
C O R P O R A T I O N

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S E R V I C E

OFFICE OF THE INSPECTOR GENERAL

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Review of

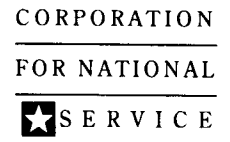
Summerbridge National

Grant Number 94ADNCA040

This report was issued to CNS Management on July 3, 1996. According to OMB Circular A-50, *Audit Followup*, the Corporation must make a final management decision no later than December 30, 1996. Consequently, the reported 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
Review of Summerbridge National
CNS Grant # 94ADNCA040



M.D. Oppenheim & Company, under contract to the Office of Inspector General, performed a limited review of Summerbridge National's financial reporting and accounting systems to assess their ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant, as well as its ability to safeguard related funds. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

Based on their review, Summerbridge National's accounting systems and system of internal controls are not adequate to report grant expenditures in accordance with grant requirements and to safeguard Federal funds. M.D. Oppenheim & Company noted the following deficiencies:

- Summerbridge National's accounting system did not record its matching share costs in compliance with the budget line-items.
- Summerbridge National did not maintain written contract agreements between the AmeriCorps program and its subrecipients.
- Summerbridge National's staff time records were not signed by the employee nor approved by their supervisor.

CNS has awarded Summerbridge National \$510,853 (including carry over funds) to cover a second operational year for the period October 1, 1995 through December 31, 1996. We recommend that CNS grants management determine whether Summerbridge National has corrected the conditions noted above.

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We performed a limited review, as described in the **Scope and Methodology** section of this report, of Summerbridge National's financial reporting and accounting systems to assess its ability to comply with Federal fiscal accounting and reporting requirements applicable to its AmeriCorps grant and to safeguard related funds.

RESULTS

Summerbridge National's accounting system and system of internal controls did not appear adequate to report grant expenditures in accordance with Federal and grant requirements and to safeguard Federal funds. We noted the following deficiencies:

- Finding 1** Summerbridge National's accounting system did not record matching share costs in compliance with the budget line-items.
- Finding 2** Summerbridge National did not maintain written contract agreements between the AmeriCorps program and its subrecipients.
- Finding 3** Summerbridge National's staff time records were not signed by the employee nor approved by their supervisors.

These findings are described in more detail in the **Findings and Recommendations** section of this report.

BACKGROUND

Summerbridge National is a nonprofit corporation headquartered in San Francisco, California. It was established to foster excellence in education by supporting programs that provide rigorous academic experiences for all children, especially for children who, for various

reasons, face limited educational opportunities; reflect the ethnic and economic diversity inherent in the communities they serve; and promote students as dynamic, successful learners, leaders and teachers.

The purpose of the Summerbridge National's AmeriCorps Teaching Program is to strengthen individuals and communities through the power of young people teaching. The AmeriCorps program will provide access to high quality education for younger students with limited opportunities and enable a generation of talented older students to experience the power of teaching and deepen their commitment to service.

Summerbridge National was awarded Grant Agreement #94ADNCA040 by the Corporation for National Service (CNS) under the AmeriCorps Program. The total funding for the grant was \$667,464, of which \$500,000 was direct AmeriCorps funding for program operations. Summerbridge National's required share of the grant was \$167,464 (25.09%). The funds under this agreement were for the period July 1, 1994 to September 30, 1995. The program provides funding for 21 full-time participants and 114 part-time participants.

SCOPE AND METHODOLOGY

We performed our review at Summerbridge National's office in San Francisco, California, during the period December 4 through December 7, 1995. The most recently-submitted Financial Status Report, for the quarter ended September 30, 1995, was the focus of our work.

We obtained an understanding of Summerbridge National's accounting system and management controls and performed limited testing to determine whether they were operating as intended. Our procedures included:

- interviewing key accounting and program personnel;
- documenting and nominally testing key management controls over Summerbridge National's accounting and reporting systems;
- reviewing prior audit reports on Summerbridge National's financial statements and management controls; and
- testing a judgmental sample of financial transactions related to the grant.

