Office of Inspector General
Corporation for National and Community Service

AUDIT OF NATIONAL CIVILIAN COMMUNITY CORPS (NCCC) LEASES

OIG REPORT 11-12

Prepared by:

Kearney & Company
1701 Duke Street, Suite 500
Alexandria, Virginia 22314

This report was issued to Corporation management on May 9, 2011. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than November 9, 2011 and complete its corrective actions by May 9, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General
Corporation for NATIONAL & COMMUNITY SERVICE

May 9, 2011

TO: Kate Raftery
Director, AmeriCorps*NCCC

Roderick Gaither
Director, Office of Procurement Services

FROM: Stuart Axenfeld */s/*
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General (OIG) Report 11-12:
Audit of National Civilian Community Corps (NCCC) Leases

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) to audit the Corporation for National and Community Service's (Corporation) NCCC leases from October 1, 2008 to August 31, 2010. Attached is the OIG's final report on the *Audit of National Civilian Community Corps (NCCC) Leases*. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

Kearney is responsible for the attached report, dated February 16, 2011, and the conclusions expressed therein. The OIG does not express opinions on Corporation's NCCC leases, or Kearney's conclusions about the effectiveness of internal controls or compliance with laws and regulations.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by November 9, 2011. Notice of final action is due by May 9, 2012.

If you have questions pertaining to this report, please contact me at (202) 606-9360 or s.axenfeld@cncsoig.gov; or Thomas Chin, Audit Manager, at (202) 606-9362 or t.chin@cncsoig.gov.

Attachment

cc: Robert Velasco II, Chief Operating Officer & Acting Chief of Program Operations
William Anderson, Chief Financial Officer
Erin Dahlin, Director of Policy & Operations, AmeriCorps*NCCC
Jack Goldberg, Audit Resolution Specialist
Jeff Green, Engagement Partner, Kearney & Company

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February 16, 2011

Corporation for National and Community Service
Office of Inspector General
1201 New York Avenue, NW
Washington, D.C. 20525

Kearney & Company, P.C. (referred to "we" in this letter) is pleased to submit this performance audit report related to the Corporation for National and Community Service's (Corporation) processes for awarding, executing, and monitoring National Civilian Community Corps (NCCC) leases, as well as the Corporation's requirements and usage analysis over General Services Administration (GSA) lease vehicles at NCCC campuses. This performance audit was designed to meet the objectives identified in the "Objectives and Scope" section of this report.

We conducted this performance audit from September 16, 2010 through January 25, 2011, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The purpose of this report is to communicate the results of our performance audit and the related findings and recommendations.

We would like to thank the Corporation's offices involved for their cooperation during the course of this engagement.

Kearney & Company

Kearney & Company, P.C.

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EXECUTIVE SUMMARY

At the request of the Office of Inspector General (OIG), Kearney & Company, P.C. (referred to as "Kearney," "we," and "our" in this report) audited the Corporation for National and Community Service's (Corporation) processes for awarding, executing, and monitoring National Civilian Community Corps (NCCC) leases, as well as the Corporation's requirements and usage analysis over General Services Administration (GSA) leased vehicles at NCCC campuses.

We performed this audit in order to determine whether:

- The Corporation's policies and procedures are adequate regarding its leasing process
- The Corporation is compliant with lease terms and provisions, as well as applicable laws, regulations, policies, and procedures regarding its leasing process
- Lease documents are accurate, complete, properly reviewed, and properly approved
- Leases were properly funded and obligated before they were awarded, renewed, or amended
- The Corporation has adequate personnel with appropriate skills, knowledge, and training to administer leases
- The Corporation performs requirement analysis for leased vehicles through reviewing the number of vehicles and vehicles' usage logs
- The Corporation reviews purchase card transactions on gas and other expenses for leased vehicles
- The Corporation establishes effective internal controls for its leasing process.

