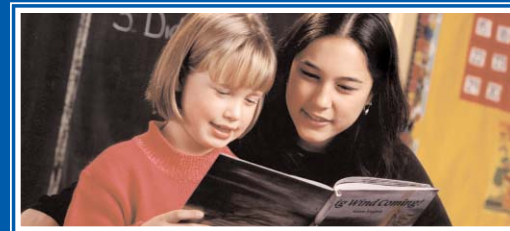


Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Fiscal Year 2008



Improve lives, strengthen communities, and foster civic engagement through service and volunteering

Purpose of the Report

This Annual Financial Report (AFR) represents an overall assessment of agency performance, including the financial reports and audit and follows reporting requirements under the Office of Management and Budget (OMB) Pilot Performance and Accountability Report (PAR) process. Other accompanying information to address the specialized information needs of some readers, are provided electronically at: www.nationalservice.gov/about/role_impact/performance.asp. A more detailed performance assessment will be provided in the Fiscal Year (FY) 2010 Congressional Budget Justification/Annual Performance Report, as specified in the OMB Pilot PAR process, and will be available at this same web address. The agency also will provide a Budget, Performance and Financial Snapshot Report in December 2008 and a Citizen's Report in January 2009—additional requirements under the PAR Pilot that provide key performance and financial information from the AFR in a more accessible format for a broader audience.

This document meets all requirements under the Government Performance and Results Act, the Federal Financial Management Improvement Act, the Federal Managers' Financial Integrity Act, the Government Corporation Control Act, the Improper Payments Information Act, and the Federal Information Security Management Act, among others. This document also follows applicable guidance from OMB, as well as the recommendations of the Association of Government Accountants' Certificate of Excellence in Accountability Reporting program.



1201 New York Avenue, NW
Washington, DC 20525
202-606-5000 (202-565-2799 TTY)
info@cns.gov
nationalservice.gov

HOW TO SERVE

If you are interested in joining or learning more about Corporation programs, go to nationalservice.gov. Under the “For Individuals” menu, click on “Join Now” to discover which opportunity is right for you.



SENIOR CORPS
seniorcorps.gov



AMERICORPS
americorps.gov



LEARN AND SERVE AMERICA
learnandserve.gov

An electronic copy of this report is available on the web at:
www.nationalservice.gov/about/role_impact/performance.asp

This report is in the public domain. Authorization to reproduce it in whole or in part is granted. The citation should be: Corporation for National and Community Service FY 2008 Annual Financial Report, Washington, DC, 2008.

To request a printed copy of this report, obtain this report in a format that is accessible to individuals with disabilities or provide any feedback regarding this report, please contact the Office of the Chief Financial Officer on (202) 606-5000 or at the address noted above.



Message from the **CHIEF EXECUTIVE OFFICER**

NOVEMBER 14, 2008

The Corporation for National and Community Service (the Corporation) is pleased to present our Fiscal Year (FY) 2008 Annual Financial Report, a summary our performance and financial condition in relation to our mission and goals. The FY 2008 Annual Report forms a portion of the agency's Performance and Accountability Report .

Over the past five years, working in collaboration with the Board of Directors, we set a new strategic direction for the Corporation. First, we emphasized the need to improve the internal operations of the Corporation - from the financial systems to grant competition integrity. Building on this strong base, we then successfully outlined and set the vision for long term volunteering and service sector success, connecting the work of the Corporation with the work of the larger national service sector as outlined in the Corporation's Strategic Plan, which can be found at: www.nationalservice.gov/about/focus_areas/index.asp

Looking forward to FY 2009, the Corporation and the national service movement enjoy tremendous momentum at a time when the nation is facing the toughest social problems in decades. From the high school dropout crisis to natural disasters and the stresses of a downward-turning economy to homelessness, Americans are looking for solutions. Buoyed by strong parallel waves of engagement in both the youth and baby boomer generations and the growth of entrepreneurialism in the social sector, the Corporation and the national service movement stand ready to help meet the needs and the desires of millions of Americans across our nation to serve and solve America's most difficult challenges.

CORPORATION MISSION AND PERFORMANCE

The mission of the Corporation is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. Through the Corporation's programs, its far-reaching research and a growing understanding of volunteering best practices, the agency has become the number one catalyst for service and volunteering in the country. The Corporation's Strategic Plan provides a blueprint for using the Corporation's resources wisely to work with our thousands of partners - large and small - to build a culture of citizenship, service and responsibility in America.

Over the last several years, we have articulated bold national goals associated with our strategic initiatives. While there have been achievements, the Corporation has faced difficulties in meeting all of the agency's national targets. We recognize that performance in these areas must improve and we will continue our efforts to increase the effectiveness of the Corporation's programs and data tracking processes related to our national goals.

For targets within the direct influence of the Corporation, our long term target data is more aligned with our actual performance. In 2007, the number of children and youth from disadvantaged circumstances serving in their communities in Corporation-sponsored programs saw a 43 percent increase from 2006 - far exceeding the target. Similarly, the number of college students serving in Corporation-sponsored programs increased by 84 percent from 2006 to 2007.

¹This document, under a pilot project directed by the Office of Management and Budget, is supplemented with the Annual Performance Report in conjunction with the FY 2010 Congressional Budget Justification.

We set a national target of 75 million volunteers when the strategic plan was developed in 2006. And while our highest mark to date is 65 million volunteers in 2005, our current figure of just under 61 million remains historically high. We continue to believe the 75 million volunteers figure is a useful and appropriate target.²

CORPORATION MANAGEMENT

Under Executive Order 13331 (February 2004), the President directed the Corporation to strengthen our national service programs' responsiveness to state and local needs; partner with more faith-based and community organizations; support more community volunteers; and, increase our efficiency and management effectiveness. With the Board's support, the Corporation fully achieved each of these objectives.

In addition to the directives of Executive Order 13331 the Corporation also made some significant management improvements:

- » Achieved an unqualified audit opinion for the ninth consecutive year
- » Raised Customer Satisfaction survey scores from below to above the government-wide average in all programs.
- » Developed a better understanding of volunteering behavior at the local level through strong research.
- » Revitalized the workforce and employee morale through greater transparency between management and bargaining unit employees and implementation of a performance management system that provides a detailed assessment of both employees and supervisors.

These, and many other accomplishments outlined in the report, have helped to make the Corporation more efficient and effective. Over the past several years, the Corporation has taken broad steps toward a greater online presence to achieve greater programmatic and administrative efficiencies. In FY 2008, we identified several areas in which we need to strengthen the Corporation's current IT structure following the upgrading of several systems. We have been working with our Office of Information Technology and the Programs to address outstanding issues, while driving higher levels of reliability and customer service through our applications.

The accomplishments of the agency reflect a well-managed, fully-accountable organization. The Corporation moves into the transition with a high-performing workforce, competitive grant competitions based on integrity and impact, and a commitment to continue to improve performance by linking strategic and operational goals.



David Eisner
Chief Executive Officer

²In September 2008, the Corporation's Board of Directors, following a careful review of the data, adjusted several measures to more accurately reflect the data measured through the Census and the Corporation's programs. Therefore, numbers reflected in this document will be different (as identified by footnotes) than figures reported previously in the Congressional Budget Justification and Annual Financial Reports.

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS	1
AGENCY OVERVIEW	3
MISSION PERFORMANCE	9
MANAGEMENT PERFORMANCE	19
FINANCIAL MANAGEMENT	23
MESSAGE FROM THE DEPUTY CHIEF FINANCIAL OFFICER	25
INTERNAL CONTROL, AUDIT RESULTS, AND MANAGEMENT ASSURANCES	26
IMPROPER PAYMENTS	
FINANCIAL MANAGEMENT METRICS	
ANALYSIS OF APPROPRIATIONS AND FINANCIAL CONDITION	28
FINANCIAL STATEMENTS, NOTES, AND AUDITS	
GLOSSARY	29

OTHER ACCOMPANYING INFORMATION AVAILABLE ONLINE

(Available on the web at: www.nationalservice.gov/about/role_impact/performance.asp)

DONATIONS AND CONTRIBUTIONS
NATIONAL SERVICE TRUST
HISTORY, LEGISLATION AND FUNDING
THE CORPORATION'S PERFORMANCE MANAGEMENT SYSTEM

A photograph of three students, two women and one man, looking intently at a document or book. The man is on the left, and the two women are in the center and right. They are all wearing blue jackets. The background is blurred, suggesting an outdoor setting. A blue horizontal band is overlaid on the bottom half of the image, containing the text and stars.

Management's Discussion and Analysis



PERFORMANCE AND ACCOUNTABILITY REPORT PILOT

For FY 2008, the Corporation chose to produce an alternative to the consolidated Performance and Accountability Report (PAR), as authorized under the Office of Management and Budget's Pilot Program. The alternative includes this document (the Annual Financial Report [AFR]), the agency's forthcoming FY 2008 Annual Performance Report (APR)-a component of the FY 2010 Congressional Budget Justification (CBJ) to be provided in February 2009, the Budget, Performance and Financial Snapshot Report provided in December 2008 and the Citizen's Report provided in January 2009. These documents will be available on the Corporation's website at:

http://www.nationalservice.gov/about/role_impact/performance.asp. The Corporation anticipates that this pilot approach will improve its performance reporting by providing the most commonly sought information in the AFR and CBJ/APR, with web links for the aspects of its reporting that may be of special interest to a certain audiences. This pilot process enables the Corporation to reflect data available in January 2009 on its FY 2008 performance in the APR.

DATA VALIDITY

The Corporation's performance measures are derived from two sources - our grantees and other federal agencies. No matter the source, the Corporation provides financial and performance data that is complete and reliable, except where specifically noted. In FY 2008, the Corporation continued its efforts to improve data collection across all programs, which resulted in improvements in data availability and data quality. The agency continued to make improvements in our grantee monitoring and in the Performance Measurement Database System, which is used to track, document, and connect national, Corporation, program and operational metrics.

The Corporation faces data reporting challenges primarily related to when data available. Corporation grantees report data in December/January; thus, data for a given fiscal year, with the exception of selected management measures, is not available until after the publication of this document. Moreover, due to the timing of the collection and release of data needed from other federal agencies (e.g., the Census Bureau), the Corporation is unable to report on performance for most of our national measures until September of the following fiscal year. As a result, actual FY 2008 performance data for most national and Corporation measures is not included in the AFR, but will be included, to the extent possible, in all subsequent required reports related to the PAR Pilot



Agency Overview

The Corporation for National and Community Service (the Corporation) provides volunteer service opportunities to over three million Americans each year; promotes volunteering in communities throughout the country, and helps nonprofit organizations to engage volunteers effectively. In doing so, the Corporation provides necessary, cost-effective, caring, and compassionate volunteer services to improve the lives of the nation's neediest citizens and communities.

In FY 2008, The Corporation received an appropriation of about \$856 million, a decrease of roughly \$29 million or 3.3 percent from the prior year. For more information on the Corporation's history, legislation and funding, please visit: www.nationalservice.gov/about/role_impact/performance.asp

STRATEGIC GOALS

To achieve its mission, the Corporation works through its Senior Corps, AmeriCorps, and Learn and Serve American programs, as well as a number of smaller grant programs and special initiatives to achieve the following strategic goals:

- » **Meet Critical Needs in Local Communities Through Service:** Services provided by participants in Corporation programs help meet a broad range of the nation's educational, environmental, and other human needs;
- » **Strengthen the Capacity of Communities to Engage Citizens:** All Corporation programs help nonprofit organizations, public agencies, educational institutions, and volunteer connector organizations to build their capacity to engage citizens in service and strengthen the community's ability to meet local needs; and
- » **Engage Americans in a Lifetime of Volunteering and Service:** The Corporation helps to create an ethic of responsibility and citizenship by providing meaningful service opportunities for individuals of all ages and backgrounds.

STRATEGIC INITIATIVES

In February 2006, the Corporation adopted a Strategic Plan for FY 2006-FY 2010 (www.nationalservice.gov/about/focus_areas/index.asp). Incorporating input from hundreds of people and organizations in the nonprofit volunteer sector, the plan embraced a set of ambitious but achievable goals based on the data available at the time. The plan also was centered on a national vision that a better future for all Americans includes a widespread culture of service.

The plan identifies five key strategic initiatives that reflect emerging demographic, social, and economic trends—trends that pose both challenges and opportunities for the nation: (The relationships of these initiatives to the agency's strategic goals are described in Table 1.)

- » **Mobilize More Volunteers.** Increase the overall number of volunteers and the intensity of volunteering;
- » **Ensure a Brighter Future for All of America's Youth.** Provide mentors to disadvantaged youth and to engage such youth in service;
- » **Engage Students in Communities.** Increase volunteering among all students from kindergarten through college and to expand the use of service-learning in schools;
- » **Harness Baby Boomers' Experience.** Expand volunteering among Baby Boomers and to provide frail elderly people with help to remain living independently; and
- » **Support Disaster Preparedness and Response.** Build national, state, and local disaster response capacity to use volunteers.

The Corporation's Board of Directors approves the agency's strategic plan, performance measures, and corresponding targets. The Board periodically reviews the agency's performance against the targets and determines actions necessary to improve agency outcomes. Such actions may include modifying agency priorities, measures, and targets.

The Strategic Plan also identifies "Sustain Management Excellence" as one of the Corporation's key goals and puts forth a number of operational goals and strategies for improving virtually all areas of internal management and customer service for the agency's stakeholders. The agency's full strategic plan is available at: www.nationalservice.gov/about/focus_areas/index.asp

Table 1. Contributions of each strategic initiative to the strategic goals

STRATEGIC GOALS	STRATEGIC INITIATIVES				
	Mobilize More Volunteers	Ensure a Brighter Future for All of America's Youth	Engage Students in Communities	Harness Baby Boomers' Experience	Support Disaster Preparedness and Response
Meet Critical Needs in Local Communities Through Service	Empower local citizens to meet their own communities' most pressing needs through effective volunteer engagement and management	Improve the circumstance and prospects for disadvantaged youth through mentoring an engaging disadvantaged youth in service	Turn students into a key resource to meet the most pressing needs of the communities in which they live	Utilize the large Boomer population as a major asset in responding to communities' most pressing needs, particularly needs exacerbated by the aging of the population	Mobilize national service participants and volunteers to help communities prepare for disasters and to recruit, manage, and coordinate otherwise unaffiliated volunteers in immediate relief efforts and long-term community recovery
Strengthen the Capacity of Communities to Engage Citizens	Provide volunteer management support, best practices, and partnerships to dramatically expand community capacity to recruit, manage, and retain volunteers.	Build the capacity of communities across America to recruit, train, match and support millions of mentors and to engage and support millions of disadvantaged youth in service	Strengthen the connection and natural alliance between key community organization and institution, and the local school and students, and focus on a school goal of creating more connected, engaged citizens	Expand nonprofit capacity to engage, manage, and retrain Baby Boomer volunteers	Build the capacity of communities to respond to disasters rapidly and effectively by strengthening partnerships among state, local, and national governments, nonprofits, and profit-making organizations
Engage Americans in a Lifetime of Volunteering and Service	Promote service as a regular part of all Americans' lives	Make mentoring the epitome of ongoing, engaged service, and support the transition from episodic volunteering to committed mentoring	Maximize the opportunities for student service and service-learning to become the "on-ramp" to a lifetime of civic engagement for young Americans	Attract Boomers to service now so that they will stay engaged as they pass the traditional age of retirement and reaffirm the importance of civic engagement to subsequent generations	Develop disaster preparedness and response resources and inventories to enable immediate disaster response and long-term recovery

ORGANIZATION

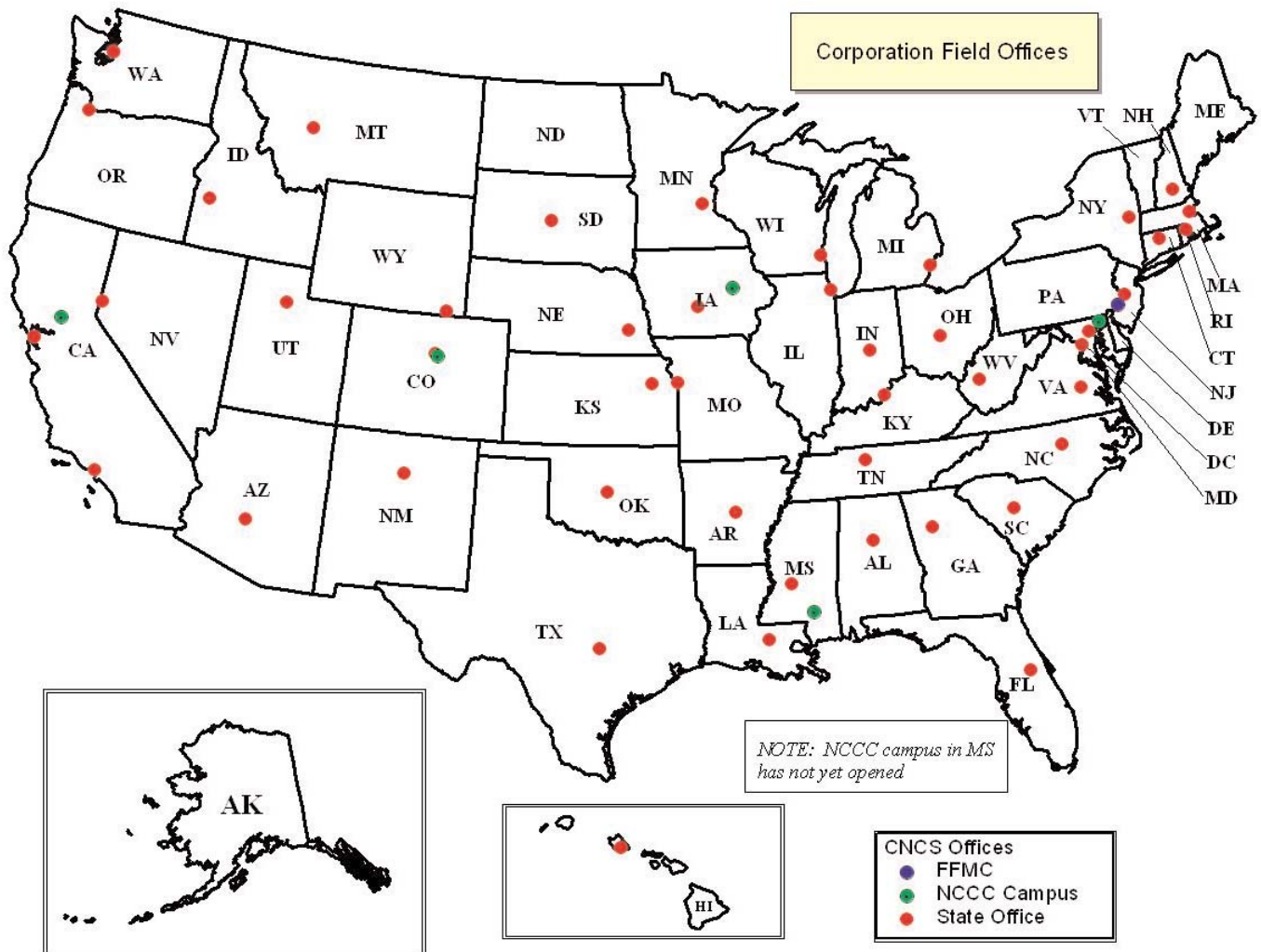
Headquartered in Washington, D.C., the Corporation is an independent federal agency with a Board of Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Inspector General (IG) - all of whom are appointed by the President and confirmed by the Senate. In addition, the Corporation has a Chief Operating Officer (COO) who manages the agency's programs. The CEO provides overall management of the agency's programs and operations, including about 560 employees who work throughout the United States

and its territories. The Board of Directors sets policies and direction for the Corporation and is responsible for all actions taken by programs and initiatives necessary to carry out the mission of the Corporation. Field offices in nearly every state conduct public outreach and program support and are directly responsible for developing grants and projects and for overseeing all Senior Corps and VISTA projects in their states. The Corporation's structure also includes five National Civilian Community Corps (NCCC) campuses and one Field Financial Management Center.

