

Audit Report No. 96-39

Date: April 24, 1996

C O R P O R A T I O N

F O R N A T I O N A L



S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

Audit of

Los Angeles Conservation Corps

Los Angeles, California

COMMISSION ON NATIONAL AND COMMUNITY SERVICE
GRANT AWARD NUMBER 92COLOCA0009

This report was issued to the Corporation for National Service for resolution and audit follow-up on June 25, 1996. According to OMB Circular A-50, "Audit Followup" the Corporation must make a final management decision within 180 days of its issuance. Consequently, the auditors' findings do not necessarily represent the final resolution of the issues presented.

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

Office of the Inspector General
Audit of
Commission on National and Community Service
Grant Award Number 92COLOCA0009
to
Los Angeles Conservation Corps



Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, audited costs related to grant number 92COLOCA0009 awarded by the Commission on National and Community Service¹ (the Commission) to the the Los Angeles Conservation Corps (LACC). We have reviewed the Birnbaum and Company report and the supporting workpapers and agree with the report's findings and recommendations.

The \$1,000,000 grant was intended to provide for the creation or expansion of youth services for conservation and for new types of services relative to homelessness, gangs, and AIDs awareness. The grant award period was September, 29, 1992 through December 31, 1994. LACC claimed \$1,000,000 of costs under the grant. Birnbaum and Company questioned \$58,272 of the claimed costs; consisting of

- \$31, 276 of matching funds spent to develop a public relations and fund raising strategy for LACC, and
- \$26,996 of the Federal share of costs because LACC claimed costs in excess of the 75 percent share stipulated in the grant.

The auditors found other instances of non-compliance with Federal regulations and the grant's provisions, including LACC's failure to submit accurate and complete financial reports. The report also notes that LACC acquired \$66 thousand of equipment under the grant for which CNS has a reversionary interest. However, although CNS has awarded another grant to LACC, as of the date of this report, CNS had not provided direction on the disposition of the equipment.

LACC's responses to a draft of this report have been incorporated into the report's findings and recommendations. LACC's letter, in its entirety, follows the Leonard G. Birnbaum and Company Report.

¹ The Commission was merged into the Corporation for National Service at the start of Fiscal Year 1994; in December 1993, CNS established the audit responsibility for Commission grants in the CNS Office of Inspector General.

**Commission on National and Community Service
Award Number 92COLOCA0009**

to

**Los Angeles Conservation Corps
2824 S. Main Street
Los Angeles, California 90015**

**Financial Schedules
and
Independent Auditor's Reports**

**For the Period
September 29, 1992 to December 31, 1994**

**Leonard G. Birnbaum and Company
Certified Public Accountants
6285 Franconia Road
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Los Angeles Conservation Corps

Table of Contents

	<u>Page</u>
REPORT SUMMARY AND HIGHLIGHTS:	
Purpose and Scope of Audit	1
Summary of Audit Results	2
Matter Requiring Resolution	4
Background	4
INDEPENDENT AUDITOR’S REPORT	5
FINANCIAL SCHEDULES:	
Schedule A - Schedule of Award Costs	8
Schedule B - Schedule of Questioned Costs	9
Notes to Financial Schedules	10
INDEPENDENT AUDITOR’S REPORTS ON COMPLIANCE AND INTERNAL CONTROL STRUCTURE:	
Independent Auditor’s Report on Compliance	12
Independent Auditor’s Report on the Internal Control Structure	18
<u>APPENDIX</u> - AUDITEE’S COMMENTS TO REPORT	20

REPORT SUMMARY AND HIGHLIGHTS

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PURPOSE AND SCOPE OF AUDIT

We have performed an audit of the funds awarded by the Commission on National and Community Service (Commission)¹ to Los Angeles Conservation Corps (LACC) as follows:

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
92COLOCA0009	September 29, 1992 to December 31, 1994	September 29, 1992 to December 31, 1994

The objectives of our audit were to determine whether:

1. Financial reports prepared by the auditee presented fairly the financial condition of the award;
2. The system of internal control structure was adequate to safeguard Federal funds;
3. The auditee had adequate procedures and controls to ensure compliance with Federal laws, Commission regulations and award conditions; and
4. The award costs reported to the Commission and the Corporation for National Service (CNS) were documented and allowable in accordance with the award terms and conditions.