Based on the results of the procedures performed utilizing the methodology stated in Appendix A of this report, we noted the following issues:

- For one of five campus leases tested, we found that the Corporation did not timely record the obligation of the lease in Momentum, and did not adjust the amount obligated after mission needs changed until the final signed permit was received
- For the Fiscal Year (FY) 2010 vehicle lease obligation, we noted that, although the obligation amount was reasonable, the Corporation could not provide documentation showing how the amount was calculated.

Except for the two issues noted above, we found that the Corporation's policies and procedures are adequate regarding its leasing process; it is compliant with lease terms and provisions, as well as applicable laws, regulations, policies, and procedures regarding its leasing process; and it establishes effective internal controls for its leasing process.

BACKGROUND

The National Community Service Trust Act of 1993, P.L. 103-82, which amended the National and Community Service Act of 1990, established the Corporation as a Government corporation subject to the requirements of the Government Corporation Control Act, 31 U.S.C. §§ 9101 et seq. The Corporation began operations in FY 1994. It provides grants and other incentives to states, local municipalities, and not-for-profit organizations to help communities meet critical challenges in the areas of education, energy, human needs, environment, and homeland security. The Corporation oversees three national service initiatives: AmeriCorps, Senior Corps, and Learn and Serve America.

AmeriCorps is the Corporation's major national service program that engages Americans in full-time and sustained part-time community service, and provides education awards in return for such service. AmeriCorps programs are AmeriCorps*State, AmeriCorps*National, AmeriCorps* NCCC, and AmeriCorps*Volunteers in Service to America (VISTA).

AmeriCorps*NCCC is a full-time, team-based residential program for men and women ages 18 to 24. Members are assigned to one of five campuses, which are located in Denver, Colorado; Sacramento, California; Perry Point, Maryland; Vicksburg, Mississippi; and Vinton, Iowa. The mission of NCCC is to strengthen communities and develop leaders through direct, team-based national and community service. In partnership with not-for-profit organizations (both secular and faith-based), local municipalities, state governments, the Federal Government, national or state parks, Native American Tribes, and schools, NCCC members complete service projects, with main focus on disaster relief efforts, throughout the region to which they are assigned.

NCCC leases housing facilities for its campuses. The Corporation leases motor vehicles on an annual basis through GSA under an inter-agency Fleet Management Service agreement for NCCC.

The Corporation has leases in Denver, Colorado; Sacramento, California; Perry Point, Maryland; Vicksburg, Mississippi; and Vinton, Iowa. The Perry Point lease is an inter-agency agreement with the Department of Veterans Affairs (VA).

As of August 31, 2010, a total of 245 GSA leased vehicles were maintained by the Corporation for the NCCC campuses as follows:

- Denver, Colorado: 58
- Sacramento, California: 51
- Perry Point, Maryland: 58
- Vicksburg, Mississippi: 33
- Vinton, Iowa: 45.

In August 2009, the OIG issued Report 09-16, "Evaluation of the Fiscal Year 2008 Budget Process." In this report, the OIG noted that the Corporation did not record its obligation in full for the FY 2008 Denver campus lease.

OBJECTIVES AND SCOPE

We conducted this performance audit from September 2010 through January 2011, in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This lease audit encompassed NCCC leases awarded, amended, and executed by the Corporation's Office of Procurement Services from October 1, 2008 to August 31, 2010. Leases subject to this audit are those funded with Corporation appropriated funds.

GAGAS requires that we obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. In fulfilling our responsibilities, and as part of the overall audit strategy, we set and adhered to the following audit objectives to determine whether:

- The Corporation's policies and procedures are adequate regarding its leasing process
- The Corporation is compliant with lease terms and provisions, as well as applicable laws, regulations, policies, and procedures regarding its leasing process
- Lease documents are accurate, complete, properly reviewed, and properly approved
- Leases were properly funded and obligated before they were awarded, renewed, or amended
- The Corporation has adequate personnel with appropriate skills, knowledge, and training to administer leases
- The Corporation performs requirement analysis for leased vehicles through reviewing the number of vehicles and vehicles' usage logs
- The Corporation reviews purchase card transactions on gas and other expenses for leased vehicles
- The Corporation establishes effective internal controls for its leasing process.