The agency also works through state-sponsored organizations:

- » **State Service Commissions** receive Corporation funding to support AmeriCorps programs through annual grant competitions and manage, monitor, and evaluate these programs. The Commissions also encourage volunteering in their states and often administer special volunteer initiatives and community-based service-learning programs.
- » **State Education Agencies (SEAs)** receive formula-based funds from Learn and Serve America. Most of the funds are distributed by sub-grants to schools and school districts that work with one or more community partner organizations to create service-learning projects that meet community needs and support the development of students' academic, civic, and social skills.

Below is a map of Corporation State and field offices



PROGRAMS

The Corporation operates three major sets of programs—Learn and Serve America, AmeriCorps, and Senior Corps—and a number of smaller programs and activities. These programs are united in a common purpose: engaging citizens in volunteering to improve their communities. For more information about these programs, please visit:

www.nationalservice.gov/about/programs/index.asp.

Learn And Serve America

Learn and Serve America supports service-learning activities in schools, colleges, and community organizations, annually helping more than one million students from kindergarten through college to meet community needs, while improving their academic skills and learning the importance of good citizenship.

AmeriCorps

AmeriCorps is a network of national service programs that meet critical needs in areas such as education, public safety, health, and the environment through partnerships with nonprofit organizations such as faith-based and community-based organizations, colleges and universities, state and local governments, and other organizations. AmeriCorps members earn an education award upon completion of their service of up to \$4,725 to help finance their education. AmeriCorps includes three programs:

- » National Civilian Community Corps (NCCC) engages men and women ages 18-24 in a full-time, team-based, residential program as well as operates a Summer of Service program for those as young as 14, to provide flexible response capabilities to meet community needs;
- » State and National provides grants to nonprofit, public, and other organizations to engage Americans of all backgrounds in service to address community needs; and
- » Volunteers in Service to America (VISTA) provides full-time volunteers to community organizations to help create and expand anti-poverty programs.

Senior Corps

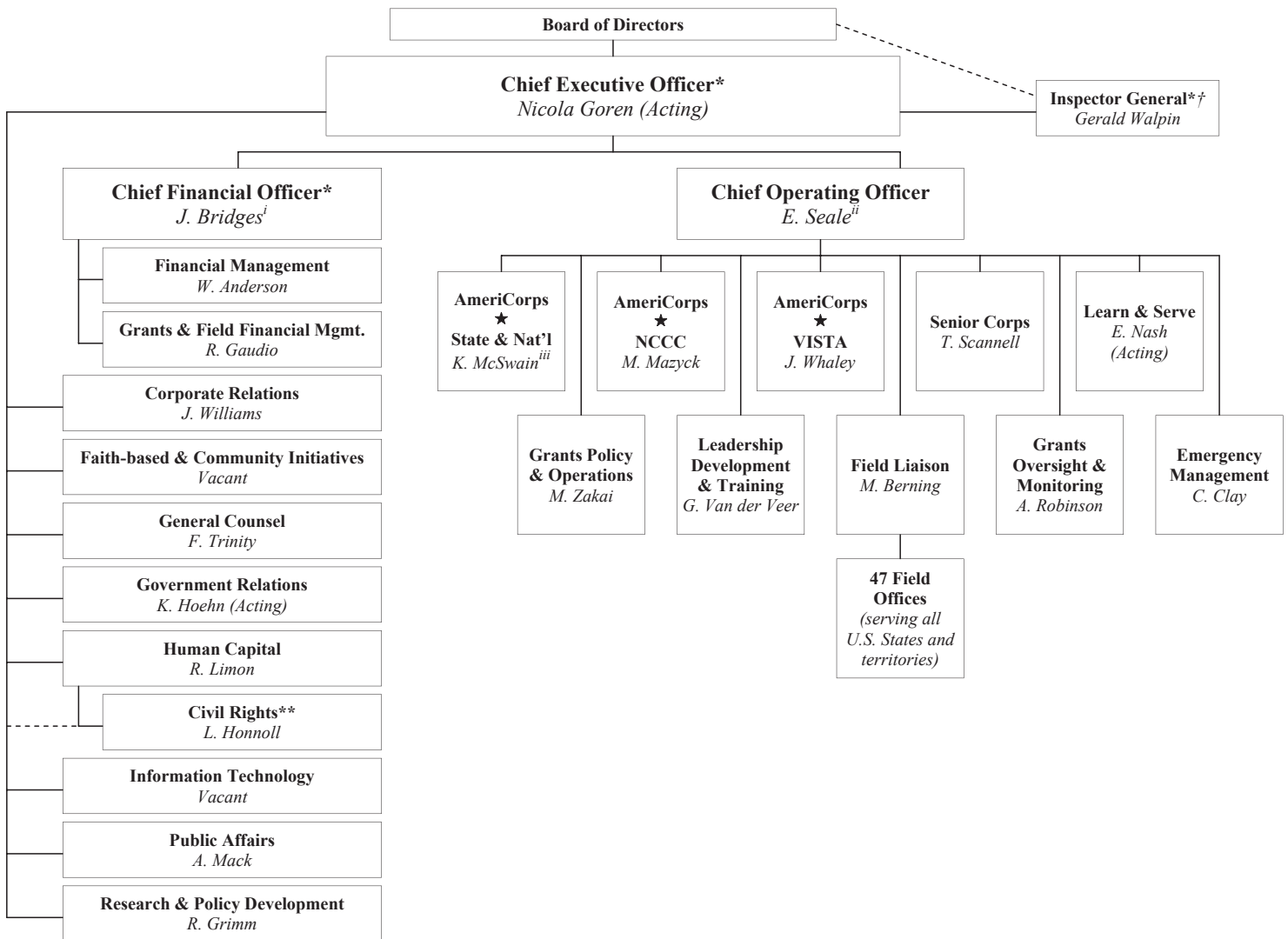
Senior Corps is a network of more than 1,000 organizations sponsoring about 1,300 Senior Corps projects that use the experience, skills, and talents of about 500,000 older volunteers to meet community needs. Senior Corps includes three programs:

- » RSVP provides the most flexibility for service. Volunteers age 55 and older choose how, where, and how often they want to serve, with commitments ranging from a few hours to 40 hours per week. Volunteers are eligible to receive reimbursement for mileage and insurance coverage while on assignment;

- » Foster Grandparent Program (FGP) provides support and service to children and youth with special or exceptional needs in a variety of settings including schools, hospitals, drug treatment centers, and child care centers. Volunteers age 60 and over provide direct service 15 to 40 hours per week. Volunteers must meet income eligibility requirements to receive a monetary stipend of \$2.65 per hour; and
- » Senior Companion Program (SCP) enables individuals aged 60 and older to assist frail, homebound individuals with daily living tasks. Senior Companions serve 15 to 40 hours per week and receive ongoing training in topics such as Alzheimer's disease and stroke. Those who meet income requirements receive a monetary stipend of \$2.65 per hour.

Other Corporation Activities

A number of smaller grant programs, such as the Martin Luther King, Jr. Day of Service grants that engage volunteers in specific short-term community projects, and Disability Grants that engage individuals with disabilities in service, also achieve agency goals. The Corporation also provides extensive training and technical assistance to nonprofit and other organizations, operates a National Service-Learning Clearinghouse and The Resource Center (online nonprofit/ project management support), provides President's Volunteer Service Awards to people who demonstrate a substantial commitment to volunteering, and recognizes colleges and universities that implement service-learning models and programs through the President's Higher Education Community Service Honor Roll.



* Presidential Appointments

† In accordance with the Inspector General Act, Section 3a

** The director has independent authority to advise the CEO on pre-complaint and complaint issues. The CEO contributes to the director's performance review.

ⁱ Currently serving as Acting Inspector General of the U.S. Department of Education

ⁱⁱ Currently on detail to U.S. Peace Corps

ⁱⁱⁱ Currently serving as Chief of Program Operations, with responsibility for Chief Operating Officer functions



Mission Performance

The Corporation is dedicated to providing opportunities for Americans of all ages and backgrounds to serve their communities and country. Though data is not yet available for FY 2008, data from FY 2007 shows that the Corporation engaged roughly 3.9 million people in service through the Senior Corps, AmeriCorps, and Learn and Serve America programs - representing over 228 million hours of service in FY 2007.

Nationwide, 60.8 million Americans volunteered through organizations in FY 2007, including 2.7 million college students and 23.1 million Baby Boomers. These volunteers contributed an estimated 8.1 billion hours of service to their communities. Of particular note, volunteering among older Americans (age 65 and older) is on the rise, having increased almost seven percentage points between 1989 and 2007, according to figures from the Current Population Survey, U.S. Census Bureau.

In FY 2008, the Corporation continued its focus on the needs of young Americans by providing a mentor to an estimated 604,000 children and youth through Corporation-sponsored programs. Volunteers are vital to overcoming the nation's most pressing challenges and the Corporation is committed to improving the lives of children and youth in disadvantaged circumstances through service. The Corporation exceeded its FY 2007 target for the number of children and youth from disadvantaged circumstances serving their communities through the Corporation programs, having connected 663,000 children and youth to service opportunities.

At the other end of the spectrum, many older Americans are finding it more and more difficult to live independently in their own homes. In FY 2008, an estimated 489,000 clients received independent living services-including direct support and respite for informal caregivers-through Corporation-sponsored programs by harnessing the experience and compassion of older volunteers.

Through its National Civilian Community Corps, the Corporation has increased its work in disaster preparedness and response. In partnership with nonprofit, faith-based and education organizations, 1,120 NCCC members undertook 336 projects - 184 (55 percent) of which were directly related to disaster response and support.

In November 2008, the Corporation released its latest and most comprehensive installment of the Volunteering in America research series. It can be found at www.VolunteeringinAmerica.gov, the agency's new interactive website. This new research provides volunteering information for all 50 states and 162 cities across the nation.

³Most FY 2008 data will not be available until January 2009 due to grantee reporting schedules. Where possible, estimated performance for FY 2008 has been provided.

Mobilize More Volunteers

LEVERAGING VOLUNTEERS TO BUILD HABITAT FOR HUMANITY HOMES

Building homes with volunteers is hard work. Training volunteers, managing deliveries, working with homeowners, and ensuring quality construction is a complex set of tasks. To help achieve its mission of building more homes for families in need, Habitat for Humanity has a longstanding partnership with AmeriCorps. In 2005 alone, 681 AmeriCorps members, serving in more than 200 Habitat for Humanity affiliates, recruited and managed more than 206,000 community volunteers to build 1,829 homes, housing more than 7,600 family members. They also generated more than \$4 million in grants and in-kind donations



THE CORPORATION'S PERFORMANCE MANAGEMENT SYSTEM

The Corporation works to "operationalize" its Strategic Plan at all levels of the organization. The illustration below shows how the Corporation plans, measures, manages, and reports on its performance.

Figure 3. Pyramid illustrating the Corporation's performance planning, measurement, management, and reporting



The Corporation sets a strategic initiative national target (National Measures). Achieving this national target requires a combination of the Corporation's actions and the efforts by the Corporation's partners, many outside organizations, and America's citizens. The Corporation's contribution to the national target is reflected in the Corporation's targets (Corporation Measures).

In turn, each program develops one or more measures (Program Measures) to identify and manage its contribution to the overall Corporation impact. To successfully meet the established program measures, each program develops an operating plan (Operating Plans) that includes strategies to achieve the program measure targets. These operational requirements are included in each manager's and staff's performance plan (Individual Performance Plans). The result of this planning and measurement process is a focused effort by the Corporation to meet its established goals.

PERFORMANCE TRENDS FOR NATIONAL GOALS

Table 2. Performance trends for national goalsⁱ

Strategic Initiative and Performance Measure	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	FY 2009 TARGET	FY 2010 TARGET
Mobilize More Volunteers								
Number of Americans volunteering annually through an organization (in millions) ⁱⁱ	65.4	61.2	69.6	60.8	71.3	Avail. 2/09	73.5	75.0
Number of Americans regularly volunteering (in millions) ⁱⁱⁱ	31.8	30.9	36.5	32.1	39.2	Avail. 9/09	41.0	43.0
Ensure a Brighter Future for All of America's Youth								
Number of Americans who mentor each year (in millions) ^{iv}	NA ^v	2.02	NA	2.15	NA	Avail. 9/09	2.20	2.22
Number of children and youth of incarcerated parents mentored through federal programs ^v	16,000	30,200	36,000	93,400 (est.)	40,000	Avail. 1/09	96,400	97,300
Number of teens from disadvantaged circumstances engaged in service in their communities (in million) ^{vi}	NA	2.6	2.7	NA	2.8	Avail. 10/09	2.9	3.0
Engage Students in Communities								
Number of college students who volunteers (in millions)	3.3	2.8	4.0	2.7	4.3	Avail. 9/09	4.7	5.0
Percent of Federal Work Study funds devoted to community service ^{vii}	15.8%	14.8%	17.5%	15.0%	18.2%	Avail. 11/08	18.9%	20.0%
Percent of America's public kindergarten through grade 12 schools that have incorporated service-learning into their curricula ^{viii}	NA	NA	41%	Avail. 5/09	44%	NA	47%	50%
Harness Baby Boomers' Experience								
Number of Baby Boomers volunteering (in millions)	25.8	23.6	26.4	23.1	27.1	Avail. 9/09	27.8	28.7
Support Disaster Preparedness and Response^{ix}				<i>Measure under development</i>				

Table 2 Notes:

i. NA = Data not available. In September 2008, the Corporation's Board of Directors, following a careful review of the data, adjusted several measures to more accurately reflect the data measured through the Census and the Corporation's programs. Therefore, numbers reflected in this document will be different (as identified by footnotes) than figures reported previously in the Congressional Budget Justification and Annual Financial Reports. For more information on any of the Corporation's measures, please contact the Office of the Chief Financial Officer on 202-606-5000.

ii. Data for this measure is available through the "Current Population Survey: Supplement on Volunteering" available at www.bls.gov/new.release/volun.toc.htm

iii. Defined as those volunteering at any level of intensity (e.g. 1+ hours per week) for 12+ weeks during the year.

iv. In prior years, the Corporation planned to measure the "Number of Americans who mentor each year (in millions)." Data is not available for this measure as currently written; therefore, the wording of the measure has been modified in the following way to reflect the "Number of mentors serving a minimum of 36 hours each year (about one hour per school week)."

v. Data provided by the Department of Health and Human Services for programs in that agency, the Department of Justice, the Corporation and other federal agencies. Historical data revised for accuracy.

vi. The description of this measure has been modified to more closely reflect the data collected through the 2005 Youth Volunteering and Civic Engagement Survey, conducted by the Corporation, in collaboration with the U.S. Census Bureau and Independent Sector. This data represents the responses of youth aged 12-18 who met the family income 2005 federal poverty guidelines, as set by the Department of Health and Human Services (see: www.aspe.hhs.gov/poverty/05poverty/shtml). The prior description read: "Number of children and youth..."

vii. Historical data revised by the US Department of Education.

viii. In FY 2008, the Corporation implemented a national survey to assess the prevalence of service and service-learning in the nation's kindergarten through grade 12 public schools. The survey will be repeated every three years. Data for FY 2008 is expected to be available by May 2009.

ix. No adequate national measure has yet been identified or developed. The Corporation is continuing to seek an adequate measure of national performance related to Disaster Preparedness and Response.

