
**Office of the Inspector General
Corporation for National Service**

**Audit of
Corporation for National Service
Award Number 94ADFDC029
to the
National Endowment for the Arts**

**Report Number 98-09
December 19, 1997**

This report is issued to Corporation management. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than October 5, 1998 and complete its corrective actions by April 8, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

Office of the Inspector General
Audit of Corporation for National Service
Award Number 94ADFDC029 to the
National Endowment for the Arts

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, performed an audit of the funds awarded by the Corporation to the National Endowment for the Arts (NEA) under award number 94ADFDC029. The audit covered the costs claimed (\$535,502) during the period October 1, 1995 through December 31, 1996. Funding for this program was provided through an AmeriCorps interagency cooperative agreement between the Corporation and the NEA. The Corporation no longer enters into grant agreements with Federal agencies and thus is no longer funding this program.

The audit was performed to determine whether financial reports prepared by the NEA presented fairly the financial condition of the award and the award costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the award. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

The firm found that

- NEA claimed costs in excess of the amount supported by its financial records. As a result, we are questioning \$9,600 of the costs claimed under the award.
- NEA did not submit its Financial Status Reports on a timely basis.
- The Bronx site, one of the three sites where the WriterCorps operated, lacked an adequate labor distribution system.
- Member timesheets at the Bronx and San Francisco sites were not consistently signed by the Member and/or approved by the appropriate personnel.

As Leonard G. Birnbaum and Company reported, the WritersCorps proposed under this grant was to focus on helping to improve written and verbal skills by leading creative writing and poetry classes, arranging opportunities for students to meet with guest writers and poets, supervising field trips, developing publications, encouraging journaling, and helping local institutions develop on-site literary centers. In addition to the findings noted above, this report questions whether the program met the Corporation's mandate to address pressing needs in communities, in particular noting that certain material that was produced at the WritersCorps' San Francisco site might be viewed as "crude and/or obscene." The material was published in anthologies bearing the AmeriCorps logo as well as those of the NEA and the San Francisco Art Commission. These matters are discussed in greater detail in this report.

The Corporation's response to a draft of this report is included as Appendix A. In its response, the Corporation stated that it had not performed a comprehensive analysis of the findings and could not provide detailed comments or specifically concur with the recommendations at this time.

NEA's response is summarized after each finding as appropriate and included as Appendix B (without attachments). In its response, the NEA generally agreed with the findings and recommendations related to compliance and internal control issues identified in the report. However, the NEA disagreed with the questioned costs and challenged the merits of Leonard G. Birnbaum and Company's assessment (reported in the *Other Matters* section of the report) that it had "reservations as to whether the limited benefit accruing from this program filled a pressing need in the community" and that "some of the printed output of the program's participants included in publications produced as a result of this program could be viewed by some individuals as crude and/or obscene...." NEA stated that an evaluation of the program was beyond the scope of the auditor's work.

Admittedly it was not within the scope of this audit to evaluate the effectiveness or the outcome of this program. However, in our view, using Federal money to finance the production of such materials as those published by the San Francisco site is questionable. It is also questionable that by doing so this program addressed a pressing need within the community.

Corporation for National Service
Office of the Inspector General
Report Number 98-09

Corporation for National Service
Interagency Cooperative Agreement Number 94ADFDC029
to
The National Endowment for the Arts
Washington, DC 20506

Financial Schedules
and
Independent Auditor's Reports

For the Period
October 1, 1995 to December 31, 1996

Leonard G. Birnbaum and Company
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The National Endowment for the Arts

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REPORT SUMMARY AND HIGHLIGHTS

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**Inspector General
Corporation for National Service**

We have performed an audit of the funds awarded by the Corporation for National Service (Corporation) to The National Endowment for the Arts (NEA) for the AmeriCorps program under Interagency Cooperative Agreement Number 94ADFDC029. The NEA entered into subgrant agreements with three WritersCorps sites in Washington, DC, San Francisco, CA, and Bronx, NY, to administer a program at their respective sites. The NEA, however, was considered the prime recipient of the grant. During the first program year (July 1, 1994 through September 30, 1995), the program was administered by Associated Writers Program (AWP). During the second program year, the NEA administered the program by developing the position of National Coordinator at the NEA. Since the Office of Inspector General (OIG) of the NEA conducted an audit of the costs claimed for the first program year¹, our audit only covered the costs claimed by the three operating sites during the second program year (October 1, 1995 through December 31, 1996).

SUMMARY OF AUDIT RESULTS

Our audit of the costs claimed and incurred by the NEA for its AmeriCorps program disclosed the following:

Award Budget	\$ 535,502
Claimed Costs	535,502
Incurred Costs	535,407
Questioned Costs	9,600

As a result of our audit of the aforementioned award, we are questioning costs totaling \$9,600 which is summarized below and detailed in Exhibit A to the Independent Auditor's Report. Questioned costs are costs for which there is documentation that the recorded costs were expended

¹ NEA's OIG performed an audit of the costs claimed under this cooperative agreement for the first program year and issued Report No. E-LS-96-2. As a result of the audit, NEA's OIG questioned \$177,601, largely for lack of adequate supporting documentation. However, prior to the start of our audit, all of the issues which resulted in questioned costs were resolved and the questioned costs were subsequently reinstated with the concurrence of NEA's OIG.

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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 the Corporation.

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

<u>Explanation</u>	<u>Amount</u>
• Difference between the funds received by the Bronx site and the amount NEA indicates was transferred to the Bronx site (\$4,657 Federal funds and \$4,848 matching funds)	\$ 9,505
• Difference between the claimed costs per the Financial Status Report and the detailed schedule of claimed costs provided for the audit	<u>95</u>
Total Questioned Costs	<u>\$9,600</u>

We used a combination of statistical and judgmental sampling methods to test the costs claimed by the operating sites. 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. For a complete discussion of these questioned costs, refer to the Independent Auditor's Report.