¹As a result of the National and Community Service Trust Act of 1993, the Commission on National and Community Service merged with the Corporation for National Service.

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Our audit was made in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the amounts claimed, as presented in the schedule of award costs (Schedule A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Schedule A. An audit also includes assessing the accounting principles used and significant estimates made by the auditee, as well as evaluating the overall financial schedule presentation. We believe our audit provides a reasonable basis for our opinion.

SUMMARY OF AUDIT RESULTS

An audit was performed on the financial reports submitted by LACC to the Commission and CNS. The results of the audit, which are detailed in Schedule A, are summarized as follows:

<u>Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
92COLOCA0009	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$ 58,272</u>

As a result of our audit of the aforementioned award, we are questioning costs totalling \$58,772. Questioned costs are costs for which there is documentation that the recorded costs were expended in violation of the law, regulations or specific conditions of the award or those costs which require additional support by the grantee or which require interpretation of allowability by CNS.

The following summarizes the costs questioned on the above award by reason:

<u>Explanation</u>	<u>Amount</u>
• The grantee claimed costs in excess of the share ratio stipulated in the grant	\$26,966
• The grantee claimed costs as part of the matching requirement that are not considered allowable for matching purposes	<u>\$31,276</u>
Total Questioned Costs	<u>\$58,272</u>

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We used a judgmental sampling method to test the costs claimed by the auditee. Based upon this sampling plan, questioned costs in this report may not represent total costs that may have been questioned had all expenditures been tested. In addition, we have made no attempt to project such costs to total expenditures claimed, based on the relationship of costs tested to total costs.

The following is a brief description of the various findings which resulted from our audit. For a complete discussion of each finding, refer to the appropriate Independent Auditor's Report on Compliance or Independent Auditor's Report on the Internal Control Structure.

COMPLIANCE FINDINGS

Our audit disclosed the following instances of noncompliance:

- The grantee claimed costs in excess of the share ratio stipulated in the grant. (Finding No. 1)
- The grantee claimed costs as part of the matching requirement that are not considered allowable for matching purposes. (Finding No. 2)
- The grantee did not submit a financial report with accurate data nor did the grantee include all required information in the financial report. (Finding No. 3)
- The grantee did not retain progress reports for the time specified by OMB Circular A-110. (Finding No. 4)
- The grantee did not maintain procedural guidance or documentation evidencing compliance nor facilitating a compliance determination with certain special and general provisions of the grant. (Finding No. 5)

INTERNAL CONTROL STRUCTURE

We noted no matters involving the internal control structure that we consider to be material weaknesses.

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MATTER REQUIRING RESOLUTION

LACC acquired equipment, at a cost of \$66,000, during its performance of the grant. The terms of the grant provide that title to the equipment vests with LACC, but that CNS has a revisionary interest in the equipment and the right to direct its disposition upon completion of grant performance. As of the date of our audit, LACC had not received any direction from CNS as to disposition of the equipment. We observed that, prior to the completion of this grant, LACC was awarded another grant by CNS.

BACKGROUND

LACC is a nonprofit organization dedicated to providing youth development opportunities and to accomplish community improvement and conservation work in the Los Angeles area. The project under the direction of LACC is described as follows:

Award Number

Award Description

92COLOCA0009

The purpose of the grant is to provide for the creation or expansion of youth services for conservation and for new types of services relative to homelessness, gangs and AIDS awareness.

REPORT RELEASE

This report is intended for the information and use of the Corporation's and LACC's management. However, this report is a matter of public record and its distribution is not limited.

