

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S FISCAL YEAR 2007
NATIONAL SERVICE TRUST SCHEDULES**

Audit Report Number 08- 02



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

CLIFTON GUNDERSON LLP
11710 Beltsville Drive
Calverton, Maryland 20705

This report was issued to Corporation management on November 14, 2007.



OFFICE OF INSPECTOR GENERAL

November 14, 2007

TO: David Eisner
Chief Executive Officer

FROM: Gerald Walpin (signature on file)
Inspector General

SUBJECT: Fiscal Year 2007 National Service Trust Schedules, OIG Audit Report Number
08-02

Attached is the Independent Auditor's Report on the Fiscal Year 2007 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, 2007, 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, 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, 2007.

Clifton Gunderson is responsible for the attached auditor's report, dated November 8, 2007, and the conclusion expressed therein. The Office of Inspector General does not express an opinion on the Schedules.

Attachment

cc:

Nicola Goren, Chief of Staff
Frank Trinity, General Counsel
Elizabeth Seale, Chief Operating Officer
Jerry Bridges, Chief Financial Officer
William Anderson, Deputy CFO for Financial Management
Andrew Kleine, 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, 2007, and the related schedules of Operations and Changes in Net Position, Budgetary Resources and Trust Obligations for the year then ended. These schedules are the responsibility of Corporation management. Our responsibility is to express an opinion on these schedules based on our audit. The National Service Trust Fund Schedules of Budgetary Resources and Obligations as of September 30, 2006, were audited by other auditors whose report dated November 13, 2006, expressed an unqualified opinion on those schedules.

We conducted our audit 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*. 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 audit provides 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, 2007, and the results of its operations and changes in net position, budgetary resources, and obligations for the year 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 8, 2007, 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 8, 2007

NATIONAL SERVICE TRUST FUND

**SCHEDULE OF FINANCIAL POSITION
as of September 30**

(dollars in thousands)

	2007	Unaudited 2006
Assets		
Trust Fund Balance with Treasury	\$ 148	\$ 13,590
Investments, carrying value	461,842	443,602
Investment and interest receivable	3,549	4,727
Accounts receivable	7	4
Total Assets	<u>\$ 465,546</u>	<u>\$ 461,923</u>
Liabilities		
Service Award Liability	\$ 280,597	\$ 266,943
Net Position		
Cumulative Results of Operations	184,949	194,980
Total Liabilities and Net Position	<u>\$ 465,546</u>	<u>\$ 461,923</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)

	2007	Unaudited 2006
Revenues		
Appropriations	\$ 117,720	\$ 138,600
Transfer in of Program Funds	-	16,269
Interest	19,563	15,427
Total Revenues	<u>137,283</u>	<u>170,296</u>
Expenses		
AmeriCorps Program	(145,688)	(120,339)
Service Learning Program	(1,627)	99
(Writeoff) / Recovery of Receivables	1	(26)
Total Expenses	<u>(147,314)</u>	<u>(120,266)</u>
Excess of Revenues Over Expenses	<u>\$ (10,031)</u>	<u>\$ 50,030</u>
Net Position		
Excess of Revenues Over Expenses	\$ (10,031)	\$ 50,030
Net Position, Beginning of Year	194,980	144,950
Net Position, End of Year	<u>\$ 184,949</u>	<u>\$ 194,980</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)

	2007	2006
Resources		
Trust Fund Balance with Treasury	\$ 148	\$ 13,590
Investments, carrying value	461,842	443,602
Investment and interest receivable	3,549	4,727
Accounts receivable	7	4
Sub-total	465,546	461,923
Less investments and receivables not available for obligation	(7,629)	(7,492)
Less Trust Reserve	(46,697)	(39,767)
Total Resources	411,220	414,664
Unliquidated Obligations		
President's Freedom Scholarships	(994)	(1,913)
Education Awards	(383,654)	(360,220)
Interest Forbearance	(17,826)	(18,691)
Total Unliquidated Obligations	(402,474)	(380,824)
Commitments		
Education Awards	(1,916)	(8,017)
Interest Forbearance	(103)	(433)
Total Commitments	(2,019)	(8,450)
Funds Available for Obligation at September 30	\$ 6,727	\$ 25,390