COMPLIANCE FINDINGS

Our audit disclosed material and nonmaterial instances of noncompliance. The instances which we consider to be material are as follows:

- NEA did not submit the Financial Status Reports on a timely basis. (Independent Auditor's Report on Compliance, Finding No. 1)
- The expenditure amount claimed by NEA for the second program year on the Financial Status Report and drawn down from the Corporation disagrees with the amount reported in the schedule of claimed costs provided during the audit. (Independent Auditor's Report on Compliance, Finding No. 2)

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- NEA requested and transferred funds from the Corporation in amounts that exceeded the next quarter's needs. (Independent Auditor's Report on Compliance, Finding No. 3)
- Labor charges at the Bronx site were not based on an after-the-fact labor distribution system. (Independent Auditor's Report on Compliance, Finding No. 4)
- Member timesheets at the Bronx and San Francisco sites were not consistently signed by the Member and/or approved by the appropriate personnel. (Independent Auditor's on Compliance, Finding No. 5)

In addition, our audit disclosed the following nonmaterial instances of noncompliance:

- The publications produced by the San Francisco site did not include an appropriate disclaimer. (Independent Auditor's Report on Compliance, Finding No. 6)
- The member contracts did not contain all of the required provisions and the Members did not sign contracts and/or the contracts could not be located. (Independent Auditor's Report on Compliance, Finding No. 7)
- Member enrollment and end-of-term forms were either not submitted or copies of the forms were not retained. (Independent Auditor's Report on Compliance, Finding No. 8)

INTERNAL CONTROL STRUCTURE

Our audit disclosed the following reportable condition in the internal control structure and its operations.

- The Bronx site lacked an adequate labor distribution system. (Independent Auditor's Report on Internal Control, Finding No. 1)

PURPOSE AND SCOPE OF AUDIT

Our audit covered the costs incurred during the period October 1, 1995 through December 31, 1996, under Interagency Cooperative Agreement No. 94ADFDC029 which had an award period of July 1, 1994 to December 31, 1996. NEA's Office of Inspector General conducted an audit of the costs claimed for the first program year.

The objectives of our audit were to determine whether:

1. Financial reports prepared by NEA presented fairly the financial condition of the award;
2. The internal control structures were adequate to safeguard Federal funds;
3. The auditees had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations and award conditions;
4. The award costs reported to the Corporation were documented and allowable in accordance with the award terms and conditions; and
5. The auditees had adequate procedures and controls to track and report progress toward achievement of the program objectives.

We performed the 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 amounts claimed against the grant award, as presented in the schedule of award costs (Exhibit A), are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit 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.

We provided a draft of this report to the Corporation's Office of Grants Management and to NEA for comments. The Corporation's Office of Grants Management comments are presented as Appendix A while NEA's comments along with the comments of San Francisco Art's Commission, one of NEA's subrecipients, are presented as Appendix B.

OTHER MATTERS

The overall objective of the AmeriCorps program is to address the pressing issues of education, public safety, human or environmental needs within the community. The NEA AmeriCorps program was apparently aimed at the development of writing skills for a limited cadre of individuals through vanity publications of poetry and other narrative works. Based on our understanding of the program, we have reservations as to whether the limited benefit accruing from this particular program filled a "pressing issue" of need in the community. In fact, the

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printed output of the program's participants included in publications produced as a result of this program could be viewed by some individuals as crude and/or obscene — although we acknowledge the issue of obscenity is extremely subjective.

Auditee's Comments

NEA asserts that the comments with respect to whether this project was within the Corporation's mission are outside of the scope of the audit and that the "analysis of the artistic merit of the...work is outside of the expertise of the auditor..." San Francisco expressed similar comments.

Auditor's Response

We disagree with the assertion that an assessment of whether this project was within the Corporation's mission is outside of the scope of the audit. Audits of Federal programs are required to be performed in accordance with *Government Auditing Standards*. One of the premises underlying *Government Auditing Standards* is that "Public officials and others entrusted with handling public resources are responsible for applying those resources efficiently, economically, and effectively, to achieve the purposes for which the resources were furnished" (underscoring added). Accordingly, assessing whether any program comports with the mission of the funding source is considered to be not only appropriate but required. With respect to analysis of artistic merit of the program, it was not our intent to render an evaluation of the merit of the program's results, but rather to present observations elicited from review of some of the material which was published.

BACKGROUND

The National Endowment for the Arts (NEA), a Federal agency, teamed up with organizations to operate a program titled *WritersCorps* in the District of Columbia, San Francisco and the Bronx areas. In order to support the program, NEA entered into an interagency cooperative agreement with the Corporation. The parties of the agreement agreed to conduct an AmeriCorps program to focus on helping improve written and verbal skills by leading creative writing and poetry classes, arranging opportunities for students to meet with guest writers and poets, supervising field trips, developing publications, encouraging journaling, and helping local institutions develop on-site literary centers.

The Corporation awarded Interagency Cooperative Agreement No. 94ADFDC029 to the NEA in the amount of \$892,251. Of this amount, \$535,502 was awarded for the second program year which included \$18,193 of carryover funds from the first program year.

