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C O R P O R A T I O N

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S E R V I C E

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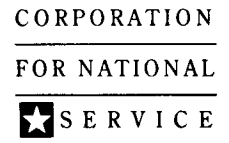
## OFFICE OF THE INSPECTOR GENERAL

### Recommended Improvements to National Service Trust Fund Operations

This report is issued to CNS Management. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than October 27, 1997 and complete its corrective actions by May 1, 1998. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented or the amount of disallowed costs.

The Inspector General must approve any request for public release of the report.

Office of the Inspector General  
Recommended Improvements to  
National Service Trust Fund Operations



We engaged KPMG Peat Marwick LLP to audit the Corporation's National Service Trust Fund financial statements for fiscal years 1995 and 1994 (OIG report 97-27, *Audit of the National Service Trust Fund Fiscal Year 1995 and 1994 Financial Statements*, January 15, 1997). In that report KPMG reported material weaknesses in the Trust Fund System and the Trust Fund's financial records. During the engagement, KPMG also noted other matters involving the Trust Fund's internal controls. This report discusses the conditions KPMG found and includes recommendations for corrective actions. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

In its response to a draft of the report, CNS stated that it generally concurred with the findings. As noted in the report on the audit of the financial statements, the Corporation plans to conduct an overall review of the Trust Fund System's internal control structure. Based on this review, CNS will develop corrective actions to address the control issues reported in the financial statement audit and those included herein. The Corporation's response is included in its entirety as Appendix II.

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

April 25, 1997

The Honorable Harris Wofford  
Chief Executive Officer

The Honorable Luise Jordan  
Inspector General

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

The Honorable Mr. Wofford and The Honorable Ms. Jordan:

We were engaged to audit the National Service Trust Fund (Trust), a program within the Corporation for National Service (CNS), financial statements as of and for the years ended September 30, 1995 and 1994, and have issued our report thereon dated January 14, 1997. In planning and performing our engagement, we considered the internal control structure in order to determine our auditing procedures for the purpose of performing our engagement and not to provide assurance on internal control.

Our consideration included obtaining an understanding of the significant internal control structure policies and procedures, determining whether they have been placed in operation, assessing control risk, and performing tests of control procedures. We have not considered the internal control structure since the date of our report.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are matters coming to our attention that, in our judgment, relate to significant deficiencies in the design or operation of internal control and could adversely affect CNS's ability to record, process, summarize, and report Trust financial data consistent with the assertions of management in the financial statements. Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions.

A material weakness is a reportable condition in which the design or operation of specific internal control does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements of the Trust



April 25, 1997  
The Honorable Harris Wofford  
The Honorable Luise Jordan  
Corporation for National Service  
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may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

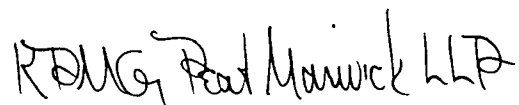
In our Independent Auditors' Report dated January 14, 1997, we reported three reportable conditions, which were all material weaknesses.

Although not considered to be reportable conditions, we also noted certain matters involving internal control and other operational matters that are presented for your consideration in the attached Appendix. These comments and recommendations, all of which have been discussed with appropriate members of management, are intended to enhance internal control or result in other operating efficiencies. These comments and recommendations are in addition to the reportable conditions included in our Independent Auditors' Report dated January 14, 1997. These matters were considered in determining the nature, timing, and extent of the audit tests applied in our engagement to audit the Trust financial statements.

Our audit procedures were designed to enable us to perform our engagement to audit the Trust financial statements, and therefore, may not identify all weaknesses in policies and procedures that exist.

We would be pleased to discuss these comments and recommendations with you at any time.

This report is intended for the information of CNS's management and the Office of Inspector General. However, this letter is a matter of public record and its distribution is not limited.



## **Appendix I**

*Corporation for National Service, National Service Trust Fund  
Management Letter Appendix*

**Trust Management**

As the number of AmeriCorps Members (Members) continues to expand, it becomes more essential for CNS to focus on implementing administrative and related procedures to manage Trust activities. The following are recommendations for enhancing administrative procedures for managing the Trust.

- We recommend CNS develop and implement standard policies and procedures to be followed by sponsoring agencies in administrating the Member process. These policies should include procedures related to ongoing activities (monitoring and reporting each Member's hours) and procedures related to processing Members who have completed their terms, including filing out the end of term forms. The policies should also describe minimum levels of documentation that agencies are required to retain in support of Member activities.
- CNS did not have an organized system of filing and retrieving Member forms. CNS filed the forms by year and sponsoring agency location and was unable to locate forms for a number of Members. We recommend CNS establish a system for organizing and filing enrollment, end of term, voucher and payment request forms. We believe a logical organization for these forms would be by Member social security number which requires establishing a file for each Member that would include all forms related to that particular Member.
- We recommend CNS establish procedures to periodically reconcile information on the VISTA personnel included in its payroll data with the VISTA Members included on the Trust Fund System. The reconciliation could be performed by reconciling the number of Members in each system or by a computerized program developed to compare data fields in each system.

