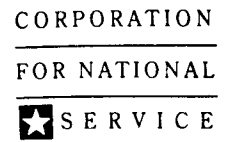

**Office of the Inspector General
Corporation for National Service**

**Review of the Corporation for National Service's
Reconciliation and Adjustment of its FY 1995
Fund Balance with the Treasury Accounts**

**Report Number 98-18
February 13, 1998**

This report is issued to Corporation 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, 1998 and complete its corrective actions by April 30, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of the Inspector General
Review of the Corporation for National Service's
Reconciliation and Adjustment of its FY 1995
Fund Balance with the Treasury Accounts



Cotton & Company, under contract to the Office of the Inspector General, performed a review of the Corporation's reconciliation of differences between the cash balances maintained on its general ledger and the balances maintained at Treasury and the documentation supporting the resulting \$12 million reduction of cash on the Corporation's accounting records.

The firm's review disclosed that the procedures employed during the reconciliation were generally adequate and support the write down of the Corporation's cash balance. However, the firm's work revealed that the Corporation excluded former Commission on National and Community Service^a appropriated funds accounted for by the General Services Administration (GSA) from the reconciliation. They also found several errors in the reconciliation. These findings, and the firm's recommendations, are discussed in the report.

We have reviewed the report and work papers supporting its conclusions and agree with the findings and recommendations presented. However, our review raised two additional issues. First, according to GSA accounting records, the former Commission's funds totaled about \$77 million as of September 30, 1995. As of September 30, 1997, the funds had been reduced to approximately \$14 million related to grants awarded by the former Commission. The exclusion of these appropriated funds from the reconciliation raises the question: *Who at the Corporation is responsible for their oversight?* OIG recommends that the Corporation review these grants and close them out as soon as possible. In addition, as discussed in our Fiscal Year 1998 Audit Plan, OIG will review the Corporation's administration and close-out of certain of these grants. Further, based on the conditions noted in this report, OIG will extend its procedures to review the expenditure and adjustment of the Commission's appropriations in recent years.

Second, while the errors found in the Cotton and Company review do not have a material impact on the net amount of the Corporation's "cash write-off," they impact its ability to properly reconcile cash at the appropriation level, and may affect the fund balances available for individual appropriations. Moreover, the number of, and dollar significance of, errors related to the posting of appropriations to the Corporation's general ledger raises questions as to the ability of the Corporation to comply with the requirements of the Antideficiency Act. OIG continues to emphasize the Corporation's need to assure that controls over the maintenance of accurate appropriations information in its accounting and other records are working effectively.

The Corporation for National Service received a draft of this report for review and response. In its response (Exhibit B), the Corporation stated that it agreed with the findings and that it will implement most of the recommendations presented in the report.

^a On December 14, 1993, the Corporation for National and Community Service established audit responsibility for all programs administered by the Corporation, as well as grants awarded by the former Commission on National and Community Service in its Office of the Inspector General.

COTTON & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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February 13, 1998

Inspector General
Corporation for National and Community Service

INDEPENDENT ACCOUNTANTS' REPORT

We applied the procedures described in Exhibit A to the Corporation for National Service's reconciliation of its Fund Balance with Treasury (Fund Balance) at September 30, 1995, and the resulting Fund Balance write-off. We have performed these procedures, which were agreed to by the Corporation's Office of the Inspector General (OIG), solely to assist the OIG in determining:

- If procedures employed during the reconciliation were adequate and fully supported the Fund Balance write-off.
- The reasonableness of the Fund Balance write-off in relation to the Fund Balance amount.
- If the Fund Balance write-off was executed in accordance with generally accepted accounting principles (GAAP) and the *Treasury Financial Manual* (TFM).

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the Corporation's OIG. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

SUMMARY OF RESULTS

Following is a summary of the results of our work with corresponding recommendations. Detailed information on the procedures we performed and the results of these procedures are presented in Exhibit A. Except for these findings, the results of our agreed-upon procedures disclosed no exceptions for the items we tested.

