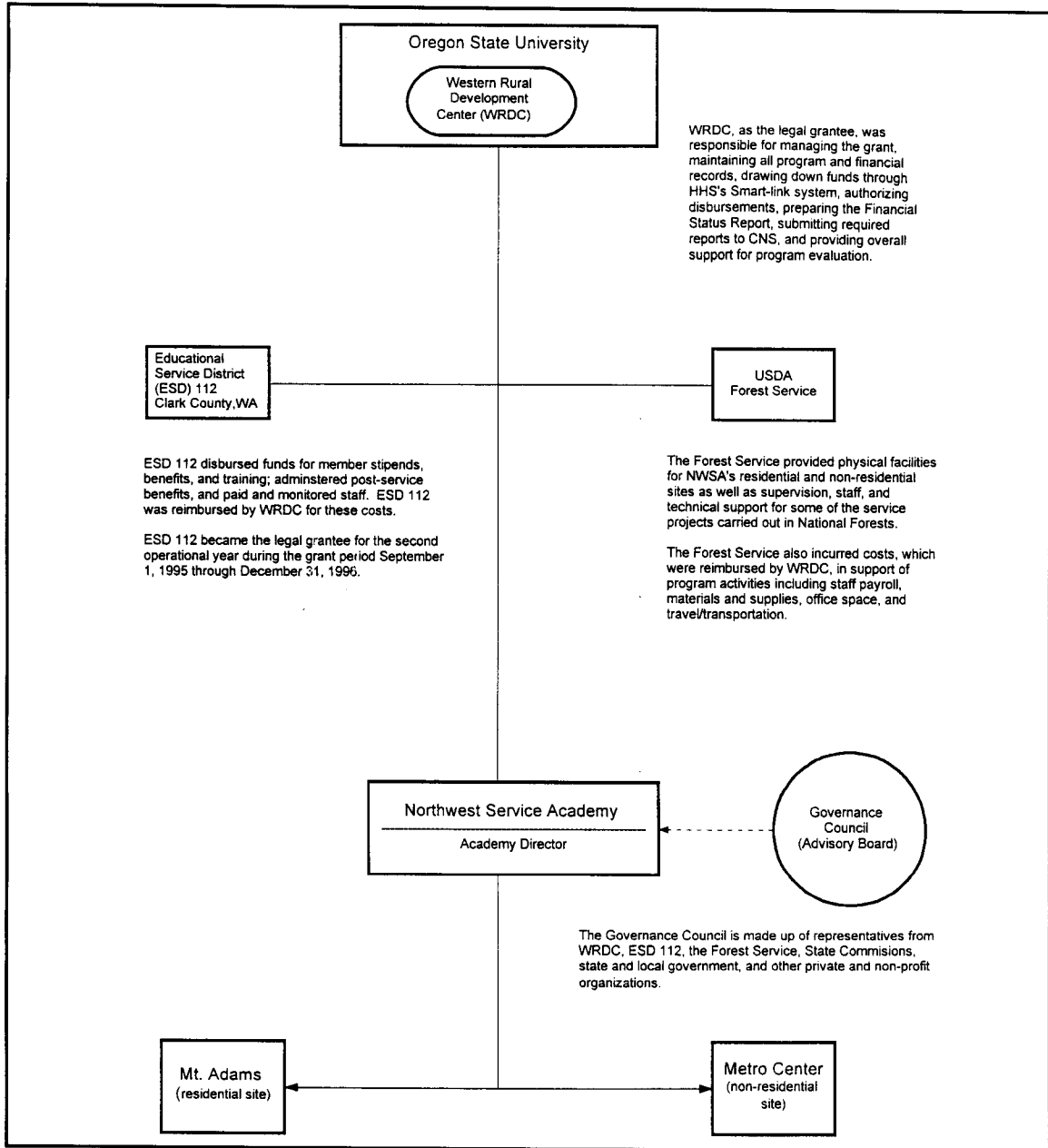
NWSA's grant was awarded under Subtitle D of the National and Community Service Act of 1990 and incorporated the Commission on National and Community Service grant provisions. In an effort to integrate Commission programs into AmeriCorps guidelines, the original award was amended on March 13, 1995. While the main intent of the amendment was to establish the new legal and fiscal recipient of the grant, the AmeriCorps\*USA Direct and State Grant Provisions were included as part of the amendment.

The objective of the NWSA grant is to improve the life opportunities of a diverse population of rural and urban young adults through meaningful environmental and community service opportunities in the Columbia Gorge region of Oregon and Washington by

- teaching environmental education to young children;
- working to restore watersheds and monitor ecosystems and ground water;
- cleaning urban areas;
- improving recreation areas; and
- mentoring high school students.

The NWSA is a collaboration between the States of Oregon and Washington, the USDA Forest Service, local governments, private non-profit organizations and local businesses. For NWSA's planning year and first operational year (the period covered by this grant), the State of Oregon designated Western Rural Development Center (WRDC), a unit of Oregon State

University, as the legal and fiscal agent of the grant. WRDC entered into agreements with Educational Service District (ESD) 112<sup>2</sup> (in the State of Washington) and the Forest Service Regional Office 6 (in Portland, Oregon) to carry out the program. For the purposes of this report, we will refer to this award as the NWSA grant. The following chart describes each entity's responsibilities for carrying out the grant.



<sup>2</sup>ESD 112 also became legal grantee for NWSA's second operational year during the grant period September 1, 1995 through December 31, 1996.

During the first operational year, NWSA enrolled 37 members at its residential site (Mt. Adams) and 66 members at its non-residential site (Metro Center); 28 and 56 members completed the program at each respective site. Upon successful completion of the program, full-time members were entitled to a post-service benefit of \$5,000 and part-time members \$2,500.<sup>3</sup>

Under the National and Community Service Act of 1990, post-service benefits can be used for payment of a student loan, tuition and other costs associated with attendance at an institution of higher education on a full-time basis, or expenses incurred in the full-time participation in an approved apprenticeship program. In addition, part-time members can use the benefit for the down payment or closing costs associated with purchasing a first home. CNS' policy is to retain the Commission's share of the post-service benefits until they are paid.

