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

**Review of the Corporation's Liability for  
Post-service Benefits Related to Former Commission on  
National and Community Service Grants**

**Report Number 99-06  
September 30, 1998**

*Prepared by:*  
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Under CNS OIG MOU # 94-046-1027  
With the Department of State  
Contract # S-OPRAQ-94C-0470-78

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**This report was issued to Corporation management on December 23, 1998. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than June 21, 1999 and complete its corrective actions by December 23, 1999. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.**

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Related to Former Commission on National and Community Service Grants**

In support of our audits of the Corporation's fiscal year 1997 and 1998 financial statements, and to provide information on grantees who may have "drawn down" funds in excess their needs, CNS OIG engaged Leonard G. Birnbaum & Company to perform certain agreed-upon procedures related to Commission grants. The Corporation assumed responsibility for these grants when the former Commission was merged into the Corporation in fiscal year 1994.

As a result of their work, performed in accordance with *Government Auditing Standards*, Birnbaum & Company estimated the Corporation's liability for post-service benefits related to the grants as \$2,009,489 and \$1,994,100 at September 30, 1997, and September 30, 1998, respectively. The firm also identified three grantees who "drew down" funds in excess of their needs totaling \$142,035, and 15 other grantees who drew down all Federal funds awarded by the former Commission. We have reviewed the report and work papers supporting its conclusions and agree with the information presented.

Based on information obtained from this and other OIG reports,<sup>1</sup> it is clear that the Corporation has not adequately monitored former Commission grants or the funds drawn down by the grantees. OIG recommends that the Corporation:

- clearly establish who is responsible for monitoring and closing out the former Commission grants;
- establish a process to close out the grants within the next year; and
- require grantees to return excess funds.

Further, because most of the funds appropriated for the Commission, and subsequently awarded under these grants, have lapsed, OIG recommends that the Corporation resolve, with the Office of Management and Budget, the issue of funding for post-service benefits where the appropriation authority has lapsed.

In its response to a draft of this report the Corporation stated that it agreed with the recommendations and was implementing corrective actions. The Corporation's response is included in its entirety as Appendix A.

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<sup>1</sup>In OIG Audit Report 98-23, *Auditability Assessment of the Corporation for National Service at September 30, 1997*, we reported that the Corporation has not established procedures to monitor disbursements from these grants or to appropriately close out the grants.

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September 30, 1998

Inspector General  
Corporation for National Service

In support of ongoing work by the Office of the Inspector General (OIG), Corporation for National Service (Corporation), to determine whether there are funds due the Federal government associated with the former Commission on National and Community Service grants,<sup>1</sup> and whether there are liabilities related to the post-service benefit provisions of these grants, we have performed certain agreed-upon procedures, as described in Exhibit A. Overall, the procedures were intended to:

- identify, from available records, those Commission grants that provided for post-service benefits and the amounts of Federal funds budgeted for those benefits in the grant awards;
- determine, for the grantees identified above, those which drew down<sup>2</sup> the entire amount of Federal funds awarded, to assist in planning the scope of future OIG audits; and
- provide estimates of the contingent liability for post-service benefits related to Commission grants recorded in the Corporation's Statement of Financial Position at September 30, 1997, and September 30, 1998.

Based on information provided by the Corporation's Office of Grants Management, we compiled a list of 54 Commission grants which provided for post-service benefits funding (Exhibit B-1). Based on information in grant files, including grant award letters and budgets, we determined the amount

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<sup>1</sup>As a result of the National and Community Service Trust Act (the Act) of 1993, the Commission on National and Community Service merged into the Corporation for National Service which assumed responsibility for grants awarded by the Commission. The Act also established audit responsibility for all programs administered by the Corporation, as well as grants awarded by the Commission, in its Office of the Inspector General.

<sup>2</sup>After award of a grant, the Commission established an account in the Department of Health and Human Services' Payment Management System for the award amount. The grantee could then unilaterally draw down grant funds from the account (up to the full amount awarded) as needed for its grant expenses.

of Federal funds awarded and the amount of *Federally funded* post-service benefits. For 45 of these grants, the award budget provided Federal funding for the post-service benefits. Using this list and the Corporation's records in regard to cumulative funds drawn down, we developed preliminary estimates of the Commission's funding for post-service benefits and the Corporation's maximum contingent liability.