1. The Corporation did not include in its reconciliation \$77,025,038 held by the General Services Administration (GSA). These funds were excluded from the reconciliation, because GSA accounts for and is responsible for all Treasury reporting on these funds. The funding was to the Corporation's predecessor, the Commission on National and Community Service, for grant awards. At yearend, GSA provides a trial balance and corresponding TFS 6654 to the Corporation for its year-end reporting (Procedure 2).
2. We noted five transactions (all under \$500) on the R300 reports that appeared to be duplicates. Corporation representatives explained that they only investigated potential duplicate transactions when large dollar amounts were involved but had established no specific criteria (Procedure 3).
3. We noted that the Payment Management System spreadsheet included a \$273,161 credit erroneously identified as a double posting for a FY 1994 grant payment. The credit was prepared to correct a double posting to the general ledger of a FY 1996 payment (Procedure 8).
4. Transaction code 1062 entries transfer funds between point limits in the Trust Fund. We noted that two transaction code 1062 general ledger entries did not agree to the reconciliation worksheet. Corporation representatives explained that these were miscoded in posting to the general ledger (Procedure 10).
5. We noted that the Corporation did not include in its reconciliation two differences from its appropriation worksheet for which Treasury made correcting entries in FY 1996. As a result, the National and Community Service Act (NCSA) 1995 Treasury appropriation was overstated by \$93,118,000 and NCSA 95/96 fence Treasury appropriation was understated by \$93,118,000 (Procedure 11).
6. We noted that the adjustment column on the reconciliation spreadsheet for the August SF 224 supplemental included a \$7,423,896.91 decrease to suspense that should have been recorded as a decrease to Appropriation 9950103 on the reconciliation (Procedure 14).
7. We noted that the \$12,429,120.01 cash write-off posted on the September 30, 1997 general ledger included \$(66,535.93) attributable to Appropriation 44_0103 for FY 1990 and 1991. Because this authority had expired as of September 30, 1997, this amount should not be included in the write-off recorded at that date. The September 30, 1997, write-off is thus understated by \$66,535.93 (Procedure 16).

RECOMMENDATIONS

We recommend that the:

1. Corporation determine what GSA is doing to reconcile with Treasury the Corporation funds that it holds.
2. Chief Financial Officer establish specific thresholds for which all potential duplicate transactions will be investigated and resolved. The reconciliation worksheet and resulting Fund Balance write-off should then be adjusted as necessary.
3. Corporation revise its reconciliation and resulting Fund Balance write-off to exclude the erroneous \$273,161 grant credit. This adjustment will reduce the September 30, 1997, write-off.
4. Corporation review all transaction code 1062 entries to the general ledger for FY 1995, and record correcting entries for any miscoded postings.
5. Corporation revise its reconciliation to include the \$93,118,000 Treasury adjustments to the NCSA 1995 and NCSA 95/96 appropriations. This adjustment will have no net effect on the amount of the write-off.
6. Corporation correct the adjustment column for the August SF 224 supplemental on the reconciliation to properly reflect the \$7,423,896.91 decrease to Appropriation 9950103. The adjustment will have no net effect on the amount of the write-off.
7. Corporation revise its reconciliation and resulting Fund Balance write-off to increase the September 30, 1997, write-off by \$66,535.93.

BACKGROUND

The Corporation and its contractors (Brown & Company and Price Waterhouse LLP) began the Fiscal Year (FY) 1995 cash reconciliation in May 1996. One employee from each contractor worked full-time on this effort; in addition, several contractor and Corporation employees assisted in the reconciliation on a part-time basis. The Corporation's Chief Financial Officer approved the resulting \$12 million cash write-off on September 4, 1997.

The Corporation began its reconciliation by obtaining the Fund Balance for each of its appropriations as of the September 30, 1995, trial balance. The trial balance amounts were then adjusted for:

- **Timing differences.** FY 1995 and prior transactions recorded in the Corporation's general ledger during FY 1996 and later were identified by obtaining subsequent fiscal years' transaction reports and extracting FY 1995 transactions.