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During the second program year the programs in the District of Columbia, San Francisco and Bronx operated through the assistance of the following entities:

<u>Site</u>	<u>Fiscal Host</u>	<u>Program Host</u>
District of Columbia	National Association of Service & Conservation Corps	D.C. Commission on the Arts & Humanities
Bronx	Bronx Council on the Arts	Bronx Council on the Arts
San Francisco	California Assembly of Local Arts Agencies	San Francisco Arts Commission

REPORT RELEASE

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation, and NEA and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

We have audited the costs incurred by the National Endowment for the Arts (NEA) for the award number listed below. These costs, as presented in the schedule of award costs (Exhibit A), are the responsibility of NEA's management. Our responsibility is to express an opinion on Exhibit A based on our audit.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADFDC029	July 1, 1994 to December 31, 1996	October 1, 1995 to December 31, 1996

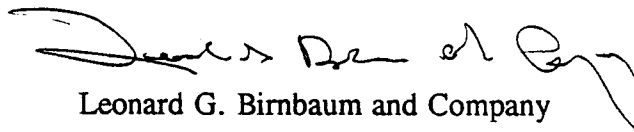
We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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.

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.

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In our opinion, except for \$9,600 in questioned costs, the schedule of award costs (Exhibit A) referred to above presents fairly, in all material respects, the costs claimed for the period for the period October 1, 1995 to December 31, 1996, in conformity with the award agreements.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation, and NEA and its subrecipients. However, this report is a matter of public record and its distribution is not limited.



Leonard G. Birnbaum and Company

Alexandria, Virginia
December 19, 1997

FINANCIAL SCHEDULES

National Endowment for the Arts
 Corporation for National Service - Award Number 94ADFDC029
 Schedule of Award Costs
 From October 1, 1995 to December 31, 1996
 Final

<u>Cost Category</u>	<u>Approved Budget</u>	(A) <u>Incurred Costs</u>	<u>Questioned Costs</u>	<u>Exhibit B Note Reference</u>
Member Support Costs:				
Living allowance	\$ 315,795	\$ 315,795		
FICA & comp	29,901	29,067		
Health care	<u>15,453</u>	<u>15,453</u>		
Subtotal	<u>361,149</u>	<u>360,315</u>	<u>\$ -</u>	
Other Member Costs:				
Training and education	15,000	13,333		
Uniforms	2,400	2,400		
Other	-	-		
Subtotal	<u>17,400</u>	<u>15,733</u>	<u>-</u>	
Staff:				
Salaries	81,640	86,260		
Benefits	18,477	21,460		
Training	-	-		
Other	<u>3,000</u>	<u>2,697</u>		
Subtotal	<u>103,117</u>	<u>110,417</u>	<u>-</u>	
Operational:				
Travel	-	-		
CNS meetings	4,250	892		
Transportation	-	-		
Supplies	4,825	4,289		
Equipment	-	-		
Other	<u>-</u>	<u>-</u>		
Subtotal	<u>9,075</u>	<u>5,181</u>	<u>-</u>	
Internal Evaluation:	<u>18,000</u>	<u>17,000</u>	<u>-</u>	
Administration:	<u>26,761</u>	<u>26,761</u>	<u>-</u>	
Difference between claimed and reported on FSR			<u>95</u>	1
Funds reported as transferred to the Bronx site but not received by the site			<u>4,657</u>	2
CORPORATION FUNDS	535,502	535,407	4,752	
MATCHING FUNDS	<u>489,046</u>	<u>491,301</u>	<u>4,848</u>	2
TOTAL FUNDS	<u>\$1,024,548</u>	<u>\$1,026,708</u>	<u>\$ 9,600</u>	

(A) The total representing incurred costs does not agree with the expenditures claimed on the Financial Status Report (FSR) for the second program year as of the quarter ended December 31, 1996. Incurred costs reported above are taken directly from the NEA's records. The difference between NEA's records and the FSR regarding Federal funds is \$95 and the difference regarding matching funds is \$9,459.

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

National Endowment for the Arts
 Corporation for National Service - Award No. 94ADFDC029
 Schedule of Claimed Costs by Grantee
 From October 1, 1995 to December 31, 1996
 Final

<u>Cost Category</u>	<u>NEA</u>	<u>Bronx</u>	<u>DC</u>	<u>SF</u>	<u>Total</u>
Member Support Costs:					
Living allowance	\$ 210,530	\$ 105,265			\$ 315,795
FICA & comp	19,933	9,134			29,067
Health care	<u>10,302</u>	<u>5,151</u>			<u>15,453</u>
Subtotal	<u>240,765</u>	<u>119,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>360,315</u>
Other Member Costs:					
Training and education		3,333	5,000	5,000	13,333
Uniforms		800	800	800	2,400
Other					
Subtotal	<u>-</u>	<u>4,133</u>	<u>5,800</u>	<u>5,800</u>	<u>15,733</u>
Staff:					
Salaries	56,260	20,000	10,000		86,260
Benefits	14,860	4,400	2,200		21,460
Training					
Other				2,697	2,697
Subtotal	<u>71,120</u>	<u>24,400</u>	<u>12,200</u>	<u>2,697</u>	<u>110,417</u>
Operational:					
Travel					
CNS meetings	142			750	892
Transportation					
Supplies		1,625	1,600	1,064	4,289
Equipment					
Other					
Subtotal	<u>142</u>	<u>1,625</u>	<u>1,600</u>	<u>1,814</u>	<u>5,181</u>
Internal Evaluation:	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,000</u>
Administration:	<u>4,396</u>	<u>7,400</u>	<u>7,400</u>	<u>7,565</u>	<u>26,761</u>
CORPORATION FUNDS	333,423	157,108	27,000	17,876	535,407
MATCHING FUNDS	<u>221,206</u>	<u>161,476</u>	<u>66,761</u>	<u>41,858</u>	<u>491,301</u>
TOTAL FUNDS	<u>\$ 554,629</u>	<u>\$ 318,584</u>	<u>\$ 93,761</u>	<u>\$ 59,734</u>	<u>\$1,026,708</u>

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

National Endowment for the Arts
Corporation for National Service - Award Number 94ADFDC029
Notes to Financial Schedules

1. Summary of Significant Accounting Policies

Accounting Basis

The accompanying financial schedule, Exhibit A, has been prepared from the reports submitted to the Corporation. 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 the Corporation. Therefore, NEA does not maintain any equity in the award and any excess of cash received from the Corporation over final expenditures is due back to the Corporation.