**Trust Fund Database Enhancements**

The Trust Fund System database is used to record information including a Member's status and educational awards earned. Additional database fields will provide management with meaningful information to assist in decision making and in the management processes. We believe the enhancements listed below, in addition to the recommendations in the Independent Auditors' Report on the Trust Fund financial

statements for the years ended September 30, 1995 and 1994 (dated January 14, 1997), will provide useful information for management.

- Establish a field to identify funding year (1994, 1995) for each Member. Currently, enrollment date is used for determining funding year which may be incorrect in certain cases.
- Establish a field for notation of compelling circumstances when awards are adjusted. Alternatively, require an awards adjustment form be completed and approved and establish a field to provide a cross reference to this form.
- Establish separate fields for forbearance awards and educational awards for amounts earned and paid. Currently all awards are entered into the same fields.

### **Quality Control Site Reviews**

In order to improve the oversight function, the quality of the data maintained on the system, and the reports prepared for management, we recommend CNS establish a cycle of periodic site visits to sponsoring agencies. Standard procedures to be performed at each visit related to the Trust should include the following:

- Reconcile time records maintained to time reported to CNS.
- Interview AmeriCorps Members to determine whether they are providing services consistent with the program requirements.
- Review supporting documentation of educational award information for Members included on the system.
- Review of the sponsoring agencies' procedures for processing enrollments and completions.
- Review the sponsoring agencies' procedures for certifying completion forms.

### **Management Reporting**

CNS's Trust Fund System includes data fields for each Member which can be summarized into reports for management. Report formats can be designed within the system with minimal effort. We recommend management review available information

and design and implement reporting on a monthly or quarterly cycle. Examples of reports which we recommend are:

- Report of enrollment type (full time, part time) by year
- Report of drop-outs by sponsoring agency
- Report of sponsoring agency planned enrollees versus actual enrollees by funding year
- Report of awards earned in dollars and number of Members
- Report of awards paid/refunded and cancellations in dollars and number of Members
- Report of Members eligible for forbearance
- Report of forbearance interest earned and paid
- Report of Stafford loan forgiveness

### **Trust Fund System Controls**

The following are recommendations for computer enhancements to the Trust Fund System controls which will minimize the risk of incorrect or incomplete data in the database.

- Edit controls to calculate a Member's age based on data of birth and prohibit entries for awards earned for persons under age 17.
- Edit controls to prohibit entry of a social security number without a complete name and data in other key fields.
- Edit controls to prohibit earned awards without corresponding certifying officer information being entered into the system.
- Edit controls to produce a report of data changes made to enrollment, payment, and completion fields which would be approved by a person designated in the CFO office before changes are processed in the system.



In addition, we recommend CNS:

- Perform a study to determine how the Trust Fund System will interface with SPAN, and other current or future systems which CNS uses or will use, to assess operating controls.
- Perform a risk analysis which assesses control weaknesses of the Trust Fund System.
- Establish a steering committee which includes representatives from senior management, the EDP department, the CFO office, and other major user departments. This committee should be responsible for approving any changes to the system.

### **External Reporting**

CNS provides information to Congress, Members of Congress, and others which includes statistics and/or financial information relative to the Trust. This information should be accurate and supported by CNS's records for the Trust. We recommend CNS establish review and approval procedures by the CFO office relating to the accuracy of data provided to Congress and others.

### **Contributions**


CNS receives contributions from the private sector for its operations but does not have a system which identifies and documents the purpose of the contributions. CNS management determined that no 1994 and 1995 contributions were related to Trust activities. We recommend CNS establish a system to track and record contributions receivable, amounts collected, designation of purpose or use of the contribution, and spending related to the contribution to document its use. CNS should incorporate within this system a documentation of applicability of the contribution to the Trust.

## **Appendix II**

## MEMORANDUM

April 18, 1997

**TO:** Luise Jordan  
Inspector General

**FROM:** Donna H. Cunniffhame   
Chief Financial Officer

**SUBJECT:** National Service Trust Fund Audit Management Letter

The purpose of this memorandum is to respond to the draft Management Letter submitted to this organization from KPMG Peat Marwick LLP on March 19, 1997. We appreciate the opportunity to respond to this letter in its draft form so that all subsequent readers of the final document will have the opportunity to assess the significant actions undertaken by management to address these issues.