Although we reviewed Summerbridge National's monitoring of its subrecipient sites, our review did not include visits to any program sites.

We performed our review in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, as applicable. However, our procedures were substantially less in scope than an audit, and accordingly, did not include elements essential to the expression of an opinion on management controls. Accordingly, we do not express such an opinion. Further, if additional procedures had been performed, other matters might have come to our attention that would have been reported. Also, projection of any evaluation of the internal control structure over financial reporting to future periods is subject to the risk that the internal control structure may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

We provided a copy of the draft report to the Corporation for National Service Executive Director and the Chief Financial Officer as well as the grantee, Summerbridge National. No comments were received.

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

M. D. Oppenheim & Company, P.C.

March 22, 1996
Fairfax, Virginia

FINDINGS AND RECOMMENDATIONS

Finding 1: The Summerbridge National's accounting system did not record matching share costs in compliance with the budget line-items.

The Summerbridge National's accounting system did not allocate specific matching share costs to the budget line-items. Consequently, it was not possible to determine that Summerbridge National had properly complied with the matching requirements for each of the major line-items:

- Participant support
- Staff
- Operational
- Evaluation
- Administration
- Participant support - stipends

To provide its matching share, Summerbridge simply paid all of the expenses of the program (\$602,063) and received reimbursement of \$447,665 from CNS, with the balance of \$154,398 representing its matching share. The allocation was determined by dividing all subrecipient reimbursements in a ratio of 64.46% to CNS and 35.54% to matching share.

On a total basis, Summerbridge National has met its matching requirement, as indicated in Table 1. The grant required an overall matching share of 25.09%; the reported matching share was 25.64%, based on reported total costs of \$602,063. Therefore, even though the individual line-item matching share was not monitored, in total the grantee has met its matching share requirement.

Based on the limited review performed, all of the costs charged to the grant appeared to be proper.

The Grant Provisions, Part C *General Provisions*, Item 18, state that:

This [financial management] system must be able to identify costs by budget line item and to differentiate between direct and indirect costs.

It should be noted that the overall matching share of \$154,398 included sufficient matching share to cover the requirement for the stipends (\$63,910). However, since there was no allocation of the matching share to any of the line-items, there is no way to determine that the grantee has, in fact, met its matching share for each of the individual line-items.

Recommendation:

We recommend that the Summerbridge National track and monitor its matching share by the major line-item groupings in the budget.

Table 1

Summerbridge National
Budget and Reported Expenses Summary
 Grant Agreement #94ADNCA040
 July 1, 1994 through September 30, 1995
 (Unaudited)

	<i>Budget</i>			<i>Reported Costs</i>		
	<i>CNS</i>	<i>Summerbridge</i>	<i>TOTAL</i>	<i>CNS</i>	<i>Summerbridge</i>	<i>TOTAL</i>
A. Participant support						
Training and Education	\$31,331	\$11,459	\$42,790	\$49,676		\$49,676
Uniforms	2,060		2,060			0
Other	27,040	9,890	36,930	17,175		17,175
<i>A. Total participant support</i>	60,431	21,349	81,780	66,851	0	66,851
B. Staff						
Staff salaries	67,606	24,727	92,333	104,707		104,707
Benefits	13,522	4,945	18,467	9,139		9,139
Training	3,148	1,152	4,300	2,589		2,589
<i>B. Total staff</i>	84,276	30,824	115,100	116,435	0	116,435
C. Operational						
Travel	5,689	2,081	7,770	7,571		7,571
Transportation			0			0
Supplies	12,191	4,459	16,650	16,859		16,859
Equipment	4,174	1,526	5,700	1,048		1,048
Other	19,879	7,271	27,150	22,059		22,059
<i>C. Total operational</i>	41,933	15,337	57,270	47,537	0	47,537
<i>D. Evaluation 5%</i>	9,527	3,473	13,000	0	0	0
<i>E. Administration 10% IDC</i>	24,510	20,462	44,972	35,468	0	35,468
F. Participant Support						
Living allowances	226,590	63,910	290,500	283,877		283,877
FICA and workers' compensation	33,105	9,337	42,442	25,806		25,806
Alternative health care	9,828	2,772	12,600	11,914		11,914
<i>F. Total participant support</i>	269,523	76,019	345,542	321,597	0	321,597
<i>G. Childcare</i>	9,800		9,800	0	0	0
Unallocated matching share				(140,223)	154,398	14,175
TOTALS	\$500,000	\$167,464	\$667,464	\$447,665	\$154,398	\$602,063
				(A)	(A) (B)	(A)
	74.91%	25.09%	100%	74.36%	25.64%	100%