PERFORMANCE TRENDS FOR CORPORATION GOALS

Table 3. Performance trends for Corporation goalsⁱ

Strategic Initiative and Performance Measure	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	FY 2009 TARGET	FY 2010 TARGET
Mobilize More Volunteers								
Number of volunteers supported by Corporation-sponsored programs (including Corporations program members, participants, volunteers, and leveraged community volunteers) ⁱⁱ	3.4	3.7	3.4	3.9	3.6	Avail. 1/09	3.6	4.0
Percent of former AmeriCorps member who continue to volunteer in their communities after their term of service ⁱⁱⁱ	NA	NA	NA	64%	NA	NA	69%	67%
Ensure a Brighter Future for All of America's Youth								
Number of children and youth from disadvantaged circumstances mentored through Corporation programs ^{iv,v}	NA	NA	NA	598,000	450,000	Avail. 1/09	606,000	608,000
Number of children of prisoner mentored through Corporation programs	12,500	26,000	NA	47,000	20,000	Avail. 1/09	48,000	49,000
Number of children and youth from disadvantaged circumstances serving their communities through Corporation-sponsored programs ^{iv}	480,000	465,000	486,000	663,000	500,000	Avail. 1/09	550,000	606,000
Engage Students in Communities								
Number of college students serving through Corporation programs	NA	108,000	NA	199,000	80,000	Avail. 1/09	190,000	300,000
Number of higher education institutions matching the AmeriCorps Education Award	40	57	60	76	67	Avail. 12/08	74	80
Percentage of organization funded through Learn and Serve America grant programs that have adopted at least six of nine institutional supports leading to sustainability for service-learning ^{vi}	27.4%	26.8%	28.0%	27.0%	58.0%	Avail. 8/09	30.0%	31.0%
Harness Baby Boomers' Experience								
Number of Baby Boomer volunteers generated through Corporation-sponsored programs ^{vii}	NA	NA	NA	230,000	400,000	Avail. 1/09	450,000	500,000
Number of clients who receive independent living services, including direct support and respite for informal caregivers through Corporation-sponsored programs ^{viii}	408,000	413,000	NA	470,000	190,000	Avail. 1/09	498,000	509,000
Support Disaster Preparedness and Response^{ix}								
Number of Corporation program participants who have been certified in disaster-related training (in thousands)	NA	NA	NA	NA	NA	NA	NA	TBD
Number of Corporation program participants who are available for deployment in support of local, state or other disaster response.	NA	NA	NA	NA	NA	NA	NA	TBD
Number of community members who receive disaster preparedness information or training through Corporation sponsored programs.	NA	NA	NA	NA	NA	NA	NA	TBD

Table 3 Notes:

- i. NA = Data not available. In September 2008, the Corporation's Board of Directors, following a careful review of the data, adjusted several measures to more accurately reflect the data measured through the Census and the Corporation's programs. Therefore, numbers reflected in this document will be different (as identified by footnotes) than figures reported previously in the Congressional Budget Justification and Annual Financial Reports. For more information on any of the Corporation's measures, please contact the Office of the Chief Financial Officer on 202-606-5000.
- ii. Data for component measures (e.g., number of community volunteers, number of stipend volunteers, number of direct program participants) continues to be monitored and included in various agency publications.
- iii. The data source for this measure was changed to the AmeriCorps Longitudinal survey in order to provide consistently comparable data from year-to-year, thus resulting in data not being available for a number of prior years and changes to the outyear targets.
- iv. The definition of disadvantaged children and youth receiving Corporation mentoring services or participating in Corporation-sponsored program is based on program statutes and regulations. This group includes those up to age 25 with exceptional and special needs (as defined in part 2552.81 of the DVSA regulations) or who are economically disadvantaged and for whom one or more of the following apply: 1) out-of-school, including out-of-school youth who are unemployed; 2) in or aging out of foster care; 3) limited English proficiency ; 4) homeless or have run away from home; 5) at-risk to leave school without a diploma, and/or 6) former juvenile offenders or youths at risk of delinquency. The referenced DVSA regulation includes "children with exceptional needs" who are defined as developmentally disabled, such as those who are autistic, have cerebral palsy or epilepsy, are visually impaired, are emotionally disturbed or have a language disorder, specific learning disability, have multiple disabilities, other significant health impairment or have literacy needs. Under this DVSA regulation, existence of a child's exceptional need is verified by an appropriate professional, such as a physician, psychiatrist, psychologist, registered nurse or licensed practical nurse, speech therapist or educator. "Children with special needs" is defined as those who are abused or neglected, in need of foster care, adjudicated youth, homeless youths, teen-age parents and children in need of protective intervention in their homes.
- v. Previously reported data for FY 2006 (361,000) represented only those receiving such services through the Learn and Serve America and Foster Grandparents programs. Data for FY 2007 reflects mentoring provided through all Corporation program. Thus, FY 2007 data represents the agency's baseline performance level.
- vi. This measure was established during the FY 2007 PART review of the Learn and Serve America program and was established as a Corporation measure by the agency's Board in FY 2007.
- vii. Data not available prior to FY 2007.
- viii. Data for all years were revised to reflect the activities of the SCP, RSVP and State & National programs. Prior year data for State and National programs is not available; the program contributed 54,000 to the FY 2007 total. Data for VISTA will be available for FY 2008.
- ix. No adequate national measure has yet been identified or developed. The Corporation is continuing to seek an adequate measure of national performance related to Disaster Preparedness and Response.

PERFORMANCE ANALYSIS

In FY 2008, the Corporation built upon the successes achieved in the prior year. Nearly all agency programs include a focus on volunteer recruitment, management and retention. There were further improvements in program grant criteria as well as training and technical assistance to staff and agency partners. The Corporation launched new public service announcements and expanded its use of social networks to engage more volunteers in service and to highlight the challenges faced by the many Americans who live in poverty.

The Corporation continued its volunteer recognition incentives, such as the Presidential Volunteer Service Awards and the Higher Education Honor Role. The Martin Luther King, Jr. Day of Service has been expanded in both breadth and depth, with a focus on leveraging King Day as the start of a year of volunteering. A Billion and Change, a corporate pro-bono volunteering initiative, was launched with more than \$406 million in commitments made within the first seven months. Finally, the agency partnered with volunteering and mentoring organizations throughout the nation to leverage its efforts. Such partners include Boys and Girls Clubs, 4-H, America's Promise Alliance, Communities in Schools, the Harvard Mentoring Project, MENTOR, the Points of Light Institute, and many more.

The Corporation's performance also reflects its attention to continued improvements in the areas identified through the Program Assessment Rating Tool (PART) process conducted by OMB. In FY 2007, the latest year for which data is available, half of the agency programs assessed were rated as "adequate" and the agency intends to raise its scores over the next few years, through greater focus on performance and program evaluations. The agency will continue to conduct studies that lead to a more comprehensive understanding of community volunteering and national service as well as improved program measurement and outcomes.

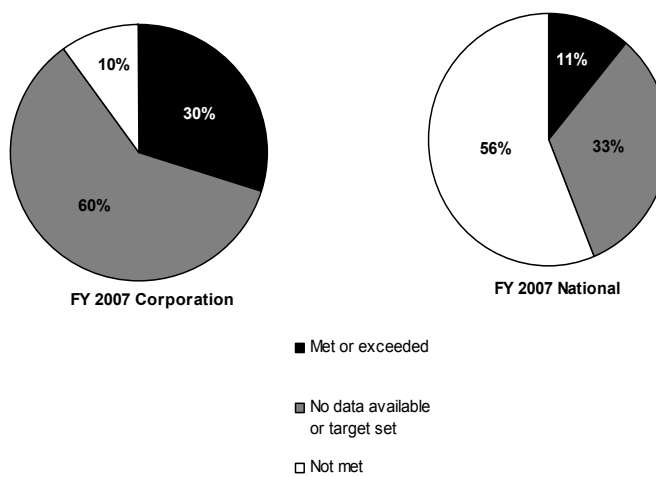
In prior years, the Corporation's performance has been greater than anticipated for a number of measures. This reflects the agency's ongoing commitment to fully implement its strategic initiatives and led the Corporation to significantly increase its FY 2009 and FY 2010 targets for the following measures:

- » Number of children and youth from disadvantaged circumstances mentored through Corporation programs;
- » Number of children of prisoners mentored through Corporation programs; and,
- » Number of clients who receive independent living services, including direct support and respite for informal care providers, through Corporation programs.

Data will not be available from the U.S. Census for the Corporation's FY 2008 national performance until February and September 2009. However, data from FY 2007 shows that the Corporation did not meet most of its performance targets for national measures. The agency is working hard to improve the tracking of these measures and set better benchmarks for success based on program and funding resources. As the Corporation continues to research the trends and factors affecting national performance, the agency anticipates developing methods to influence national volunteer levels at a greater level.

More information on the Corporation's efforts and challenges in addressing each strategic initiative at the Corporation and national levels is available by contacting the Office of the Chief Executive Officer on 202-606-5000. For more information about the agency's PART reviews, visit: www.whitehouse.gov/omb/expectmore/index.html. Information on the Corporation's evaluations and research is available at: www.nationalservice.gov/about/role_impact/performance_research.asp.

Figure 4. Corporation and national performance measures



PERFORMANCE MANAGEMENT

The Corporation will continue to:

- » Expand its partnerships with other organizations;
- » Lead a national effort to engage Americans of all ages, skills, and abilities in service;
- » Identify the most effective ways to influence the national goals; and
- » Improve program and management effectiveness.

More detailed information about the Corporation's plans to achieve its strategic goals will be included in the FY 2010 Annual Performance Report. This document will be available via the web at: www.nationalservice.gov/about/budget/index.asp in February 2009.

MODIFIED OR DISCONTINUED AGENCY PERFORMANCE MEASURES

The Corporation's and its Board of Directors' FY 2008 annual review of the strategic plan resulted in no major changes to the agency's strategic goals or performance measures. In several cases, however, the Corporation improved its data collection

over prior years to include the contributions of all its programs and to make the data source consistent across all years. These changes are reflected in the performance tables and discussion above, and, in some cases, resulted in increases in the corresponding performance targets. In addition, the agency made one minor change to the wording of one measure and replaced one measure as follows:

Modified:

The measure, "Number of teens (ages 12-18) from disadvantaged circumstances engaged in service to their communities," was modified from the prior measure language (i.e. "Number of children and youth...") to clarify that the data did not include children under the age of 12. No data is available to provide information on the number of children under age 12 from disadvantaged circumstances that volunteer.

Discontinued:

The measure, "Number of Americans who mentor each year," was replaced with a measure of only those mentors serving a minimum of 36 hours annually-the equivalent of about one hour per school week. Performance against the prior measure is reported below.

Table 4. Modified or Discontinued Agency Performance Measures

	FY 2005 Actual	FY 2006 Actual	FY 2007 Target	FY 2007 Actual	FY 2008 Target	FY 2008 Actual	FY 2009 Target	FY 2010 Target
Number of Americans who mentor each year (in millions)	NA	3.4	3.8	3.9	4.5	NA	5.2	6.0



Management Performance

The Corporation's management goal is to create a culture of performance focused on achieving the agency's mission. Efforts to achieve and sustain a high level of performance are concentrated in four areas:

- » Improve program and project quality;
- » Cultivate a culture of performance and accountability;
- » Deliver exemplary customer service; and
- » Build a diverse, energized, and high-performing workforce.

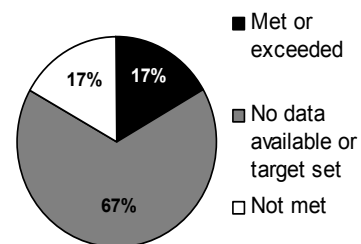
In FY 2008, the Corporation implemented many management enhancements, a number of which are noted below. These changes helped to improve the agency's focus on management objectives and measures, leading to greater efficiency, effectiveness and accountability.

The Corporation's financial performance was outstanding in FY 2008. The agency received an unqualified financial statement audit opinion for the ninth consecutive year. In a self-assessment, the Corporation also exceeded the average percentage of "green" results on the Government-wide Financial Management Metrics achieved by the 24 major CFO Act agencies by 17 percentage points.

FY 2008 data for the remaining agency management performance measures is not currently available. Data for the measures related to the American Customer Satisfaction Index and the Human Capital Survey sponsored by the Office of Personnel Management will not be available until January 2009. Data

for the grantees' performance against their own program/project metrics also will not be available until later in FY 2009. Data for these measures is expected to demonstrate high levels of performance resulting from the Corporation's ongoing efforts to improve its operations.

Figure 4. Management performance measures



The Corporation is in the process of resolving information technology infrastructure deficiencies that caused significant interruptions of the Corporation's operations in FY 2008. The has already upgraded the underlying system software and increases in hardware capacity and is establishing a stable, core information technology structure on which further online efficiencies can be achieved in FY 2009. The problems experienced may adversely affect the agency's information technology-related customer satisfaction scores.

Ensure a Brighter Future for all of America's Youth

PEER MENTORING IN ARIZONA

Students from Mesa Community College in Arizona serve as AmeriCorps members at Mesa Arts Academy, a school where 79 percent of the students between kindergarten and 8th grade live in poverty. Seven years ago, just nine percent of 8th grade students passed Arizona's annual math assessment tests. With Mesa Community College students serving as tutors and mentors at the school, test scores have risen dramatically. In fact, this year 100 percent of the 8th graders passed the math assessment.



IMPROVE PROGRAM AND PROJECT QUALITY

The Corporation continued to improve the quality and effectiveness of its programs and projects by:

- » Expanding the agency's focus on performance management throughout the year, including regular reviews of progress against plans, both within the agency and for its grantees; and
- » Expanding the use of standardized performance measures for grantees.
- » Developing a better understanding of volunteering behavior at the local level through strong research.

Moreover, the agency completed several studies that will improve understanding of the trends and influences in national volunteering. For example, the agency completed its latest study on "Volunteering in America: 2008 State and City Trends and Rankings,"⁴ in July 2008. The report is the most comprehensive collection of information on volunteering and national service in the U.S. ever assembled and includes a wealth of information on trends and demographics in volunteering and national service by region, state, and for 162 cities across the nation.

Research from the report highlight the following:

- » Volunteer intensity is increasing. Today, over a third of volunteers (34 percent) serve intensively, volunteering 100 or more hours in a year. The number of volunteers

donating more than 100 hours annually increased in 2007. In fact, the number of "intensive volunteers" increased by over 373,000 in 2007 - the first increase in this statistic since 2004.

- » Since 1989, data consistently show that religious organizations remain the most popular organizations through which volunteers serve, followed closely in recent years by educational or youth service organizations.
- » Approximately 19.1 million adults signed up to volunteer again or for the first time with an organization in 2007. However, volunteer retention remains a significant issue. More than one out of every three volunteers (21.7 million) who served in 2006 did not volunteer in 2007. Research shows that the more time a person spends volunteering, the more likely he/she is to continue serving in the future.

With this and additional understanding from ongoing research, the agency will be able to identify more effective ways to influence the success of its programs and grantees, as well as increase national volunteering and tangibly improve the lives of more Americans.

⁴This research is available on the web at: www.VolunteeringinAmerica.gov

Engage Students in Communities



LEARNING TO PROTECT WETLANDS

Fifteen school districts in 11 northeastern and central Florida counties participate in the decade-old service-learning program sponsored by the St. Johns River Water Management District. The water management district acquires tracts of land to protect the St. Johns River Watershed, then links local schools with nearby land, encouraging schools to use the property as living laboratories for a variety of disciplines. The water management district staff offers its expertise on such topics as forestry and insect life. Students assist in developing and managing the land's recreational use. They have designed trail systems, cleared trails, posted signs, and developed interpretive materials. Through the service-learning project, students develop a variety of skills, the ability to function as a team, and an understanding of how to make a difference, while the communities benefit from enhanced recreational options and a growing number of active, involved citizens.

Table 5. Performance trends for management goals

Performance Objective and Measure	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 TARGET	FY 2007 ACTUAL	FY 2008 TARGET	FY 2008 ACTUAL	FY 2009 TARGET	FY 2010 TARGET
Improve program and project quality								
Percent of Corporation-funded grantees meeting or on track to meet program/project performance goals ⁱ	<i>Data under development</i>							
Cultivate a culture of performance and accountability								
Number of material weaknesses (MW), significant deficiencies (SD) or reportable conditions (RC) identified in the annual financial statement audit ⁱⁱ	0 MW 2 RC	0 MW 1 RC	0 MW 0 SD	0 MW 0 SD	0 MW 0 SD	0 MW 1 SD	0 MW 0 SD	0 MW 0 SD
Percentage of Government-wide financial management metrics where the Corporation is rated "green" ⁱⁱⁱ	67%	56%	100%	62%	100%	63%	100%	100%
Deliver exemplary customer service								
Overall Corporation score on the American Customer Satisfaction Index (100 point scale)	69	71	71	73	74	Avail 1/09	77	80
Overall score for satisfaction with the overall usability and effectiveness of the agency's major technology systems (100 point scale)	58	62	65	70	70	Avail 1/09	75	80
Build a diverse, energized, and high-performing workforce								
Percent of employee who report overall satisfaction with their jobs	NA ^{iv}	72%	74%	77%	76%	Avail 1/09	78%	80%

Table 5 Notes:

i. In FY 2004, the Corporation began implementing systems and grantee reporting guidance to enable the collection of data to calculate this measure. For example, requirements for grantees to identify and report on their performance against goals and measures established by the grantee were initiated in FY 2004. Since most Corporation grants cover a three-year period, data for the percentage of all Corporation grantees that meet the program/project performance goals will not be available until FY 2009.

ii. For the audit of the FY 2007 financial statements, government-wide "Yellow Book" guidance revised the definitions of material weakness, eliminated the reportable conditions category and introduced a new category, "significant deficiency." For more information on this change, see OMB Circular A-123 at: www.whitehouse.gov/omb/circular/index.html.

iii. Prior to May 2007, all agencies calculated their own results for these metrics using standardized methods on a monthly or quarterly basis, as specified by the CFO Council. In May 2007, the General Services Administration (GSA) began calculating the values for the three metrics related to credit card delinquencies. The Corporation has continued to calculate its metric scores monthly using the same calculations specified by the Council for all non-credit card delinquency metrics. Prior to 2007, values shown represent the value for the last month of the fiscal year. For FY 2007 and beyond, the value represents an average over the 12 months of the fiscal year. Also see "Accompanying Information: Government-wide Financial Management Metrics" available at www.nationalservice.gov/about/role_impact/performance.asp.

iv. NA = data not available.

