

# Office of Inspector General Corporation for National and Community Service

## AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S NATIONAL SERVICE TRUST SCHEDULE OF FISCAL 2008 BUDGETARY RESOURCES AND OBLIGATIONS

Audit Report Number 09- 02



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

CLIFTON GUNDERSON LLP  
11710 Beltsville Drive  
Calverton, Maryland 20705



## OFFICE OF INSPECTOR GENERAL

November 14, 2008

TO: David Eisner  
Chief Executive Officer

Nicola Goren  
Chief of Staff

FROM: Gerald Walpin  
Inspector General

SUBJECT: Fiscal Year 2008 National Service Trust Schedules  
OIG Audit Report Number 09-02

Attached is the Independent Auditor's Report on the Fiscal Year 2008 National Service Trust Schedule of Financial Position, and the related schedules of Operations and Changes in Net Position, Budgetary Resources and Trust Obligations (Schedules). We contracted with the independent certified public accounting firm of Clifton Gunderson LLP to audit the financial statements of the Corporation for National and Community Service as of September 30, 2008 and 2007, and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit, Clifton Gunderson found that the Schedules present fairly, in all material respects, the financial position of the Corporation's National Service Trust Fund for the fiscal year ended September 30, 2008.

Clifton Gunderson is responsible for the attached auditor's report, dated November 14, 2008, and the conclusion expressed therein. The Office of Inspector General does not express an opinion on the Schedules.

Attachment

cc:

Frank Trinity, General Counsel  
Kristin McSwain, Chief of Program Operations  
William Anderson, Deputy CFO for Financial Management  
Rocco Gaudio, Deputy CFO for Planning and Program Management  
Sherry Blue, Audit Resolution Coordinator  
Bill Oliver, Engagement Partner, Clifton Gunderson LLP (without attachment)



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## Independent Auditor's Report

To the Inspector General  
Corporation for National and Community Service

We have audited the accompanying Schedule of Financial Position of the Corporation for National and Community Service (Corporation) National Service Trust Fund as of September 30, 2008 and 2007, and the related Schedules of Operations and Changes in Net Position, Budgetary Resources and Trust Obligations for the years then ended. These schedules are the responsibility of Corporation management. Our responsibility is to express an opinion on these schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying schedules were prepared for the purpose of complying with provisions of the Strengthen AmeriCorps Program Act (Public Law 108-45), as discussed in Note A, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the schedules referred to above present fairly, in all material respects, the financial position of the Corporation's National Service Trust Fund as of September 30, 2008 and 2007, and the results of its operations and changes in net position, budgetary resources, and obligations for the years then ended in conformity with the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2008, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the management of the Corporation, the Office of Inspector General, GAO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Calverton, Maryland  
November 14, 2008

NATIONAL SERVICE TRUST FUND

SCHEDULE OF FINANCIAL POSITION

as of September 30

(dollars in thousands)

	2008	2007
<b>Assets</b>		
Trust Fund Balance with Treasury	\$ 227	\$ 148
Investments, carrying value	479,634	461,842
Investment and interest receivable	4,246	3,549
Accounts receivable	31	7
<b>Total Assets</b>	<u>\$ 484,138</u>	<u>\$ 465,546</u>
<b>Liabilities</b>		
Service Award Liability	\$ 303,367	\$ 280,597
<b>Net Position</b>		
Cumulative Results of Operations	180,771	184,949
<b>Total Liabilities and Net Position</b>	<u>\$ 484,138</u>	<u>\$ 465,546</u>

*The accompanying notes are an integral part of these financial schedules.*

# NATIONAL SERVICE TRUST FUND

## SCHEDULE OF OPERATIONS AND CHANGES IN NET POSITION

For the Period Ending September 30

*(dollars in thousands)*

	2008	2007
<b>Revenues</b>		
Appropriations	\$ 122,539	\$ 117,720
Transfer in of Program Funds	16,246	-
Interest	17,804	19,563
<b>Total Revenues</b>	<u>156,589</u>	<u>137,283</u>
<b>Expenses</b>		
AmeriCorps Program (Note 12)	(160,790)	(145,688)
Service Learning Program (Note 12)	-	(1,627)
(Writeoff) / Recovery of Receivables	23	1
<b>Total Expenses</b>	<u>(160,767)</u>	<u>(147,314)</u>
<b>Excess of Revenues Over Expenses</b>	<u>\$ (4,178)</u>	<u>\$ (10,031)</u>
<b>Net Position</b>		
Excess of Revenues Over Expenses	\$ (4,178)	\$ (10,031)
Net Position, Beginning of Year	184,949	194,980
<b>Net Position, End of Year</b>	<u>\$ 180,771</u>	<u>\$ 184,949</u>