AUDIT RESULTS

Summary of Testing Results for All Objectives

Campus Leases:

We obtained lease documentation for the five campuses and determined that the contracts were accurate, complete, properly reviewed, and properly approved. We developed our audit procedures to address the issues noted in OIG Report 09-16. We found that the Corporation had improved its processes and controls to address the issues noted in the report. We reviewed the Corporation's standard general ledger accounting system, Momentum, and found that, for all five leases, funding was available prior to award, renewal, and/or amendment. All lease contracts were accurate, complete, properly reviewed, and properly approved. We noted that all leases were properly classified as operating leases. Except for the "Campus Lease Over Obligated and Not Recorded Timely" issue noted in the "Audit Issues" section below for one of the five leases, all leases were properly obligated.

Vehicle Leases Usage:

We obtained a listing of NCCC-leased vehicles as of August 31, 2010 and selected a sample of 78 vehicles for testing. After analyzing the usage logs for these vehicles to cover a full six-month period (between March 21, 2010 and September 21, 2010), we found that there was a valid requirement for each leased vehicle.

Vehicle Leases Obligation:

We obtained the obligation memoranda for the FY 2010 vehicle lease obligation and verified that they were properly recorded in Momentum. We obtained and reviewed the support for the estimation of the obligation. We found that, although the amount obligated was reasonable based on FY 2009 amounts and estimated minimum monthly and yearly expenses, the Corporation needs to maintain better documentation of its methods of estimation. We discuss the details in the "Audit Issues" section below.

Purchase Card Activities:

We reviewed purchase card transactions from September 17, 2009 through September 16, 2010, and found no improper charges related to leased vehicles on the purchase cards' statements of transactions.

Fleet Cards:

We obtained and reviewed all transactions on the Agency Incurred Expense (AIE) report from October 1, 2009 to September 30, 2010, and found that all transactions on the AIE report were reasonable.

Adequacy of Personnel:

We reviewed resumes and training records for the Contracting Officers responsible for the campus leases. We found that the Contracting Officers' skills and training are compliant with Federal contracting requirements.

<u>Audit Issues</u>

1. Campus Lease Over Obligated and Not Recorded Timely

We reviewed the FY 2010 Corporation NCCC campus leases and found that the Corporation did not timely record the obligation of the FY 2010 Perry Point campus lease in Momentum, and did not adjust the amount obligated after mission needs changed until the final signed lease permit was received. The lease permit is the inter-agency lease agreement between VA and the Corporation that serves as the official contract for the lease. The lease permit describes the leased property and specifies the conditions of the lease, including lease term and rental cost. The Corporation requested the lease permit through FY 2010, the signed permit was not received from VA until the end of August 2010 with the finalized cost of the lease. Although the Corporation committed funds for the lease on November 25, 2009, it did not record the obligation for the FY 2010 Perry Point campus lease until February 2, 2010. The Corporation should have obligated the funding shortly after the funds were committed since the lease started in October 2010 and the Corporation incurred expenses on a monthly basis for that FY.

We also noted that the amount obligated was based on initial estimates provided by VA; however, due to the changes in mission needs identified in January 2010, the amount of rental space required was reduced. The Corporation used the initial estimate to record the obligation in February 2010 instead of the lower, revised January 2010 estimate. As a result, the final total annual amount for the lease was $187,495, but the amount obligated in Momentum was $382,780.

The Corporation did not record as an obligation the entire initial estimate for the Perry Point campus lease at the beginning of the lease term in October 2010 because it was operating under a continuing resolution. The Corporation did not record the proper obligation amount because it did not receive the building permit for the Perry Point lease from VA until August 2010, despite numerous Corporation requests for the building permit. Once the signed permit was received from VA, the Corporation promptly de-obligated the excess funds.