CULTIVATE A CULTURE OF PERFORMANCE AND ACCOUNTABILITY

As noted above, in FY 2008, the Corporation received its ninth consecutive unqualified audit opinion. This reflects the Corporation's sustained efforts to improve grants oversight, strengthen internal controls, automate processes, and measure key management indicators. The agency's financial statements, notes and audits are available in the Financial Management section of this report, as well as on the web at: www.cnsoig.gov/pdf/auditreportsfy08/08-01.pdf

Nine Government-wide Financial Management Metrics were designed by the U.S. CFO Council for monthly and quarterly reporting by the 24 CFO Act agencies. The Corporation has chosen to track all nine of those metrics on a monthly basis and has been consistently higher than larger agencies. Further improvement in these scores is expected in FY 2009 as a result of enhancements to the financial systems components related to processing credit card payments.

Across the entire agency, performance and accountability continued to be a major focus. Some of the actions taken in FY 2008 that resulted in improved performance and accountability include:

- » Increased the emphasis on Program Assessment and Rating Tool (PART) findings as a component in the budget development process;
- » Further improved data collection efforts to ensure comparable reporting across all programs in a timely manner, as well as more accurate reporting of national measures;
- » Improved the internal control process—a comprehensive process that helped ensure the agency's operations met legal requirements and funds were correctly expended;
- » Fully implemented a new Emergency Management Office, resulting in detailed plans and procedures to respond to disasters quickly and appropriately, and the management and coordination necessary for the agency's prompt and effective response to multiple emergencies across the nation; and,
- » Upgraded the Performance Measurement Database System to enable greater integration of performance into the budget process, including the ability to calculate full and marginal costs.

In spring 2008, Corporation programs made their most recent updates in the PART. Some of these changes include:⁵

- » Strengthening financial management practices in the AmeriCorps State and National program and develop-

ing performance measures that quantify the benefits of AmeriCorps projects to members and the communities in which they serve;

- » Completing an upgrade and enhancement to electronic data systems that enable the AmeriCorps VISTA program to accurately establish baselines and measure program performance;
- » Awarding a contract for an in-depth program evaluation of the AmeriCorps VISTA program, which will allow the program to understand its effectiveness in helping organizations develop and sustain anti-poverty programs; and
- » Completing actions to ensure that all Learn and Serve America grantees commit to the program's revised long-term and short-term goals through the grant application and approval process.

Full information on these and other improvement actions related to the PART can be found at:

www.nationalservice.gov/about/role_impact/performance.asp and www.whitehouse.gov/omb/expectmore/index.html.

DELIVER EXEMPLARY CUSTOMER SERVICE

In FY 2007, the latest year for which data are available to measure the agency's success against this objective, the Corporation's American Customer Satisfaction Survey scores and the scores for each of its programs, for the first time, exceeded the federal average for overall customer satisfaction. In particular, the AmeriCorps State and National program demonstrated a large increase—moving from a below-average score of 57 in FY 2004 to an above-average score of 71 in FY 2007. These improvements reflect the Corporation's efforts to reduce grantee reporting burden, as well as to streamline the programs' grant competitions. The Corporation's scores for FY 2008 for overall customer satisfaction are expected to rise as a result of the agency's ongoing efforts to reduce grantee and applicant reporting burden, and provide expanded training and technical assistance both through in-person training and web-based support.

The Corporation also increased its score on the effectiveness and usability of the agency's technology by eight points in FY 2007, the latest year for which data is available. However, due to the information technology challenges experienced in FY 2008, as discussed above, the Corporation anticipates a possible decline in this score for FY 2008. Nonetheless, the agency made significant progress in implementing a range of technology improvements, including additional modules of the "My AmeriCorps" web portal that, for example, now provides AmeriCorps members with ready access to their education award information.

⁵Fall 2008 updates to the PART will not be completed until December 2008. Therefore, information from spring 2008 represents the latest available data.

In areas not directly measured by the American Customer Satisfaction Survey, the Corporation also took steps to further improve customer service. For example, in response to a congressional earmark, the agency established a new NCCC campus in Vinton, Iowa to better serve the north-central region of the country and completed plans for a new campus in Vicksburg, Mississippi that will help serve those affected by hurricanes in the Gulf region.

BUILD A DIVERSE, ENERGIZED AND HIGH-PERFORMING WORKFORCE

Based on data from the Federal Human Capital Survey, the Corporation achieved significant improvement in employee satisfaction, from 68 percent reporting overall job satisfaction in FY 2004 to 72 percent in FY 2006 and then 77 percent in FY 2007—again, the latest year for which data is currently available. The Corporation also was rated the third most improved out of the 31 small federal agencies reviewed by the Partnership for Public Service in its FY 2007 list. In FY 2008, the Corporation also:

- » Targeted training on mission-critical competencies, as well as performance evaluation, management and leadership;
- » Renewed its Interchange Agreement based on a comprehensive audit conducted by the Office of Personnel Management (This agreement helps to recruit and retain talented staff by providing similar service status as for employees in other federal agencies.);
- » Fully updated the agency's human resources system, including comprehensive documentation of all human capital-related policies and procedures, to reflect the latest Union agreement and a number of modifications implemented, but not documented, over the last seven years;
- » Completed a "360-degree" competency analysis of all managers to improve their leadership and results-oriented skills; and,
- » Initiated an improved diversity policy and conducted a series of diversity sessions for agency executives.



Financial Management





Message from the
**DEPUTY CHIEF
FINANCIAL OFFICER**

NOVEMBER 14, 2008

Building on the Corporation's achievements in FY 2007, the agency continued to make significant improvements to its management processes. In FY 2008 we achieved our ninth consecutive unqualified audit opinion, no non compliance with laws and regulations, and only one issue identified as significant in our internal control report which was resolved during the fiscal year.

The consistency of this accomplishment reflects our unwavering commitment to ensure full accountability, including our ongoing focus on improving grants oversight, strengthening internal controls, automating systems, and measuring key management indicators.

Our accomplishments in FY 2008 include:

- » Upgraded the financial system. The Corporation implemented upgrades to provide a fully web-based system, resolve various user-reported problems, improve user interfaces, and incorporate an acquisitions module that eliminates duplicate data entry, and provides more automated, effective and efficient acquisition management.
- » Excellent performance on the Government-wide financial management metrics. In our self-assessment, we exceeded the average percentage of "green" results on these metrics achieved by the 24 major CFO Act agencies by 17 percentage points.
- » Strengthened internal controls. We further strengthened our internal controls by expanding training to 42 staff - including division and office heads - and emphasizing the staff's responsibilities to fully understand and implement all aspects of our internal control program.
- » Improved program data collection. We further improved our program performance data by reducing grantee reporting burden, expanding reporting against key standardized measures of progress toward our strategic initiatives, and adding 14 OMB-approved output measures.
- » Enhanced Performance Measurement Database System (PMDS). We expanded the functionality of the PMDS to enable greater integration of performance into the budget process, including the ability to calculate full and marginal costs.

As discussed in the results of the audit below, these accomplishments were achieved even though the Corporation experienced system challenges in January 2008 when we concurrently rolled out two system upgrades. Since identifying these cause of the problem, we worked diligently to resolve the issue and establish a stable, core information technology structure on which further online efficiencies can be achieved in FY 2009. The audit report identifies the initial conditions contributing to this problem, in conjunction with the testing and documentation of the Corporation's Continuity of Operations Plan (COOP), as a significant deficiency; however, it was not considered a material weakness.

Software upgrades to Corporation data bases resolved the system productivity problems and we are implementing the auditor's recommendations related to the COOP.

With the support of our extraordinarily dedicated staff, we will enable the incoming Administration to achieve further management improvements and accomplish major changes to better serve Americans of all ages and needs.

William Anderson
Deputy Chief Financial Officer



Internal Control, Audit Results, and Management Assurances

The Corporation is subject to the reporting requirements of the Government Corporation Control Act (31 U.S.C. 9101 et. seq.). Under these requirements, the Corporation provides a statement on its internal accounting and administrative controls consistent with the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), as amended (31 USC 3512, et seq.) and implemented by Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control (revised December 21, 2004). The statement reflects the Corporation's assessment of whether there is reasonable assurance that internal controls are achieving the intended results, reports any material weaknesses in internal controls present within the agency, and describes management's current plans to address and correct any deficiencies.

INTERNAL CONTROL ASSESSMENT PROGRAM

During FY 2008, the Corporation continued to refine its internal control assessment program, which is modeled on OMB Circular A-123. These efforts included further developing the internal control organizational structure and monitoring of internal controls initiated during previous fiscal years. The Corporation's internal control program is led by a Senior Assessment Team of key financial and program management executives and is staffed by the Internal Control and Analysis Team (IC&A) within the Department of the Chief Financial Officer. The Senior Assessment Team approves the internal control improvement program and oversees the maintenance and quarterly review of IC&A activities.

The risk-based approach being developed at the Corporation gives priority for internal control reviews, including testing, to specific organizational and functional areas where significant risks are known to exist. For example, the Corporation's Accounting and Grants Management Offices, Field Financial Management Center, Offices of Human Capital and of Procurement Services, and the Budget and Executive Offices, and the Office of Information Technology are all considered as high priority when developing the annual internal control testing plan. The Corporation also continued to improve its grantees oversight and monitoring program using a similar risk-based approach.

BASIS OF FY 2008 ASSESSMENT

The Corporation's assessment of internal control is based on internal control reviews and other analysis of Corporation operations, programs, and grantees including the following:

- » Review of manager responses on the internal control risk assessment tool for selected Corporation units;
- » Office of Inspector General (OIG) reports, including the annual financial statement audit and recent audits of portions of the Corporation's operations;
- » In-Progress Reviews (IPR) at NCCC campuses - the IPR is a focused management control assessment that provides for a self-assessment by campus staff, followed by an independent review by headquarters staff. Review items include project management, Corps member management, and fiscal controls. Following the on-site review, a written report is prepared and campus staff develops corrective action plans in response to IPR recommendations; and
- » Comprehensive risk-based assessments and random-sample internal control testing of selected portions of Corporation program and administrative operations

In addition, management's knowledge of the Corporation's day-to-day operations helps the agency to ensure that adequate controls are in place for all of the agency's operations. These controls include the announcement of funds availability for grants, the receipt and evaluation of applications for financial assistance, and the negotiation and award of grants, contracts, and cooperative agreements. Risk assessment decisions regarding FY 2008 control testing were heavily weighted by the dollar volume of grant programs and findings associated with the FY 2007 financial statement audit report and related management letter. The areas for which the agency performed comprehensive random-sample testing of internal controls included the following:

- » Grant Risk Assessments jointly performed by program officers and grants officers;
- » Grant Monitoring Activities, including on-site visits; and
- » Testing of Unprocessed Momentum Form Clearance, Payment Voucher Transactions, Travel Voucher Transactions, Cost-share Reimbursable Bill Transactions

and Credit Card Payment Transactions at the Accounting Office and the Field Financial Management Center.

The testing identified opportunities to fine tune processes, improve efficiency, and diminish the likelihood of potential errors. No area of material weakness or significant deficiency was identified in any of the internal controls tested.

Finally, for the first time in connection with the FY 2008 Internal Control Assessment, each of 23 assessable units were required to prepare a separate statement of assurance declaring the level of assurance that each of these office heads is able to provide.

ANNUAL FINANCIAL AUDIT RESULTS

FY 2008 marks the ninth consecutive year the Corporation has earned an unqualified opinion on its financial statements and had no reported instance of noncompliance with laws and regulations. These results reflect the Corporation's commitment to sound financial management and the hard work by staff over the past year to improve operations.

In late January 2008, the Corporation rolled out an improved version of the AmeriCorps member portal and concurrently upgraded our core financial system. As a result of these upgrades, the Corporation experienced a significant challenge in our internal IT system environment necessitating alternating the availability of the eSPAN/eGrants system between internal staff and external users during February and March of 2008. The Corporation took immediate action to identify and correct the source of the problem and instituted additional short- and long-term remedial actions including:

- » Successfully upgraded our application servers and software from the outdated Oracle 9i software to the 10g standard;
- » Stabilized the My AmeriCorps portal;
- » Re-negotiated the plan around Phase 3 of the Member Portal to meet the 10g standard and new timetable; and

- » Developed a comprehensive plan following OMB's 7 step process to outsource the Corporation's technology infrastructure over the next year to an externally hosted, managed services environment.

The FY 2008 audit report identifies the initial conditions contributing to this problem, in conjunction with the testing and documentation of the Corporation's Continuity of Operations Plan (COOP), as a significant deficiency; however, it was not considered a material weakness. Software upgrades to Corporation data bases resolved the system problems and we are implementing the auditor's recommendations related to the COOP.

While processing productivity was reduced during this period, at all times our general ledger system continued to process required transactions, all internal controls over the Corporation's applications and system access remained operational, and there is no record of any financial adjustments necessitated by the system challenges. The Corporation will continue to proactively work with the Office of Inspector General to identify areas for improvement.

MANAGEMENT ASSURANCES

Statement of Assurance for Financial Management Systems, Operations, and Compliance with Laws and Regulations

The Corporation is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Financial Management Improvement Act (FFMIA). The Corporation conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123. Based on the results of this evaluation, the Corporation provides reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Support Disaster Preparedness and Response

FACING A HURRICANE'S WRATH

AmeriCorps NCCC has been an essential recovery partner to St. Bernard Parish, Louisiana, after Hurricane Katrina damaged virtually every structure in the parish. NCCC teams were among the first volunteers to begin mucking out houses that had been submerged by the storm surge, eventually mucking out 4,000 homes. However, Parish officials subsequently assigned the teams the task of coordinating the mucking operations for the entire St. Bernard Parish Recovery Effort. Two years after the hurricane, NCCC teams are providing the organizational leadership that makes it possible for episodic volunteers to make meaningful and substantive contributions.



Statement of Assurance for Internal Control over Financial Reporting

In addition, the Corporation conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A to OMB Circular A-123. Based on the results of this evaluation, the Corporation provides reasonable assurance that its internal control over financial reporting as of June 30, 2008, was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Compliance with Financial Systems Requirements, Accounting Standards and U.S. Standard General Ledger

The FFMIA requires federal agencies to implement and maintain financial management systems that are in substantial compliance with federal financial system requirements, federal accounting standards issued by the Federal Accounting Standards Advisory Board, and implementation of the Department of the Treasury Standard General Ledger (USSGL) at the transaction level. Pursuant with FFMIA, OMB issued Circular A-127, Financial Management Systems. Circular A-127 prescribes the policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

The Corporation utilizes Momentum Financials as its core financial system. This is a commercial off-the-shelf software application certified by the Office of Federal Financial Management as meeting the Circular A-127 financial system requirements. Activity is posted in Momentum following the USSGL at the transaction level.

Based on the Corporation's review of the auditors' report and other relevant information, the agency determined that the Corporation complies substantially with the requirements of the FFMIA for FY 2008.



David Eisner
Chief Executive Officer



William Anderson
Deputy Chief Financial Officer



Improper Payments

The Improper Payments Information Act (IPIA-P.L. 107-300) requires Federal agencies to identify and report on significant payment programs that are susceptible to erroneous payments. The Act defines significant erroneous payments as those within a single payment program that exceed both 2.5 percent of that program's annual amounts paid and \$10 million annually. The Corporation reviewed its operations identifying 12 payment programs, and assessed each to determine which, if any, were susceptible to significant erroneous payments. Eight of the 12 programs make total annual payments that exceed \$10 million each. For any of the eight programs under which total payments exceed \$10 million, preliminary error rates exceeding the 2.5 percent threshold would have to be subsequently confirmed through a statistical sampling process to designate a payment program as a significant payment program susceptible to erroneous payments.

The two largest Corporation payment programs are the Domestic Volunteer Service Act; and National and Community Service Act grant programs. Together the annual payments for these programs account for about 64 percent of all Corporation payment amounts. As grant programs, these

payments are administered by the Department of Health and Human Services' Payment Management System. There are numerous internal and external controls making erroneous payments highly unlikely. For example, awards go through many levels of review and approval before obligations are created and transmitted to the Payment Management System. These payments are all requested by authorized grantees, and then they are validated and disbursed by Health and Human Services. Moreover, the receipt and use of grant funds by grantees are monitored by the Corporation and in many cases are subject to independent audits under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Based on the results of the FY 2008 IPIA review, there were no significant payment programs susceptible to erroneous payments. However, even though the Corporation concluded its programs are not susceptible to erroneous payments as defined under the Act, most non-grant payments are reviewed as part of the OMB Circular A-123 Internal Control Assessment Program discussed above.





Financial Management Metrics

Although the Corporation is not an agency included under the CFO Act, the agency measures itself against the same United States Chief Financial Council's Council Government-wide Financial Management Metrics as are required for CFO Act agencies. From September 2004 through February 2005, the Corporation achieved "green" on only one out of nine (11 percent) of these metrics. A great deal of effort was devoted to improving performance on these metrics. For FY 2008, the yearly average of "green" scores was 63 percent. Comparable average scores for FY 2005, FY 2006 and FY 2007 are 43 percent, 48 percent and 62 percent, respectively. However, for consistency with the government-wide methodology, these scores are based on the end-of-the-year month for each prior year (FY 2005, FY 2006 and FY 2007 scores, 78 percent, 56 percent and 44 percent respectively). In FY 2008, the Corporation exceeded the average for the CFO Act agencies by 17 percentage points. While these performance levels have been relatively stable, the Corporation has implemented a number of improved processes. The Corporation is directly addressing the causes of its ratings on specific metrics. While the scores have improved from FY 2007 to FY 2008, we expect further improvements in FY 2009 due to stronger controls being implemented.