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.

Title to equipment under Federal grants rests in NEA while used in the program for which it is purchased or in other future authorized programs. However, the Corporation has a reversionary 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.

National Endowment for the Arts
Corporation for National Service - Award Number 94ADFDC029
Explanation of Questioned Costs
From October 1, 1995 to December 31, 1996
Final

1. Difference between incurred costs and costs reported on FSR

The claimed costs for the second program year using Corporation funds was \$535,407. This amount is \$95 less than the amount reported on the final FSR (\$535,502). Accordingly, we have questioned this amount.

2. Funds reported as transferred to the Bronx site but not received by the site

NEA's records indicate that funds were transferred to the Bronx site in an amount of \$317,955. This amount is identified on NEA's records as to the funding source (e.g., Corporation, NEA, and other non-Federal). NEA does not, however, identify the source to its subrecipients. The records of the Bronx's site reflect receipt of \$308,450. This results in a difference of \$9,505. The amount recorded by the Bronx site as received agrees with the amount awarded in the cooperative agreement between the Bronx site and NEA. The National Coordinator at NEA was unable to account for the difference. Accordingly, we have questioned this amount. However, since we were unable to determine the source of funding (Corporation or matching) we have divided this amount between the two funding sources based on the percentage of expenses claimed by funding source per NEA's records.

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 Exhibit A, which summarizes the costs incurred by the National Endowment for the Arts (NEA) for the award listed below, and have issued our report thereon dated December 19, 1997.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADFDC029	July 1, 1994 to December 31, 1996	October 1, 1995 to December 31, 1996

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 the Grantee's management. As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of 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.

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

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material to the financial schedules. The results of our tests of compliance disclosed the following material instances of noncompliance:

Finding No. 1

NEA did not submit the Financial Status Reports (FSRs) on a timely basis. The FSRs are to be submitted on a quarterly basis within 30 days after the end of the quarter with the exception of the final report which is to be submitted with 90 days after the end of the award period. NEA submitted the FSRs for the quarters ended December 31, 1995, March 31, 1996, and June 30, 1996, between 8 and 29 days after the due dates. A report was not submitted for the quarter ended September 30, 1996.

Recommendation

We recommend that the NEA establish and implement policies and procedures to submit quarterly reports on a timely basis for any future cooperative agreements.

Auditee's Comments

NEA asserts that FSRs were filed for all quarters during the reporting period in question, including a final report for the period of the grant in January 1997, and that three of the five reports were submitted on time. NEA further asserts that this finding is no longer relevant since NEA no longer receives funding from the Corporation.

Auditor's Response

During the audit, inquiries made to NEA and, subsequently, to the Corporation failed to produce an FSR for the quarter ended September 30, 1996. Accordingly, the finding remains unchanged. As to timeliness, the FSR for the quarter ended December 31, 1995, which was due on January 31, 1996, was signed on February 29, 1996; the FSR for the quarter ended March 31, 1996, which was due on April 30, 1996, was transmitted by letter dated May 8, 1996; and the FSR for the quarter ended June 30, 1996, which was due on July 31, 1996, was signed on August 12, 1996. Further, the fact that NEA no longer receives funding from the Corporation is not relevant to a system deficiency related to cooperative agreements with any Federal agency.

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Finding No. 2

The final Financial Status Report (FSR) does not accurately reflect the total expenditures for the second year of the program using Corporation funds and matching funds. The schedule of claimed costs provided by NEA during the audit reflects total expenditures using Corporation funds as \$535,407 and total expenditures using matching funds as \$491,301. However, total expenditures using Corporation funds and matching funds were reported on the FSR as \$535,502 and \$481,842, respectively.

Recommendation

We recommend that NEA submit a revised FSR to accurately reflect expenditures for each funding source, i.e., Corporation and matching.

Auditee's Comments

NEA states that it is unable to account for the \$95 difference in Corporation funds and that the difference in matching funds consists of \$6,060 in accrued health insurance payments which was not billed by the Corporation's insurance carrier and \$3,445 of New York State Unemployment Insurance, totaling \$9,505.

Auditor's Response

No response is necessary with respect to the difference in Corporation funds. As to matching funds, we observe first that the difference is \$9,459 rather than \$9,505. We are uncertain as to exactly why NEA has discussed health insurance and unemployment insurance. The Bronx site did, in fact, bill NEA for the \$6,060 in October 1996 on the strength of invoices from the carrier. The amount of unemployment insurance applicable to the Bronx site, as presented on monthly expenditure reports submitted to NEA, totaled \$1,896. The point of the finding and recommendation is that the amounts reflected on the FSR did not agree with the amounts reflected on a schedule of claimed costs provided during the audit. Accordingly, the finding and recommendation remain unchanged.