*The accompanying notes are an integral part of these financial schedules.*

# NATIONAL SERVICE TRUST FUND

## SCHEDULE OF TRUST OBLIGATIONS

as of September 30

*(dollars in thousands)*

	2008	2007
<b>Resources</b>		
Trust Fund Balance with Treasury	\$ 227	\$ 148
Investments, carrying value	479,634	461,842
Investment and interest receivable	4,246	3,549
Accounts receivable	31	7
Sub-total	<u>484,138</u>	<u>465,546</u>
Less investments and receivables not available for obligation	(8,792)	(7,629)
Less Trust Reserve	<u>(46,697)</u>	<u>(46,697)</u>
<b>Total Resources</b>	<u>428,649</u>	<u>411,220</u>
<b>Unliquidated Obligations</b>		
President's Freedom Scholarships	(772)	(994)
Education Awards	(402,261)	(383,654)
Interest Forbearance	<u>(16,167)</u>	<u>(17,826)</u>
<b>Total Unliquidated Obligations</b>	<u>(419,200)</u>	<u>(402,474)</u>
<b>Commitments</b>		
Education Awards	(570)	(1,916)
Interest Forbearance	<u>(31)</u>	<u>(103)</u>
<b>Total Commitments</b>	<u>(601)</u>	<u>(2,019)</u>
<b>Funds Available for Obligation at September 30</b>	<u><u>\$ 8,848</u></u>	<u><u>\$ 6,727</u></u>

*The accompanying notes are an integral part of these financial schedules.*

# NATIONAL SERVICE TRUST FUND

## SCHEDULE OF TRUST BUDGETARY RESOURCES

as of September 30

*(dollars in thousands)*

	2008	2007
<b>Funds Available for Obligation, beginning of year</b>	\$ 6,727	\$ 25,390
<b>Budgetary Resources</b>		
<i>Appropriations</i>		
Appropriation Received in Trust (net of rescissions)	122,539	117,720
Transfers in of Program Funds	16,246	-
Subtotal	<u>138,785</u>	<u>117,720</u>
<i>Deobligations</i>		
Deobligation of Member Positions	1,399	4,557
Subtotal	<u>1,399</u>	<u>4,557</u>
<i>Less: Trust Reserve</i>	-	(6,930)
<b>Total Budgetary Resources</b>	<u>146,911</u>	<u>140,737</u>
<b>Obligations</b>		
Education Awards	(133,804)	(134,307)
Interest Forbearance	(5,677)	(4,255)
President's Freedom Scholarships	-	(1,626)
<b>Total Obligations</b>	<u>(139,481)</u>	<u>(140,188)</u>
<b>Net Change in Commitments</b>		
Education Awards	1,346	6,382
Interest Forbearance	72	(204)
<b>Total Commitments</b>	<u>1,418</u>	<u>6,178</u>
<b>Funds Available for Obligation, end of year</b>	<u>\$ 8,848</u>	<u>\$ 6,727</u>

*The accompanying notes are an integral part of these financial schedules.*

## NOTES TO THE TRUST FUND SCHEDULES

### A. Basis of Accounting

The Schedules of Financial Position; Operations and Changes in Net Position; Trust Obligations; and Trust Budgetary Resources have been prepared from the books and records of the Corporation in accordance with the Strengthen AmeriCorps Program Act (Public Law 108-45, 42 USC § 12605) for the periods commencing October 1 and ending September 30, 2008 and 2007, respectively.

The activities of the Trust are funded through the annual Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, which funds National and Community Service Act programs. Appropriations are provided on a no-year basis for the Trust, a fund within the Corporation used to provide education awards and student loan interest forbearance to eligible participants. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible purposes.