Performance in each of the individual metrics during FY 2008 is shown in the accompanying chart:

- » Fund Balance with Treasury (FBWT) has been at fully-successful "green" levels for ten of twelve months. The two months where Fund Balance with Treasury did not meet the fully-successful "green" level are due to timing differences occurring during the Corporation's system upgrade. Suspense Account Clearance and Accounts Receivable Delinquency have been at fully-successful "green" levels for the entire year.

- » The Percent of Vendor Payments by Electronic Funds Transfer (EFT) maintained its "green" performance levels for all twelve months.
- » Percent of Vendor Payments Made on Time improved significantly as the year progressed. Overall, there were four months at "green" levels, one month at "yellow" and seven months at "red".
- » Late Payment Penalties Paid as a Percent of Total Vendor Payments showed improvement in Fiscal Year 2008. This metric was "green" for eight months and "red" for four months. As a note, the Late Payment Penalties metric is sensitive to the dollar amount of late payments.
- » The last three metrics relate to credit card delinquency. During FY 2008, Individually Billed Account (IBA) Travel Delinquency was at a "green" level for two months, "yellow" for three months and "red" for seven months. IBA accounts are paid directly by the employees who travel, and achieving "green" on this metric requires Corporation travelers to keep their delinquencies below two percent. Centrally Billed Travel Delinquency was at a "green" level for seven months, "yellow" level for four month and "red" level for one month in FY 2008. Purchase Card delinquency was at a "green" level for one month, "yellow" for one month and "red" level for ten months in FY 2008. A change to the credit card vendor in FY 2009 will lead to a more sophisticated systems approach to tracking payments resulting in more control and allowing more payments to be made on time.

METRIC	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep
FBWT	●	●	●	●	●	●	●	●	●	●	●	●
Suspense	●	●	●	●	●	●	●	●	●	●	●	●
Accts Receivable	●	●	●	●	●	●	●	●	●	●	●	●
EFT Vendor Pmts	●	●	●	●	●	●	●	●	●	●	●	●
Timely Vendor Pmts.	●	●	●	●	●	●	●	●	●	●	●	●
Late Pmt. Penalty	●	●	●	●	●	●	●	●	●	●	●	●
IBA Travel Card	●	●	●	●	●	●	●	●	●	●	●	●
CBA Travel Card	●	●	●	●	●	●	●	●	●	●	●	●
Purchase Card	●	●	●	●	●	●	●	●	●	●	●	●



Analysis of Appropriations and Financial Condition

COMPOSITION OF CORPORATION ASSETS

The Corporation's primary assets are Fund Balance with Treasury, Trust Investments and Related Receivables, and Advances to Others. The Fund Balance with Treasury represents annual, multi-year, and no-year funds that are available to pay current and future obligations and expenditures. Fund Balance with Treasury in/decreased by about \$43.5 million, from \$886.5 million at September 30, 2007, to \$823.0 million at September 30, 2008. The decrease in the Fund Balance with Treasury is due primarily to new appropriations received being less/more than that expended for operating activities.

Trust Investments, which are maintained in the National Service Trust, are restricted for use in paying education awards, student loan interest forbearance, and Presidential Freedom Scholarships to eligible participants, and are not available for use in the current operations of the Corporation. Trust Investments and Related Receivables showed a de/increase of \$17 million related to improved interest earnings during the year. Because of lower interest rates forecast over the next 12-18 months, interest earnings on Trust investments can be expected to fall in 2008.

Advances to Others primarily represent funds provided to grantees in advance of their performance under a grant. For the most part, these advances are liquidated during the first quarter of the subsequent fiscal year. Advances to Others decreased slightly, by \$2.6 million, from \$62 million at September 30, 2007, to \$59.4 million at September 30, 2008. This small change reflects a similar level of drawdown activity to what occurred in the prior fiscal year.

COMPOSITION OF CORPORATION LIABILITIES

The Corporation's most significant liabilities are the Trust Service Award Liability and Grants Payable. Individuals who successfully complete terms of service in AmeriCorps programs earn education awards that can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which can be used for a period of up to seven years, are paid from the National Service Trust. The Trust also pays forbearance interest on qualified student loans during the period members perform community service. The Trust Service Award Liability components related to education awards and interest forbearance were adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The Trust Service Award Liability increased by about \$22.8 million, from \$280.6 million

at September 30, 2007, to \$303.4 million at September 30, 2008. This change was largely due to the annual increase in the cumulative number of AmeriCorps members earning an education award.

Grants Payable represents funds due to grantees in payment of their performance under a grant. For the most part, these payables are liquidated during the first quarter of the subsequent fiscal year. Grants Payable decreased by about \$10.3 million, from \$99.8 million at September 30, 2007, to \$89.5 million at September 30, 2008. This change is considered to be a normal operating variance.

TRUST SOLVENCY

The Strengthen AmeriCorps Program Act of 2003 (SAPA) directed that the Corporation record Trust obligations at the time of grant award for AmeriCorps State and National, or at the time the Corporation enters into an enforceable agreement with an individual participant in the AmeriCorps VISTA and NCCC programs. The amount to be obligated is the estimated value of authorized education benefits, discounted for the estimated enrollment, earning, and usage rates and the time value of money. As directed by the Act, the Corporation also established a Trust reserve that will protect the Corporation in the event that the estimates used to calculate obligations differ from actual results. Under SAPA, during FY 2008, the Corporation based its obligation amount on the full value of the education award, a 100 percent enrollment rate, and earning and usage rates of approximately 80 percent.

As of September 30, 2008, the National Service Trust had available cash and investments of approximately \$429 million to make education award and interest forbearance payments (about \$9 million of Trust assets were related to prepaid interest and receivables that are not available for obligation). Of this amount, Corporation obligations for awarded AmeriCorps positions totaled approximately \$419 million with additional commitments of about \$0.6 million. An additional \$46.7 million of Trust assets has been set aside in reserve.

Approximately \$8.8 million was available at September 30, 2008, to fund new AmeriCorps member positions. Trust assets are estimated to be sufficient to pay for all awarded AmeriCorps positions. As grants expire, the Corporation has begun to deobligate funds related to member positions that were not filled. The Corporation also will continue to analyze the Trust liability projections to identify opportunities for improvement. For additional information on the National Service Trust, visit: [\[link\]](#)



Financial Statements, Notes, and Audits

The Corporation's financial statements report the financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (Act) and the President's February 27, 2004, Executive Order on National and Community Service Programs (EO 13331). The Government Corporation Control Act requires that government corporations submit an annual report to the Congress within 180 days of the fiscal year end. As specified in the Act, the principal financial statements of the Corporation are the:

- » Statement of Financial Position, which reports the status of Corporation assets, liabilities, and net position.
- » Statement of Operations and Changes in Net Position, which reports the Corporation's revenues and expenses for the year and the changes in net position that occurred during the year.
- » Statement of Cash Flows, which shows how changes in the Corporation's financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

In addition, under the requirements of Executive Order 13331, the Corporation prepares a Statement of Budgetary Resources (SBR). The SBR provides information about the budgetary resources made available to the Corporation as well as the status of those resources at the end of the fiscal year.

The Corporation's financial statements present comparative information for fiscal 2008 and 2007. For fiscal 2008, the Corporation's financial statements, for the ninth consecutive year, received an unqualified opinion. This opinion recognizes that the Corporation's financial statements are fairly presented, in all material respects, and in conformity with generally accepted accounting principles.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation for National and Community Service, as required by the Government Corporation Control Act (31 USC 9106) and by the National and Community Service Act of 1990 (42 USC 12651). In addition, the Corporation reports on its budgetary resources in accordance with Executive Order 13331. The Corporation's financial statements published herein are in addition to the financial reports it uses to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

Corporation for National and Community Service
Consolidated Statements of Financial Position
As of September 30
(dollars in thousands)

ASSETS	2008	2007
Fund Balance with Treasury <i>(Note 2)</i>	\$ 822,989	\$ 886,505
Trust Investments and Related Receivables <i>(Note 3)</i>	483,880	465,391
Advances to Others	59,388	61,975
Accounts Receivable, Net <i>(Note 4)</i>	2,616	3,247
Property and Equipment, Net <i>(Note 5)</i>	3,043	2,107
Total Assets	\$ 1,371,916	\$ 1,419,225
LIABILITIES		
Trust Service Award Liability <i>(Note 6)</i>	\$ 303,367	\$ 280,597
Grants Payable	89,456	99,805
Accounts Payable	7,231	6,141
Actuarial FECA Liability <i>(Note 8)</i>	11,638	11,888
Other Liabilities	14,200	13,331
Accrued Annual Leave	3,164	3,165
Advances from Others	290	102
Capital Lease Liability	250	250
Total Liabilities	429,596	415,279
Contingencies <i>(Note 14)</i>		
NET POSITION		
Unexpended Appropriations	769,016	828,597
Cumulative Results of Operations	173,304	175,349
Total Net Position <i>(Note 9)</i>	942,320	1,003,946
Total Liabilities and Net Position	\$ 1,371,916	\$ 1,419,225

The accompanying notes are an integral part of these financial statements.

Corporation for National and Community Service
Consolidated Statements of Operations and Changes in Net Position
For the Years Ended September 30
(dollars in thousands)

REVENUE	2008	2007
Appropriated Capital Used	\$ 748,580	\$ 779,456
Appropriations Transferred to the Trust Fund <i>(Note 10)</i>	138,785	117,720
Interest	17,804	19,563
Revenue from Services Provided	8,111	7,404
Other	<u>776</u>	<u>2,452</u>
Total Revenue	914,056	926,595
EXPENSES		
AmeriCorps	630,424	622,304
SeniorCorps	236,794	240,828
Learn and Serve America	<u>42,436</u>	<u>59,503</u>
Subtotal - Program Expenses	909,654	922,635
Pass-through Grants	163	2,781
Office of the Inspector General	<u>6,284</u>	<u>5,634</u>
Total Expenses <i>(Note 11)</i>	916,101	931,050
Net of Revenue Over Expenses	<u>(2,045)</u>	<u>(4,455)</u>
NET POSITION		
Net of Revenue over Expenses	(2,045)	(4,455)
Increase/(Decrease) in Unexpended Appropriations, Net <i>(Note 13)</i>	<u>(59,581)</u>	<u>(43,536)</u>
Increase/(Decrease) in Net Position, Net	(61,626)	(47,991)
Net Position, Beginning Balance	<u>1,003,946</u>	<u>1,051,937</u>
Net Position, Ending Balance <i>(Note 9)</i>	<u>\$ 942,320</u>	<u>\$ 1,003,946</u>

The accompanying notes are an integral part of these financial statements.

Corporation for National and Community Service
Consolidated Statements of Cash Flows
For the Years Ended September 30

(dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	2008	2007
Net of Revenue over Expenses	\$ (2,045)	\$ (4,455)
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(748,580)	(779,456)
Appropriations Received in Trust	(138,785)	(117,720)
Decrease/(Increase) in Accounts Receivable	631	(1,192)
Decrease/(Increase) in Interest Receivable	(697)	1,179
Decrease/(Increase) in Advances	2,587	(1,928)
Increase/(Decrease) in Accounts Payable and Other Liabilities	2,147	2,277
Increase/(Decrease) in FECA and Annual Leave Liabilities	(249)	(1,220)
Increase/(Decrease) in Capital Lease Liability	-	(77)
Increase/(Decrease) in Trust Liability	22,770	13,654
Increase/(Decrease) in Grants Payable	(10,349)	11,166
Amortization of Premium/Discount on Investments	(4,192)	(48,374)
Depreciation, Amortization, and Loss on Disposition of Assets	1,731	1,051
Total Adjustments	<u>(872,986)</u>	<u>(920,640)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(875,031)</u>	<u>(925,095)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,667)	-
Sales of Securities	1,093,279	5,731,950
Purchase of Securities	<u>(1,106,881)</u>	<u>(5,701,817)</u>
Net Cash Provided/(Used) in Investing Activities	<u>(16,269)</u>	<u>30,133</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received, Net of Trust	871,558	884,547
Rescissions and Cancellations	<u>(43,774)</u>	<u>(30,907)</u>
Net Cash Provided by Financing Activities	<u>827,784</u>	<u>853,640</u>
Net Increase/(Decrease) in Fund Balance with Treasury	(63,516)	(41,322)
Fund Balance with Treasury, Beginning	<u>886,505</u>	<u>927,827</u>
Fund Balance with Treasury, Ending	<u>\$ 822,989</u>	<u>\$ 886,505</u>

The accompanying notes are an integral part of these financial statements.

**Corporation for National and Community Service
Combined Statements of Budgetary Resources
For the Years Ended September 30**

(dollars in thousands)

BUDGETARY RESOURCES	2008	2007
Unobligated balance, brought forward, October 1	\$ 177,320	\$ 185,878
Recoveries of prior year unpaid obligations	<u>40,444</u>	<u>57,330</u>
	217,764	243,208
Budget authority:		
Appropriation	1,027,007	1,021,546
Spending authority from offsetting collections:		
Collected	9,070	7,302
Change in receivables from Federal sources	(491)	-
Change in unfilled customer orders:		
Advance received	374	-
Without advance from Federal sources	<u>65</u>	<u>-</u>
Total budget authority	1,036,025	1,028,848
Permanently not available	<u>(43,843)</u>	<u>(30,907)</u>
Total budgetary resources	<u>\$ 1,209,946</u>	<u>\$ 1,241,149</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (<i>Note 16</i>)	1,064,885	1,063,829
Unobligated balance:		
Apportioned	2,927	-
Unobligated balance not available	<u>142,134</u>	<u>177,320</u>
Total status of budgetary resources	<u>\$ 1,209,946</u>	<u>\$ 1,241,149</u>

(Continued)

The accompanying notes are an integral part of these financial statements.

Corporation for National and Community Service
Combined Statements of Budgetary Resources
For the Years Ended September 30

(dollars in thousands)

(Continued)

	2008	2007
CHANGE IN OBLIGATED BALANCE		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	\$ 1,165,718	\$ 1,185,078
Uncollected customer payments from Federal sources, brought forward, October 1	<u>(1,694)</u>	<u>(3,455)</u>
Total unpaid obligated balance, net	1,164,024	1,181,623
Obligations incurred, net	1,064,885	1,063,829
Gross outlays	(1,039,557)	(1,025,858)
Recoveries of prior year unpaid obligations, actual	(40,444)	(57,330)
Change in uncollected customer payments from Federal sources	<u>427</u>	<u>1,760</u>
Total unpaid obligated balance, net, end of period	<u>1,149,335</u>	<u>1,164,024</u>
Obligated balance, net, end of period:		
Unpaid obligations	1,150,605	1,165,718
Uncollected customer payments from Federal sources	<u>(1,270)</u>	<u>(1,694)</u>
Total unpaid obligated balance, net, end of period	<u>1,149,335</u>	<u>1,164,024</u>
NET OUTLAYS		
Gross outlays	1,039,557	1,025,858
Offsetting collections	(9,444)	(9,062)
Distributed offsetting receipts	<u>(140,450)</u>	<u>(119,014)</u>
Net outlays	<u>\$ 889,663</u>	<u>\$ 897,782</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Corporation for National and Community Service (Corporation) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). The Corporation's mission is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, the Corporation provides grants and other assistance to States, local municipalities, and not-for-profit organizations to help communities meet critical challenges in the areas of education, public safety, human needs, and the environment through volunteer service. The Corporation's major programs are:

SENIOR CORPS. The Senior Corps offers a network of programs that tap the rich experience, skills and talents of older citizens to meet community challenges. Senior Corps comprises the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Programs.

AMERICORPS. AmeriCorps provides opportunities for Americans to make an ongoing, intensive commitment to service through the following programs:

- » State, National, Tribes, and Territories, (State/National) offers grants supporting a broad range of local service programs that engage thousands of Americans in intensive service to meet critical community needs.
- » Volunteers in Service to America (VISTA) helps community organizations and public agencies create and expand programs that build capacity and ultimately bring low-income individuals and communities out of poverty.
- » National Civilian Community Corps (NCCC) strengthens communities while developing leaders through direct, team-based national and community service.

LEARN AND SERVE AMERICA. Learn and Serve America supports programs in schools, colleges, and community-based organizations that link community service to educational objectives.

In addition, the Corporation administers the National Service Trust (the Trust), whose purpose is to provide education awards for volunteers under AmeriCorps' State, National, Tribes and Territories; NCCC; and VISTA programs.

B. Basis of Accounting and Presentation

The accompanying financial statements report the financial position, results of operations, cash flows, and budgetary resources of the Corporation, as required by the Government Corporation Control Act (31 USC 9106) and Executive Order 13331 ("National Community Service Programs").

The accompanying Consolidated Statements of Financial Position, Operations and Changes in Net Position, and Cash Flows have been prepared from the books and records of the Corporation in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to Federal governmental corporations and include the Corporation's activities related to providing grants and other assistance to eligible states, local governments, and not-for-profit organizations as well as education awards to eligible national service participants.

The accompanying Combined Statements of Budgetary Resources (SBR) have been prepared from the books and records of the Corporation in accordance with the form and content requirements pertaining to it in the Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements" and GAAP. GAAP, as it relates to the SBR, is prescribed by the Federal Accounting Standards Advisory Board, which is the official accounting standard-setting body for the Federal government.

The Corporation's accounting structure reflects both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash. Federal budgetary accounting recognizes the obligation of appropriations and other funds upon the establishment of a properly documented legal liability, which, in many cases, is different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of Federal funds.

