

Office of the Inspector General
Audit of
Commission on National and Community Service
Grant Award Number 93SSSPCA0003
to
East Bay Conservation Corps

CORPORATION
FOR NATIONAL
 SERVICE

Leonard G. Birnbaum and Company, under contract to the Office of the Inspector General, audited funds awarded by the Commission on National and Community Service¹ to the East Bay Conservation Corps under grant number 93SSSPCA0003. We have reviewed the Birnbaum and Company report and the supporting workpapers and agree with the report's findings and recommendations.

Although the Birnbaum and Company report accepts the \$1,014,688 costs claimed by East Bay Conservation Corps, it discloses instances of non-compliance related to the recording of matching funds and East Bay's failure to submit to CNS the final report, due February 28, 1995, summarizing usage of benefits, number of participants and the type of usage. Although both CNS and the East Bay Conservation Corps were provided a draft of this report for comment, neither elected to respond.

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.

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

East Bay Conservation Corps
1021 Third St.
Oakland, CA 94607

Commission on National and Community Service
Award Number 93SSSPCA0003

Financial Schedules
and
Independent Auditor's Reports

For the Period
May 1, 1993 to February 28, 1995

Leonard G. Birnbaum and Company
Certified Public Accountants
6285 Franconia Road
Alexandria, Virginia 22310
(703) 922-7622

East Bay Conservation Corps

Table of Contents

	<u>Page</u>
REPORT SUMMARY AND HIGHLIGHTS:	
Purpose and Scope of Audit	1
Summary of Audit Results	2
Background	3
INDEPENDENT AUDITOR’S REPORT	5
FINANCIAL SCHEDULES:	
Schedule A - Schedule of Award Costs	9
Schedule B - Explanation of Adjustments	10
Notes to Financial Schedules	11
INDEPENDENT AUDITOR’S REPORTS ON COMPLIANCE AND INTERNAL CONTROL STRUCTURE:	
Independent Auditor’s Report on Compliance	13
Independent Auditor’s Report on Internal Control Structure	15

REPORT SUMMARY AND HIGHLIGHTS

LEONARD G. BIRNBAUM AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA. 22310

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPAs

**Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525**

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 East Bay Conservation Corps (EBCC) as follows:

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
93SSSPCA0003	May 1, 1993 to February 28, 1995	May 1, 1993 to February 28, 1995

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, applicable regulations and award conditions; and

¹ The National and Community Service Trust Act of 1993 merged the Commission on National and Community Service and the Corporation for National Service.

4. The award costs reported to the Commission and its successor, the Corporation for National Service (CNS), were documented and allowable in accordance with the award terms and conditions.

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 against the grant award 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 EBCC to the Commission and CNS. These reports are summarized in Schedule A as follows:

<u>Commission Award Number</u>	<u>Award Budget</u>	<u>Claimed Costs</u>	<u>Questioned Costs</u>
93SSSPCA0003	<u>\$1,096,439</u>	<u>\$1,014,688</u>	<u>\$ 0</u>

As a result of our audit of the aforementioned award, we are not questioning any costs claimed. 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 the grant or contract officer.

We used a judgmental sampling method to test the costs claimed by the auditee.

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 Internal Control Structure.

COMPLIANCE FINDINGS

Our audit disclosed the following instances of non-compliance:

- The grantee did not submit to CNS the final report summarizing usage of benefits, number of participants and type of usage, which was required to be submitted on February 28, 1995.
- The grantee did not adequately record matching funds.

Inspector General
Corporation for National Service
Washington, DC 20525

INTERNAL CONTROL STRUCTURE

Our audit did not disclose any matters which we consider to be reportable conditions in the internal control structure and its operation.

MATTER REQUIRING RESOLUTION

Equipment:

EBCC acquired equipment, at a cost of \$1,182, during its performance of the grant. The terms of the grant provide that title to the equipment vests with EBCC, but that CNS has a reversionary interest in the equipment and the right to direct the disposition upon completion of grant performance. As of the date of our audit, EBCC had not received any direction from CNS as to the disposition of the equipment. We observe that EBCC, subsequent to the conclusion of this grant, has been awarded other grants by CNS.

AUDITEE COMMENT

EBCC was provided a draft copy of this report on March 18, 1996 with a request for comments, if any, on the findings. On May 9, 1996, a representative of EBCC advised that, although EBCC disagrees with the finding on recording of matching costs, it had elected to not respond to the draft report.

BACKGROUND

EBCC, is a not-for-profit organization established to promote youth development and provide public services that enhance the environment and community facilities of the East Bay. The project under the direction of EBCC is described as follows:

Award Number

Award Description

93SSSPCA0003

The purpose of the grant is to involve 250 participants to provide immunization, patient support, health promotion, and disease prevention services for needy children and their families, as well as providing educational enrichment activities (tutoring, literacy, etc.).