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)

	2007	2006
Funds Available for Obligation, beginning of year	\$ 25,390	\$ 5,390
Budgetary Resources		
<i>Appropriations</i>		
Appropriation Received in Trust (net of rescissions)	117,720	138,600
Transfers in of Program Funds	-	16,268
Subtotal	117,720	154,868
<i>Deobligations</i>		
Deobligation of President's Freedom Scholarships	-	2,012
Deobligation of Member Positions	4,557	11,773
Subtotal	4,557	13,785
 <i>Less: Trust Reserve</i>	 (6,930)	 (6,930)
Total Budgetary Resources	140,737	167,113
Obligations		
Education Awards	(134,307)	(124,634)
Interest Forbearance	(4,255)	(6,726)
President's Freedom Scholarships	(1,626)	(1,913)
Total Obligations	(140,188)	(133,273)
Net Change in Commitments		
Education Awards	6,382	(8,017)
Interest Forbearance	(204)	(433)
Total Commitments	6,178	(8,450)
 Funds Available for Obligation, end of year	 \$ 6,727	 \$ 25,390

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, 2007 and 2006, 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 \$4.557 and \$11.773 million in fiscal 2007 and 2006, respectively, related to unused positions.

NOTES TO THE TRUST FUND SCHEDULES - CONTINUED

B. Trust Appropriations

For fiscal year 2007 the National Service Trust received \$117.720 million under the Revised Continuing Appropriations Resolution, 2007 (Public Law 110-5). For fiscal year 2006 the Trust received \$138.6 million (\$140 million less the one percent government-wide rescission included in the Department of Defense Appropriations Act, 2006 (P.L. 109-148)) under the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149). 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 \$16.3 million to the Trust under this provision in fiscal 2006. No funds were transferred in fiscal 2007. The Trust portion of the 2006 NCSA rescission was transferred back to NCSA, reducing the net amount of appropriations received by the Trust Fund during the fiscal year.

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. In fiscals 2007 and 2006 \$6.930 million was added to the reserve. The total amount held in reserve under this provision was \$46.697 and \$39.767 million as of September 30, 2007 and 2006, respectively.

D. Trust Awards

Since the Corporation's inception in 1994 AmeriCorps members have earned over \$1.397 billion in education awards. The Corporation has made \$905.297 million in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$32.251 million in interest forbearance payments since the program's inception. Approximately \$108.877 million in education awards earned had expired without being used as of September 30, 2007. Payments for President's Freedom Scholarships have totaled \$21.533 million.

E. Reclassification

Certain prior year amounts have been reclassified to conform to the current year comparative presentation. In addition, the Corporation has added a Schedule of Financial Position and Schedule of Operations and Changes in Net Position. These statements were not presented in the 2006 report and therefore are marked as unaudited.

APPENDIX

CORPORATION RESPONSE TO REPORT

Corporation for
NATIONAL &
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November 9, 2007

The Honorable Gerald Walpin
Inspector General
Corporation for National and
Community Service
Suite 830
Washington, D.C. 20525

Dear Mr. Walpin:

Thank you for the opportunity to comment on the draft report on the audit of the Corporation's fiscal 2007 National Service Trust Schedules. I am pleased that the trust schedules continue to receive an unqualified opinion. For fiscal 2007 the Corporation expanded the information provided on the Trust to include a Schedule of Financial Position and Schedule of Operations and Changes in Net Position. The statements also now include comparative information from the prior fiscal year. I believe the expanded information will better inform the reader on the status of resources and annual activity in the Trust.

I would also like to express my appreciation for the efforts made by your staff throughout the year. The monthly reviews performed by OIG helped to ensure that Trust information remained accurate and up to date.

Sincerely,



Jerry Bridges
Chief Financial Officer



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