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by Los Angeles Conservation Corps to the Commission on Community and National Service and its successor, the Corporation for National Service, on the Financial Status Report for the grant number listed below.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
92COLOCA0009	September 29, 1992 to December 31, 1994	September 29, 1992 to December 31, 1994

These Financial Status Reports, as presented in the schedule of award costs (Schedule A), are the responsibility of the Grantee's management. Our responsibility is to express an opinion on Schedule A based on our audit.

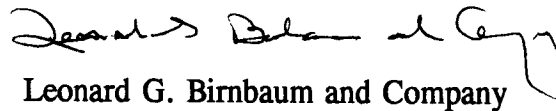
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. 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.

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The accompanying financial schedules were prepared for the purpose of complying with the requirements of the award agreement as described in Note 1, and are not intended to be a complete presentation of financial position in conformity with generally accepted accounting principles.

In our opinion, except for \$58,272 questioned costs (see Schedule A), the financial schedules referred to above present fairly, in all material respects, the costs claimed in the Financial Status Report as presented in the schedule of award costs (Schedule A), for the period September 29, 1992 to December 31, 1994, in conformity with the award agreements and on the basis of accounting described in Note 1.

This report is intended for the information and use of the Corporation's and LACC's management. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
April 24, 1996

FINANCIAL SCHEDULES

Los Angeles Conservation Corps
 Commission on National and Community Service Award No. 92COLOCA0009
 Schedule of Award Costs
 From September 29, 1992 To December 31, 1994
 Final

<u>Cost Category</u>	<u>Approved Budget</u>	(A) <u>Claimed Costs</u>	<u>Questioned Costs</u>	<u>Schedule Reference</u>
Living allowances and benefits	\$ 272,000	\$ 299,200	\$ -	
Staff personnel and benefits	310,000	341,000	-	
Post-service benefits	108,000	31,558	-	
Training and education	100,000	122,138	-	
Capital expenditures	60,000	66,000	-	
Administration	50,000	50,000	-	
Other	<u>100,000</u>	<u>90,104</u>	<u>-</u>	
Total CNS funds	1,000,000	1,000,000	26,996	Schedule B
Matching funds	<u>258,343</u>	<u>328,614</u>	<u>31,276</u>	Schedule B
Total funds	<u>\$ 1,258,343</u>	<u>\$1,328,614</u>	<u>\$ 58,272</u>	

- (A) The total representing costs were taken directly from the auditee's books of accounts. The claimed costs do not agree with the expenditures reported on the final Financial Status Report - Total Federal Share as of the quarter ended December 31, 1994. The quarterly report reflects the total Federal share to be \$995,250. The \$4,750 differential was subsequently drawn by the auditee and is reflected in the Federal Cash Transactions Report for the quarter ended September 30, 1995.

The accompanying notes are an integral part of this financial schedule.

Los Angeles Conservation Corps
 Commission on National and Community Service Award No. 92COLOCA0009
 Schedule of Questioned Costs
 From September 29, 1992 To December 31, 1994

1. Subtotal

The amount questioned is applied to subtotal cost since it is not feasible to distribute the amount to the individual cost categories. Special Provision Number 3 (Matching requirement) provides that the Federal share of each grant shall not exceed 75 percent of the cost of community service activities. The amount questioned represents the difference between the Federal share claimed by the auditee and the allowable Federal share given recognition to the requirements of the provision. The amount questioned is computed as follows:

Cost of community services	\$1,328,614
Less: Matching funds questioned	<u>31,276</u>
Adjusted cost	1,297,338
Federal share factor	<u>.75</u>
Total allowable	973,004
Total Federal shared claimed	<u>1,000,000</u>
Total questioned	<u>\$ 26,996</u>

2. Matching funds

The amount questioned represents payments of \$15,349 in 1993 and \$15,927 in 1994 to a consultant to develop public relations and fundraising strategy for the auditee. The charging of such cost to a Federal award contravenes Paragraph 19 of Attachment B to OMB Circular A-122 which provides that such costs are unallowable. Consequently, the amount is questioned.