Inspector General
Corporation for National Service
Washington, DC 20525

REPORT RELEASE

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

INDEPENDENT AUDITOR'S REPORTS

LEONARD G. BIRNBAUM AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6285 FRANCONIA ROAD

ALEXANDRIA, VA. 22310

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPA'S

Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT

We have audited the costs claimed by East Bay Conservation Corps to the Corporation for National Service and its predecessor, the Commission on National and Community Service, on the Financial Status Report - total Federal Share for the grant number listed below. 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.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
93SSSPCA0003	May 1, 1993 to February 28, 1995	May 1, 1993 to February 28, 1995

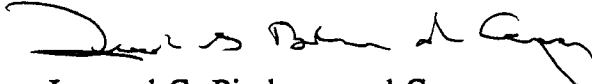
Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* (1994 Revision), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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.

Inspector General
Corporation for National Service
Washington, DC 20525

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, the financial schedules referred to above present fairly, in all material respects, the costs claimed in the Financial Status Report - Federal Share as presented in the schedule of award costs (Schedule A), for the period May 1, 1993 to February 28, 1995 in conformity with the award agreements.

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



Leonard G. Birnbaum and Company

Alexandria, Virginia
March 7, 1996

FINANCIAL SCHEDULES

East Bay Conservation Corps
 Commission on National and Community Service - Award Number 93SSSPCA0003
 Schedule of Award Costs
 From May 1, 1993 to February 28, 1993
 Final

<u>Cost Category</u>	<u>Approved Budget</u>	(A) <u>Claimed Costs</u>	<u>Adjustments</u>	<u>Adjusted Claimed Costs</u>	<u>Questioned Costs</u>	<u>Reference</u>
<u>Participant Costs</u>						
Stipends	\$ 403,750	\$ 394,495	\$ -	\$ 394,495	\$ -	
FICA/Comp	48,188	44,442	-	44,442	-	
Post-Service Benefits	<u>250,000</u>	<u>225,301</u>	<u>-</u>	<u>225,301</u>	<u>-</u>	
Subtotal	<u>701,938</u>	<u>664,238</u>	<u>-</u>	<u>225,301</u>	<u>-</u>	
<u>Project Directors/Managers Salaries</u>						
Salaries	34,592	36,575	-	36,575	-	
FICA/Unemployment/Comp	4,466	4,131	-	4,131	-	
Health Benefits	<u>419</u>	<u>1,484</u>	<u>-</u>	<u>1,484</u>	<u>-</u>	
Subtotal	<u>39,477</u>	<u>42,190</u>	<u>-</u>	<u>42,190</u>	<u>-</u>	
<u>Supervisors/Leaders Salaries</u>						
Salaries	100,171	114,013	-	114,013	-	
FICA/Unemployment/Comp	12,974	13,567	-	13,567	-	
Health Benefits	<u>2,011</u>	<u>3,492</u>	<u>-</u>	<u>3,492</u>	<u>-</u>	
Subtotal	<u>115,156</u>	<u>131,071</u>	<u>-</u>	<u>131,071</u>	<u>-</u>	
<u>Other Salaries</u>						
Salaries	65,898	50,819	-	50,819	-	
Accounting/National Training Overtime	10,579	10,022	-	10,022	-	
Corpsmember Support	2,860	-	-	-	-	
FICA/Unemployment/Comp	8,943	5,795	-	5,795	-	
Health Benefits	<u>5,034</u>	<u>4,280</u>	<u>-</u>	<u>4,280</u>	<u>-</u>	
Subtotal	<u>93,314</u>	<u>70,916</u>	<u>-</u>	<u>70,916</u>	<u>-</u>	
Total Staff Salaries	244,947	244,177	-	244,177	-	
<u>Other Program Expenses</u>	<u>149,554</u>	<u>104,401</u>	<u>-</u>	<u>104,401</u>	<u>-</u>	
SUBTOTAL	1,096,439	1,012,816	-	1,012,816	-	
MATCH COST	<u>653,628</u>	<u>441,729</u>	<u>408,036</u>	<u>849,764</u>	<u>-</u>	Schedule B
GRAND TOTAL	<u>\$1,750,067</u>	<u>\$ 1,454,545</u>	<u>\$ -</u>	<u>\$ 1,862,580</u>	<u>\$ -</u>	

(A) The total representing costs claimed agrees with the expenditures reported on the Financial Status Report - Total Federal Share as of the quarter ended February 28, 1995. Unadjusted claimed costs reported above are taken directly from the auditee's books of account. Please refer to Finding No. 1 in the Independent Auditor's Report on Compliance.