We then performed procedures to further refine the estimate of the maximum contingent liability. Our methodology assumed that when the Federal amount awarded has been fully drawn, the amount of post-service benefits included therein can no longer be considered a potential liability of the Corporation. The Corporation's records indicate that all awarded Federal grant funds have been drawn down for nine of the 45 grants.<sup>3</sup>

To estimate the post-service benefit liability recorded in the Corporation's Statement of Financial Position, we selected a sample<sup>4</sup> of 10 of the 45 grantees with the intent of reviewing records related to post-service benefits (Exhibit B-2). We performed on-site reviews of grantee records for five of the 10 selected grants. We determined that three of the five had remaining post-service benefits liabilities, two had drawn down excess funds totaling \$129,802, and one had neither a remaining liability for post-service benefits nor had drawn down excess funds from the Corporation.

For the remaining five grants, we attempted to obtain certifications<sup>5</sup> as to remaining liability for post-service benefits and/or amounts owed to the Corporation as a result of excess funds drawn down. From the certifications and review of other records, we determined that two had remaining post-service benefits liabilities; two had no post-service benefits liabilities or excess funds drawn down from the Corporation; and one had drawn down excess funds totaling \$12,233.

Based on the data obtained as a result of performing the procedures outlined above, we estimated the Corporation's total remaining liability for post-service benefits of former Commission grants as:

	<i>(In thousands)</i>
Estimated post-service benefit liability at September 30, 1997	<u>\$2,009</u>
Estimated post-service benefit liability at September 30, 1998	<u>\$1,994</u>

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<sup>3</sup>The Corporation's records also indicate that all awarded Federal grants funds have been drawn down for six of the 15 grants that did not provide for Federally funded post-service benefits.

<sup>4</sup>The grants selected for review were those awarded the largest amount of Federal funding (excluding those that had previously been audited by OIG).

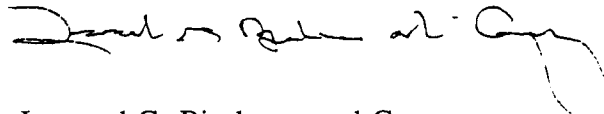
<sup>5</sup>Certifications were obtained from three of the five grantees. Certifications were not obtained from two of the grantees. One (New York Governor's Office for Voluntary Service) has been dissolved. The Corporation is negotiating with the New York Commission for the administration of the remaining post-service benefits. For the other (Florida Office of the Governor) we were not able to satisfy ourselves that the grantee had adequate records from which to determine the number of participants, if any, that are still eligible for post-service benefits therefore, we estimated the remaining liability as the amount funded which had not been drawn down.

## SCOPE AND METHODOLOGY

We performed our review at the Corporation's headquarters in Washington, D.C. and at the facilities of five grantees during August and September 1998. We applied the agreed-upon procedures in accordance with *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Specific information on our scope and methodology is included in Exhibit A.

Because the above procedures do not constitute an audit conducted in accordance with *Government Auditing Standards*, we do not express an opinion on the adequacy of the reviewed data. In connection with the procedures referred to above, no matters came to our attention that caused us to believe that there were significant inadequacies related to the data reviewed except as described herein.

The Corporation's comments to a draft of this report are presented as Appendix A.

A handwritten signature in black ink, appearing to read "Leonard G. Birnbaum and Company". The signature is written in a cursive, flowing style.

Leonard G. Birnbaum and Company

The objectives of our review were to:

- identify, from available records, those Commission grants that provided for post-service benefits and the amounts of Federal funds budgeted for those benefits in the grant awards;
- determine, for the grantees identified above, those which drew down the entire amount of Federal funds awarded, to assist in planning the scope of future OIG audits; and
- provide estimates of the contingent liability for post-service benefits related to Commission grants recorded in the Corporation's Statement of Financial Position at September 30, 1997, and September 30, 1998.

To achieve these objectives, we performed the following procedures:

- (1) To determine whether any funds available under the former Commission grants were carried over into the Corporation's AmeriCorps grants for selected Commission grantees, we made inquiries to the Corporation's Office of Grants Management.
- (2) To determine which Commission grants provided for post-service benefits and the amounts budgeted for those benefits, we reviewed grant applications, grant award and renewal documents, grant modifications, and other records in the grant files, and summarized Commission funds awarded for post-service benefits. Based on this information, we compiled a list of Commission grants which provided for post-service benefits and estimated the Corporation's maximum liability for benefits under the grants.
- (3) To determine which grantees drew down the entire amount budgeted for post-service benefits, we compared the total Federal funds awarded to the amounts reported as drawn down on the Department of Health and Human Services' Payment Management System. We used this information to refine the estimate of the Corporation's liability for post-service benefits.
- (4) To determine what findings, if any, could have an impact on post-service benefits, we reviewed the financial statements and management letters of the ten selected grantees.
- (5) To determine the Corporation's remaining liability for post-service benefits or the amount to be returned to the Corporation, including interest, for selected grantees, we reviewed grantee records documenting the amount of post-service benefits awarded and paid, documented and tested the grantee's system for summarizing post-service benefits earned by participants, and conducted other procedures during our on-site visits which would provide this information.