Los Angeles Conservation Corps
Commission on National and Community Service Award No. 92COLOCA0009
Notes to Financial Schedules

1. Summary of Significant Accounting Policies:

Accounting Basis

The accompanying financial schedules, Schedules A and B, have been prepared from the auditee's books of accounts. The basis of accounting utilized in preparation of these schedules 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, the auditee does not maintain any equity in the award and any excess of 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 statement of award costs include the cost of equipment purchased during the period rather than a provision for depreciation.

The equipment acquired is owned by the Los Angeles Conservation Corps while used in the program for which it is purchased or in other future authorized programs. However, CNS has the revisionary interest in the equipment. Its disposition, as well as the ownership of any proceeds therefrom, is subject to Federal regulations.

C. Inventory

Minor materials and supplies are charged to expense during the period of purchase. As a result, no inventory is recognized for these items in the financial schedules.

2. Income Taxes

Los Angeles Conservation Corps, a nonprofit organization incorporated in the State of California, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

INDEPENDENT AUDITOR'S REPORTS
ON
COMPLIANCE AND INTERNAL CONTROL STRUCTURE

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the schedule of award costs, as presented in Schedule A which summarizes the financial reports submitted by Los Angeles Conservation Corps (LACC) to the Corporation for National Service and its predecessor, the Commission on National and Community Service, for the award listed below, and have issued our report thereon dated April 24, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
92COLOCA0009	September 29, 1992 to December 31, 1994	September 29, 1992 to December 31, 1994

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), 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 schedules are free of material misstatement.

Compliance with laws, regulations, and the provisions of the award is the responsibility of LACC's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of LACC's compliance with certain provisions of laws, regulations, and the terms and conditions of the award. However, our objective was not to provide an opinion on overall compliance with such provisions.

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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 the misstatements resulting from those failures or violations is material to the financial schedules. The results of our tests of compliance disclosed the following material instances of noncompliance, and the questioned costs as reflected in Schedule B, the effects of which have not been not been corrected in the amounts as reflected in the claimed costs column in Schedule A.

Finding No. 1

The grantee claimed costs in excess of the share ratio stipulated in the grant. Paragraph 3 of the grant special provisions states that "the Federal share of each grant shall not exceed 75 percent of the cost of the community service activities carried out with each such grant." Prior to any adjusted for questioned cost regarding matching costs as described in Finding No. 2, the Federal share was approximately 75.27 percent of the cost of the community service activities. After considering the above referenced questioned cost, the Federal share was approximately 77.08 percent.

Recommendation

We recommend that the claimed costs be limited to those costs which do not exceed the share ratio stipulated in the grant. We further recommend that the grantee develop and implement policies and procedures to ensure compliance with the matching fund provision.

Auditee's Comments

"The total amount of matching funds raised by the Los Angeles Conservation Corps (LACC) exceeded \$800,000. The LACC only claimed, \$328,614 of the matching costs. The matching funds claimed by the LACC, after the reduction for Finding No. 2, exceeded the amount of matching funds required by the CNS contract budget by \$38,995. We therefore disagree with the questioned costs of \$26,996. The LACC is in the process of developing and implementing policies and procedures to ensure compliance with the matching fund provision."

Auditor's Response

While the auditee stated that it had matching funds in excess of \$800,000, this is not what was represented to us during the audit. The accounting records only indicated that the claimed matching amount of \$328,614 had been expended on this grant. Furthermore, while the grant budget indicates a dollar amount of matching funds, it is based on a percentage. As stated in the finding, paragraph 3 of the grant special provisions states that "the Federal share of each grant shall not exceed 75 percent of the cost of the community service activities carried out with each such grant."

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Finding No. 2

The grantee claimed costs as part of the matching requirement that are not considered allowable for matching purposes. According to section .23 of OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations", contributions shall be accepted as part of cost sharing or matching when certain criteria is met. One such criteria is the allowability under the applicable cost principles. Paragraph 19 of Attachment B to OMB Circular A-122, "Cost Principles of Nonprofit Organizations", states, in part, that "costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable." The grantee claimed costs as part of the matching requirement which was for services rendered by a consultant under a professional services agreement to develop and implement a public relations and fund raising strategy.