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<sup>3</sup>In accordance with Grant Special Provision 5 (a) and (b), the Commission provides to each part-time participant a post-service benefit not to exceed \$1,000 and the grantee must provide at least \$1,000 from non-Federal funds. NWSA chose to provide an additional \$500 from non-Federal funds to increase its part-time participant post-service benefit from \$2,000 to \$2,500.

OPINION ON COSTS INCURRED

We have audited the costs claimed by NWSA to the Commission on National and Community Service and its successor, the Corporation for National Service, on the Financial Status Reports - total Federal Share for the grant number listed below. These Financial Status Reports, as presented in the Schedule of Award Costs, are the responsibility of NWSA's management. Our responsibility is to express an opinion on the Schedule of Award Costs based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
#93NMSTOR0007	August 1, 1993 to December 31, 1995	August 1, 1993 to December 31, 1995

Except as discussed in the following paragraph, we performed our audit in accordance with 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 reasonable assurance about whether the financial schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Award Costs was prepared for the purpose of complying with the requirements of the award agreements as described in Note 1, and is not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

In our opinion, the schedule referred to above presents fairly, in all material respects, the costs claimed in the Financial Status reports - Federal Share for the period August 1, 1993 to December 31, 1995, in conformity with the award agreements.

This report is a matter of public record and its distribution is not limited.



Assistant Inspector General for Audit  
Corporation for National and Community Service  
Washington, D.C.  
July 26, 1996

## SCHEDULE OF AWARD COSTS

Northwest Service Academy  
For the Period August 1, 1993 to December 31, 1995

	<u>Commission Funds</u>	<u>Grantee's Share</u>	<u>Total Program</u>	<u>Questioned Costs</u>	<u>Reference</u>
Participant support costs	\$ 867,093		\$ 867,093	\$ 23,596	Notes 2C & 2F
Member training and education	31,175	\$ 86,014	117,189	6,700	Note 2G
Staff payroll and benefits	747,369		747,369		Note 2D
Evaluation	17,083		17,083		
Other program costs - operating	591,026	2,663	593,689	66,366	Notes 2A, 2E & 2G
Other program costs - capital	30,696	80,606	111,302	35,640	Note 2G
Administration	<u>120,234</u>	<u>98,352</u>	<u>218,586</u>	<u>52,260</u>	Notes 2B, 2D, & 2G
Subtotal	\$2,404,676	\$267,635	\$2,672,311	<u>\$184,562</u>	
Post-service benefits paid	<u>62,768</u>	<u>37,001</u>	<u>99,769</u>		
Total Award Costs	<u>\$2,467,444</u>	<u>\$304,636</u>	<u>\$2,772,080</u>		
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Post-service benefits obligation:					
Total obligation	\$ 194,175	\$194,175	\$ 388,350		
Less: Payments through 12/31/95	<u>62,768</u>	<u>37,001</u>	<u>99,769</u>		
Remaining obligation	<u>\$ 131,407</u>	<u>\$157,174</u>	<u>\$ 288,581</u>		

The accompanying notes are an integral part of this schedule.

## NOTES TO THE SCHEDULE OF AWARD COSTS

### *Note 1 - Summary of Significant Accounting Policies*

#### Accounting Basis

The Schedule of Award Costs has been prepared from the reports submitted to CNS and its predecessor, the Commission on National and Community Service. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

#### A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to CNS. Therefore, NWSA does not maintain any equity in the award and any excess cash received over final expenditures is due back to CNS.

#### B. Equipment

Equipment is charged to expense in the period during which it is purchased instead of being recognized as an asset and depreciated over its useful life. As a result, the expenses reflected in the Schedule of Award Costs include the cost of equipment (for computers, tools, hard hats, radios, etc.) purchased during the period rather than a provision for depreciation.

#### C. Income Taxes

NWSA operates under the Western Rural Development Center, an agency of Oregon State University. Oregon State University is an instrumentality of the state of Oregon and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code.



## *Note 2 - Questioned Costs*

The amounts reported in the Schedule of Award Costs have been adjusted to reflect the following questioned costs.

- A. NWSA (through ESD 112)<sup>4</sup> used grant funds to hire a consultant to provide fund raising services which included establishing a foundation, developing donor lists, organizing a fund raising board, and soliciting funds. These consulting costs, totaling \$18,000 were charged to the Federal share of the grant award. The OMB Circular A-87 cost principles applicable to ESD 112 at the time these costs were incurred are silent on whether fund raising costs are allowable or unallowable.<sup>5</sup> However, the cost principles in effect at that time for other types of organizations (including WRDC) expressly disallowed fund raising costs, and the current version of OMB Circular A-87 also expressly disallows these costs. Under this uniform policy regarding fund raising costs, ESD 112's fund raising costs are not allowable (OMB Circular A-87, Attachment C, paragraph 21 [1995]; OMB Circular A-122, Attachment B, paragraph 19; OMB Circular A-21, Attachment J, paragraph 17).

In its response to a draft of this report, NWSA stated that the consultant performed several duties considered programmatic in nature such as strategic planning and building public and private awareness of the Academy's objectives. However, the contracts with the consultant described the tasks to be performed as fund raising or fund raising related. Further, NWSA did not distinguish between prohibited fund raising activities and other allowable activities performed by the consultant, and charged the entire amount paid the consultant to the Federal share of the grant award. Therefore, we are questioning the \$18,000 charged to the grant for the consultant's costs.

- B. NWSA (through WRDC)<sup>6</sup> directly reimbursed three employees for travel costs totaling \$1,389 to attend a CNS-sponsored seminar on fund raising. The travel costs were charged to the Federal share (administrative costs) of the grant award. Although CNS requires organizations to raise matching funds, costs associated with fund raising

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<sup>4</sup>ESD 112 is a municipal corporation established by the State of Washington, thus, the applicable cost principles for ESD 112 are OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, and OMB Circular A-102, *Grants and Cooperatives Agreements with State and Local Governments*.

<sup>5</sup>OMB Circular A-87 expressly provides that the failure to mention a particular item of costs is not intended to imply that it is either allowable or unallowable.