- **Unrecorded On-line Payment and Collection (OPAC) billings.** Based upon Treasury's OPAC Billing Agency Listing, OPAC transactions were identified. These transactions were matched with transactions from the Corporation's general ledger. Unmatched transactions were identified as not recorded on the general ledger.
- **Unrecorded American Express transactions.** The Corporation maintains a listing of American Express transactions that cannot be entered on the general ledger because there is no supporting documentation (e.g., receipts, travel vouchers, and so forth). The Corporation used this listing to identify all American Express payments not recorded on the general ledger.
- **Unrecorded grant disbursements.** Disbursements recorded on the Corporation's general ledger were compared to disbursements made through September 30, 1995, by the Department of Health and Human Services through its Payment Management System (PMS) on a grant by grant basis.
- **Misposted October 1995 payroll.** At September 30, 1995, an October 1995 payroll was recorded as a FY 1995 transaction. As a result, cash was erroneously credited.
- **Suspense file items.** The Corporation obtained a listing of suspense items and identified those that involved Fund Balance.
- **Expired accounts.** All expired appropriations had not been removed from Fund Balance at September 30, 1995.
- **Misposted authority transactions.** The Corporation had not accurately recorded all of its warrants and rescissions.

The adjusted September 30, 1995, trial balance amounts for each appropriation were then compared with adjusted Treasury totals. Treasury balances were adjusted for supplemental SF-224 reports submitted after FY 1995, for unrecorded OPAC billings, and for a Treasury correction of an error in recording an appropriation rescission.

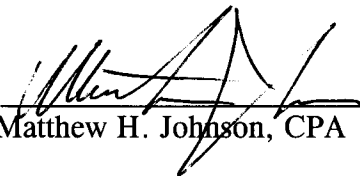
The Corporation then summarized totals by appropriation and calculated the net difference for each appropriation on its reconciliation spreadsheet. It posted a write-off to its September 1997 general ledger to eliminate the entire difference. This write-off was not posted to each of the individual appropriation accounts, but split equally among three appropriations to a contra-account for Fund Balance. The Corporation retained the documentation used in its reconciliation. We used this documentation in performing our agreed-upon procedures.

We were not engaged to, and did not, perform an audit—the objective of which would be expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We provided a draft of this report to the Corporation for comment. In its response, the Corporation agreed with all of our findings and recommendations and stated that it would implement the recommendations. The Corporation’s response is included in this report as Exhibit B.

This report is intended solely for the use of the Corporation OIG, and is not intended for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

COTTON & COMPANY, LLP

By: 
Matthew H. Johnson, CPA

PROCEDURES PERFORMED AND RESULTS

The following describes the 18 procedures we performed and results of each procedure.

1. **Procedures.** We obtained a copy of the final reconciliation spreadsheet on disk and reviewed cell formulas to determine if they were correct.

Results. All cell formulas were correct.

2. **Procedures.** We obtained the Corporation's September 30, 1995, trial balance for all internal accounting codes. We traced amounts from the trial balance to the lead reconciliation spreadsheet, reviewed amounts for accuracy, and performed procedures to determine if all Corporation funds had been included. We tied the total Corporation general ledger Fund Balance accounts to the total cash balances as of September 30, 1995, on the reconciliation spreadsheet.

Results. All amounts from the trial balance were entered correctly on the lead reconciliation spreadsheet, and all funds were accounted for. The Corporation's Fund Balance trial balance agreed with the reconciliation worksheet. This includes all Corporation funds, with the exception of \$77,025,038 held by GSA, which is not included in the Corporation's trial balance or in the reconciliation.

Corporation representatives explained that grants awarded by the former Commission on National and Community Service (Commission) were accounted for by GSA. In 1994, the Commission merged with the agency, ACTION, to become the Corporation. These awards became the responsibility of the Corporation in FY 1994. The \$77,025,038 held by GSA is funding to the Commission corresponding to grants that GSA accounts for. GSA is responsible for all Treasury reporting and Treasury sends all TFS 6653 and 6654 reports to GSA. GSA does not, however, report this Fund Balance on its financial statements. At yearend, GSA sends the trial balance and corresponding TFS 6654 to the Corporation for its year-end reporting.