Criteria: Office of Management and Budget (OMB) Circular A-11, *Preparation, Submission, and Execution of the Budget*, Appendix B. *Budgetary Treatment of Lease-Purchases and Leases of Capitol Assets*, Section 1. A. *Basic Requirements*, states:

> "For operating leases, budget authority is required for the first year of the contract in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act."

Although the Corporation reduced costs due to a change in the rental space required, it was not able to use the additional funding resulting from the cost reduction for other Corporation needs. Delays in the Corporation recording the obligations prevented the proper matching of incurred expenses and obligations.

Recommendations: We recommend that the Corporation obligate funds in a timely manner to ensure that it records obligations when it is occupying rental space and incurring expenses. We also recommend that the Corporation monitor existing obligations and make any necessary adjustments if the mission needs change throughout the year, and work with VA to ensure that documentation is received timely.

Corporation Response: The Corporation does not entirely agree with the issue noted. The report states that the Corporation did not obligate funds for the Perry Point campus in a timely fashion and the original amount obligated was higher than what was ultimately needed. However, unlike the other campuses, the Perry Point campus operated on federally owned space acquired through an inter-agency agreement. Funds for the agreement were promptly committed by the Corporation, but the final award could not be processed without signed permits from VA. Once the permits were approved by VA, the transaction was promptly processed. The amount obligated was what was originally called for in the inter-agency agreement. However, this amount was later reduced because VA failed to make agreed-upon repairs to the Corporation's space.

Kearney Response: Obligations are required for any expenses that are incurred by the Corporation. Because the Corporation began using the Perry Point campus at the start of FY 2010, the Corporation was required to create an obligation for the lease. Documentation provided by the Corporation showed that the obligation estimate was originally based on 28 houses, but the final signed permit was for 16 houses. Based on communication from the Corporation, this reduction in number of houses was due to the decision made by NCCC Management in January 2010 to adjust NCCC class size. The final permit signed in August 2010 did not include details of a reduction in leasing cost due to agreed-upon repairs that VA did not perform. Based on the documentation obtained from the Corporation during the audit, we still concluded that the change in rental amount was due to a decrease in leased houses. Therefore, the amount obligated should have been based on the updated estimated amount instead of the original amount estimated.

2. Vehicle Lease Obligation Calculation Not Properly Documented

We reviewed the FY 2010 vehicle lease obligation documents, analyzed how the obligations were estimated, and noted that the Corporation lacks policies and procedures that require maintaining documentation of how the obligation was calculated; thus, the Corporation could not show how the vehicle obligation amount was calculated.

We noticed that the total obligation of vehicles is based on the previous FYs' expenditures and expectations for the current FY, to include changes in the number of vehicles, changes in the price of gas, and expected changes to mission requirements that would impact vehicle usage and subsequent charges. The Corporation monitors the obligation amount on a monthly basis and adjusts the amount if necessary. The amount of FY 2009 activity for vehicle leases was $1,440,205. The requested obligation amount for FY 2010 was $1,568,000, but there is no supporting documentation to show how the Corporation determined the appropriateness of the increase of nearly $128,000 for this obligation.

Criteria: The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, November 1999, page 15, states:

> "Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded.
>
> Internal control ... and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in ... paper or electronic form. All documentation and records should be properly managed and maintained."

Although we believe that the amount obligated for FY 2010 was reasonable, unsupported obligations could lead to an overestimation or underestimation of the obligation amount. In addition, the Corporation does not have an audit trail for its personnel to follow should they need to review the process or re-perform the calculation.

Recommendations: We recommend that the Corporation document and maintain the calculation and its methodology used to make vehicle obligation estimations. We also recommend that the Corporation add a requirement regarding documenting and maintaining the details of the vehicle obligation calculation in the Corporation's existing or new policy.