<sup>6</sup>WRDC is a unit of Oregon State University, an institution of higher education. The applicable cost principles for WRDC are OMB Circular A-21, *Cost Principles for Educational Institutions*, and OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

activities have always been an unallowable expense. Federal regulations state that costs of organized fund raising, including financial campaigns, endowment drives, solicitations of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable (OMB Circular A-21, Attachment J, paragraph 17).

In its response to a draft of this report, NWSA stated that the seminar covered several topics besides fund raising and that the staff did not participate in active fund raising at the seminar. However, NWSA documents describe the purpose of the training as fund raising. Further, NWSA did not allocate the costs of the seminar between fund raising and other allowable training. Therefore, we are questioning the \$1,389.

- C. Under the grant award, costs for members' room and board at the Mt. Adams residential site were to be offset by revenue received from charging members nominal fees, and thus, have no impact on the overall budget (NWSA grant award budget narrative, page 52). However, total residential expenditures (\$57,347) at Mt. Adams for the 1994-95 program year were paid with grant funds rather than with the residential fees collected (\$56,817). In November 1995, NWSA returned \$33,989 to CNS (by an offsetting adjustment to other claimed costs) for room and board expenditures, leaving a balance of \$23,358. Federal regulations state that grantees and subgrantees shall disburse program income before requesting additional cash payments. Furthermore, program income shall be deducted from total allowable costs (45 C.F.R. 2541.210(f)(2) and 2541.250 (g) (1) and (2)).

In its response to a draft of this report, NWSA stated that the amount for total residential expenditures (\$57,347) in our report includes non-residential costs such as utilities, staff and permits. However, a schedule prepared by the Site Director at the Mt. Adams residential site and other documentation supporting the cost of residential expenditures included utilities, food handler permits and a portion of staff time as residential expenses. We believe that these costs were properly included in determining total residential expenditures and thus, under the terms of the award, should be paid with residential fees. Therefore, we are questioning the \$23,358 charged to the grant for these costs.

- D. We reviewed position descriptions and interviewed staff whose salaries are charged to the grant about their job duties to determine whether they performed program (operational) or administrative functions, or both. Based on our review, we found that the Academy Director's salary, totaling \$40,908, was classified as a program cost and charged to the grant even though some of his duties are administrative. While the Academy Director prepares a biweekly time and attendance sheet, which is signed by the appropriate supervisory official, he is not required to record the time that he has spent on program or administrative type duties.

Commission regulations state that not more than five percent of grant funds received may be used for administrative costs (45 C.F.R. §2504.7). Under Commission regulations, the term administrative costs or expenses includes costs associated with the overall program administration and salaries and benefits for director and administrative staff (45 C.F.R. §2500.2 (a) (2)). These regulations also provide that “particular costs charged to the proposed program might be prorated (with documentation) between direct services and administration.”

Because NWSA’s Director did not distinguish between program and administrative duties on his time sheets, we were unable to determine (and thus prorate) the actual time spent performing program duties, therefore, we reclassified all of his salary as administrative. NWSA charged \$124,670, the full five percent allowed for administrative costs, to the Federal share of the grant. Thus, reclassifying the Executive Director’s salary as Administration causes NWSA to exceed the five percent limitation on such costs paid with Commission grant funds as follows

Administration Costs Charged to Federal Share	\$124,670
Executive Director’s Salary (reclassified as Administration)	40,908
Questioned Administration Costs (Note 2B)	<u>(1,389)</u>
Reclassified Administration Costs	164,189
5% Limitation (based on adjusted allowable costs)	<u>120,234</u>
Questioned Administration Costs	<u>\$ 43,955</u>

In its response to a draft of this report, NWSA disagreed with our conclusion that the Executive Director’s salary is subject to the 5 percent limit on administrative costs paid with grant funds. NWSA argued that administrative duties comprised an insignificant part of his duties based on an analysis of his planning notebook and calendar.

During our audit, we were not provided any contemporaneous record or other analysis allocating the Executive Director’s time between various functions. Further, the Executive’s Director’s time sheets made no such distinction between his duties. Therefore, we were unable to determine the actual amount of time spent performing program duties. Accordingly, we have reclassified his salary costs as administrative. We have provided CNS Grants Management with NWSA’s analysis for their consideration during the audit resolution process.

- E. NWSA (through ESD 112) charged the grant with \$2,866 for expenses that were for personal use including \$46 for business cards and \$2,820 for books as gifts for graduating NWSA members. Federal regulations state that costs must be necessary and reasonable for proper and efficient performance and administration to be allowable (OMB Circular A-87, Attachment A, paragraph C, 1 a).

In its response to a draft of this report, NWSA argued that these charges to the grant benefitted the program and/or the members. However, we do not believe that these costs were necessary for the proper and efficient performance and administration of the program as required by OMB Circular A-87. Therefore, we are questioning the \$2,866 charged to the grant.

- F. NWSA (through ESD 112) charged the grant with \$238 paid to a corps member by check. As of June 3, 1996, nearly a year later, the check had not been cashed and NWSA did not issue a replacement check. Federal regulations state that allowable charges must be net of applicable credits. Applicable credits are amounts that offset or reduce expenditures or expenses allocable to the grant, including adjustments for overpayments or erroneous charges (OMB Circular A-87, Attachment A, paragraph C.3.).
- G. Documentation for \$94,756 of in-kind contributions reported by NWSA was inadequate because it was either missing or failed to appropriately establish a basis for valuing the contribution (\$6,700 Member training, \$45,500 Other program costs-operating, \$35,640 Other program costs-capital and \$6,916 Administration). Federal regulations require that documentation for third party in-kind contributions be verifiable from the grantee's and subgrantee's records and that the basis for determining the valuation should be documented (45 C.F.R. 2541.240 (b) (6)). The valuation should be based on actual fair market value, not budget estimates (45 C.F.R. 2541.240 (c) and (d)).

## REPORT ON INTERNAL CONTROLS

We performed an audit of costs incurred to support the Northwest Service Academy (NWSA) during the period August 1, 1993 through December 31, 1995. The former Commission on National and Community Service awarded the grant under the National and Community Service Act of 1990 (Public Law 101-610).

We performed our audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the costs claimed under the grant were allowable, allocable, and in compliance with the grant agreement, Public Law 101-610, and applicable OMB Circulars.