Finding No. 3

NEA requested and transferred funds from the Corporation in amounts that exceeded the next quarter's needs. According to paragraph B. 4. of Section V (Recipient Federal Agency Responsibilities) of the interagency cooperative agreement which funded the first year of the program and Amendment No. 4 which funded the second year of the program, "the Federal

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Corporation for National Service

Agency hereby agrees only to request and transfer advance funds for no more than quarterly needs." Our review of the Corporation funds drawn down by NEA for the first and second years disclosed that substantially all of the funds awarded for the first program year were drawn down within the first five months of the program year and that all of the funds awarded for the second program year were drawn down within the first month of the program year.

Recommendation

We recommend that NEA implement policies and procedures to request and transfer funds in accordance with the terms of any future cooperative agreements.

Auditee's Comments

NEA concurs with the finding, but asserts that the finding is no longer relevant because NEA no longer receives funding from the Corporation.

Auditor's Response

The fact that NEA no longer receives funding from the Corporation is not relevant to a system deficiency related to cooperative agreements with any Federal agency.

Finding No. 4

The Bronx site did not utilize an after-the-fact labor distribution system to charge employee time to the award. Paragraph 6(l) of Attachment B of OMB Circular A-122 states, in part, that "reports reflecting the distribution of activity of each employee must be maintained for all staff members (professional and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. The reports must reflect an *after-the-fact* determination of the actual activity of each employee". The Bronx site's timekeeping system is nothing more than a time and attendance system which does not require employees to complete timesheets which reflect the amount of time spent on each program. The amount of compensation charged to programs is based on an estimate determined by the Executive Director. Furthermore, a portion of the administrative staff's time is charged as direct to programs based on set percentages as estimated by the entity's Board of Directors.

Recommendation

We recommend that the Bronx site implement an after-the-fact labor distribution system in accordance with OMB Circular A-122.

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Auditee's Comments

NEA concurs with the recommendation, but asserts that the finding is no longer relevant since NEA no longer receives funding from the Corporation.

Auditor's Response

Please refer to the Auditor's Response related to Finding No. 3.

Finding No. 5

The Member timesheets were not consistently signed by the Member and/or approved by the appropriate personnel at the Bronx and San Francisco sites. Paragraph 23c of the AmeriCorps Provisions states, in part, that "time and attendance records must be signed by both the Member and by an individual with oversight responsibilities for the Member." The Member's signature represents acknowledgment that the service hours reported reflect an accurate depiction of the service performed while a supervisor's signature indicates approval and concurrence of the hours recorded by the Member. Our review of the timesheets for five Members from the Bronx site and five Members from the San Francisco site (a total of 194 and 179 timesheets, respectively) revealed the following:

<u>Exception</u>	<u>Number of Exceptions</u>	
	<u>Bronx</u>	<u>SF</u>
Member had not signed the timesheet	31	1
Placement site supervisor and/or program supervisor had not signed the timesheet	94	85

Recommendation

We recommend that the Bronx and San Francisco sites establish and implement policies and procedures requiring all Member timesheets be signed by the Member and by an individual with oversight responsibilities.

Inspector General
Corporation for National Service

Auditee's Comments

NEA concurs with the recommendation, but asserts that the finding is no longer relevant since NEA no longer receives funding from the Corporation. San Francisco concurs in the finding and advises that it has modified its record keeping practices accordingly.

Auditor's Response

Please refer to the Auditor's Response to Finding No. 3.

We considered these material instances of noncompliance in forming our opinion on whether Exhibit 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 December 19, 1997, on this financial schedule.

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

Finding No. 6

The publications produced by the San Francisco site did not include an appropriate disclaimer. Paragraph 36a of the AmeriCorps Provisions states, in part, that "the Grantee is responsible for assuring that the following acknowledgment and disclaimer appears in any external report or publication of material based upon work supported by this Grant.

'This material is based upon work supported by the Corporation for National Service under {AmeriCorps Grant No. _____}. Opinions or points of view expressed in this document are those of the authors and do not necessarily reflect the official position of the Corporation or the AmeriCorps Program.'

We reviewed the anthologies published based on the first and second years of the program (*Flavor of the City* and *Word from the 415*, respectively) and determined that while both publications acknowledged the Corporation's support, neither publication contained a disclaimer.

Recommendation

We recommend that the San Francisco site implement policies and procedures to include appropriate acknowledgment of support and disclaimers in any future works supported by Corporation funding.

Inspector General
Corporation for National Service

Auditee's Comments

NEA concurs with the recommendation but asserts that the finding is no longer relevant since NEA no longer receives funding from the Corporation. San Francisco concurs with the finding.

Auditor's Response

Please refer to the Auditor's Response to Finding No. 3.

Finding No. 7

Members at the Bronx, DC and San Francisco sites either did not sign contracts and/or the contracts did not contain all of the required provisions. Paragraph 8b of the AmeriCorps Provisions states that "the grantee must require that Members sign contracts that stipulate the following:

- i. the minimum number of service hours and other requirements (as developed by the Program) necessary to be eligible for the educational award;
- ii. acceptable conduct;
- iii. prohibited activities;
- iv. requirements under the Drug-Free Workplace Act (41 U.S.C. §701 *et seq.*);
- v. suspension and termination rules;
- vi. the specific circumstances under which a Member may be released for cause;
- vii. grievance procedures; and
- viii. other requirements as established by the Program."

We found no evidence that seven Members at the Bronx site had signed contracts based on our review of 13 Member files. Although our review of 8 Member files at the DC site and 13 Member files at the San Francisco site disclosed that each of these Members had signed contracts, the contracts used by the DC site did not contain any provision regarding prohibited activities and the contracts used by the San Francisco did not contain any provisions regarding prohibited activities, grievance procedures, and the requirements under the Drug-Free Workplace Act. Furthermore, the contracts used by the Bronx site did not contain any provision regarding prohibited activities.