3. **Procedures.** We obtained the R300 report for October through December 1995 and obtained a sample¹ of transactions with FY 1995 or earlier effective dates. We obtained the Corporation's R300 report extraction for October 1995 through July 1996, August 1996, September 1996, and November 1996. We reviewed transactions selected to ensure that all were included in the report extractions. We reviewed the report extractions to determine if they were properly summarized and the amounts accurately input onto the reconciliation spreadsheet. We selected a sample of items from the reconciliation spreadsheet, traced them back to the R300 report extractions, and reviewed amounts posted for accuracy.

¹ We used attribute sampling and the following selection criteria: Expected Errors, 0 percent; Confidence Level, 95 percent; Upper Error Limit (Tolerable Error), 5 percent; and Lower Error Limit, 0 percent.

Results. All transactions selected from the R300 report were included in the report extractions. The extractions were properly summarized, and amounts were accurately input onto the reconciliation spreadsheet. Samples selected from the reconciliation spreadsheet that we traced to the R300 report were posted accurately. We noted, however, five transactions (all under \$500) that appeared to be duplicates. Corporation representatives explained that they only investigated potential duplicate transactions when large dollar amounts were involved, but had developed no specific criteria.

4. **Procedures.** We inspected the trial balances to determine if all expired appropriations (appropriations expire 5 years after the end of their period of availability for obligation and are no longer available for payment) had been subtracted from the Corporation's September 30, 1995, balances.

Results. We identified an expired authority amount of \$1,675,362.98 at September 30, 1995 (Appropriation 44_0103). The Corporation had properly reduced its cash balance for this amount.

5. **Procedures.** We obtained the spreadsheets used to record OPAC transactions and footed and cross-footed amounts for accuracy. We obtained a sample of items from the OPAC Billing Agency Listing and determined if items were on the spreadsheet. We judgmentally selected five items from each spreadsheet (a separate spreadsheet for each billing agency was prepared) and reviewed them to determine if each item was recorded accurately from the OPAC Billing Agency Listing. Further, we conducted procedures to determine if items were either matched properly with a corresponding general ledger item or included in the total amount of items recorded on the reconciliation spreadsheet.

We obtained the R300 extract of OPAC transactions for Fiscal Years (FYs) 1994, 1995, and 1996. We selected a sample of items, and verified that they were OPAC transactions. We verified that the total of unmatched items on the spreadsheet agreed with the total of items on the reconciliation spreadsheet. We traced each OPAC entry on the reconciliation spreadsheet to the OPAC transaction spreadsheet to verify its accuracy. We verified that the Treasury appropriations were adjusted accurately on the reconciliation spreadsheet.

Results. The OPAC transaction spreadsheet was accurate. All sampled items from the OPAC Billing Agency Listing were recorded on the spreadsheet, and the five items selected from each agency agreed with the OPAC Billing Agency Listing. All items reviewed were matched properly with the general ledger or reconciliation spreadsheet, and the samples collected for FYs 1994, 1995, and 1996 were OPAC transactions.

Unmatched items on the OPAC transaction spreadsheet totaled \$254,574.01 more than the total on the reconciliation spreadsheet. The Corporation apparently identified this amount after reconciliation preparation. It deducted the amount from the \$532,175,606.75 general ledger Fund Balance per the reconciliation spreadsheet in calculating the Fund Balance write-off that it posted to the general ledger. Corporation representatives stated that they posted correcting entries of \$254,574.01 to the general

ledger in June and July 1997. We noted no exceptions when tracing each OPAC entry on the reconciliation spreadsheet to the lead OPAC spreadsheet. All Treasury appropriations were adjusted accurately on the reconciliation spreadsheet.

6. **Procedures.** We obtained the schedule of American Express (AMEX) transactions not entered into the general ledger and footed and cross-footed amounts for accuracy. We selected a sample of AMEX transactions recorded as unposted to determine if they were also not recorded on the general ledger R300 report. We performed procedures to determine if the total for unposted AMEX transactions agreed with the amount entered on the reconciliation spreadsheet by appropriation.