In planning and performing the audit, we considered NWSA's internal control structure in order to determine our auditing procedures for the purpose of determining the extent of testing necessary to obtain reasonable assurance about whether the costs claimed under the grant were allowable, allocable, and in compliance with the grant agreement, Public Law 101-610, and applicable OMB Circulars and not to provide assurance on the internal control structure.

The management of NWSA is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable but not absolute assurance that assets are safeguarded from loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial reports in accordance with generally accepted accounting principles and applicable regulatory requirements.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories

- Cash Disbursements;

- Cash Receipts;
- Payroll/Timekeeping; and
- Financial Reporting/Recordkeeping.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted the following matters involving the internal control structure and its operations that we consider to be reportable conditions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not disclose all reportable conditions that were also considered to be material weaknesses as defined above. We believe the reportable conditions described below are not material weaknesses.

I. NWSA overstated its share and understated the Federal share of total outlays on its final Financial Status Report (FSR) which covered the period ended December 31, 1995.

The overstatement of its share of outlays was caused, in part, by the inclusion of undocumented in-kind contributions. In addition, for its share of outlays, NWSA included the total amount of cash matching funds raised even though it had not yet disbursed any of these funds. For the Federal share of outlays, NWSA did not include \$62,768 of Federal grant funds disbursed for post-service benefits as of December 31, 1995.

Under this Commission grant, NWSA was required to provide cash matching funds of \$194,175 and non-cash in-kind contributions of \$247,400. NWSA reported that it provided \$197,148 and \$362,391, respectively, exceeding its match requirement. However,

we found that documentation for \$94,756 of in-kind contributions reported by NWSA was inadequate because it was either missing or failed to appropriately establish a basis for valuing the contribution. Accordingly, we are questioning the related in-kind matching costs (\$6,700 Member training, \$45,500 Other program costs-operating, \$35,640 Other program costs-capital and \$6,916 Administration).

Federal regulations require that documentation for third party in-kind contributions be verifiable from the grantee's and subgrantee's records and that the basis for determining the valuation should be documented (45 C.F.R. 2541.240 (b) (6)). Further, the valuation should be based on actual fair market value, not budget estimates (45 C.F.R. 2541.240 (c) and (d)).

We note that when we deduct the undocumented in-kind contributions, NWSA still exceeded its match requirement. However, we recommend that NWSA

- revise its procedures to include requirements that documentation for in-kind contributions is obtained on a current basis, and is based on actual amounts, not estimates; and
- submit a revised final FSR which correctly states both the Federal share and NWSA's share of total outlays.

II. NWSA has not established written procedures for administering post-service benefits. As a result, NWSA made errors when calculating the benefits.

As a Commission grantee, NWSA is responsible for awarding and disbursing post-service benefits to its members. The Commission provides a maximum of \$2,500 to each full-time participant and \$1,000 to each part-time participant. (Partial awards are prorated accordingly.) NWSA must use matching funds for the remainder of the award. Initially, NWSA did not properly allocate post-service benefit funding between Commission and NWSA matching funds. However, NWSA corrected its funding allocation method and, as of 5/31/96, the NWSA portion of funds for post-service benefits exceeds the portion paid with Commission funds. Members from the 1994-95 service year who received an award under NWSA's Commission grant have seven years from the end of their service year (July 1995) to use their award.

We found that NWSA made errors when administering the post-service benefits. For example, NWSA miscalculated the amount for eight out of the nine prorated awards for members ending service early. Awards were both overstated and understated with a maximum overstatement of \$307 and maximum understatement of \$174. The net effect was

an overstatement of \$933. NWSA could provide no explanation for these mathematical errors.

NWSA also awarded a post-service benefit to its one special senior service member<sup>7</sup> contrary to Commission regulations. NWSA officials said that they were unaware that such members are not eligible for these benefits under Federal law (Public Law 101-610, section 146(c)). As of July 26, 1996, NWSA had not paid any of the benefit for the special senior service member. While NWSA may use its own funds to pay this award, it can not use Commission grant funds or charge the cost of the award as a matching cost.

Because NWSA received a CNS AmeriCorps grant for its second year of operations, all post-service benefits for the current, and any future, AmeriCorps grant will be paid through CNS' National Trust Fund, and NWSA will no longer be responsible for calculating the amount of prorated awards. However, to improve management controls over post-service benefits and the remaining obligation for benefits awarded under the 1990 Act, we recommend that NWSA

- maintain documentation of the reason and method for determining a member's eligibility to receive a prorated award; and
- implement procedures to verify that post-service benefits are paid in accordance with Federal statutory, regulatory, and grant requirements.

### III. NWSA did not retain complete supporting documentation to verify total service hours at the Mt. Adams site.

Of the 84 members who were awarded a post-service benefit, 56 members served at the Metro Center site and 28 served at the Mt. Adams site. During our audit, we found that the Metro Center site had adequate documentation to support service hours for its members. However, Mt. Adams, the NWSA residential site, did not have a single set of records for tracking member service hours. Instead, the Mt. Adams site used a combination of time sheets, team steward logs, training records and other documentation to track the hours. We reviewed the documentation supporting total service hours for a sample of five members who had earned a full post-service benefit at the Mt. Adams site. We found that all had completed a term of service; however, we were unable to verify total service hours reported by Mt. Adams.

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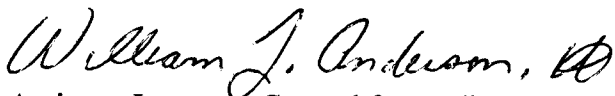
<sup>7</sup>A special senior service member is a person 60 years of age or older (Public Law 101-610, section 145(c)).



Service hours that we were unable to verify related to training hours, which accounted for 13 to 18 percent of the total hours for our sample of members. NWSA could not locate a file of one type of training records and had not maintained documentation for the remaining training hours. The Mt. Adams site was able to provide evidence that the training occurred, but not for the number of hours attended by each corps member. Without the training hours, the five members awarded a full post-service benefit lacked sufficient hours to earn the award.

Commission regulations require that members complete a year of service in order to receive a post-service benefit (Public Law 101-610, section 146). In its grant application, NWSA defined a year of service as 1700 hours for full-time members and 900 hours for part-time members. Therefore, in order for the benefit to be an allowable cost, the participant who is paid the benefit must have completed the required amount of hours, and NWSA must have a method for documenting that the minimum hour requirement was met (OMB Circular A-110, Attachment C, paragraph 21).