C. Budgets and Budgetary Accounting

The activities of the Corporation are primarily funded through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. For the period covered by these statements, the Corporation was funded by the following trust and appropriated funds:

Trust Funds

- » National Service Trust
- » Gifts and Contributions

Appropriated Funds

- » Domestic Volunteer Service Programs, Operating Expenses, a FY 2007 one-year fund
- » National and Community Service Programs, Operating Expenses, a FY 2007 two-year fund
- » Operating Expenses, a FY 2008 one-year fund (with the exception that funding for operation of the National Civilian Community Corps was available for two years)
- » Salaries and Expenses, a one-year fund in both FY 2007 and 2008
- » Office of Inspector General, a one-year fund in both FY 2007 and 2008
- » VISTA Advance Payment Revolving Fund, a no-year fund.

The Vista Advance Payment Revolving Fund was established on February 15, 2007, by Public Law 110-5. It provides budgetary resources against which the Corporation advances funds for VISTA cost-share agreements. OMB did not establish the VISTA Advance Payment Revolving Fund as a revolving fund, but, as noted above, as a permanent, indefinite appropriated fund.

D. Fund Balance with Treasury

Fund Balance with Treasury (FBWT) represents the Corporation's cash accounts with the Department of the Treasury (the Treasury). The Treasury processes cash receipts and disbursements on behalf of the Corporation and the Corporation's accounting records are reconciled with those of the Treasury on a regular basis. The Corporation's FBWT includes all of its appropriated and trust funds.

Funds maintained in the National Service Trust are restricted to specific purposes, such as paying service awards earned by eligible participants, and are not available for use in the current operations of the Corporation. The majority of the funds received from individuals and organizations in the form of gifts are restricted for particular uses, such as service projects.

E. Investments and Related Receivables

By law, the Corporation may invest the funds of the National Service Trust in interest-bearing Treasury securities guaranteed by the United States as to principal and interest. These Treasury securities are referred to as "market-based", since they mirror actual Treasury securities sold on the open market. They consist of Treasury notes, bonds, bills and one-day certificates.

Since they are expected to be held-to-maturity, the Corporation's investments are valued at cost and adjusted for the amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, using the effective interest method. Interest receivable represents amounts earned, but not received on investments held at year-end. Prepaid interest is the amount of interest earned on a security since the date of its last interest payment up to the date the security is purchased by the Corporation. Such interest, if any, at year-end is included in the interest receivable balance.

F. Advances to Others

The Corporation advances funds to non-federal entities, primarily in response to grantee drawdown requests, to facilitate their authorized service activities. The cash payments to grantees, in excess of amounts appropriately expended under the terms of the grant agreements, are accounted for as advances. At the end of the fiscal year, the total amount advanced to grantees is compared with the total Corporation-funded amount of grant expenses properly incurred by the grantees. Grantee expenses are determined from reports submitted by the grantees. For those grantees with advances exceeding expenses, the aggregate difference is reported as the advance account balance.

G. Accounts Receivable

Accounts receivable represents amounts due to the Corporation primarily under Federal and non-Federal reimbursable agreements, grantee audit resolution determinations, and outstanding travel advances due from employees. An allowance for doubtful accounts is established for reporting purposes based on past experience.

H. Property and Equipment

Effective July 1, 2007, the Corporation instituted a prospective increase in the capitalization threshold for capitalized property and equipment from \$10 thousand to \$50 thousand. Thus, all property and equipment received and accepted by the Corporation on or after July 1, 2007, is subject to the \$50 thousand capitalization threshold. Property and equipment with an estimated useful life that extends beyond the year of acquisition is capitalized at historical cost and is depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years, using the half-year convention. Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred. The Corporation has entered into lease agreements for copy machines. These leases vary from 3 to 4 year terms and are deemed to be capital leases. The costs of the copiers have been recorded as property and equipment.

I. Trust Service Award Liability

The Trust Service Award Liability represents unpaid earned, and expected to be earned, education awards and eligible student loan interest forbearance costs, which are expected to be used. These amounts relate to participants who have completed service or are currently enrolled in the program and are expected to earn an award, based on the Corporation's historical experience.

J. Grants Payable

Grants are made to nonprofit organizations, educational institutions, states, municipalities, and other external organizations. Grants become budgetary obligations, but not liabilities, when they are awarded. At the end of each fiscal year, the Corporation reports the total amount of unreimbursed grantee expenses, which are properly payable under the terms of grant agreements, as grants payable.

K. Accounts Payable

The Corporation records as liabilities all amounts that are likely to be paid as a direct result of a transaction or event that has already occurred. Accounts payable represents amounts due to entities for goods and services received by the Corporation, but not paid for at the end of the fiscal year.

L. Actuarial FECA Liability

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees, NCCC and VISTA members injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Corporation employees and members under FECA are determined and paid by the Department of Labor (DOL) and later billed to the Corporation. The Corporation's actuarial liability for workers' compensation includes costs incurred but unbilled as of year-end, as calculated by DOL. The Corporation reimburses DOL for FECA claims out of current appropriations upon receipt of a bill from DOL.

M. Other Liabilities

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits and VISTA stipends. Also included as other liabilities is the amount of claims for benefits for Corporation employees under FECA that have been paid by DOL and billed to the Corporation but have not yet been reimbursed to DOL.

N. Accrued Annual Leave

Annual leave is accrued as a liability based on amounts earned but not used as of the fiscal year-end. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates and leave balances. Annual leave is funded from current appropriations when used. As unused annual leave is used in the future, financing will be obtained from appropriations current at that time. Sick leave and other types of non-vested leave are also expensed when used.

O. Advances from Others

Advances from others consist of advances from other Federal agencies and the public related to interagency and cost share agreements into which the Corporation entered to provide services.

P. Net Position

Net position is comprised of the Corporation's unexpended appropriations and its cumulative results of operations. Unexpended appropriations is the balance of appropriated authority granted to the Corporation against which no outlays have been made. Cumulative results of operations represent the net differences between revenues and expenses from the inception of the Corporation.

Q. Revenues

Appropriated Capital Used

The Corporation recognizes its use of appropriated capital as revenue at the time it is expended to pay program or administrative expenses. Appropriations expended for property and equipment are recognized as used when the property is purchased. Appropriated capital not expended within five fiscal years after it became available for obligation is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available appropriated funds as payments become due. Appropriations received for the Corporation's Trust are recognized as revenue when received in the Trust Fund. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible education service award purposes.

Interest

Interest income is recognized when earned. Treasury notes and bonds pay interest semi-annually, based on the stated rate of interest. Interest on Treasury bills is paid at maturity. Interest income is adjusted by amortization of premiums and discounts using the effective interest method.

Revenue from Services Provided

The Corporation also receives income from reimbursable service agreements that is recorded as revenue from services provided. Revenue from services provided is recognized when earned, i.e., goods have been delivered or services rendered.

Other Revenue

Other revenue consists of gifts and donations for the support of Corporation operations or service projects from individuals and organizations.

R. Retirement Benefits

The Corporation's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984, elected to join FERS and Social Security or remained in the CSRS.

For employees covered by CSRS, the Corporation contributes 7.0 percent of their basic pay. For those employees covered by FERS, the Corporation contributes 11.2 percent of their gross pay towards retirement. Employees are allowed to participate in the Federal Thrift Savings Plan (TSP). For employees under FERS, the Corporation contributes an automatic one percent of basic pay to TSP and matches employee contributions up to an additional 4 percent of pay, for a maximum Corporation contribution amounting to 5 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either the Corporation's automatic or matching contributions.

The Corporation made retirement contributions of \$473 and \$506 thousand to the CSRS, and \$8.2 and \$8.1 million to FERS and TSP in fiscal years 2008 and 2007, respectively.

S. Income Taxes

As a Federal entity, the Corporation is exempt from all income taxes imposed by any governing body, whether it be a Federal, State, commonwealth, local, or foreign government.

T. Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make certain estimates. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

U. Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 - FUND BALANCE WITH TREASURY

U.S. Government cash is accounted for on an overall consolidated basis by the U.S. Department of Treasury. The Fund Balance with Treasury line on the Statement of Financial Position consists of the following:

- » **Appropriated Funds** - Appropriated funds are received through congressional appropriations to provide financing sources for the Corporation's programs on an annual, multi-year, and no-year basis.
- » **Trust Funds** - Trust Funds are accounts designated by law for receipts earmarked for specific purposes and for the expenditure of these receipts. Funds from the Corporation's Trust Fund may be expended for the purpose of providing an education award or student loan interest forbearance payment. Trust Fund payments are made 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 also pays awards under the President's Freedom Scholarship Program.
- » **Gift Funds** - Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of the national service laws.

Fund Balance with Treasury as of September 30, 2008			
<i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	821,954	\$ -	\$ 821,954
Trust Funds		\$ 227	227
Gift Funds	-	808	808
Total	\$ 821,954	\$ 1,035	\$ 822,989

Fund Balance with Treasury as of September 30, 2007			
<i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 885,823	\$ -	\$ 885,823
Trust Funds	-	148	148
Gift Funds	-	534	534
Total	\$ 885,823	\$ 682	\$ 886,505

NOTE 3 – TRUST INVESTMENTS AND RELATED RECEIVABLES

The composition of Trust Investments and Related Receivables at September 30 is as follows:

Trust Investments and Related Receivables as of September 30 (dollars in thousands)		
	2008	2007
Investments, Carrying Value	\$ 479,634	\$ 461,842
Investment and Interest Receivable	4,246	3,549
Total	\$ 483,880	\$ 465,391

Amortized Cost and Fair Value of Investment Securities as of September 30, 2008 (dollars in thousands)				
Securities	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
Notes	\$ 399,353	\$ 6,609	\$ -	\$ 405,962
Bills	80,281	108	-	80,389
Bonds	-	-	-	-
Total	\$ 479,634	\$ 6,717	\$ -	\$ 486,351

Amortized Cost and Fair Value of Investment Securities as of September 30, 2007 (dollars in thousands)				
Securities	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
Notes	\$ 427,428	\$ 2,307	\$ -	\$ 429,735
Bills	34,414	1	-	34,415
Bonds	-	-	-	-
Total	\$ 461,842	\$ 2,308	\$ -	\$ 464,150

At September 30, 2008, the notes held at year-end had an interest rate range of 3.0% to 6.0% and an outstanding maturity period of approximately one day to five years. The bills held at year-end had an interest rate range of 2.99% to 4.79% and were all due to mature within 18 days. The par values of these bills range from \$1.0 million to \$20.0 million.

As required by the Strengthen AmeriCorps Program Act, beginning in fiscal 2003, the Corporation has set aside in reserve a portion of the funds in the Trust for use in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. As of September 30, 2008, \$46.7 million of the Corporation's investment account has been set aside for this reserve.

NOTE 3 – TRUST INVESTMENTS AND RELATED RECEIVABLES – CONTINUED

Investments held at September 30 mature according to the following schedule:

Maturations of Securities Held as of September 30 (dollars in thousands)				
Held-to-Maturity Securities	2008		2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 357,731	\$ 359,913	\$ 245,945	\$ 246,090
Due after 1 year up to 5 years	121,903	126,438	215,897	218,060
Total	\$ 479,634	\$ 486,351	\$ 461,842	\$ 464,150

NOTE 4 – ACCOUNTS RECEIVABLE, NET

Accounts Receivable as of September 30 (dollars in thousands)		
	2008	2007
Accounts receivable	\$ 2,925	\$ 3,726
Less: allowance for loss on receivables	309	479
Accounts Receivable, Net	\$ 2,616	\$ 3,247

NOTE 5 – PROPERTY AND EQUIPMENT, NET

General Property and Equipment as of September 30, 2008 (dollars in thousands)				
Major Class	Service Life (Years)	Cost	Less: Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 3,084	\$ 1,541	\$ 1,543
Capital leases	3 - 5	416	291	125
ADP software	2	8,774	7,399	1,375
Total		\$ 12,274	\$ 9,231	\$ 3,043

NOTE 5 – PROPERTY AND EQUIPMENT, NET - CONTINUED

General Property and Equipment as of September 30, 2007					
<i>(dollars in thousands)</i>					
Major Class	Service Life (Years)	Cost	Less: Accumulated Depreciation	Net Book Value	
Equipment	3 - 10	\$ 2,917	\$ 1,326	\$ 1,591	
Capital leases	3 - 5	416	208	208	
ADP software	2	6,274	5,966	308	
Total		<u>\$ 9,607</u>	<u>\$ 7,500</u>	<u>\$ 2,107</u>	

NOTE 6 - SERVICE AWARD LIABILITY - NATIONAL SERVICE TRUST

Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which are available for use for a period of up to seven years after the benefit has been earned, are paid from the National Service Trust. The Trust also pays forbearance interest on qualified student loans during the period members perform community service, as well as awards under the President's Freedom Scholarship Program. The award liability components related to education awards and interest forbearance have been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The Service Award Liability was composed of the following as of September 30:

Service Award Liability as of September 30			
<i>(dollars in thousands)</i>			
	2008	2007	
Education awards	\$ 1,335,254	\$ 1,179,887	
Interest forbearance	42,707	37,264	
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>	
Total estimated Service Award Liability	1,400,488	1,239,678	
Less: cumulative awards paid	1,097,121	959,081	
Total	<u>\$ 303,367</u>	<u>\$ 280,597</u>	

The net Service Award Liability as of September 30, 2008, increased by approximately \$22.8 million from the net Service Award Liability as of September 30, 2007. This change was largely due to new member enrollments and an increase in the number of members still serving during the year. Past Corporation appropriations made amounts from the Trust available for \$1,000 scholarships for high school students known as Presidential Freedom Scholarships. To fund each scholarship, a local community or corporate source matched the \$500 portion of the scholarship provided by the Corporation. The program was discontinued in fiscal 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made over the next several years.

NOTE 7 - OPERATING LEASES

The Corporation leases office space through the General Services Administration (GSA). GSA charges the Corporation a Standard Level Users Charge that approximates commercial rental rates for similar properties. NCCC also leases housing facilities for its campuses. Additionally, the Corporation leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the National Civilian Community Corps. Commitments of the Corporation for future rental payments under operating leases at September 30 are as follows:

Estimated Operating Lease Commitments as of September 30								
<i>(dollars in thousands)</i>								
Fiscal Year	2008				2007			
	Facilities Space	Facilities Vehicles	Other	Total	Facilities Space	Facilities Vehicles	Other	Total
2008	\$ -	\$ -	\$ -	-	8,155	581	124	8,860
2009	8,351	543	139	9,033	8,395	598	95	9,088
2010	8,602	562	122	9,286	8,642	615	89	9,346
2011	8,860	581	126	9,567	8,896	633	92	9,621
2012	9,125	602	122	9,849	9,158	652	96	9,906
2013	9,399	623	114	10,136	-	-	-	-
Total	\$ 44,337	\$ 2,911	\$ 623	\$ 47,871	\$ 43,246	\$ 3,079	\$ 496	46,821

NOTE 8 - ACTUARIAL FECA LIABILITY

The Corporation's actuarial liability for future workers' compensation benefits under FECA was \$11.638 million and \$11.888 million as of September 30, 2008 and 2007, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The actuarial liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for 10-year Treasury notes and bonds.

NOTE 9 - NET POSITION

Net position consists of unexpended appropriations and cumulative results of operations. Component balances are separately maintained for the Gift Fund, Trust Fund and Appropriated Funds.

Net Position by Fund Balance Components				
As of September 30, 2008				
<i>(dollars in thousands)</i>				
	Gift Fund	Trust Fund	Appropriated Funds	Total
Unexpended appropriations	\$ -	\$ -	\$ 769,016	\$ 769,016
Cumulative results of operations	801	180,771	(8,268)	173,304
Total Net Position	\$ 801	\$ 180,771	\$ 760,748	\$ 942,320

NOTE 9 - NET POSITION - CONTINUED

Net Position by Fund Balance Components				
As of September 30, 2007				
<i>(dollars in thousands)</i>				
	Gift Fund	Trust Fund	Appropriated Funds	Total
Total unexpended appropriations	\$ -	\$ -	\$ 828,597	\$ 828,597
Cumulative results of operations	570	184,949	(10,170)	175,349
Total Net Position	\$ 570	\$ 184,949	\$ 818,427	\$ 1,003,946

NOTE 10 - APPROPRIATIONS RECEIVED BY THE NATIONAL SERVICE TRUST

For fiscal year 2008 the National Service Trust received \$122.530 million under the Consolidated Appropriations Act, 2008 (Public Law 110-161). For fiscal year 2007 the National Service Trust received \$117.720 million under the Revised Continuing Appropriations Resolution, 2007 (Public Law 110-5). 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 \$16.246 million to the National Service Fund under this provision in fiscal 2008, bringing total appropriations received by the Trust in 2008 to \$138.785 million; no funds were transferred in fiscal 2007.

NOTE 11 - EXPENSES

Using an appropriate cost accounting methodology, the Corporation's expenses have been allocated among its major programs, at the sub-program level. Costs for each sub-program are reported on separately:

AmeriCorps includes the *State, National, Tribes, and Territories* (State/National); *National Civilian Community Corps* (NCCC); and *Volunteers In Service To America* (VISTA) programs. The State/National sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and Trust operations. The NCCC sub-program includes direct and allocated personnel and administrative costs including AmeriCorps recruitment and Trust operations. The VISTA sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and Trust operations.

The National Senior Service Corps (NSSC) includes the *Foster Grandparent Program* (FGP); *Senior Companion Program* (SCP); and the *Retired and Senior Volunteer Program* (RSVP). The NSSC responsibility segment includes grant expenses, as well as direct and allocated personnel and administrative costs for RSVP, FGP, and SCP.

Learn and Serve America includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Learn and Serve America Program, the President's Student Service Challenge, and National Service Leader Schools. The President's Freedom Scholarships are included in the National Service Award expense component.

Other Program Costs

National Service Award Expense - the National Service Award expense component consists of the Corporation's estimated expense for education awards based on the increase in its service award liability during the year, interest forbearance costs on qualified student loans during the period members perform community service, as well as disbursements for the President's Freedom Scholarship Program (see Note 12). No indirect costs have been allocated to the National Service Award expense component.