The individual audit recommendations are being addressed as follows:

### Trust Management

**Recommendation:** We recommend CNS develop and implement standard policies and procedures to be followed by sponsoring agencies in administering the Member process. These policies should include procedures related to ongoing activities (monitoring and reporting each Member's hours) and procedures related to processing Members who have completed their terms, including filling out end-of-term forms. The policies should also describe minimum levels of documentation that agencies are required to retain in support of Member activities.

**Response:** The policies and procedures provided to grantees, program administrators, state offices, and NCCC campuses vary by program. All program procedures currently include information about the recording of hours and the submission of forms. The CFO office will review these policies and procedures to ensure their adequacy and will retain a master set of all such documentation in Headquarters for ongoing administrative and control purposes.

**Recommendation:** CNS did not have an organized system of filing and retrieving Member forms. CNS filed the forms by year and sponsoring agency location and was unable to locate forms for a number of Members. We recommend CNS establish a system for organizing and filing enrollment, end-of-term, voucher and payment request forms. We believe a logical organization for these forms would be by Member social security number which requires establishing a file for each Member that would include all forms related to that particular Member.

**Response:** As outlined in our response to the audit follow-up letter dated March 7, 1997, the Corporation is currently reviewing options for improving its current filing system. As we discussed at the time, this will be done within the context of the practical and economic considerations related to such improvements. We now anticipate that review process will be completed by May 31, 1997.

**Recommendation:** We recommend that CNS establish a procedure to periodically reconcile information on the VISTA personnel included in its payroll data with the VISTA Members included on the Trust Fund System. The reconciliation could be performed by reconciling the number of Members in each system or by a computerized program developed to compare data fields in each system.

**Response:** The Corporation has recently instituted two reconciliation processes which we believe address the concerns expressed in this recommendation.

### **Trust Fund Database Enhancements**

**Recommendation:** Establish a field to identify funding year (1994, 1995) for each Member. Currently, enrollment date is used for determining the funding year which may be incorrect in certain cases. Establish a field for notation of compelling circumstances when awards are adjusted. Alternatively, require an awards adjustment form to be completed and approved and establish a field to provide a cross reference to this form. Establish separate fields for forbearance awards and educational awards for amounts earned and paid. Currently, all awards are entered into the same fields.

**Response:** Management concurs. The Trust Fund System and recent changes to it meet each of the components of the recommendation.

### **Quality Control Site Visits**

**Recommendation:** We recommend CNS establish a cycle of periodic site visits to sponsoring agencies. Standard procedures to be performed at each visit related to the Trust should include the following:

- Reconcile time records maintained to time reported to CNS.
- Interview AmeriCorps Members to determine whether they are providing services consistent with program requirements.
- Review supporting documentation of educational award information for Members included on the system.

- Review the sponsoring agencies' procedures for processing enrollments and completions.
- Review the sponsoring agencies' procedures for certifying completion forms.

**Response:** As discussed in our response to the original audit report for the Trust Fund, the Corporation is currently in the process of developing an oversight program for all of its grants. We would expect that as that program is implemented various site visits will be performed if established performance indicators suggest that such visits are appropriate. We will specifically ensure that each of the issues raised in the recommendation will be considered in the development of the program.

### **Management Reporting**

**Recommendation:** We recommend that management review available information and design and implement reporting on a monthly or quarterly cycle. Examples of reports we would recommend are:

- Report of drop-outs by sponsoring agency
- Report of sponsoring agency planned enrollees versus actual enrollees by funding year
- Report of awards paid/refunded and cancellations in dollars and number of Members
- Report of Members eligible for forbearance
- Report of forbearance interest earned and paid
- Report of Stafford loan forgiveness

**Response:** Management concurs with the need to expand the standard reports produced by the Trust System and will be doing this over the next two months. A specific plan for enhancements to the System is being reviewed and its final form will include needed management reports. The report examples provided in the recommendation will be considered in this process.

### **Trust Fund System Controls**

**Recommendations:** The following are recommendations for computerized enhancements to the Trust Fund System controls which will minimize the risk of incorrect or incomplete data in the database.

- Edit controls to calculate a Member's age based on date of birth and prohibit entries for awards earned for persons under age 17.
- Edit controls to prohibit entry of a social security number without a complete name and data in other key fields.
- Edit controls to prohibit earned awards without corresponding certifying officer information being entered into the system.
- Edit controls to produce a report of data changes made to enrollment, payment, and completion fields which would be approved by a person designated in the CFO office before changes are processed in the system.