Recommendation

We recommend that the Bronx, DC and San Francisco sites inform the Members of all appropriate provisions and require the Members to sign contracts which contain all of the required provisions, thereby acknowledging that they have read and understood the contract.

Auditee's Comments

NEA concurs with the recommendation, and has stated that some of the missing documents may be in material retained by NEA. NEA, however, asserts that the finding is no longer relevant since NEA no longer receives funding from the Corporation.

Auditor's Response

Please refer to the Auditor's Response to Finding No. 3.

Finding No. 8

Member enrollment and end-of-terms forms were either not submitted or copies of the forms were not retained by the grantee. Several of the AmeriCorps Provisions require the notification of a Member's enrollment, completion, change in status, etc. to the National Service Trust. Some of these provisions are as follows:

<u>Provision</u>	<u>Requirement</u>
9c Notice to the Corporation's Service Trust	"The grantee must notify the Corporation's National Service Trust immediately in writing upon a Member's enrollment in, completion of, lengthy or indefinite suspension from, or release from a term of service."
13 Post-Service Educational Awards	"In order for a Member to receive a post-service educational award from the National Service Trust, the Grantee must certify to the National Service Trust that the Member is eligible to receive the educational benefit. The Grantee must notify the National Service Trust on a form provided by the Corporation when it enrolls a Member for a term of service, when the Member completes the term, and whenever there is a change in the Member's status during the term (e.g., release for compelling circumstances or suspension)."

Inspector General
 Corporation for National Service

<u>Provision</u>	<u>Requirement</u>
15a Record-keeping	"The Grantee must maintain verifiable records which document each Member's eligibility to serve, participation start date and end date, hours of service per week, location of service activities and project assignment."

Of the 75 Members who participated during program year two, we reviewed the Member files for 34 Members (13 from the Bronx site, 8 from the DC Site, and 13 from the San Francisco site) and the AmeriCorps Member Roster (roster) maintained by the National Service Trust to determine whether notification had been properly given to the National Service Trust and whether this notification could be verified from the Grantees' records. Our review disclosed the following:

<u>Exception</u>	Number of Exceptions		
	<u>Bronx</u>	<u>DC</u>	<u>SF</u>
Enrollment form not found although the roster indicates that it was submitted	2	8	0
End-of-term form not found although the roster indicates that it was submitted	1	1	1
End-of-term form not found and the roster does not indicate that it was submitted	2	0	0

Recommendation

We recommend that the Bronx, DC and San Francisco sites not only submit the proper forms for those Members that the National Service Trust does not have but also establish policies and procedures to complete, submit, and retain the required Member forms in the future.

Auditee's Comments

NEA concurs with the recommendation and has stated that some of the documents may be in its possession.

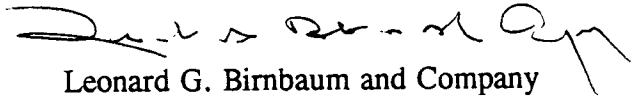
Inspector General
Corporation for National Service

Auditor's Response

NEA should search its files for any documentation which is required to be submitted to the Corporation or the National Service Trust.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, NEA and its subrecipients 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 Office of the Inspector General, as well as the management the Corporation, and NEA and its subrecipients. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Leonard G. Birnbaum", is written above the printed name.

Leonard G. Birnbaum and Company

Alexandria, Virginia
December 19, 1997

LEONARD G. BIRNBAUM AND COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

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LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

Inspector General
Corporation for National Service

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Exhibit A, which summarizes the costs incurred by the National Endowment for the Arts (NEA) for the award listed below, and have issued our report thereon dated December 19, 1997.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
94ADFDC029	July 1, 1994 to December 31, 1996	October 1, 1995 to December 31, 1996

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 Exhibit A for the period October 1, 1995 to December 31, 1996, we considered the grantees' 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 grantees' management 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 of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with

Inspector General
Corporation for National Service

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
- Recordkeeping

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

We noted the following matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. 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 judgement, could adversely affect the entity's ability to record, possess, summarize and report financial data consistent with the assertions of management in the financial schedules.

Finding No. 1

The Bronx site did not utilize an after-the-fact labor distribution system to charge employee time to the award. Paragraph 6(l) of Attachment B of OMB Circular A-122 states, in part, that "reports reflecting the distribution of activity of each employee must be maintained for all staff members (professional and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. The reports must reflect an *after-the-fact* determination of the actual activity of each employee". The Bronx site's timekeeping system is nothing more than a time and attendance system which does not require employees to complete timesheets which reflect the amount of time spent on each program. The amount of compensation charged to programs is based on an estimate determined by the Executive Director. Furthermore, a portion of the administrative staff's time is charged as direct to programs based on set percentages as estimated by the entity's Board of Directors.

Inspector General
Corporation for National Service

Recommendation

We recommend that the Bronx site implement an after-the-fact labor distribution system in accordance with OMB Circular A-122.

Auditee's Comments

NEA concurs with the recommendation, but asserts that the finding is no longer relevant since NEA no longer receives funding from the Corporation.

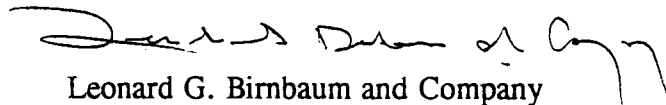
Auditor's Response

The fact that NEA no longer receives funding from the Corporation is not relevant to a system deficiency related to cooperative agreements with any Federal agency.

A material weakness is a reportable condition in which the design or operation of the specific internal control elements does 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.

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 necessarily disclose all reportable conditions that are also considered material weaknesses as defined above. However, We believe that the reportable condition described above is not a material weakness.