Pass-through Grants - the Corporation has reimbursable agreements with state agencies whereby the Corporation awards and administers grants to a list of grantees selected and funded by the State. No indirect costs have been allocated to these pass-through grants.

The Office of Inspector General (OIG) receives a separate appropriation. No indirect costs have been allocated to the OIG.

Components of Grant Funds Expended for the years ended September 30

(dollars in thousands)

	2008	2007
Domestic Volunteer Service Act Programs	\$ 248,385	\$ 249,634
National and Community Service Act Programs	316,158	347,085
Pass-through Grants	163	2,781
Total Grant Funds Expended	\$ 564,706	\$ 599,500

Expenses by Major Responsibility Segment for the years ended September 30

(dollars in thousands)

	2008	2007
AmeriCorps		
State, National, Tribes & Territories (State/Nation)	\$ 459,584	\$ 461,509
National Civilian Community Corps (NCCC)	39,334	37,188
Volunteers In Service To America (VISTA)	<u>131,506</u>	<u>123,607</u>
Subtotal	\$ 630,424	\$ 622,304
National Senior Service Corps		
Retired and Senior Volunteer Program (RSVP)	66,284	66,286
Foster Grandparent Program (FGP)	119,396	123,293
Senior Companion Program (SCP)	<u>51,114</u>	<u>\$ 51,249</u>
Subtotal	236,794	240,828
Learn and Serve America	42,436	59,503
Pass-through Grants	163	2,781
Office of Inspector General (OIG)	6,284	5,634
Total Expenses	\$ 916,101	\$ 931,050

Expenses by Type and Subprogram for the year ended September 30, 2008
(dollars in thousands)

Type	AmeriCorps		National Senior Service Corps				Learn & Serve	Pass-through Grants	OIG	Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP				
Grant and Related Expense										
Grant funds expended	\$ 278,649	\$ -	\$ 29,062	\$ 60,763	\$ 111,231	\$ 47,329	\$ 37,509	\$ 163	\$ -	\$ 564,706
VISTA & NCCC stipends & benefits	57	5,645	53,097	-	-	-	-	-	-	58,799
Service award expense	141,623	3,851	15,316	-	-	-	-	-	-	160,790
Total Grant and Related Expense	420,329	9,496	97,475	60,763	111,231	47,329	37,509	163	-	784,295
Administrative Expense										
Federal employee salaries & benefits	26,339	13,637	21,994	3,104	5,677	2,415	3,423	-	3,632	80,221
Travel & transportation	967	3,734	4,692	113	201	86	109	-	137	10,039
Rent, communications, & utilities	3,716	2,459	888	453	829	353	263	-	360	9,321
Program analysis & evaluation	1,049	954	954	307	553	237	715	-	-	4,769
Printing & reproduction	57	83	77	43	31	13	5	-	-	309
Other services and expenses	5,589	7,121	4,892	1,311	523	532	292	-	2,069	22,329
Supplies & materials	618	1,838	362	63	117	50	41	-	86	3,175
Depreciation, amortization, loss on disposition of assets	970	13	181	134	246	104	83	-	-	1,731
Bad debt	(50)	(1)	(9)	(7)	(12)	(5)	(4)	-	-	(88)
Total Administrative Expense	39,255	29,838	34,031	5,521	8,165	3,785	4,927	-	6,284	131,806
Total Expenses by Type	\$ 459,584	\$ 39,334	\$ 131,506	\$ 66,284	\$ 119,396	\$ 51,114	\$ 42,436	\$ 163	\$ 6,284	\$ 916,101

Expenses by Type and Subprogram for the year ended September 30, 2007
(dollars in thousands)

Type	AmeriCorps		National Senior Service Corps				Learn & Serve	Pass-through Grants	OIG	Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP				
Grant and Related Expense										
Grant funds expended	\$ 295,095	\$ -	\$ 27,268	\$ 60,933	\$ 114,075	\$ 47,358	\$ 51,990	\$ 2,781	\$ -	\$ 599,500
VISTA & NCCC stipends & benefits	-	10,201	57,283	-	-	-	-	-	-	67,484
Service award expense	127,982	3,576	14,130	-	-	-	1,627	-	-	147,315
Total Grant and Related Expense	423,077	13,777	98,681	60,933	114,075	47,358	53,617	2,781	-	814,299
Administrative Expense										
Federal employee salaries & benefits	22,459	9,823	9,949	2,962	5,567	2,303	3,667	-	2,999	59,729
Travel & transportation	1,343	4,140	4,475	161	289	123	180	-	124	10,835
Rent, communications, & utilities	4,202	2,879	967	510	954	396	405	-	391	10,704
Program analysis & evaluation	853	775	775	245	456	190	581	-	-	3,875
Printing & reproduction	94	112	101	11	19	8	9	-	1	355
Other services and expenses	8,477	4,687	8,191	1,299	1,623	744	913	-	2,074	28,008
Supplies & materials	307	983	349	69	130	53	48	-	45	1,984
Depreciation, amortization, loss on disposition of assets	581	10	99	80	150	62	69	-	-	1,051
Bad debt	116	2	20	16	30	12	14	-	-	210
Total Administrative Expense	38,432	23,411	24,926	5,353	9,218	3,891	5,886	-	5,634	116,751
Total Expenses by Type	\$ 461,509	\$ 37,188	\$ 123,607	\$ 66,286	\$ 123,293	\$ 51,249	\$ 59,503	\$ 2,781	\$ 5,634	\$ 931,050

NOTE 12 - NATIONAL SERVICE AWARD EXPENSE

Members participating in the Trust programs are eligible to earn a service award to pay for qualified education expenses. The Trust also pays interest forbearance costs on qualified student loans during the period members perform community service. The Corporation estimates the expense for national service awards based on the increase in its cumulative service award liability during the year (see Note 6). The total service award liability as of September 30, 2008 and 2007 has been adjusted to reflect the fact that earned awards are not always used.

National Service Award Expense for the years ended September 30		
<i>(dollars in thousands)</i>		
	2008	2007
Estimated education awards	\$ 155,347	\$ 140,902
Estimated interest forbearance	5,443	4,786
President's Freedom Scholarship Program	-	1,627
National Service Award Expense	\$ 160,790	\$ 147,315

NOTE 13 - CHANGE IN UNEXPENDED APPROPRIATIONS, NET

Unexpended Appropriations, Net as of September 30		
<i>(dollars in thousands)</i>		
	2008	2007
Unexpended Appropriations, Beginning Balance	\$ 828,597	\$ 872,133
Increases:		
Appropriations Received, Net of Trust	871,558	884,547
Decreases:		
Appropriated Capital Used	(748,580)	(779,456)
Appropriations Transferred to Trust (net of rescissions)	(122,539)	(117,720)
Program Funds Transferred to Trust	(16,246)	-
Rescissions and Cancellations	<u>(43,774)</u>	<u>(30,907)</u>
Total Decreases	(931,139)	(928,083)
Change in Unexpended Appropriations	(59,581)	(43,536)
Unexpended Appropriations, Ending Balance	\$ 769,016	\$ 828,597

NOTE 14 - CONTINGENCIES

The Corporation is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against the Corporation. In the opinion of the Corporation's management and legal counsel, there are no proceedings, actions, or claims outstanding or threatened that would materially impact the financial statements of the Corporation.

Certain legal matters to which the Corporation is a party may be administered and, in some instances, litigated and paid by other Federal agencies. Generally, amounts paid in excess of \$2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation called the Treasury Judgment Fund (TJF). Although the ultimate disposition of any potential TJF proceedings cannot be determined, management does not expect that any liability or expense that might ensue would be material to the Corporation's financial statements.

NOTE 15 - UNDELIVERED ORDERS AT FISCAL YEAR-END

The Corporation's undelivered orders at September 30, 2008 and 2007 were \$804,283 thousand and \$837,042 thousand, respectively.

NOTE 16 - APPORTIONMENT CATEGORIES OF INCURRED OBLIGATIONS

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Corporation funds on a quarterly basis. Obligations incurred during fiscals 2008 and 2007 were:

Consolidated Obligations Incurred			
<i>(dollars in thousands)</i>			
Fiscal Year	Direct	Reimbursable	Total
Fiscal 2008	\$ 1,057,252	\$ 7,633	\$ 1,064,885
Fiscal 2007	\$ 1,059,318	\$ 4,511	\$ 1,063,829

Office of Inspector General Corporation for National and Community Service

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 



AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S FISCAL YEAR 2008 FINANCIAL STATEMENTS

Audit Report Number 09-01

Prepared by:

CLIFTON GUNDERSON LLP
11710 Beltsville Drive
Calverton, Maryland 20705

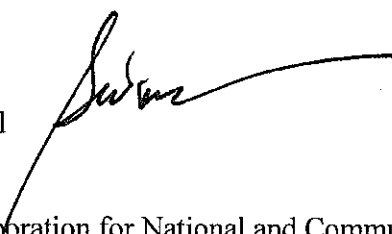
This report was issued to Corporation management on November 14, 2008. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's finding and recommendations no later than May 14, 2009. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

OFFICE OF INSPECTOR GENERAL

November 14, 2008

TO: David Eisner
Chief Executive Officer

Nicola Goren
Chief of Staff

FROM: Gerald Walpin
Inspector General 

SUBJECT: Audit of the Corporation for National and Community Service's Fiscal Year 2008
Financial Statements, Audit Report Number 09-01

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton) to audit the financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2008 and 2007, and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit, Clifton found

- The financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles;
- One significant deficiency related to the Corporation's business continuity controls over information technology challenges it experienced during 2008.

Clifton Gunderson is responsible for the attached auditor's report, dated November 12, 2008, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the Corporation's Financial Statements or Clifton's conclusions about the effectiveness of internal control or compliance with laws and regulations.

Attachment

cc: Frank Trinity, General Counsel
Kristin McSwain, Chief of Program Operations
William Anderson, Deputy CFO for Financial Management
Rocco Gaudio, Deputy CFO for Planning and Program Management
Sherry Blue, Audit Resolution Coordinator
Bill Oliver, Engagement Partner, Clifton Gunderson LLP (without attachment)



Independent Auditor's Report

To the Inspector General
Corporation for National and Community Service

We have audited the accompanying Statement of Financial Position of the Corporation for National and Community Service (Corporation) as of September 30, 2008 and 2007, and the related statements of Operations and Changes in Net Position, Budgetary Resources and Cash Flows for the years then ended. These financial statements are the responsibility of Corporation management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2008 and 2007, and the results of its operations and changes in net position, budgetary resources, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2008, on our consideration of 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.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Message from the Chief Executive Officer and Glossary are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Clifton Gundersen LLP

Calverton, Maryland
November 14, 2008



Independent Auditor's Report on Compliance and Other Matters

To the Inspector General
Corporation for National and Community Service

We have audited the financial statements of the Corporation for National and Community Service (Corporation) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 14, 2008. 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, Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the Corporation is responsible for complying with laws and regulations applicable to the Corporation. As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatements, we performed tests of the Corporation's compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04, as amended. We limited our tests of compliance to those provisions and we did not test compliance with all laws and regulations applicable to the Corporation. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin 07-04, as amended.

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.

A handwritten signature in cursive script that reads "Clifton Gunderson LLP".

Calverton, Maryland
November 14, 2008

α1

Independent Auditor's Report on Internal Control

To the Inspector General of the
Corporation for National and Community Service

We have audited the financial statements of the Corporation for National and Community Service (Corporation) as of and for the year ended September 30, 2008, and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with the 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, Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the Corporation's internal control over financial reporting by obtaining an understanding of relevant internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, as amended, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act* (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider collectively to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or reliably report financial data in accordance with generally accepted accounting principles such that, there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe that the significant deficiency described below is a material weakness.

Significant Deficiency

CONTINUITY OF OPERATIONS

Losing the capability to process and retrieve information maintained on CNCS's computer systems can significantly impact CNCS's ability to initiate, authorize, record, process, or report reliable financial data. The purpose of service continuity controls is to ensure that, when unexpected events occur, critical operations continue without interruption or are promptly resumed. To achieve this objective CNCS should have (1) procedures in place to minimize the risk of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur. These plans should consider activities performed at CNCS's general support facilities, as well as the activities performed by users of specific applications. To determine whether the disaster recovery plans will work as intended, CNCS should establish and periodically test the capability to perform its functions in disaster simulation exercises. The following weaknesses noted below describe deficiencies in business continuity controls at CNCS.

1. Application Development and Change Control:

Significant interface interoperability and unavailability issues in FY 2008 impacted the Corporation's ability to operate. Federal Information Processing Standards Publication 199, *Standards for Security Categorization of Federal Information and Information Systems*, states that a loss of *availability* is the disruption of access to or use of information or an information system and defines security categories for information systems based on potential impact on organizations or individuals should there be a breach of security – that is, a loss of confidentiality, integrity (including authenticity and non-repudiation), or availability. By authorizing an information system for operation, an organizational official accepts *responsibility* for the security of the system and is *accountable* for any adverse impacts that may occur if the system is breached thereby compromising the confidentiality, integrity, or availability of the information being processed, stored, or transmitted. The events, noted below, led to the system outages, disrupted system availability and created an unstable computer operating environment. In order to stabilize the computer environment, management limited system availability to its customers and employees with prescheduled blackouts to its mission critical applications. These issues resulted in major system outages totaling over 20 days, within a six-month time-span beginning February 2, 2008. The financially significant systems impacted included the general ledger system, the central database for National Service Trust and participants, and the grants management system.

In January 2008, there were two major contracted system projects implemented within days of each other. Both projects were being managed by separate areas within the Corporation; the Project Management Office (PMO) managed one project and the Office of the Chief Financial Officer (CFO) managed the other. The PMO managed the implementation of the AmeriCorps Portal (a self-service, on-line AmeriCorps program support system) and the CFO managed the implementation of the general ledger system upgrade. These projects relied heavily on the functions, support and testing of Information Technology (IT) systems and components. Concurrent migration of both projects did not allow adequate time to

perform testing to identify potential load and interface issues. There was also insufficient communication among key stakeholders (PMO, Office of Information Technology (OIT), and the CFO) during the phases of implementation for the AmeriCorps Portal.

During this same period, OIT was heavily involved in addressing infrastructure support shortfalls resulting from the failed contract due to the bankruptcy of its infrastructure support contractor. There were two-thirds fewer resources available in OIT to support day-to-day operations and functions. This left very limited resources available to focus coordination and testing efforts for the system projects to ensure they did not result in any system degradation and unavailability issues. Lack of resources, communication, and the timing of the migration to the upgraded general ledger system and Portal implementation resulted in significant problems including lack of interface interoperability, unavailability and delays in processing.

CNCS had a SWAT team monitoring the system and is now in the process of developing and implementing remediation controls. CNCS upgraded the database to be compatible with the version used by the third party processor and ensure a more stable operating environment. CNCS also had an independent consultant review their controls and make recommendations to correct the weaknesses noted.

Recommendations: We recommend that the Corporation do the following:

1. Management should establish a central mechanism for coordinating and managing resources required for projects that rely on IT resources.
2. Management should consider the financial and operational impact when planning multiple system projects occurring concurrently (i.e. staffing, system load, system testing and system availability).
3. Management should effectively communicate with key stakeholders who are responsible for supporting systems to be sure that there is adequate time and resources to test.
4. For all system projects, Management should follow the documented Corporation System Development Life Cycle process.

2. Continuity of Operations Plan and Testing:

Losing the capability to process and retrieve information maintained electronically can significantly affect CNCS's ability to accomplish its mission. OMB Circular A-130 Appendix III, *Security of Federal Automated Information Resources*, states that: "Experience has shown that recovery plans that are periodically tested are substantially more viable than those that are not. Moreover, untested plans may actually create a false sense of security." CNCS participated in the Federal Emergency Management Agency (FEMA)'s exercise to test the continuity of the executive branch through testing the continuation of National Essential Functions (NEFs). However, the test was not designed to test the preparedness of CNCS to operate in the case of a CNCS specific disruption. CNCS' COOP also requires an annual COOP exercise to train and test personnel, plans and capabilities. For this reason, CNCS should follow best Federal business practices and its own procedures to minimize the risk of unplanned interruptions. CNCS should also schedule the annual testing of its plan to recover critical operations should interruptions occur. These plans should consider the activities performed at general support facilities, such as data processing centers and telecommunications facilities, as well as the activities performed by users of specific

applications. To determine whether recovery plans will work as intended, they should be tested periodically in disaster simulation exercises. The following matters were noted during our audit:

- The Corporation's Continuity of Operation Plan (COOP), was not maintained in accordance with the Corporation's policies and procedures (ISP-P-11-0705). Below are issues we noted:
 - The COOP is not updated annually in accordance with the Corporation policy. The last COOP update was in July 2006.
 - The COOP is not updated with test results or lessons learned from test exercises.
- The Corporation has documented its Continuity of Operations Plan (COOP). However, the plan has not been tested to execute the scripted responses to emergencies (Levels 1 through 4) to validate the effectiveness of the COOP and the preparedness of the Corporation to carry out its mission in the case of an emergency.
- In place of testing the COOP, the Corporation placed reliance on the evaluation of its COOP as part of the Federal Emergency Management Agency (FEMA) initiated Eagle Horizon exercise, dated May 8, 2008. However, the evaluation conducted by a third party Federal agency, did not include tests of Levels of Emergency (1 through 4) identified in the COOP. The result of the Eagle Horizon exercise was not used to update the COOP.
- The Corporation determined that the most critical function to be tested was the Corporation's ability to communicate through BlackBerry devices in the event of a disaster. However, no business impact analysis was performed in support of this decision, and the COOP was not updated to include this level of testing.
- In lieu of testing the documented COOP, the Corporation performed two exercises that were specific to the BlackBerry devices. The two exercises tested the Corporation's ability to communicate with employees using this device during a disaster. The Corporation did not document test results or lessons learned from the tests performed. Neither of the BlackBerry exercise responses were scripted within the current COOP. In addition, these exercises are not consistent with the Levels of Emergency (1 through 4).