Recommendation

We recommend that the claimed costs be limited to those costs that are considered allowable. We further recommend that the grantee becomes familiar with section .23 of OMB Circular A-110 which establishes criteria for acceptable forms of cost sharing or matching contributions.

Auditee's Comments

"The LACC agrees with this finding."

Auditor's Response

The auditee concurred with our finding.

Finding No. 3

The grantee did not submit a financial report with accurate data nor did the grantee include all required information in the financial report. Paragraph 4 of the grant special provisions states, in part, that "grantees will use Standard Form 269, Financial Status Report, to report the status of funds to date. Under Item 10 of the SF 269, financial data shall be reported for each activity or budget item contained in the approved budget attached to the grant". The grantee's final Financial Status Report, dated February 9, 1995, reflected the total Federal share to be \$995,250 while the total claimed cost was \$1,000,000. Additionally, the financial data was not reported for each activity or budget item contained in the approved budget.

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Recommendation

We recommend that the grantee prepare a revised final Financial Status Report that is a complete and accurate reporting of the status of funds and submit it to CNS as soon as possible. We further recommend that the grantee develop and implement policies and procedures to ensure that financial reports contain all required information.

Auditee's Comments

According to the auditee, a revised final Financial Status Report will be submitted in the near future. The auditee further stated that "LACC has developed a data base to track all grant and contract compliance requirements" and that they "have implemented policies and procedures to ensure that financial reports contain all required information."

Auditor's Response

The auditee concurred with the recommendation and appears to be taking appropriate corrective action.

We considered these material instances of noncompliance in forming our opinion on whether Schedule A is presented fairly in all material respects, in conformity with Corporation for National Service policies and procedures, and this report does not affect our report dated April 24, 1996, on this financial schedule.

In addition to the above mentioned material instances of noncompliance, we noted certain nonmaterial instances of noncompliance as described below.

Finding No. 4

The grantee did not retain progress reports for the time period specified in OMB Circular A-110. Section .53, paragraph (b) of OMB Circular A-110 states, in part, that "financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report..." Not only was the grantee unable to locate the final progress report but six quarterly progress reports as well.

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Recommendation

We recommend that the grantee develop and implement policies and procedures to ensure that records related to awards are retained for the appropriate period of time.

Auditee's Comments

According to the auditee, a data base has been developed "to track all grant and contract compliance requirements." The auditee further stated that policies and procedures have been implemented "to ensure that records related to awards are retained for the appropriate period of time."

Auditor's Response

The auditee concurred with the recommendation and appears to be taking appropriate corrective action.

Finding No. 5

The grantee does not maintain procedural guidance or documentation regarding compliance with certain provisions of the grant. Consequently, The grantee was unable to demonstrate nor were we unable to determine full compliance with those provisions which have been summarized below.

<u>Special Provision</u>	<u>Description</u>
13	Training and education services
18(d)	Miscellaneous duties
<u>General Provision</u>	
5	Acknowledgment of Support and Disclaimer
8	Evaluation
10	Supplementation, Nonduplication and Nondisplacement

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Recommendation

We recommend that the auditee prepare and implement written operating procedures to assist in assuring that all requirements of the grant provisions are being fulfilled.

Auditee's Comments

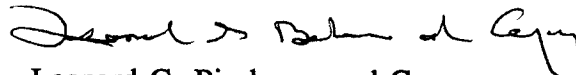
"LACC is in the process of developing a written operating procedures manual. Part of the manual will be devoted to assuring that all requirements of grant provisions are being fulfilled."

Auditor's Response

The auditee concurred with our recommendation and appears to be taking appropriate corrective action.

Except as described above, the results on our tests of compliance indicate that, with respect to the items tested, LACC complied in all material respects, with the provisions referred to in the third paragraph of this report.