This report is intended for the information and use of the Corporation's Office of the Inspector General, as well as the management of the Corporation, and NEA and of its subrecipients. However, this report is a matter of public record and its distribution is not limited.


Leonard G. Birnbaum and Company

Alexandria, Virginia
December 19, 1997

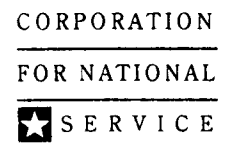
Appendix A

Response of the Corporation's Office of Grants Management

Grant Number: 94ADFDC029
Audit Number: 98-09

March 25, 1998

Leonard G. Birnbaum and Company
6285 Franconia Road
Alexandria, VA 22310



The Corporation for National Service has received your draft audit report on Cooperative Agreement number 94ADFDC029 awarded to the National Endowment for the Arts WritersCorps.

Our review was primarily limited to information contained in the report. We have not yet conducted a more comprehensive review and analysis, obtained comments from the awardee, or considered other information, factors or alternatives to the recommendations. Therefore we are unable to provide detailed comments or specifically concur with the report's findings or recommendations at this time. Nevertheless, [provided the concerns identified below are satisfactorily addressed,] we have no objections to the report being issued.

The report contains a section on questioned and deemed unallowable costs totaling \$9600. Further, it refers to the accuracy of Financial Status Report submissions during the period of the grant, and the completeness of enrollment and end-of-term-of-service forms for AmeriCorps Members. It appears that findings 1,3,4,5,6,7 and 1 in internal controls pertain to Federal awards in general but are not relevant for the resolution of the audit of this grant since the NEA no longer receives funding from the Corporation.

If you have any questions on this, please feel free to call me at extension 128.

Sincerely yours,

A handwritten signature in black ink, which appears to read "Alexandra Rollins". The signature is fluid and cursive, written over a white background.

Alexandra W. Rollins
Senior Grants Officer

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

Appendix B

**Response of the National Endowment for the Arts
and
The San Francisco Arts Commission**



NATIONAL ENDOWMENT FOR THE ARTS

The Nancy Hanks Center
1100 Pennsylvania Avenue NW
Washington DC 20506-0001
202/682-5400

BY FACSIMILE

March 30, 1998


Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company
6285 Franconia Road
Alexandria, Virginia 22310-2510

Dear Ms. Leiper:

Enclosed is the National Endowment for the Arts' response to the draft report on the audit of Interagency Cooperative Agreement Number 94ADFDC029 awarded to the Arts Endowment by the Corporation for National Service. We received a letter dated March 11, 1998, from Alexandra W. Rollins, Senior Grants Officer at the Corporation for Public Services, advising the Arts Endowment that "[i]t appears that findings 1, 3, 4, 5, 6, 7, and 1 in internal controls are no longer relevant since the NEA no longer receives funding from the Corporation." A copy of Ms. Rollins' letter is attached. We believe, however, that several of the draft audit findings either are outside the scope of the audit, inaccurate or incomplete. The Arts Endowment, therefore, has chosen to respond to the entire draft audit report.

We appreciate the opportunity to respond to the draft audit report. We will be happy to provide, at the auditor's request, additional access to the documentation referred to in our responses. If I can be of further assistance, I can be reached at 202/682-5441.

Sincerely,


Karen Christensen
Acting Deputy Chairman for Grants & Partnerships
and General Counsel

Report on Compliance

Findings No. 1 - Auditee's Comments

It is our understanding from Ed Taylor, WritersCorps National Coordinator, that Financial Status Reports (FSR's) were filed for all quarters during the reporting period in question, including a final report submitted for the period of the grant in January of 1997. Contrary to Finding No. 1, it is our understanding the three of the five reports were submitted on time. It is possible that the other two reports were late due to the two Federal government shutdowns (in November 1995 and December 1995-January 1996), and the Arts Endowment's reduction in force that happened at approximately the same time (late 1995 into early 1996).

Finding No. 2 - Auditee's Comments

We understand that Mr. Taylor previously explained to the auditor that the costs in question are \$6,060 in accrued health insurance payments for full-time Members for which the Bronx site was not billed by the Corporation for Public Service's mandated health insurance provider for AmeriCorps-sponsored projects, and \$3,445 are costs related to New York State Unemployment Insurance, totaling \$9,505. We have been unable to account for the remaining \$95 of the \$535,502 of the funds awarded for the second year of WritersCorps (and the year of the audit period), but have not ruled out an arithmetical error.

Finding No. 3 - Auditee's Comments

The Arts Endowment concurs with the auditor's recommendation. We note, as part of our comment to this finding, that WritersCorps operated on a minimum of 100 percent cash match basis, leveraging AmeriCorps funds to generate community support for AmeriCorps programs and goals. We understand that this commitment to cash matching was not common among AmeriCorps programs. Project funds were drawn down as necessary since WritersCorps needed to ensure cash availability for the payroll account (for which WritersCorps paid a fee) maintained by the Corporation for National Service in order to pay WritersCorps Members at two of the three WritersCorps sites.

Finding No. 4 - Auditee's Comments

As a general principle, the Arts Endowment concurs with the auditor's recommendation to this finding, and in fact requires the same of its own grantees.

Finding No. 5 - Auditee's Comments

The Arts Endowment concurs with the auditor's recommendation, and in fact requires the same of its own grantees. We note, as part of our comment to this finding, that each of the three WritersCorps sites operated with a single site coordinator, managing all activities involving some

25 writers working at 20 to 25 community host sites. We also note that our review of the documentation sent to the Arts Endowment by the sites is that coordinators made every effort under extremely difficult circumstances to submit activity reports and/or grids for weekly or biweekly hours worked. Many activity sheets appear to have been signed and dated at the top of the form by the Members, but without a signature at the bottom of the form. In addition, site coordinators' submission of weekly and/or biweekly payroll information would appear to be approval of the documentation being submitted.