**Response:** Management has already reviewed each of these recommendations as follows:

- In the issue of testing for a Member's age, the determination has been made that the best approach for conducting this review would be use of a report to indicate records in need of attention. However, the approach suggested in the recommendation is still being reviewed.
- For edit controls on social security number we have determined that this recommendation cannot be enacted due to the manner in which the data is entered into the Trust fund system. The social security number is scanned electronically from the enrollment form and a new record is created based upon that number. Once created, the remaining information, such as name, is typed into the record as a second step. The social security number therefore, must be scanned first before any data can be entered, so it is not possible to implement the recommendation. Management will institute compensating controls to ensure that key data fields are not blank in records where the social security number has been scanned into the system.
- On the issue of Certifying Officers, the system does not issue an award without an indication of a Certifying Official in the data field. No system change is required since the requirement already exists. Additionally, any forms that do not have the certification officer information completed are being returned to the projects for completion before processing can occur.
- The recommendation on data changes has also been reviewed. As discussed in our original response of March 7, 1997, the Corporation will be developing a Transaction Register which will provide Trust Fund management the ability to monitor transactions ensuring that they were authorized and appropriately recorded in the system. The Corporation plans to complete the development of the automated audit trail and establish control procedures by May 31, 1997 with final implementation to proceed subsequent to that date.

**Recommendation:** Perform a study to determine how the Trust Fund system will interface with SPAN and other current or future systems which the Corporation uses or will use, to assess operating controls.

**Response:** Combined with subsequent recommendation.

**Recommendation:** Establish a steering committee which includes representatives from senior management, the EDP department, the CFO office, and other major user departments. This committee should be responsible for approving any changes to the system.

**Response:** The Trust Fund System became part of SPAN as of February 26, 1997, therefore, no additional interface study is required for the SPAN component. As the Corporation implements other systems, the relationship of Trust operations to those systems will be considered by both the Senior Management Committee and the OIT Change Control Committee before any development or changes can be made to the system. Management does anticipate the creation of an executive steering committee for the IT function and we expect to create such a committee in the next two months.

**Recommendation:** Perform a risk analysis which assesses control weaknesses of the Trust Fund System.

**Response:** The Corporation has contracted with Booz, Allen and Hamilton to complete risk analysis studies on all of its automated systems. That project will get underway on May 5, 1997 and should take approximately six months to complete. The Trust Fund system is part of that effort.

### **External Reporting**

**Recommendation:** We recommend CNS establish review and approval procedures by the CFO office relating to the accuracy of data provided to Congress and others.

**Response:** The Trust Fund System combined with the VMS system represents the Corporation's database on AmeriCorps Members. Data from these systems is used by in the Corporation to meet a variety of information requests. It is neither possible nor desirable for CFO staff to review all data generated from this database to meet those demands. The CFO staff will continue to work closely with all Program and Support offices, who generate most of the reports to the Congress to ensure consistency and accuracy of the data generated where feasible. In addition, management will take measures to monitor the quality of the data in the database and will take action to correct deficiencies.

### **Contributions**

**Recommendation:** We recommend that CNS establish a system to track and record contributions receivable, amounts collected, designation of purpose or use of the contribution and spending

related to the contribution to document its use.

**Response:** Management began implementing a new process for contributions during 1996. Currently, the CFO office records all contributions received in the Corporation's general ledger gift fund and maintains a spreadsheet to track specific information at the contribution level for all gifts to the Corporation. If the Corporation should happen to receive gifts intended for the Trust, they would also be tracked using this vehicle.



MEMORANDUM



DATE: April 30, 1997

TO: Frank Beal  
Acting Chief Operating Officer

Donna H. Cunnigham  
Chief Financial Officer

FROM:  Luise S. Jordan  
Inspector General

SUBJECT: OIG Report 97-31, Recommended Improvements to National Service Trust Fund Operations

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We engaged KPMG Peat Marwick LLP to audit the Corporation's National Service Trust Fund financial statements for fiscal years 1995 and 1994 (OIG report 97-27, *Audit of the National Service Trust Fund Fiscal Year 1995 and 1994 Financial Statements*, January 15, 1997). In that report KPMG reported material weaknesses in the Trust Fund System and the Trust Fund's financial records. During the engagement, KPMG also noted other matters involving the Trust Fund's internal controls. This report discusses the conditions KPMG found and includes recommendations for corrective actions. We have reviewed the report and workpapers supporting its conclusions and agree with the findings and recommendations presented.

As required by the Corporation's Audit Follow up Directive, you must submit a Proposed Management Decision addressing these issues to this office, with a copy to the Corporation's Audit Resolution Coordinator, no later than August 8, 1997. If you have questions pertaining to this report, please contact Bill Anderson, Assistant Inspector General for Audit at (202) 606-5000, extension 395.

Attachment

c: Harris Wofford (3 copies)  
Dick Mickschl  
Mike Kenefick

1201 New York Avenue, NW  
Washington, DC 20525  
Telephone 202-606-5000

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