Results. The AMEX spreadsheet was accurate. Transactions recorded as unposted were not recorded in the general ledger as of September 30, 1995, and the total for unposted AMEX transactions agreed with the amount entered on the reconciliation spreadsheet.

7. **Procedures.** We reviewed the September 1995 payroll paid in October to determine if it was recorded as a credit to Fund Balance on the September 1995 general ledger. We performed procedures to determine if the general ledger amount agreed with the National Finance Center (NFC) amount.

Results. The September 1995 payroll paid in October was recorded as a credit to Fund Balance on the September 1995 general ledger. The NFC portion of the accrued payroll totaled \$1,493,261.60, which is within two percent of the \$1,511,211.96 paid per the NFC abstract of transactions report for the referenced schedule number in October 1995.

8. **Procedures.** We obtained the Department of Health and Human Services (HHS) Payment Management System (PMS) spreadsheet and footed and cross-footed it to determine mathematical accuracy. We selected a sample of items from this spreadsheet, traced each back to the PMS, and performed procedures to determine if transactions were recorded correctly on the spreadsheet. We selected a sample of grant disbursements from the PMS and traced each either to the HHS PMS spreadsheet or to the R300 report (indicating that the payment was properly posted to the general ledger). We performed procedures to determine if amounts were posted correctly to the reconciliation spreadsheet and if the reconciliation spreadsheet total agreed with the HHS PMS spreadsheet total.

Results. The HHS PMS spreadsheet was mathematically accurate and agreed with the reconciliation spreadsheet. With respect to PMS disbursements:

- We tested eight items from the HHS PMS spreadsheet back to PMS and noted no exceptions. We noted, however, that the PMS spreadsheet included a \$273,161 credit to Grant No. 94ADNAR002 in FY 1994. The credit was prepared to correct a double posting to the general ledger of a FY 1996 payment. The Corporation erroneously identified this

credit as a FY 1994 error when preparing its reconciliation. The \$273,161 credit does not relate to FY 1994 and should not be included in the reconciliation. The total PMS adjustment is thus understated by \$273,161.

- We tested FY 1995 disbursements for eight grants from PMS to the general ledger and the HHS PMS spreadsheet and noted no exceptions.

9. **Procedures.** We obtained the November 6, 1996, suspense report and performed procedures to determine if all FY 1995 and prior-year items that should be included on the reconciliation spreadsheet had been included and input correctly by appropriation. We obtained a September 30, 1997, suspense report and reviewed it to determine that no FY 1995 and prior-year items effecting Fund Balance were in suspense.

Results. All FY 1995 and prior-year items were input correctly on the reconciliation spreadsheet. No FY 1995 or prior-year items were included on the September 30, 1997, suspense report.

10. **Procedures.** We reviewed all transaction code 1062 entries to determine if they were correctly recorded on the reconciliation spreadsheet.

Results. Transaction code 1062 transfers money between point limitations in the Trust Fund (IACs 960 through 966). Point limitations follow:

IAC	Point Limit	Description
960	.00	Cash for Awards
962	.02	Interest
963	.03	Funds from OMB
964	.76	Discounts
965	.88	Purchase of Investments
966	.98	Redemptions

The reconciliation spreadsheet records adjustments to IACs 960, 963, and 965. We determined that IAC 960 entries agreed to supporting transaction detail. Transaction detail for IAC 963 and IAC 965 entries did not agree to the reconciliation worksheet as follows:

	Reconciliation Spreadsheet	Transaction Detail
IAC 963	\$190,619,000.00	\$149,958,999.90
IAC 965	\$185,595,030.81	\$165,803,558.20

A Corporation representative explained that this was because there were errors in coding the transaction detail to the general ledger. This misposting does not impact the September 30, 1995, write-off.

11. **Procedures.** We obtained Corporation appropriation legislation and copies of warrants and rescissions for FYs 1994 and 1995, and performed procedures to determine if entries were made into the general ledger for each. We also reviewed entries not recorded in the general ledger to determine if they were recorded correctly on the reconciliation.