This report is intended for the information and use of the Corporation's and LACC's management. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
April 24, 1996

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INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Schedule A which summarizes the financial reports submitted by Los Angeles Conservation Corps (LACC) to the Corporation for National Service and its predecessor, the Commission on National and Community Service, for the grant listed below, and have issued our report thereon dated April 24, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
92COLOCA0009	September 29, 1992 to December 31, 1994	September 29, 1992 to December 31, 1994

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), 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 schedules are free of material misstatement.

In planning and performing our audit of Schedule A for the period September 29, 1992 to December 31, 1994, we considered LACC's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control structure.

The management of LACC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs on internal control structure policies and

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procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against 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 schedules in accordance with generally accepted accounting principles. 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.

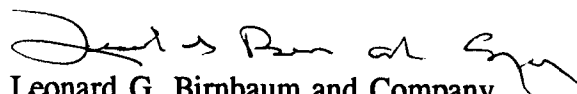
For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash Disbursements
- Cash Receipts
- Payroll/timekeeping

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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts 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 no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information and use of the Corporation's and LACC's management. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
April 24, 1996



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June 14, 1996

Ms. Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company
Certified Public Accountants
Washington Office
6285 Franconia Road
Alexandria, VA. 22310

Dear Ms. Leiper:

Enclosed please find the Los Angeles Conservation Corps' response to the draft audit of Grant Number 92COLOCA0009 awarded by the Commission on National and Community Service. Please enclose the response in your report when it is issued in the final form. If you have questions, or require additional information, please do not hesitate to contact me. My direct line is (213) 846-2632.

Sincerely,

A handwritten signature in black ink, appearing to read "Krista Thomas".

Krista Thomas
Financial Director

cc: Bruce Saito, Executive Director
File

Memo Diskette # 5 CNS614



Los Angeles Conservation Corps
Audit Response
Commission on National and Community Service
Award Number 92COLOCA0009

Finding No. 1

Recommendation

We recommend that the claimed costs be limited to those costs which do not exceed the share ratio stipulated in the grant. We further recommend that the grantee develop and implement policies and procedures to ensure compliance with the matching fund provision.

Auditee's Comments

The total amount of matching funds raised by the Los Angeles Conservation Corps (LACC) exceeded \$800,000. The LACC only claimed, \$328,614 of the matching costs. The matching funds claimed by the LACC, after the reduction for Finding No. 2, exceeded the amount of matching funds required by the CNS contract budget by \$38,995. We therefore disagree with the questioned costs of \$26,996. The LACC is in the process of developing and implementing policies and procedures to ensure compliance with the matching fund provision.

Finding No. 2

We recommend that the claimed costs be limited to those costs that are considered allowable. We further recommend that the grantee becomes familiar with section .23 of OMB Circular A-110 which established criteria for acceptable forms of cost sharing or matching contributions.

Auditee's Comments

The LACC agrees with this finding.

Finding No. 3

We recommend that the grantee prepare a revised final Financial Status Report that is a complete and accurate reporting of the status of the funds and submit it to CNS as soon as possible. We further recommend that the grantee develop and implement policies and procedures to ensure that financial reports contain all required information.

Auditee's Comments

The LACC will submit a revised final Financial Status Report within the next 30 days. The LACC has developed a data base to track all grant and contract compliance requirements. We have implemented policies and procedures to ensure that financial reports contain all required information.

Finding No. 4

Recommendation

We recommend that the grantee develop and implement policies and procedures to ensure that records related to awards are retained for the appropriate period of time.

Auditee's Comments

The LACC has developed a data base to track all grant and contract compliance requirements. We have implemented policies and procedures to ensure that records related to awards are retained for the appropriate period of time.

Finding No. 5

Recommendation

We recommend that the auditee prepare and implement written operating procedures to assist in assuring that all requirements of the grant provisions are being fulfilled.

Auditee's Comments

The LACC is in the process of developing a written operating procedures manual. Part of the manual will be devoted to assuring that all requirements of grant provisions are being fulfilled.

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