Finding No. 6 - Auditee's Comment

We concur, as appropriate, with the recommendation.

Finding No. 7 - Auditee's Comments

We concur with the recommendation that Members should sign contracts containing the appropriate provisions. The Arts Endowment retains the documentation maintained and collected by the WritersCorps Coordinator. To the extent that some of the contracts for which the auditors found no evidence may be in that material we would be most agreeable to providing this material for your review. Without the names of the Members for whom no signed contracts were located, we are unable to conduct our own search.

Finding No. 8 - Auditee's Comments

We concur with the recommendation that the three sites should establish policies and procedures to complete, submit, and retain the required Member forms in the future. As stated in our comments to Finding No. 7, the Arts Endowment has applications, enrollment forms and end-of-term forms for the sites for the period in question. We cannot be sure whether these are the same ones reviewed by the auditors or would be additional documentation and we will make those available for your review if you believe that would be helpful.

Report on Internal Control Structure

Finding No. 1 - Auditee's Comment

We concur with the recommendation, and we note that the A-133 report submitted by the Bronx for the year ending June 30, 1996 did not indicate any findings or recommendations. [See NEA Office of Inspector General Report E-CAA-97-97.]

Other Matters

We note that by letter dated June 11, 1997, William L. Anderson, III, Assistant Inspector General for Audit, advised Ed Taylor, WritersCorps National Coordinator of the period and scope of the incurred-cost audit to be undertaken by Leonard G. Birnbaum and Company. "The purpose of the audit is to determine the appropriateness and accuracy of the costs charged to the grant and reported in [WritersCorps'] Financial Status Reports." A copy of Mr. Anderson's letter is attached. It is, therefore, our strong opinion that the auditor's comments as to whether the Corporation for National Service's funding of the WritersCorps project was within the Corporation's mission are outside the scope of the audit, inappropriate, misleading and misplaced in an audit of the project itself. In addition, the auditor's analysis of the artistic merit of the participating students' and homeless shelter residents' work is outside the expertise of the auditor, unwarranted, gratuitous and inflammatory. The auditor's statement that obscenity is "extremely subjective" is actually incorrect — the definition of obscenity is a legal one, defined by the U.S. Supreme Court. We believe that an auditor's subjective impressions about the project and gratuitous attacks have no place in a report of a financial audit.

For the record, WritersCorps' goals were to strengthen the literacy skills, communication skills, and employability among children and adults in underserved inner city communities, as stated in the four applications submitted to and funded by AmeriCorps from 1994 through 1997. News reports and testimonies from teachers in each of the three sites have lauded the purpose and the results of WritersCorps. In fact, one young WritersCorps participant was invited to read his work at the White House during a celebration of the publication *Coming Up Taller*, produced by the President's Committee on the Arts and Humanities. We request, therefore, that the better approach is to remove "Other Matters" from the report, recognizing that it is outside the scope of the audit and the expertise of the auditor.



SAN FRANCISCO ART COMMISSION

PROGRAMS

CIVIC ART COLLECTION
CIVIC DESIGN REVIEW
COMMUNITY ARTS
& EDUCATION
CULTURAL EQUITY GRANTS
POPS SYMPHONY CONCERNS
PUBLIC ART

STREET ARTISTS LICENSES
SUITE 7D
415.252.3531

ART COMMISSION GALLERY
401 VAN NESS AVENUE
415.554.6080

March 30, 1998

Leslie A. Leiper
Senior Partner
Leonard G. Birnbaum and Company
6285 Francisco Road
Alexandria, VA 22310-2510

Dear Ms. Leiper:

I am submitting The San Francisco Art Commission response to the findings of the audit of Interagency Cooperative Agreement awarded to the National Endowment for the Arts by the Corporation for National Service.

We acknowledge that some of our Member timesheets were not signed consistently and/or approved by the appropriate personnel. Since 1995-96, we have modified our record keeping for San Francisco WritersCorps teachers and have instituted appropriate accountability to monitor this service.

We acknowledge that the publications produced by the San Francisco site did not include a disclaimer. Beginning in June 1998, the San Francisco WritersCorps will no longer self-publish. WritersCorps Books will be published by a local independent publisher.

The San Francisco Art Commission has witnessed the overwhelmingly positive impact of WritersCorps in our community. Over 4,000 youth at risk have dramatically improved their ability to learn and strengthened their ability to communicate. Outside evaluators have documented the success of WritersCorps. We emphatically disagree with your assessment of WritersCorps' ability to meet the needs of youth in San Francisco. Based on our understanding of your role as an independent auditor, we believe it is entirely inappropriate for you to attempt to evaluate the programmatic outcomes of WritersCorps. Neither the Calibre nor STAR evaluations of WritersCorps, both of which found the program to be an unmitigated success, were cited in your report. We respectfully request that the Other Matters section be deleted from the auditor's final report.

On a final note, we take great offense of your use the words "vanity," "crude," and "obscene" to describe the writings of homeless, immigrant and low income young people.

The San Francisco WritersCorps has an extraordinary record of achievement as a community service provider in this City. WritersCorps has allowed the Art Commission, as a public agency, to truly fulfill our mandate to integrate the arts into the lives of all San Franciscans, particularly those who have least access to the arts, those who are underserved and underrepresented and often unseen.



CITY AND COUNTY OF
SAN FRANCISCO

Sincerely,

Richard Newirth
Director of Cultural Affairs