

**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 2006 BUDGETARY  
RESOURCES AND OBLIGATIONS**

**Audit Report Number 07- 03**



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

COTTON & COMPANY LLP  
635 Slaters Lane, Fourth Floor  
Alexandria, Virginia 22314


This report was issued to Corporation management on November 15, 2006.



## OFFICE OF INSPECTOR GENERAL

November 15, 2006

TO: David Eisner  
Chief Executive Officer

FROM: Robert Shadowens   
Deputy Inspector General

SUBJECT: National Service Trust Schedule of Fiscal Year 2006 Budgetary Resources and Obligations, OIG Report No. 07-03

Attached is the Independent Auditor's Report on the National Service Trust Schedule of Fiscal Year 2006 Budgetary Resources and Obligations (Schedule). We contracted with the independent certified public accounting firm of Cotton & Company to audit the financial statements of the Corporation for National and Community Service as of September 30, 2006, and for the year then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit, Cotton & Company found that the Schedule presents fairly, in all material respects, the Trust's budgetary resources and obligations for the year ended September 30, 2006.

Cotton & Company is responsible for the attached auditor's report, dated November 13, 2006, and the conclusion expressed therein. The Office of Inspector General does not express an opinion on the Schedule.

Attachment

cc:  
Nicola Goren, Chief of Staff  
Frank Trinity, General Counsel  
Jerry Bridges, Chief Financial Officer  
William Anderson, Deputy CFO for Financial Management  
Sherry Wright, Audit Resolution Coordinator



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Office of Inspector General  
Corporation for National and Community Service

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying National Service Trust Schedule of Fiscal Year 2006 Budgetary Resources and Obligations of the Corporation for National and Community Service (Corporation) for the year ended September 30, 2006. This schedule is the responsibility of Corporation management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance that the schedule of budgetary resources and obligations is free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the schedule of budgetary resources and obligations. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of budgetary resources and obligations was 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 National Service Trust Schedule of Fiscal Year 2006 Budgetary Resources and Obligations referred to above presents fairly, in all material respects, budgetary resources and obligations for the year ended September 30, 2006, on the accounting basis described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated November 13, 2006, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with provisions of laws and regulations. Our reports on internal control and compliance are an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the United States Congress, President, Director of the Office of Management and Budget, Comptroller General of the United States, Corporation, and Inspector General. It is not intended for, and should not be used by, anyone other than these specific parties.

COTTON & COMPANY LLP

A handwritten signature in black ink that reads "Alan Rosenthal". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Alan Rosenthal, CPA  
Partner

November 13, 2006  
Alexandria, Virginia

**Corporation for National and Community Service  
National Service Trust  
Schedule of Trust Obligations as of September 30, 2006**

**Resources**

Trust Cash and Investments (net of receivables not available for	\$ 454,431,228	
Trust Reserve (not available for obligation)	<u>(39,767,000)</u>	
<b>Total Resources</b>		<b>\$ 414,664,228</b>

**Unliquidated Obligations**

President's Freedom Scholarships	(1,913,000)	
Education Awards	(360,220,459)	
Interest Forbearance	<u>\$ (18,691,173)</u>	
<b>Total Unliquidated Obligations</b>		<b>(380,824,632)</b>

**Commitments**

Education Awards	(8,016,746)	
Interest Forbearance	<u>(433,040)</u>	
<b>Total Commitments</b>		<b>(8,449,786)</b>

**Funds Available for Obligation at September 30, 2006** **\$ 25,389,810**

**Corporation for National and Community Service  
National Service Trust  
Schedule of Budgetary Resources as of September 30, 2006**

**Funds Available for Obligation at October 1, 2005** **\$ 5,390,328**

**Budgetary Resources**

*Appropriations*

Fiscal 2006 Appropriation (net of rescissions)	\$ 138,600,000	
Transfers in of Program Funds	<u>16,267,960</u>	
Subtotal		154,867,960

*Deobligations*

Deobligation of 2005 President's Freedom Scholarships	2,012,000	
Deobligation of Expired Member Positions	<u>11,772,853</u>	
Subtotal		13,784,853

**Less: 2006 Trust Reserve** **(6,930,000)**

**Total Budgetary Resources** **167,113,141**

**Funds Obligated in Fiscal 2006**

Education Awards	(124,634,369)	
Interest Forbearance	(6,726,176)	
2006 President's Freedom Scholarships	<u>\$ (1,913,000)</u>	
<b>Total 2006 Obligations</b>		<b>(133,273,545)</b>

**Commitments**

Education Awards	(8,016,746)	
Interest Forbearance	<u>(433,040)</u>	
<b>Total Commitments</b>		<b>(8,449,786)</b>

**Funds Available for Obligation at September 30, 2006** **\$ 25,389,810**

## NOTES TO THE SCHEDULES

### A. Basis of Accounting

The Schedule of Budgetary Resources and Schedule of Obligations as of September 30, 2006, 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 period commencing October 1, 2005 and ending September 30, 2006.

The activities of the Trust are funded through the Departments of Labor, Health and Human Services, and Education, and Related Agencies bill, 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 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 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, as well as for payments under the President's Freedom Scholarship Program.

The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. Budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to 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 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 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.

For fiscal 2006, the Corporation used the following assumptions to calculate Trust obligations and budgetary needs: full value of the education award, 100 percent enrollment rate, 80 percent earning rate, and 80 percent usage rate. 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. During fiscal 2006, the Corporation deobligated \$11.773 million.

#### **B. Trust Appropriations for Program Year 2006**

On December 30, 2005, the President signed into law the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149) (“the Act”). Under the Act, the Corporation must transfer “not less than” \$138.600 million to the National Service Trust (net of the one percent government-wide rescission included in the Department of Defense Appropriations Act, 2006 (P.L. 109-148)). The Act also authorizes 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 \$16.268 million to the Trust under this provision in fiscal 2006.

#### **C. Trust Reserve**

As required by the Strengthen AmeriCorps Program Act, in fiscal 2006 the Corporation set 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. As of September 30, 2006, \$6.930 million of the amount originally appropriated to the Trust in 2006 had been set aside for this reserve. The total amount held in reserve under this provision was \$39.767 million as of September 30, 2006.

#### **D. Trust Awards**

Since the Corporation’s inception in 1994 AmeriCorps members have earned over \$1.247 billion in education awards. The Corporation has made \$778.517 million in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$27.914 million in interest forbearance payments since the program’s inception. Approximately \$85.898 million in education awards earned had expired without being used as of September 30, 2006.