We recommend that NWSA standardize and document its procedures for tracking and recording service hours. Furthermore, NWSA should locate the missing records for training hours so that it has complete documentation of total service hours.



Assistant Inspector General for Audit  
Corporation for National and Community Service  
Washington, D.C.  
July 26, 1996

## REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We performed an audit of costs incurred to support the Northwest Service Academy (NWSA) during the period August 1, 1993 through December 31, 1995. The former Commission on National and Community Service awarded the grant under the National and Community Service Act of 1990 (Public Law 101-610).

We performed our audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the costs claimed under the grant were allowable, allocable, and in compliance with the grant agreement, Public Law 101-610, and applicable OMB Circulars.

Compliance with laws and regulations applicable to NWSA are the responsibility of NWSA's management. As part of obtaining reasonable assurance about whether costs incurred were allowable, we performed tests of NWSA's compliance with certain provisions of laws, regulations and the provisions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, and the provisions of the award that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the costs claimed under the grant. The results of our tests of compliance disclosed the following instances of noncompliance. NWSA

- made unallowable charges to the grant, primarily related to fund raising and room and board costs (see Notes to the Schedule of Award Costs);
- exceeded the five percent limitation on administrative costs which can be charged to the grant (see Notes to the Schedule of Award Costs);
- overstated its share and understated the Federal share of total outlays on its final FSR (see Report on Internal Controls); and
- allowed prohibited lobbying material to be published in one issue of its newsletter, as follows.

In violation of CNS' prohibition on lobbying and advocacy, NWSA's June 1995 Metro Center newsletter offered information about "how to go about actualizing a citizen legislative proposal" and provided a sample letter which a corps member planned to send to his federal and state representatives in violation of grant regulations.

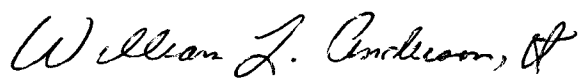
The sample letter began by stating, "As an AmeriCorps volunteer . . . ." and proposed the drafting of legislation to create a Community Service Tax Credit. Commission grant funds in the amount of \$52 were used to print this issue of the newsletter with no other production costs involved. We noted no other violations of the lobbying/advocacy prohibition during the course of our audit.

AmeriCorps\*USA Direct and State Grant Provision paragraph 5<sup>8</sup> and 45 C.F.R. 2520.30(a) prohibit participants from engaging in any effort to influence legislation in any manner that associates the activities with the AmeriCorps program. This excerpt in the newsletter violates the prohibition on lobbying/advocacy activities because the article's author, an AmeriCorps member, in a newsletter produced with grant funds, is encouraging other members to advocate for a change in federal and state laws.

We recommend that

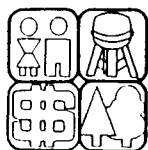
- CNS emphasize to NWSA that it must not include any similar articles in future newsletters;
- the CNS grants officer review NWSA's newsletters to determine if any further violations occur; and
- NWSA should include in its next newsletter a summary of the prohibition on lobbying/advocacy activities and provide a copy to all NWSA staff and corps members to re-emphasize those activities which are unallowable.

We considered NWSA's compliance with applicable laws and regulations in forming our opinion on whether NWSA's costs claimed were in conformity with the cost principles set forth in the applicable OMB Circulars. Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, NWSA complied in all material respects, with the provisions referred to in the second paragraph of this report.

  
Assistant Inspector General for Audit  
Corporation for National and Community Service  
Washington, D.C.  
July 26, 1996

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<sup>8</sup>The NWSA grant award was amended March 13, 1995 incorporating these provisions.



**WRDC**

Western Rural Development Center  
Oregon State University  
Ballard Extension Hall 307  
Corvallis, OR 97331-3607 • (503) 737-3624  
FAX (503) 737-1579

Exhibit A  
Page 1 of 13

September 3, 1996

A regional  
center  
for applied  
social science  
and community  
development  
cooperating with  
Land Grant  
Universities in  
Alaska  
American Samoa  
Arizona  
California  
Colorado  
Guam  
Hawaii  
Idaho  
Micronesia  
Montana  
Nevada  
New Mexico  
Northern Marianas  
Oregon  
Utah  
Washington  
Wyoming

Mrs. Luise S. Jordan  
Inspector General  
Corporation for National Service  
1201 New York Ave. NW  
Washington, DC 20525

Re: Response to grant 93NMSTOOR0007 audit

Dear Mrs. Jordan:

Enclosed is the Western Rural Development Center and Oregon State University response to the audit of the NorthWest Service Academy/AmeriCorps program (grant agreement 93NMSTOOR0007) for the start-up and first program year. This covers the period from August 1, 1993 until December 31, 1995. As part of this response, the following summary responses have been included as attachments:

- \* Education Service District #112 (Attachment 1)
- \* NorthWest Service Academy (Attachment 2)

The period covered by the audit was a challenging time with the shift nationally from the Commission to the Corporation and the changes in national staff and certainly for this NorthWest Service Academy during its infancy.

At this time, we are not submitting extensive back-up documentation. It is our understanding that such documentation is more appropriate for any subsequent audit discussions.

In reviewing and responding to this audit, acknowledgement should be made to the effort provided by individuals from the NorthWest Service Academy at its Mt. Adams and Metro sites, the Education Service District #112, District and Regional U.S Forest Service offices and Oregon State University.

In addition, I would like to thank you and your staff for the professional manner in which they conducted this audit.

Sincerely,

*R. C. Youmans*  
Russell Youmans

Director

c: Dr. Twyla Barnes, Superintendent ESD #112  
Dr. George Keller, Vice Provost, OSU

September 3, 1996

Mrs. Luise S. Jordan  
Inspector General  
Corporation for National Service  
1201 New York Ave. NW  
Washington, DC 20525

Subject: WRDC/OSU Response to CNS Audit of Grant #93NMSTOOR007

The following comprises Western Rural Development Center/Oregon State University's comments and response to the four questioned costs included in your August 6, 1996 audit report. We did not respond to the findings pertaining to management controls over financial reporting and tracking of service hours, since, as your report notes, we are in agreement and are working towards implementing corrective actions.