Results. The Corporation did not provide the supporting documents for the following warrants, rescissions, and transfers posted to its appropriation worksheet²:

\$ 5,000,000	[IAC 200/94-95]
\$ 4,251,000	[IAC 963]
\$(4,251,000)	[IAC 100/94]
\$ 3,800,000	[IAC 300/94-95]

All Corporation entries from the appropriation worksheet were recorded to the general ledger. We noted that the Corporation identified two differences in its appropriation worksheet for which correcting entries were made in FY 1996. These corrections, however, were not recorded on the reconciliation worksheet. The corrections were (1) the Treasury balance for the NCSA 1995 appropriation (IAC 200/95) was overstated by \$93,118,000 and (2) the Treasury balance for the NCSA 95/96 appropriation (IAC 299/95-96) was understated by \$93,118,000. These entries should have been posted to the reconciliation spreadsheet as reconciling amounts.

12. **Procedures.** We obtained the September 30, 1995, forms TFS 6654 and 6655 for all Corporation funds and traced amounts to the reconciliation spreadsheet. We performed procedures to determine if the reconciliation spreadsheet total agreed with the U.S. Treasury balance.

Results. Fund Balances on forms TFS 6654 and 6655 agreed with the Corporation's reconciliation spreadsheet, and total U.S. Treasury balances agreed with the reconciliation spreadsheet total.

13. **Procedures.** We reviewed U.S. Treasury corrections on the reconciliation spreadsheet to determine if they agreed with supporting documentation provided to the Corporation by U.S. Treasury.

² In its response to the draft report, the Corporation stated that entries for the \$4,251,000 were not for appropriations, but were transfers between accounts to correct erroneous entries. We have, therefore, revised the report to recognize that these amounts were transfers rather than appropriations.

Results. Corrections were made accurately on the reconciliation spreadsheet (see No. 14 below).

14. **Procedures.** We reviewed the adjustment for the August SF 224 supplemental to determine if it was entered correctly by tracing amounts from the supplemental to the reconciliation worksheet. We also reviewed documentation forwarded by Treasury.

Results. The adjustment for the August SF 224 supplemental was entered correctly, except as follows:

- The adjustment column does not include adjustments of \$3,184,000 and \$873,000 to Appropriation 95X8267, NCSA Trust Fund. The Corporation erroneously reported these amounts to Treasury on the SF 224 supplemental. Documentation sent by Treasury indicated that Treasury had recorded these adjustments prior to August 1996. Treasury did not, however, record these two adjustments by September 30, 1995, and the adjustments must be included in the reconciliation. These amounts were posted in the adjustment column to suspense rather than Accounts 95X8267.88 and 95X8267.98, respectively. The amounts posted in Column V (Treasury Correction of Corporation Report) reclassify the adjustments from suspense to Accounts 95X8267.88 and 95X8267.98. The net effect of this discrepancy on the write-off thus is zero.
- The adjustment column recorded a \$7,423,896.91 increase to Appropriation 44X6201 and a decrease to suspense. This transaction was reported on the September 30, 1996, SF 224 and not in the August SF 224 supplemental. In addition, the decrease reported on the SF 224 was to Appropriation 9950103. The decrease should have been recorded to Appropriation 9950103 on the reconciliation. The net effect on the write-off is zero.

15. **Procedures.** We traced the U.S. Treasury correction-of-rescission entry on the reconciliation spreadsheet to the Undisbursed Appropriation Account Ledger (TFS 6653) at September 1995 and March 1996.

Results. The correction-of-rescission entry agreed with Treasury-provided documentation.

16. **Procedures.** We reviewed the accounting entry for the amount written off to determine if it was consistent with GAAP. We traced the reconciled amount to the FY 1995 Corporation financial statements and performed procedures to determine if the reported amount agreed with the reconciled amount.