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

East Bay Conservation Corps
Commission on National and Community Service - Award Number 93SSSPCA0003
Explanation of Adjustments
From May 1, 1993 to February 28, 1995

Matching Funds:

The grantee did not record all matching costs, particularly in-kind. The adjustment presented in the Schedule of Award Costs represents the amount necessary to bring claimed costs into agreement with the amount presented in the Financial Status Report (FSR) filed by the grantee on February 28, 1995. The grantee has adequate documentation to support an amount somewhat higher than that presented in the FSR and shown under "Adjusted Claimed Costs" in the Schedule of Award Costs.

East Bay Conservation Corps
Commission on National and Community Service - Award Number 93SSSPCA0003
Notes to Financial Schedules
From May 1, 1993 to February 28, 1995

1. Summary of Significant Accounting Policies:

Accounting Basis

Schedules A and B have been prepared from the reports submitted to CNS and its predecessor. The basis of accounting utilized in preparation of these reports differs from generally accepted accounting principles. The following information summarizes these differences:

A. Equity

Under the terms of the award, all funds not expended according to the award agreement and budget at the end of the award period are to be returned to CNS. Therefore, the auditee does not maintain any equity in the award and any excess of cash received over final expenditures is due back to CNS. EBCC did not have any Federal funds in its possession at the conclusion of grant performance.

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.

C. Income Taxes

East Bay Conservation Corps is a non-profit organization incorporated in the State of California. East Bay Conservation Corps is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service.

INDEPENDENT AUDITOR'S REPORTS
ON
COMPLIANCE AND INTERNAL CONTROL STRUCTURE

LEONARD G. BIRNBAUM AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA. 22310

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPAs

Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

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 East Bay Conservation Corps (EBCC) 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 March 8, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
93SSSPCA0003	May 1, 1993 to February 28, 1995	May 1, 1993 to February 28, 1995

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

Inspector General
Corporation for National Service
Washington, DC 20525

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:

Finding No. 1

The grantee did not adequately record matching funds. Failure to do so countervenes Subparagraph 2.b of Attachment F of OMB Circular A-110 which requires "records that identify adequately the source and application of funds for federally sponsored activities." It further countervenes Paragraph 2.d, which requires "comparison of actual outlays with budget amounts for each grant or other agreement;" and Paragraph 3.b of Attachment D which requires that "matching costs be verifiable from the recipient's records".

Recommendation

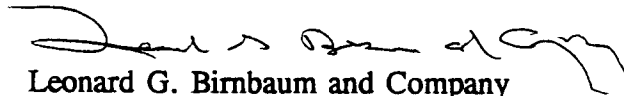
We recommend that the grantee establish and maintain adequate cost-sharing records. We further recommend that the grantee becomes familiar with Attachments D and F of OMB Circular A-110 which establishes criteria for acceptable forms of matching contributions and the Summer of Service - Grant Provisions to ensure adequate records are maintained.

Finding No. 2

The grantee did not submit the final report, summarizing usage of benefits, number of participants using benefits and the type of usage. This report was due on February 28, 1995.

Recommendation

We recommend that the grantee compile this information and submit the report to CNS as soon as possible.


Leonard G. Birnbaum and Company

Alexandria, Virginia
March 7, 1996

LEONARD G. BIRNBAUM AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE
6285 FRANCONIA ROAD
ALEXANDRIA, VA. 22310

(703) 922-7622

FAX: (703) 922-8256

LEONARD G. BIRNBAUM
LESLIE A. LEIPER
DAVID SAKOFS
CAROL A. SCHNEIDER

WASHINGTON, D.C.
SUMMIT, NEW JERSEY
LOS ALTOS, CALIFORNIA
SAN DIEGO, CALIFORNIA

MEMBERS OF THE
AMERICAN INSTITUTE
OF CPA'S

Inspector General
Corporation for National Service
1201 New York Avenue, NW
Washington, DC 20525

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the schedule of award costs, as presented in Schedule A which summarizes the financial reports submitted by East Bay Conservation Corps (EBCC) 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 March 7, 1996.

<u>Award Number</u>	<u>Award Period</u>	<u>Audit Period</u>
93SSSPCA0003	May 1, 1993 to February 28, 1995	May 1, 1993 to February 28, 1995

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 May 1, 1993 to February 28, 1995, we considered EBCC'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 EBCC 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 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

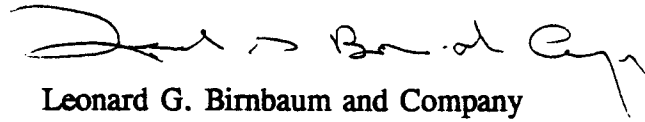
For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we have assessed control risk.

We noted no matters involving the internal control structure or 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 judgment, 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.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the rest of the 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 employee in the normal course of performing their assigned function.

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 to be material weaknesses as defined above. We believe the reportable condition described above is not a material weakness.

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



Leonard G. Birnbaum and Company

Alexandria, Virginia
March 7, 1996