The notes cited in the following findings correspond to those the Auditors included in "Note 2 - Questioned Costs" in their report section, "Notes to the Schedule of Award Costs".

**Note 2A (\$18,000); Consultant Fees - "Other Program Costs, Operating"**

Comment

The consultant, Maria Meyer, performed several duties considered programmatic in nature. She promoted the NorthWest Service Academy (NWSA), an unknown organization, to communities; building public and private awareness of the Academy's objectives. Her duties included: strategic planning, providing guidance to staff to enhance public awareness through the media, and organizing for a Clinton/Gore appearance in Portland. Refer to Attachment 1, Education Service District 112 (ESD 112).

Response

Based on the above comment, the Auditor's questioned cost, \$18,000, is an allowable cost to the grant.

**Note 2B (\$1,389); Travel - "Administration"**

Comment

The CNS training was held in Seattle on February 27 - March 3, 1995. Information was provided to the participants which was instructive on several topics including: leadership skills, working with volunteers and communication skills. The three employees whose travel costs are questioned did not participate in active fund raising at this workshop or any time hence.

Response

Based on the above comment, the Auditor's questioned cost, \$1,389, is an allowable cost to the grant.

**Note 2C (\$23,358); Room and Board - "Participant Support"**

Comment

Room and Board charges were withheld from the Mt. Adams Residential Site participants' stipend checks. ESD deposited these withholdings, totaling \$56,817, into a special holding account. Upon completion of the project, ESD 112 calculated actual room and board costs of \$33,989.13; transferring this amount from the holding account to the grant. The remainder still resides in the holding account at the ESD. The Auditor's figure of \$57,347 includes non-room and board costs such as utilities, staff, and permits. These operating costs were designated as direct expenditures in the approved grant budget because it was not practical to allocate the cost between residential, non-residential and program functions.

Response

Based on the above comment, the Auditor's questioned cost, \$23,358, is an allowable cost to the grant.

**Note 2D (\$43,955); Academy Director Salary - "Administration"**

Comment 1 of 2 (\$40,908 of \$43,955)

The WRDC budget narrative clearly addressed the Academy Director's job duties and salary distribution. This budget classified his salary into the following phases:

- \* Phase I, first year: All under budget line C, "Training"
- \* Phase II, second year: 90 percent under budget line C, "Training" and 10 percent under budget line F, "Administration"

CNS approved these narratives and budgets. However, the Auditors stated that during their review they were not able to sufficiently document the Director's job duties, and as a result they reclassified his entire salary as administrative costs.

To provide the Auditor with additional detail, ESD has provided the Director's FTE breakdown based on a detailed review of his daytimer and timesheets. This detail discloses the Director's administration activity to comprise an insignificant part of his job duties, and that his salary is an allowable programmatic, not administrative cost. Refer to Attachment 1 (ESD 112) for additional information.

Administrative functions for this grant were carried out by the OSU Business Office, Dr. Youmans and the staff at WRDC, and by personnel at ESD 112, and were appropriately charged to the grant as administrative costs.

Response 1 of 2

Based on the above comment, the Auditor's questioned cost, \$40,908, is an allowable programmatic cost.

Comment 2 of 2 (\$3,047)

This amount is comprised of the Auditor's reclassification downward of NWSA's maximum allowable administrative expense (five percent), as based on their questioned costs in Note 2B (\$1,389) and Note 2D (\$40,908) above. The comments pertaining to both of these notes dispute this reclassification.

Response 2 of 2

Based on the above comment, the Auditor's questioned cost, \$3,047, is an allowable cost.

**Note 2E (\$2,866); Business cards, Books - "Other Program Costs-Operating"**

Comment 1 of 2 (\$46 of \$2,866)

The business cards identify the NWSA staff member and include the mission statement of the NWSA. These cards communicate the goals and purposes of the program, and whom to contact for more information.

Response 1 of 2

Based on the above comment, the Auditor's questioned cost, \$46, is an allowable cost to the grant.

Comment 2 of 2 (\$2,820)

OMB Circular B.19,b, states that, "the cost of books...is allowable when related to the grant program." The questioned books were presented to the NWSA members on their final day of service, providing a springboard for their continuing commitment to voluntary environmental service. Refer to Attachment 2, NWSA, for additional information.

Response 2 of 2

Based on the above comment, the Auditor's questioned cost, \$2,820, is an allowable cost to the grant.

**Note 2F (\$238); Uncashed Check - "Participant Support Costs"**

Comment

The ESD has attempted to contact the member by mail to whom the \$238 check was issued, and the letter was returned, marked "undeliverable". We are in agreement with this finding.

Response

The ESD will reimburse \$238 to CNS.

**Note 2G (\$34,900); In Kind Contribution "Other Program Costs"**

Comment

The Auditor questioned in-kind contributions reported by NWSA. While the documentation for the questioned amount was based on estimated, rather than actual salaries, the estimated amount greatly exceeded the required amount so as to make the intent of compliance not in question.

Response

To preclude the recurrence of this finding, the reporting and documenting of in-kind contributions will be improved in subsequent reports.

**Correction to Page 12 of audit draft under Report on Internal Controls**

I. NWSA overstated its share and understated the Federal share of total outlays on its final FSR which covered the period ended December 31, 1995.

Correction

The final FSR submitted on 2/14/96 by WRDC/OSU includes the \$62,768 of Federal grant funds disbursed for post-service benefits in the total federal share claimed, and is included in the remarks section.

The final FSR will be revised to reflect correction in documented in-kind contributions.





Attachment 1  
Serving children, schools, and their communities

Northwest Service Academy (NWSA)  
Federal Audit Response:

We are in receipt of the draft audit of costs performed by the Inspector General for the Corporation for National Service. The following is our response to the four items of questioned costs in the order presented.

**Item 1: Made Unallowable Charges of \$19,389 to the Grant Related to Fund Raising Expenses.**

Response: ESD 112 vehemently disagrees with the disallowance of the two cost items (consultant services and travel expenses) which make up the above questioned costs.

Superintendent  
Twyla G. Barnes, Ed.D.