Corporation Response: The Corporation does not entirely agree with the issue noted. The Corporation described that it has written procedures (2009-35 Rev 1: Vehicle Management, Usage and Safety Procedures), as well as reference materials (GSA's instructions for utilization of the Federal Automotive Statistical Tool system and the President's FY 2011 Congressional Budget Request) that detail how vehicles are to be used, how to request additional vehicles, who must give approval for vehicles, how the program determines annual vehicle obligations and prescribes how campus personnel must monitor and follow-up on costs associated with the vehicle program. The procedure also dictates that NCCC headquarters budgets for all vehicles. The program also monitors expenditures frequently against the obligation to ensure that obligations are at an appropriate level and funding remains sufficient throughout the year.

The Corporation also noted that vehicle expenditures are a dynamic expense – affected by gas prices, GSA monthly vehicle costs (which adjust annually in January of each year), and the NCCC program mission – to deliver critical support to communities (especially disaster-stricken communities) across the country, regardless of the distance from the campus location. To that end, the Corporation use GSA vehicles to transport teams to these communities. The program specifies the number of vehicles each campus is authorized based on campus capacity and enrollment. In addition, the Corporation noted it monitors monthly the vehicle expenditures prior to paying the Intra-Governmental Payment and Collection charges.

Kearney Response: We acknowledge that the Corporation has policies and procedures over its vehicle leasing process; however, the issue noted was specific to the lack of a requirement to formally document the calculation of the obligation. While the Corporation stated the relevant factors that affect the amount obligated, it did not document how the amount of $1,568,000 was calculated. In the future, the Corporation needs to maintain documentation of the calculation used to determine obligations so that the obligations can be recalculated and an audit trail is maintained.

<u>Conclusion</u>

Based on the results above and the procedures performed utilizing the methodology stated in Appendix A of this report, with the exception of the two audit issues noted above, we found that the Corporation's policies and procedures are adequate regarding its leasing process; it is compliant with lease terms and provisions, as well as applicable laws, regulations, policies, and procedures regarding its leasing process; and the Corporation establishes effective internal controls for its leasing process.

EXIT CONFERENCE

We conducted an Exit Conference with Corporation representatives on February 10, 2011, and discussed the results of this report. The Draft Audit Report was issued on March 21, 2011. A scanned copy of the Corporation's response to the Draft Audit Report is included as Appendix B of this report. This report includes a summary of the Corporation's response after each finding's recommendation.

APPENDIX A: METHODOLOGY

Kearney & Company, P.C. (referred to as "Kearney," "we," and "our" in this appendix) chose a phased audit approach for each task and coordinated with the Office of Inspector General (OIG) Contracting Officer's Representative (COR) to properly manage the audit engagement's scope and expectations. Our approach encompassed the following three phases:

1. Understanding
2. Testing
3. Reporting.

The purpose of the Understanding Phase was to develop an understanding of the Corporation for National and Community Service (Corporation) operations as they pertain to National Civilian Community Corps (NCCC) campus and vehicle leases. This understanding was updated and expanded upon during the Testing Phase of the audit, as we tested the Corporation's internal control. A goal of the Understanding Phase was to document a comprehensive understanding of the Corporation's internal controls related to NCCC campus and vehicle leases. An additional goal of the Understanding Phase was to gain the knowledge required to focus attention on the most critical aspects of the performance criteria.

Based on our understanding of the Corporation from prior knowledge and the documented resources, we determined the audit risks. This risk assessment determined the nature and extent of the audit procedures in the Testing Phase. We regularly reviewed the audit strategy to ensure work was performed efficiently and effectively.

We conducted the Testing Phase in order to assess the Corporation's performance in regard to awarding, renewing, executing, and monitoring NCCC campus and vehicle leases, including related charge card activities. We tested all five campus leases and selected a representative sample of vehicle leases, and also performed an analysis over purchase card and fleet card activities. Based upon the results of the testing procedures, as assessed in conjunction with the performance criteria agreed to by OIG, we determined the Corporation's compliance with requirements and guidelines for these procedures.