Recommendations:

1. Management should maintain the COOP and ensure that it is updated at least annually, or if major changes occur.
2. Management should perform testing in accordance with the documented Corporation COOP and Federal standards.
3. Management should document test results or lessons learned from the tests performed in order to identify gaps to be used for future updates to the plan.
4. Management should update its business impact analysis to include the communications through BlackBerry devices.
5. Management should add the results of the BlackBerry exercise to the COOP.

In addition, we noted other matters involving internal control and its operation that we will report to the Corporation management in a separate management letter.

Agency Comments and Our Evaluation

In commenting on the draft of this report (attached exhibit), Corporation management did not concur with the facts and conclusions in our report, but stated that our recommendations “are either in line with what we already have in place or can be readily adopted through improved documentation”. We did not perform audit procedures on the Corporation’s written response to the significant deficiencies and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management of the Corporation, the Office of Inspector General, OMB, the Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Calverton, Maryland
November 14, 2008


APPENDIX

CORPORATION RESPONSE TO REPORT

MEMORANDUM

Date: November 12, 2008

To: Gerald Walpin, Inspector General

From: David Eisner, Chief Executive Officer 

Subject: Draft report on the results of OIG's audit of the Corporation's Fiscal Year 2008 Financial Statements

Thank you for the opportunity to comment on the draft report on the audit of the Corporation's fiscal 2008 financial statements. The Corporation received an unqualified opinion for the ninth year in a row and had no reported instance of noncompliance with laws and regulations. These results reflect the Corporation's commitment to sound financial management and the hard work by staff over the past year to improve operations.

Beginning in January 2008, we experienced significant challenges in our information systems when we upgraded our agency's core financial system and concurrently rolled out an improved version of the AmeriCorps member portal. We took immediate action to identify and correct the source of the problem and instituted additional short- and long-term remedial actions. At all times, our general ledger system continued to process required transactions, as evidenced by transaction logs for fiscal 2008, and there is no record of any financial adjustments necessitated by the system challenges.

We note that the draft report contains numerous significant inaccuracies and omissions relating to testing that was performed, organizational structure, applicable continuity of operations procedures, and disaster recovery protocols. Our staff will communicate separately with your office on these concerns to inform your audit work moving forward. Nevertheless, we are heartened that the auditors' recommendations, relating to our information systems and continuity of operations, are either in line with what we have already put in place or can be readily adopted through improved documentation.

GLOSSARY

ACSI

American Consumer Satisfaction Index; produced by the Stephen M. Ross Business School at the University of Michigan; the ACSI measures trends in customer satisfaction. Scores are reported on a scale of 0 to 100, and are based on econometric data obtained through customer interviews. The Corporation score is a weighted average of program scores according to appropriations for the fiscal year. The ACSI was adopted in 1999 as the “gold standard” measure for federal agencies.

AGA

Association of Government Accountants

AMERICA’S PROMISE

America’s Promise is a collaborative network that works to build the character of children and youth through providing five promises—caring adults in their lives, safe places to learn and grow, a healthy start, an effective education and opportunities to contribute to their communities.

AMERICORPS NCCC

AmeriCorps National Civilian Community Corps; a Corporation program that engages men and women ages 18–24 in a full-time, team-based, residential program, providing flexible response capabilities to meet community needs.

AMERICORPS VISTA

AmeriCorps Volunteers in Service to America (VISTA); a Corporation program that provides full-time volunteers to community organizations to help create and expand anti-poverty programs and build the capacity of the organizations where they serve.

AMERICORPS S/N

AmeriCorps State and National; a Corporation program that provides grants to nonprofit organizations to engage Americans of all backgrounds in service to address community needs in education, public safety, health, the environment, and other human needs.

ATTRITION RATES

Attrition rate measures a reduction in number of employees, program members, mentors and other groups as percentages. For example, the percent of employees who leave the program or agency between the start and end of the year. (The employee attrition rate is affected by retirements, resignations and deaths, among other factors.)

BABY BOOMER

A person born in the generation after WWII, between 1946 and 1964.

CEAR

Certificate of Excellence in Accountability Reporting; the Association of Government Accountant’s (AGA) Certificate of Excellence in Accountability Reporting® Program has been helping federal agencies produce high-quality Performance and Accountability Reports since 1997. The program was established in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

CHILDREN AND YOUTH FROM DISADVANTAGED CIRCUMSTANCES

Children and youth up to age 25 with exception or special needs (as defined in part 2552.12(f) and (g) of the DVSA regulations, or who are economically disadvantaged and for whom one or more of the following apply: (1) out-of-school youth who are unemployed; (2) in or aging out of foster care; (3) limited English proficiency; (4) homeless or have run away from home; (5) at-risk to leave school without a diploma; and (6) former juvenile offenders or at risk of delinquency.

CHILDREN WITH EXCEPTIONAL NEEDS

Children who are developmentally disabled, such as those who are autistic, have cerebral palsy or epilepsy, are visually impaired, speech impaired, hearing impaired, orthopedic ally impaired, are emotionally disturbed or have a language disorder, specific learning disability, have multiple disabilities, other significant health impairment or have literacy needs. Existence of a child’s exceptional need shall be verified by an appropriate professional, such as a physician, psychiatrist, psychologist, registered nurse or licensed practical nurse, speech therapist or educator before a Foster Grandparent is assigned to the child.

GLOSSARY

CHILDREN WITH SPECIAL NEEDS

Children who are abused or neglected; in need of foster care; adjudicated youth; homeless youths; teenage parents; and children in need of protective intervention in their homes. Existence of a child's special need shall be verified by an appropriate professional before a Foster Grandparent is assigned to the child.

CNCS

Corporation for National and Community Service (the Corporation)

CPS

Current Population Survey; conducted annually by the Census Bureau.

DISADVANTAGED CHILDREN AND YOUTH

Individuals up to age 25 with exceptional or special needs (as defined in part 2552.81 of the DVSA regulations; see entry for children with exceptional needs and children with special needs for corresponding definitions), or who are economically disadvantaged and for whom one or more of the following apply: 1) out-of-school, including out-of-school youth who are unemployed; 2) in or aging out of foster care; 3) limited English proficiency; 4) homeless or have run away from home; 5) at-risk to leave school without a diploma; and 6) former juvenile offenders or at risk of delinquency.

DVSA

Domestic Volunteer Service Act; one of the two Corporation authority statutes (the other being NCSA).

FGP

Foster Grandparent Program (one of three Corporation-sponsored Senior Corps programs); this program provides support and service to children and youth with exceptional needs and engages individuals aged 60 and over in such service.

FISMA

Federal Information Security Management Act; Title III of the E-Government Act, which requires that all federal agencies provide security for the information and information systems that support the operations and assets of the agency, including those managed by other agencies or contractors.

FMFIA

Federal Managers' Financial Integrity Act

FSR

Financial Status Report

FY

Fiscal year; October 1, 2007 through September 30, 2008 is the 2008 fiscal year.

GOVERNMENT-WIDE FINANCIAL MANAGEMENT METRICS

Nine financial measures or metrics developed by the CFO's Council for use government-wide

GPRA

Government Performance and Results Act; the Act seeks to shift the focus of government decision-making and accountability away from a preoccupation with the activities that are undertaken—such as grants dispensed or inspections made—to a focus on the results of those activities, such as real gains in employability, safety, responsiveness, or program quality. Under the Act, agencies are to develop multiyear strategic plans, annual performance plans, and annual performance reports.

GRANT

The Corporation provides monetary aid to states, organizations, educational institutions and others to assist them in their service-based objectives.

GRANTEE

An organization that has been awarded financial assistance under one of the Corporation's grant-making programs.

GLOSSARY

HUMAN CAPITAL SURVEY

The Federal Human Capital Survey is a tool that measures employees' perceptions of whether and to what extent conditions which characterize successful organizations are present in a federal agency. This ground breaking survey was administered for the first time in 2002 and set a baseline for ongoing Human Capital assessment in the federal government.

IMPROPER PAYMENTS

Improper payments occur when federal funds go to the wrong recipient, the recipient receives the wrong amount of funds, or the recipient uses the funds improperly.

IMPROPER PAYMENTS INFORMATION ACT

The Improper Payments Information Act of 2002 contains requirements in the areas of improper payment identification and reporting. It requires agency heads to annually review all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. The legislation also requires OMB to prescribe guidance for federal agency use in implementing the act. OMB issued the guidance in May 2003.

INFORMATION TECHNOLOGY PLAN

The Information Technology Plan guides the use of electronic government, aligning information technology investments with the Corporation's strategic plan.

IT

Information technology

LASSIE

Learn and Serve Survey Information Exchange; the data collection mechanism used to provide information on Learn and Serve grantees, their projects, and participants.

LEVERAGED COMMUNITY VOLUNTEERS

Participants in Corporation-supported service programs, who were recruited, coordinated, or supported by Corporation-funded programs. This excludes direct AmeriCorps members, Learn and Serve America direct program participants, and Senior Corps direct volunteers.

LSA

Learn and Serve America; a Corporation program that supports service-learning activities in schools, colleges, and community organizations.

MANAGEMENT METRICS

Measures that reflect the Corporation's administrative performance.

MATERIAL WEAKNESS

One or more significant deficiencies resulting in more than remote chance that a material misstatement of the financial statements will not be prevented or detected. Prior to FY 2007, a material weakness was defined as: a severe reportable condition—controls do not bring risk to low level that fraud or errors cause material financial statement misstatements and not be detected. See also the terms, "reportable condition" and "significant deficiency."

MEMBER

A stipended participant in one of the Corporation's AmeriCorps programs.

MENTORING

Includes formal, sustained relationships established between an older or more experienced person and a younger or less experienced person for the purpose of academic, social, or career support. This does not include the relationship between a teacher and his or her students in a classroom setting.

MLK, JR. DAY

Martin Luther King, Jr. Day of Service

GLOSSARY

MSY

Member Service Year; similar to full-time equivalent (FTE), but reflects the program's service year.

NAEP

National Assessment of Educational Progress; sponsored by the Department of Education.

NATIONAL SERVICE

Service to local communities throughout the country provided through Corporation programs.

NATIONAL SERVICE TRUST

The National Service Trust (the Trust) was established by the National and Community Service Trust Act of 1993 (42 USC12601, et seq.) to provide funds for education awards for eligible participants who complete AmeriCorps service.

NCCC

See AmeriCorps NCCC

NCSA

National and Community Service Act; one of the two Corporation authority statutes (the other being DVSA).

NEXT GENERATION GRANTS

Grants that foster the expansion of national service by providing seed money to help organizations plan and implement new service programs.

NOFA

Notice of Funds Availability; the public notification that grants are available, subject to the terms and process to apply for and implement a grant described in the notification.

OIG

Office of Inspector General

OMB

Office of Management and Budget

ON-SITE COMPLIANCE VISIT

A method by which the Corporation monitors its programs; on-site compliance visits help determine whether activities are following the requirements stipulated in the grant award, including programmatic and financial requirements.

OUTCOME-BASED METRICS

Measure of the impact of the Corporation's programs on the end-beneficiaries.

OUTPUT MEASURES

Metrics that directly assess the work that the Corporation carries out, ensuring accountability, for example, the number of grants or the number of training conducted.

OPM

Office of Personnel Management

PART

Program Assessment Rating Tool; the Office of Management and Budget (OMB) developed the PART as a means of assessing program performance so that the federal government can achieve better results. By identifying strengths and weaknesses, a PART review provides information useful to making funding and management decisions. PART looks at a consistent series of analytical questions, considering all factors that affect and reflect program performance, including program purpose and design; performance measurement, evaluations, and strategic planning; program management; and program results.

GLOSSARY

PARTICIPANT

An individual who participates directly in the Corporation's program activity, including Learn and Serve America and the Senior Corps programs, but does not include community volunteers who are recruited or managed by Corporation members and participants.

PERFORMANCE BASELINE

The data in a set, base year for the Corporation's performance measures, against which future outcomes and targets can be compared.

PMDS

Performance Measurement Database System; a system recently developed by the Corporation to track all of its performance from the national to the operational level.

POLF

Points of Light Foundation; the POLF is an organization devoted to helping Americans meet their community needs through volunteering. POLF helps to leverage volunteers, build the capacity of local groups, develop leaders in their communities, and raise public awareness. POLF and the Hands On Network recently merged their operation to form a more comprehensive and effective national network of volunteer centers.

PRESIDENTIAL FREEDOM SCHOLARSHIP

Presidential Freedom Scholarship; a former Corporation program, the Presidential Freedom Scholarships promoted student service and civic engagement. These scholarships recognized high school students for outstanding leadership in service to their community and neighbors.

PRIVACY ACT ASSESSMENT

Corporation assessments to ensure that new, or newly reformed, financial systems comply with the Privacy Act and do not compromise the integrity of any material containing personal information.

PROGRAM

One of the Corporation's established systems of projects and services, including AmeriCorps, Learn and Serve America, and the Senior Corps.

PROGRAM END-BENEFICIARIES

The specific demographic or organizational group that the Corporation's programs aim to benefit.

PROJECT

A set of systematic activities and services that the Corporation carries out through its grantees to achieve its goals.

PY

Program year

REPORTABLE CONDITION

Matters that should be reported to audit committee. A significant internal control design or operation deficiency that could adversely affect ability to initiate, record, process, and report financial data accuracy. Term used prior to FY 2007. See also "significant deficiency" and "material weakness."

RSVP

One of three Senior Corps programs run by the Corporation; this program offers "one stop shopping" for volunteers 55 and over who want to find challenging, rewarding, and significant service opportunities in their local communities, allowing volunteers to choose how, where, and how often they want to serve.

RULEMAKING

The process by which a federal agency creates and updates the formal regulations that will govern the implementation of its programs; rulemaking generally offers an opportunity to address significant policy issues and provide continuity for program operations. The rulemaking process involves proposing rules, receiving public comment, and the publishing of final rules.

GLOSSARY

SCP

Senior Companion Program (one of the three Corporation Senior Corps programs); this program enables individuals aged 60 and up to assist frail, homebound individuals with daily living tasks.

SEA

State Education Agency

SERVICE-LEARNING

Service-learning is an educational method by which schools and communities coordinate to allow students to engage in service activities and help to meet local needs while benefitting their education. Learn and Serve America provides grants to state education agencies, nonprofit organizations, and higher education institutions for this purpose, facilitating service learning and encouraging civic engagement.

SIGNIFICANT DEFICIENCY

One or more internal control deficiencies that adversely affect(s) an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles so that there is more than a remote chance that misstatement of financial statements that is more than inconsequential will not be prevented or detected. The term, "significant deficiency," did not have an official meaning related to the audit of the financial statements. See also "material weakness," and "reportable condition."

SITE VISIT

A method by which the Corporation monitors and assesses its programs.

STATE SERVICE COMMISSIONS

Governor-appointed public agencies or private nonprofit organizations that serve at a state level and sub-grant federal funds to local sources to support service and volunteerism.

STATE ADMINISTRATIVE STANDARDS REVIEWS

Corporation monitoring and assessment of the operations of the public agencies and nonprofit organizations to which it provides grants.

STRATEGIC HUMAN CAPITAL PLAN

A workforce management strategy developed through discussions with employees, managers and agency officials; it encourages a results-driven performance culture, open communications, fact-based decision-making, diversity and an alignment of performance with Corporation goals.

STRENGTHEN AMERICORPS PROGRAM ACT

Signed in July, 2003 by the President, the Strengthen AmeriCorps Program Act established new accounting guidelines for education awards in the National Service Trust.

SUBGRANTEES

An organization that has been awarded financial assistance by a state service commission national grantee or other grantee; the state level organization first receives a grant from the federal government, and then redistributes the funds out to subgrantees.

TARGET

A performance measure goal set for a specific year based on prior year data and anticipated activities, to be compared against actual performance.

TTA

Training and Technical Assistance

U.S. CFO Council

Organization of the chief financial officers and deputy chief financial officers of the largest federal agencies, senior officials of the Office of Management and Budget and the Department of the Treasury who work collaboratively to oversee financial management in the government.

VISTA

See AmeriCorps VISTA

Report Preparation Statement

This report was prepared by the Office of the Chief Financial Officer. Many others within the Corporation contributed their time and expertise in providing data, drafts, other information, and comments. Their responsiveness and support was critical to the preparation of this report.

AmeriCorps NCCC

Erin Dahlin

Human Capital

Raymond Limon

AmeriCorps State and National

Kim Mansaray

Kristin McSwain

Learn and Serve America

Elson Nash

Cara Patrick

AmeriCorps VISTA

Carol Rogers

Jean Whaley

Inspector General

Carol Bates

Ron Huritz

John Park

Gerald Walpin

Chief Financial Officer

William Anderson

Sherry Blue

Stuart Graff

Bob Loring

Idara Nickelson

Tyndall Traversa

Public Affairs

Jacqueline Aker

Matthew Harmon

Amy Mack

Rosemary Shamieh

Chief Information Officer

Alan Friend

Research and Policy

Development

Nathan Dietz

Robert Grimm

LaMonica Shelton

General Counsel

Frank Trinity

Chief Executive Officer

David Eisner

Nicola Goren

Lisa Guccione

How wonderful it is that nobody need wait a single moment before starting to improve the world.

Anne Frank

I am only one; but still I am one. I cannot do everything, but I still can do something. I will not refuse to do the something I can do.

Helen Keller

The noblest question in the world is, What good can I do in it?

Benjamin Franklin

You must be the change you wish to see in the world.

Mahatma Gandhi

**Your world.
Your chance to make it better.**

Find out how...

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

INFO@CNS.GOV

NATIONALSERVICE.GOV

202-606-5000 (202-606-3472 TTY)