Board  
of  
Directors

Emil Boyd  
Ann Campbell  
Don Donaldson  
Jim Forbes  
Roy Garrison  
Marilyn Koenninger  
Jack Weber

ESD 112 agrees as noted in the findings that, although OMB Circular A-87 Cost Principles applicable at the time are silent; federal regulations state that costs of organized fund raising, including financial campaigns, endowment drives, solicitations of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable. The questioned costs do not fit within the definition of "organized fund raising". The two questioned items are discussed separately below:

Item 1(a): ESD 112 disagrees that \$18,000 for consultant services of the above referenced amount were for fundraising expenses. The consultant was retained to teach the NWSA how to build public and private support for the Academy. The consultant did not raise any funds for NWSA. We do not find anything in the rules and regulations that prohibits the use of Corporation funds for consultative services.

The Corporation for National Service recognizes that fund raising activities, cash and in-kind, are necessary to meet the grantor's funding match requirements as well as soliciting community support and obtaining contributions for direct service projects. Moreover, AmeriCorps expressly encourages developing and disseminating information to potential funders about the AmeriCorps Program and its achievements.

As a newly constituted organization, NWSA and its Governance Council did not have the knowledge or the expertise of how to go about conducting fund raising activities and building community support and contributions for service projects.

NWSA retained a consultant to:

- a. Facilitate a strategic planning session for the NWSA Governance Council as the Council developed a strategic plan for the purpose of raising funds to support the activities of the NWSA.

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NWSA Audit Response  
8/28/96  
Page 2

- b. Assist the Council in determining how to go about establishing a foundation, including research into what and who would make an effective Board of Governance for the foundation.
- c. Monitor (evaluate) how effective the Council's strategic plan for fund raising was being implemented.
- d. Provide guidance as to how to work with media outlets and communities to increase public awareness of NWSA.
- e. Provide graphic design and composition services for solicitation brochures.
- f. Alert the NWSA staff of private grant opportunities and how to write effective grant proposals.

Item I (b): We disagree with the disallowance of travel costs to the CNS sponsored and arranged seminar on fund raising. The seminar was used as a training activity for AmeriCorps members and staff to understand the needs and demands of the non-profit organizations that NWSA works with on a daily basis.

The NWSA clearly understands that AmeriCorps members cannot be used in fund raising activities for NWSA, but they can help mobilize resources for community projects. The CNS revised AmeriCorps provisions (October 1995) clearly state that "service activities that raise funds or in-kind contributions while generating, involving and encouraging community support may be considered appropriate and allowable, such as serve-a-thons, to the extent they are direct and immediate support of an acceptable direct service and provided they are not the Program's primary activity or involve significant amounts of an individual member's time".

**Item 2: Paid Costs for Member's Room and Board at the Mt. Adams Residential Site with Grant Funds Rather Than with Program Income as Required.**

Response: Room and board charges were withheld from the Mt. Adams Center participant pay warrants. Participants had the choice of paying the Academy for room and board or finding alternate lodging elsewhere. We feel strongly that many costs considered to be residential do not fit within the scope of room and board. We have only summary calculations of what was included in the finding as residential costs; therefore, we cannot fully respond in depth. Many discrepancies appear when actual records are analyzed. We would dispute the following costs:

NWSA Audit Response  
8/28/96  
Page 3

	ESD 112/ NWSA RECORDS	AUDITOR SUMMARY	DIFFERENCE
Food	20,379	22,765	<2,386>
Members			
Occupancy	13,610	11,556	2,054
Staff	0	5,691	<5,691>
Utilities	0	12,760	<12,760>
Maintenance	0	4,016	<4,016>
Subscriptions	0	258	<258>
Food Handler			
Permits	0	301	<301>
<b>Totals</b>	<b>33,989</b>	<b>57,347</b>	<b>&lt;23,358&gt;</b>

There is a difference of \$2,386 in food supply payments. Payments to the Forest Service were to have included a per-capita fee for utilities. The ESD incurred no separate utility costs other than what was paid as a lump sum to the Forest Service. Staff costs should not be included as residential costs as they would not be included in room and board had a member stayed in a private residence.

**Item 3: Exceeded the Five Percent Limitation on Administrative Costs that can be Charged to the Grant**

We do not agree that the Academy Director's salary should be treated as an administrative cost. The budget approved by CNS allocated \$4,000 (10%) of the Director's salary to administration and the balance (90%) to direct program activities. The Director's planning notebook (Notebook summary attached) provides the dates and amounts of time spent in activities that directly benefit the program participants and service delivery. Therefore, that portion of salary was clearly allowable as a direct program cost.

**Item 4: Allowed Prohibiting Lobbying Material in One Issue of its Newsletter**

We are in agreement with this finding. NWSA has taken appropriate steps to insure that such a happening does not reoccur.

NWSA Audit Response  
8/28/96  
Page 4

Report on Internal Controls

We concur with the findings of identified weaknesses to the extent of the conditions for which we have knowledge. We have taken appropriate steps to correct these weaknesses.

Report on Compliance with Laws and Regulations

We have responded to the findings of noncompliance previously.

Sincerely,



Tim Merlino  
Business Services Administrator

tm:cp



serving children, schools, and their communities

Based on a detailed review of the NWSA Director's daytimer and timesheets for the 1994-95 operational year, these are the major areas of responsibility and time spent working in each program component.

Superintendent  
Twyla G. Barnes, Ed.D.

Board  
of  
Directors

Emit Boyd  
Ann Campbell  
Don Donaldson  
Jim Forbes  
Roy Garrison  
Marilyn Koeninger  
Jack Weber

- 15% **Project Development:** The solicitation, development and review of service projects with a wide variety of partners including the USDA Forest Service.
- 15% **Training:** Training of program staff and members in everything from wild fire suppression to chain saw certification.
- 5% **Direct Service:** Performing direct service with staff and members on special project days. Activities included everything from building community play structures to tree planting activities.
- 5% **Recruitment:** Outreach to colleges, high schools, Job Corps Centers, and community organizations for members plus the development and distribution of recruitment materials.
- 10% **Program Evaluation:** Involved program evaluation with CNS and agency representatives as well as on-site program evaluations with detailed feedback to staff and members.
- 25% **Other Program:** This involves a multitude of duties ranging from holding program leadership team meetings to dealing with specific member personnel issues. It also includes preparing quarterly reports, overseeing graduation ceremonies and dealing with a variety of staffing issues.
- 8% **Administration:** This involves signing timesheets, checking and reviewing budgets, plus developing program grants and contracts.
- 17% **Leave:** This includes holidays and annual leave.