Results. The Corporation wrote off \$12,429,120.01 by crediting Fund Balance (using a Fund Balance contra-account) and debiting Prior Period Adjustment on the September 30, 1997, general ledger. The write-off was thus posted as a prior period adjustment in accordance with GAAP. The Corporation calculated the write-off amount as follows:

Difference per reconciliation spreadsheet	\$13,345,182.61
Additional OPAC to be entered on spreadsheet	(254,574.01)
Remittance of unused funds to be entered on spreadsheet and general ledger	(661,443.71)
Correction to be entered on spreadsheet and general ledger	<u>(44.88)</u>
Amount written off	<u>\$12,429,120.01</u>

We noted, however, that the \$13,345,182.61 difference included \$(66,535.93) attributable to Appropriation 44_0103 for FYs 1990 and 1991. Because this authority had expired as of September 30, 1997, this amount should not be included in the write-off recorded at that date. The September 30, 1997, write-off is thus understated by \$66,535.93.

The cash reported on the Corporation's September 30, 1995, financial statements was \$595,865,863.33. Following is the reconciliation of the \$63,690,256.58 difference between this amount and the adjusted cash balance per the reconciliation of \$532,175,606.75:

Commission cash (held by GSA)	\$77,025,038.00
Imprest fund	10,000
Trust fund difference	401.19
Difference per reconciliation spreadsheet	<u>(13,345,182.61)</u>
Total	<u>\$63,690,256.58</u>

17. **Procedures.** We interviewed Corporation staff to determine if they were conducting the ongoing cash reconciliation, obtained written cash reconciliation policies, and reviewed policies to determine if they address the timeliness of reconciliation. We inspected the actual FY 1996 and 1997 reconciliation. We attempted to review the most recent reconciliation to determine when it was performed and if it followed written policies.

Results. The Corporation is performing cash reconciliations for FYs 1996 and 1997. Much of the data have been input and researched, but prior-year items are still being identified, thus reducing the difference between Corporation and Treasury amounts. Corporation representatives stated that they will continue to do this as long as prior-year items are identified. The Corporation conducts a transaction code review (e.g.,

OPAC transactions, AMEX transactions, and so forth) every month to verify that transactions are properly posted, but, as of the end date of our fieldwork, has not done an encompassing review of the Fund Balance for FY 1998.

Five service centers process certain portions of the reconciliation. We were unable to review these to determine if they are following written procedures.

18. **Procedures.** We obtained a management representation letter from Corporation management.

Results. Corporation management provided the requested representations acknowledging its responsibility for the fair presentation in the financial statements of Fund Balance in conformity with generally accepted accounting principles and for following *Treasury Financial Manual* guidelines.

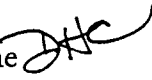
Exhibit B

Corporation's Response to Draft Report

MEMORANDUM

DATE: April 29, 1998

TO: Luise Jordan
Inspector General

FROM: Donna H. Cunnigham 
Chief Financial Officer

SUBJECT: OIG draft report 98-18: Review of the Corporation for National Service's Reconciliation and Adjustment of its FY 1995 Fund Balance with Treasury Accounts.

The purpose of this memorandum is to respond to the draft report on the Corporation for National Service's Reconciliation and Adjustment of its FY 1995 Fund Balance with the Treasury Accounts prepared by Cotton & Company. Thank you for the opportunity to review and respond to the 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 recommendations are being addressed as follows:

1. Corporation determine what GSA is doing to reconcile with Treasury the Corporation funds that it holds.

Agree.

The Corporation did not include in the reconciliation \$77,025,038 held by the General Services Administration (GSA). Based on documentation sent by GSA, the NEAR system trial balances and the Standard Forms 220 - 223, the fund balances were in agreement with Treasury's accounts. Based on this documentation, the Corporation had no reason to include the GSA funds in the reconciliation. At September 30, 1997, the fund balances were still in agreement with Treasury which was verified by the comparison of the GSA NEAR trial balance and the Treasury trial balance, TFS 6654.

2. Chief Financial Officer establish specific thresholds for which all potential duplicate transactions will be investigated and resolved. The OIG further recommended that the reconciliation worksheet and resulting Fund Balance write-off should then be adjusted as necessary.



Agree.