The Reporting Phase allowed us to formally communicate the findings of the lease audit based on the Statement of Work (SOW) and the objectives stated therein. We issued Notifications of Finding and Recommendation (NFR) for findings noted during the audit prior to issuing the Draft Audit Report. We provided the Draft Report to OIG for review. Once we addressed OIG's review comments of the Draft Report, we issued the Draft Report to the Corporation for additional comments. After we incorporated the Corporation's comments, we issued a Final Report. At the end of the reporting phase, Final Audit Documentation will be provided to the OIG.

We issued the report on the Corporation's operations in relation to the audit objectives included in the SOW, as mentioned above. Details of the audit methodology for Understanding and Testing phases of the audit approach are described below:

1. **Understanding Phase**

   1.1. Gain an Understanding – Met with Corporation personnel who are responsible for campus and vehicle lease processes.

   1.2. Obtain Supporting Information – Obtained relevant standard operating procedures and lease agreements as part of initial meetings.

   1.3. Document Process and Controls – Based upon information obtained through inquiries with the Corporation and supporting documentation, we created process narratives and identified key controls.

   1.4. Prepared by Client (PBC) Requests – Documented the status of all PBC requests and distributed the PBC listing weekly to OIG and Corporation personnel to keep them informed of all items requested and their current status (i.e., outstanding, received, late).

2. **Testing Phase**

   2.1. Campus Leases – Obtained original lease award documentation and the most recent renewals for all five campus leases and tested whether the documentation was accurate, complete, properly reviewed, and properly approved. We also verified whether funding was available and obligated prior to award, renewal, or amendment of a campus lease.

   2.2. Vehicle Leases

      2.2.1. Requirement analysis – Selected a random sample of vehicles, obtained the usage logs for the vehicles selected for the six months covering March 21, 2010 through September 21, 2010, and reviewed vehicle usage logs to determine if there was a valid requirement for each leased vehicle.

      2.2.2. Funding and Obligation – Obtained supporting documentation for the amount obligated for leased vehicles for fiscal year (FY) 2010. We also reviewed the documentation and data provided from Momentum to verify that the amount was reasonably estimated based on prior year activity, and that the full amount of the estimate was obligated.

   2.3. Charge Card Activity

      2.3.1. Purchase Card – Obtained 12 months (September 1, 2009 to August 31, 2010) of purchase card activity for the cards issued at the NCCC campuses and analyzed the data by Merchant Category Code (MCC). Obtained explanations and supporting documentation for any charges that could be potential lease vehicle activity, and verified that the purchase card was not accidently used for fleet card purchases.

      2.3.2. Fleet Card – Reviewed a listing of all fleet card transactions flagged for any potential unauthorized transactions (found in the Agency Incurred Expense

[AIE] report) from October 1, 2009 to September 30, 2010. We also verified that NCCC researched each transaction and took actions against card users for any unauthorized transactions.

2.4. Adequacy of Personnel

2.4.1. Qualifications and Training – Obtained and reviewed resumes and training records for the Contracting Officer responsible for the campus leases and determined if they were compliant with Federal contracting requirements.

APPENDIX B: CORPORATION RESPONSE TO DRAFT AUDIT REPORT

Corporation for
NATIONAL & COMMUNITY SERVICE

MEMORANDUM

Date: April 20, 2011

To: Ken Bach, Acting Inspector General

From: Mikel Herrington, Director, NCCC
Roderick Gaither, Director, Office of Procurement Services

Subject: Request for comments on the Office of Inspector General's (OIG) draft report: *Audit of National Civilian Community Corps (NCCC) Leases*

Thank you for the opportunity to comment on the draft report on the results of your audit of National Civilian Community Corps (NCCC) Leases. The audit covered a broad array of NCCC's operations including determining whether CNCS:

- had adequate policies and procedures over its leasing process;
- complied with lease terms and provisions, as well as applicable laws, regulations, policies, and procedures regarding its leasing process;
- lease documents were accurate, complete, properly reviewed, and properly approved;
- leases were properly funded and obligated before they were awarded, renewed, or amended;
- had adequate personnel with appropriate skills, knowledge, and training to administer leases; performed requirement analysis for leased vehicles through reviewing the number of vehicles' usage logs;
- reviewed purchase card transactions on gas and other expenses for leased vehicles, and
- established effective internal controls for its leasing process.