NOTES:

- (A) Per September 30, 1995 Financial Status Report
 (B) Per general ledger - "matching portion revenue"
 (C) Includes planning period expenses

Finding 2: Summerbridge National did not maintain written agreements with its subrecipients.

There was no formal, written delineation of the scope of work, period of performance, agreed-upon budget or applicable deliverables between Summerbridge National and its subrecipients. However, even though Summerbridge National lacked formal written agreements, they did adequately monitor the subrecipients' activities to ensure compliance with the CNS grant. These activities included the following:

- A requirement for six different reports from the subrecipients
- A review of these reports by AmeriCorps program director and associate director
- Resolution of identified issues
- On-site visits (14 of 16 subrecipients reviewed during the grant period)
 - Monitoring report (8 pages) completed
 - Local compliance with AmeriCorps grant questionnaire completed
- Quarterly reports from subrecipients
 - Corporation Grantee Quarterly Report (AmeriCorps form filed by each subrecipient)
 - Consolidation of these reports into Summerbridge National's report to CNS
- Annual evaluation report from Summerbridge National to each subrecipient, highlighting the past year's accomplishments and recommendations
- Fiscal monitoring by requiring the subrecipients to submit copies of all paid invoices and bills before reimbursement is made by Summerbridge National. All subrecipients are on a reimbursement basis.

We chose five of the 17 subrecipients and reviewed all of the reports submitted by the subrecipients as well as the on-site monitoring reports. No deficiencies were noted.

Safeguarding of Federal assets is required by Federal Regulation. OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations* - Attachment F (2)(a) states:

(c) *Recipients' financial management systems shall provide for:*

(3) Effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes.

While the monitoring process appears adequate, Summerbridge National has failed to establish and maintain an adequate contracting process to ensure safeguarding of Federal grant funds. The grantee is in the difficult position of trying to enforce oral contracts with the subrecipients under the grant.

Recommendation:

We recommend Summerbridge National execute detailed, written agreements with its AmeriCorps program subrecipients.

Finding 3: Staff time records were not signed by employees or supervisors.

Summerbridge National did not require employees or supervisors to sign staff time and attendance records, certifying the accuracy of the claimed hours. We reviewed a sample of 20 time sheets and determined that:

- time sheets were prepared by employees
- they were not signed by both the employees and their supervisors, as required by CNS regulations
- the employees in the CNS program were all charged 100% to the program. None of them worked for other programs.
- the computations of hours times pay rate were correct and the amounts were traceable to the general ledger.

Employee signatures and supervisory approval of time and attendance records are required according to AmeriCorps' regulations. The *Direct Grant Provisions, Part C (18)(c)* state:

c. Time and attendance records. Salaries, wages, and living allowances charged directly to this grant or charged to matching funds must be supported by signed time and attendance records for each individual employee and participant, regardless of position, and by documented payrolls approved by a responsible official of the Grantee.

Summerbridge National has failed to adequately monitor staff time charged to the AmeriCorps program.

Recommendation:

We recommend Summerbridge National require its employees and supervisors to sign staff time and attendance records, thereby, certifying the accuracy of the claimed hours.