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Employer

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Associate Counties: Clark \* Cowlitz \* Klickitat \* Pacific \* Skamania \* Wahkiakum  
2300 NE 63th Avenue \* Vancouver, WA 98661-6812 \* (360) 750-7500 \* FAX (360) 750-9726 \* TDD (360) 750-7510

Attachment 2



**NorthWest Service  
Academy**

An AmeriCorps Program

"Learning civic responsibility by providing service to the community and the environment."

Dr. Russell Youmans  
Director, Western Rural Development Center  
Oregon State University  
Ballard Extension Hall 307  
Corvallis, Oregon 97331-3607

August 13, 1996

Dear Dr. Youmans,

After reviewing the draft of the August 6th Northwest Service Academy Audit shared with me by the Office of the Inspector General, as Academy Director, I would like to comment on a few of the issues raised in this report.

First of all I would like to make two small corrections on page 4 of draft:

- 1.) Part time Members were entitled to a post service award of \$2,500, not \$2,000 as stated in the draft.
- 2.) NWSA specifically did not offer Members the use of the post service benefits for the down payment or closing costs associated with purchasing a first home. We clearly tried to echo the AmeriCorps guidelines in creating a model of national service. Thus our grant application to the Commission for National and Community Service and our award letter to Members focused entirely on educational awards and did not mention the purchase of a first home.

In response to the Questioned Costs on page 8-10 of the draft report:

A.) Maria Meyer's efforts were "not solely to raise capital or obtain contributions (OMB Circular A-122, Attachment B, paragraph 19) for the NWSA. At least 60% of her efforts were focused on setting the stage for service. She helped the NWSA to arrange meetings between members of the governance council, the Academy Director and key local political representatives, non profit foundations and other non profit organizations to build a broad base of program support. Under A-87:5 B. 19 c. costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the grant program..."

**Metro Center:**  
31520 SE Woodard Road  
Troutdale, Oregon 97060  
(503) 695-3739  
FAX (503) 695-2296

**Mt. Adams Center:**  
Trout Lake, Washington 98650  
(509) 395-3469  
FAX (509) 395-3365

As a start up model for National Service, the NWSA was an unknown organization and needed local community champions to help sponsor key community based projects in our first year of operation. Maria's services helped target one on one meetings with a broad spectrum of community leaders ( including Neil Goldschmidt, ex governor of Oregon and an ex Secretary of Transportation under the Carter administration, Phil Keisling, Oregon Secretary of State, and a number of State Senators and Representatives from both Oregon and Washington). As a new national service organization, it was critical that we raise our profile in the community and target local environmental service opportunities that formal and informal local community leaders saw meeting critical unmet need in their communities.

These one on one meetings and clear directions underlined NWSA success in it's start up year.

B. Travel to the CNS sponsored seminar on fund raising involved both Members and staff. It was used as a training activity for AmeriCorps Members and staff to understand the needs and demands of the non profit organizations that NWSA works with on a daily basis. The NWSA clearly understands that AmeriCorps Members cannot be used in fundraising activities for NWSA, but they can help mobilize resources for community projects.

Often staff and Members are asked to work with volunteer organizations which request materials like paint and lumber for direct service activities. Without these materials non profit organizations often cannot mobilize hundreds of community volunteers and a direct service project does not happen. Two examples in our first year of service that the NWSA was instrumental in accomplishing were two large community play structures, one in Sandy and the other in Troutdale, Oregon, which demanded tremendous community donations.

Thus this training was not a "cost of organized fund raising...incurred solely to raise capital or obtain contributions" for the NWSA but used so our Members can understand how to work with community organizations to mobilize the resources necessary to "get things done" in their community.

D. As the Executive Director, I played a key role in the training of Members while working closely with key NWSA sponsors like the USDA Forest Service to target key service projects and verify that they were successfully completed to the specifications of the field managers. In addition I often showcased successful projects with potential sponsors to build the service capacity of each Center.

For example, during the first two weeks of Member training in the fall of 1994 I was instrumental in training all NWSA Members at both Centers in wildland firefighting. The results were immediate with over 20 Members being dispatched to the largest wildfire in the State of Washington's history. I also provided hands on chain saw training and certification on three separate occasions to Mt. Adams Members.

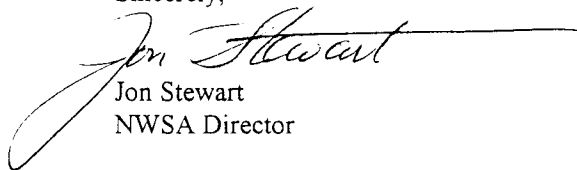
As Academy Director I also joined Members at both Centers on a variety of project activities, from hands on trail work to the construction of community play structures. This was key in maintaining Member morale and reviewing their field performance with project sponsors while providing some hands on service training.

Because of the driving distance between the two Centers and the distance to field projects, these field project reviews often took an inordinate amount of my time as Academy Director. Based upon a brief review of my planning notebook, well over 55% of my time in the first operational year was spent in meetings with potential and existing project sponsors, dealing with project related issues, training Members and/or reviewing existing projects on the ground.

E. The \$2,866 for expenses for books provided at the graduation ceremonies were directly related to the Members service activities. Members planted over 35,000 trees in both urban and rural settings in the Pacific Northwest during their service year. According to OPB Circular B. 19, b," the cost of books...is allowable when related to the grant program." As an environmental program focusing on developing a life-long ethic of service, the book "The Man Who Planted Trees" is appropriate for the text clearly creates a link between environmental service and long term positive global environmental change. The book goes one step further to underline the whole sense of life long civic responsibility that was the theme of my speech on that day. Thus these books underline a core element of our training and provided a springboard for NWSA Member's continuing commitment to voluntary environmental service.

I hope that these comments to the Audit are incorporated in the final report and considered in the CNS's response to this review.

Sincerely,



Jon Stewart  
NWSA Director