CNCS is pleased that the audit found that the Corporation has adequate policies and procedures over its leasing process, all fleet and purchase card transaction were appropriate, CNCS personnel were properly trained, and CNCS had established effective internal controls for its leasing process. The report noted two minor exceptions, with which the Corporation does not entirely agree. The report states that CNCS did not obligate funds for the Perry Point campus in a timely fashion and the original amount obligated was higher than what was ultimately needed. However, unlike the other campuses, the Perry Point campus operated on Federally owned space acquired through an inter-agency agreement. Funds for the agreement were promptly committed by the Corporation, but the final award could not be processed without signed permits from the Veteran's Administration (VA). Once the permits were approved by VA, the transaction was promptly processed. The amount obligated was what was originally called for in the inter-agency agreement. However, this amount was later reduced because VA failed to make agreed-upon repairs to CNCS' space.

The second exception related to CNCS' calculation of NCCC GSA vehicle obligations. However, as previously stated, CNCS has written procedures, as well as reference materials that detail how the program determines annual vehicle obligations. The program also monitors expenditures frequently against that obligation, to ensure that obligations are at an appropriate level and funding remains sufficient throughout the year.

The program has authored and follows NCCC procedure **2009-35 Rev 1**: Vehicle Management, Usage and Safety Procedures (see: S:\NCCC\Policies and Directives\Current Procedures\Vehicle Management Usage and Safety Procedures 2009-35 Rev 1.doc.) This policy details how vehicles are to be used, how to request additional vehicles, who must give approval for vehicles and prescribes how campus personnel must monitor and follow-up on costs associated with the vehicle program. The procedure also dictates that NCCC headquarters budgets for all vehicles. All NCCC campus personnel must sign a statement indicating that they have read and adhere to NCCC national procedures.

Furthermore, this procedure directs campus personnel to use the GSA FAST (Federal Automotive Statistical Tool) system to monitor and track vehicle expenditures. GSA provides written instructions on how to utilize the FAST system and other electronic management tools, such as those monitoring usage and accidents (see: http://www.gsa.gov/graphics/fas/GSAFleetDrivethruGuide.pdf). The NCCC procedure also specifies that campus personnel are to report billing discrepancies to the NCCC Director of Policy and Operations, aiding in the process of ensuring correct billing each month.

Lastly, in FY 2010, the President's FY 2011 Congressional Budget Request (see: http://www.nationalservice.gov/pdf/2011_budget_justification.pdf) included $6 Million dollars more than the FY 2010 appropriation to support the optimization of the program. Optimization means enrolling concurrent classes at one facility, thus increasing the need for additional vehicles at that campus. Given the lead time in acquiring vehicles (generally 12-18 months), the program began acquiring vehicles in FY 2010 to support the projected increase in members, thus increasing the overall program's vehicle obligation over the previous years' obligation.

It is important to note that vehicle expenditures are a dynamic expense – affected by gas prices, GSA monthly vehicle costs (which adjust annually in January of each year), and the NCCC program mission – to deliver critical support to communities (especially disaster-stricken communities) across the country, regardless of the distance from the campus location. To that end, we use GSA vehicles to transport teams to these communities. The program carefully plans (reference written vehicle authorization matrix– previously shared with the audit team) which specifies the number of vehicles each campus is authorized based on campus capacity and enrollment. This matrix assists the program in determining annual vehicle costs. In addition, we also monitor monthly our vehicle expenditures prior to paying the IPAC charges.

The Corporation would also like to express its appreciation for the hard work of the staff of the Office of Inspector General and of the staff of Kearney & Company on the Audit of National Civilian Community Corps Leases. We believe the results achieved also are reflective of CNCS campus staff's hard work and excellent stewardship over NCCC assets.

cc: William Anderson, CFO
Robert Velasco, COO and Acting CPO
Jack Goldberg, Audit Resolution Specialist