A specific threshold will be established for potential duplicate transactions to be investigated and resolved. Because of the large volume of transactions extracted from the R300 reports, only those transactions with a high dollar value were researched. High dollar transactions were researched based on the professional judgment of the Corporation's representatives.

3. Corporation revise its reconciliation and resulting Fund Balance write-off to exclude the erroneous \$273,161 grant credit. This adjustment will reduce the September 30, 1997 write-off.

Agree.

The Corporation's Payment Management System (PMS) worksheet included a \$273,161 credit for grants that did not relate to FY1994 and should not have been included in the reconciliation. The worksheet and the general ledger will be adjusted for the PMS credit by April 30, 1998.

4. Corporation review all transaction code 1062 entries to the general ledger for FY 1995 and record correcting entries for any miscoded postings.

Agree.

The transaction code 1062 entries that transferred funds between the points in the Trust Fund were erroneously posted to the general ledger due to errors in the coding of documents. These errors were subsequently corrected in the general ledger and were shown to the Cotton & Company personnel, but had not been included in the worksheet. The transfer amounts will be corrected in the worksheet by April 30, 1998.

5. Corporation revise its reconciliation to include the \$93,118,000 Treasury adjustment to the NCSA 1995 and NCSA 95/96 appropriations. This adjustment will have no net effect on the amount of the write-off.

Agree.

The reconciliation worksheet did not include the two differences of \$93,118,000 that were identified in the analysis of warrants and rescissions. The entries to decrease the National and Community Service Act (NCSA) appropriation for 1995 and increase the NCSA appropriation for 95/96 will be performed by April 30, 1998.

6. Corporation correct the adjustment column for the August SF224 supplement on the reconciliation to properly reflect the \$7,423,896.91 decrease to Appropriation 9950103. The adjustment will have no net effect on the amount of the write-off.

Agree.

On the reconciliation worksheet, an adjustment for the August SF224 supplemental to Treasury did not include a decrease in the Domestic Volunteer Service Act (DVSA)

9950103 appropriation of \$7,423,896.91. This amount was erroneously posted to the suspense account. The correction of this error will be made on the reconciliation worksheet by April 30, 1998.

7. Corporation revise its reconciliation and resulting Fund Balance write-off to increase the September 30, 1997 write-off by \$66,535.93.

Agree.

The cash write-off of \$12,429,120.01 does include an amount of \$66,535.93 from the DVSA appropriation 44-0103 for FYs 1991 and 1990. These funds would have been available as of September 30, 1995. However, at September 30, 1997, those appropriation years would have expired, and would not have been available in posting the cash write-off. We will increase the write-off amount by \$66,535.93 by April 30, 1998.

Other items noted in Exhibit A:

7. Issues of the October 1995 payroll.

The \$1,493,261.60 was the amount of payroll posted to the general ledger in October of 1995. Because this amount was the amount posted, it was used to make the adjustment. The 2% difference between what we had extracted and what the NFC abstract of transactions report indicates, as noted by Cotton & Company, amounts to \$17,950.36. We will research this difference to determine why these items were not extracted from the R300 reports when the remaining portion of the payroll was extracted.

11. Issue of warrants and rescissions for FYs 1994 and 1995.

In exhibit A of the memorandum, it was indicated that during Cotton and Company's review of the warrants and rescissions for FYs 1995 and 1994, supporting documentation could not be located. The supporting documentation for the 1994/1995 NCSA appropriation for \$5,000,000 and the 1994/1995 Emergency Supplemental appropriation for \$3,800,000 is available for review. The entries for \$4,251,000 were not appropriations. These entries were the result of an erroneous transfer of funds from the 1994 DVSA appropriation to the Trust account. The transfer of funds should have been from the NCCC activity in the NCSA appropriation. This error has been corrected at Treasury to replenish the DVSA appropriation. Therefore, there will not be a warrant or rescission for this amount.

The net result of the recommended adjustments to the cash reconciliation write-off is \$12,222,494.94, which is the difference of \$206,625.07 (less than 2%) from the actual write-off amount of \$12,429,120.01.