The Trust provides awards for AmeriCorps members serving in approved national service positions under AmeriCorps\*State and National, AmeriCorps\*NCCC, and AmeriCorps\*VISTA, as well as for the AmeriCorps Education Award Program, where sponsoring organizations are responsible for providing member subsistence and other costs, and the Corporation provides an education award and a small amount for administrative costs.

Funds from the Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and must always be paid directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The Trust may also expend funds for payments under the President's Freedom Scholarship Program as authorized under various Corporation appropriations through fiscal 2006.

The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of Federal funds. Budgetary accounting principles are designed to recognize the obligation of funds upon the establishment of a properly documented legal liability, which in many cases is different from the occurrence of an accrual-based transaction.

The Strengthen AmeriCorps Program Act directs that, beginning with fiscal 2003, Trust obligations be recorded at the time the Corporation: (1) enters into an enforceable agreement with an individual participant to serve in a program carried out under subtitle E of title I of the National and Community Service Act of 1990 (42 USC § 12611 *et seq.*), or title I of the Domestic Volunteer Service Act of 1973 (42 USC § 4951 *et seq.*); or (2) awards a grant to (or enters into a contract or cooperative agreement with) an entity to carry out a program for which such a position may be approved under section 123 of the Act (42 USC § 12573). The Strengthen AmeriCorps Program Act also directs that the obligational amount be based on the estimated value of the education benefit, discounted for the estimated enrollment, earning and usage rates, and the time value of money.

The Corporation used the following assumptions to calculate Trust obligations and budgetary needs: full value of the education award, 100 percent enrollment rate, and earning and usage rates of approximately 80 percent. Programs have up to two years after award to enroll members in positions. Funds related to positions awarded to programs but not filled are periodically deobligated and become available for award for new program activities. The Corporation deobligated \$1.399 and \$4.557 million in fiscal 2008 and 2007, respectively, related to unused positions.

## **NOTES TO THE TRUST FUND SCHEDULES - CONTINUED**

### **B. Trust Appropriations**

For fiscal year 2008 the National Service Trust received \$122.530 million under the Consolidated Appropriations Act, 2008 (Public Law 110-161). For fiscal year 2007 the National Service Trust received \$117.720 million under the Revised Continuing Appropriations Resolution, 2007 (Public Law 110-5). The Acts also authorized the Corporation to transfer additional amounts from subtitle C program funds to the National Service Trust if necessary to support the activities of national service participants. The Corporation transferred \$16.246 million to the Trust under this provision in fiscal 2008. No funds were transferred in fiscal 2007.

### **C. Trust Reserve**

As required by the Strengthen AmeriCorps Program Act the Corporation sets aside in reserve a portion of the funds appropriated to the Trust in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. The Corporation added \$6.930 million to the reserve under this provision in fiscal 2007. No funds were added in fiscal 2008. The total amount held in reserve under this provision was \$46.697 million as of September 30, 2008 and 2007, respectively.

### **D. Trust Awards**

Since the Corporation's inception in 1994 AmeriCorps members have earned over \$1.563 billion in education awards. The Corporation has made \$1.038 billion in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$37.119 million in interest forbearance payments since the program's inception. Approximately \$133.316 million in education awards earned had expired without being used as of September 30, 2008. Payments for President's Freedom Scholarships have totaled \$21.754 million.

## **APPENDIX**

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### **CORPORATION RESPONSE TO REPORT**



## MEMORANDUM

**Date:** November 12, 2008

**To:** Gerald Walpin, Inspector General

**From:** William Anderson, Deputy Chief Financial Officer 

**Subject:** Draft report on the results of OIG's audit of the Corporation's Fiscal Year 2008 National Service Trust Fund Schedules

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Thank you for the opportunity to comment on the draft report on the audit of the Corporation's audit of the Corporation's Fiscal Year 2008 National Service Trust Fund Schedules. I believe the comparative format instituted last year provides Congress and the public with a clear picture of the status of Trust assets, its operations, and the manner in which the Corporation approves and records obligations related to national service positions.

Fiscal 2008 marks the sixth year that the Corporation has prepared these schedules since first required by the Strengthen AmeriCorps Program Act in 2003, and marks the sixth year in a row that it has received an unqualified opinion on the schedules. These results reflect the Corporation's commitment to sound financial management and the dedication of Trust staff to continuously improve operations.



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