- (6) To determine the Corporation's remaining liability for post-service benefits or the amount to be returned to the Corporation for those grantees that had been audited previously by the OIG, we reviewed the audit workpapers, obtained updated information from the grantee regarding post-service benefits, and attempted to obtain certifications from the grantees regarding the updated information provided.
- (7) To determine the Corporation's remaining liability for post-service benefits for the other grantees, we computed the liability amount as the difference between the Federal amount funded and the amount drawn down for post-service benefits.
- (8) To determine the Corporation's total remaining liability or the amount to be returned to the Corporation for post-service benefits of former Commission grants, we summarized the data obtained as a result of performing the procedures outlined in steps 5 through 7 above.

Grantee	Award Number	Federally Funded PSB	Estimated PSB Liability 9/30/97	Estimated PSB Liability 9/30/98
Iowa Department of Economic Development	92COSTIA0006	\$382,500	\$52,439	\$52,439
Vermont Department of Education	92COSTVT0026	98,400	0	0
Maryland Governor's Office of Volunteerism	92NMSTMD0003	438,500	102,925	95,615
Maine Department of Labor	93DCSTME0002	160,000	0	0
Washington Employment Security Division	93DCSTWA0004	215,000	36,070	32,678
Maine Department Conservation	92COSTME0011	54,669	0	0
Mississippi State Department of Education	92COSTMS0015	122,500	0	0
Wisconsin Department of Health	92COSTWI0030	75,260	0	0
New York Governor's Office for Voluntary Service	93NMSTNY0006	212,500	57,508	57,508
Florida Office of the Governor	92COSTFL0004	198,720	196,869	196,869
Greater Miami Service Corps	93DCLOFL0001	60,000	18,900	18,900
Georgia Department of Community Affairs	92NMSTGA0002	500,000	165,144	165,144
PennSERVE	92NMSTPA0007	909,358	135,316	135,316
Oregon Youth Conservation Corps	92COSTOR0021	79,000	0	0
PennSERVE	92COSTPA0022	373,000	0	0
Washington Service Corps	92COSTWA0027	223,120	32,876	32,876
New Jersey Department of Higher Education	92NMSTNJ0005	390,500	335,121	335,121
Los Angeles Conservation Corps	92COLOCA0009	* 108,000	0	0
Massachusetts Department of Education	92NMSTMA0004	1,371,866	0	0
Montana Office of the Governor	92COSTMT0016	* 110,655	0	0
West Virginia Department of Education	92COSTWV0028	12,500	0	0
State of Arkansas Division of Volunteerism	92NMSTAR0001	1,044,000	456,814	453,545
Greater Miami Service Corps	92COLOFL0032	* 10,000	0	0
Kenaltze Indian Tribe	92COITAK0008	0	0	0
SE Alaska Guidance Association	92COLOAK0024	* 18,000	0	0
White Mountain Apache Tribe	92COITAZ0029	* 0	0	0
California Conservation Corps	92COSTCA0001	31,678	10,878	10,878
Colorado Department of Education	92COSTCO0002	87,073	28,850	28,850

(Continued)



Grantee	Award Number		Federally Funded PSB	Estimated PSB Liability 9/30/97	Estimated PSB Liability 9/30/98
D.C. Service Corps	92COSTDC0003	*	\$ 404,000	\$ 0	\$ 0
Kansas State Department of Education	92COSTKS0007		31,711	16,809	15,391
Louisiana Office of the Lieutenant Governor	92COSTLA0010		10,200	2,327	2,327
Massachusetts Department of Education	92COSTMA0013	*	200,000	0	0
Maryland State Department	92COSTMD0012		100,000	850	850
Inter-Tribal Council of Michigan, Inc.	92COITMI0005	*	40,000	0	0
Michigan Community Service	92COSTMI0014	*	60,000	0	0
New Hampshire Job Training Council	92COSTNH0017		30,100	1,900	1,900
New Jersey Department of Higher Education	92COSTNJ0018		17,450	8,425	8,425
Oneida Indian Nation Youth Corps	92COITNY0025		60,772	7,465	7,465
New York Governor's Office for Voluntary Service	92COSTNY0019		45,098	45,098	45,098
Ohio Department of Natural Resources	92COSTOH0020	*	0	0	0
Red Cliff Band of Lake Superior Chip	92COITWI0023		50,000	50,000	50,000
Illinois Office of the Governor	93NMSTIL0003	*	75,000	0	0
Otoe-Missouri Tribe	92COITOK0031		26,000	1,368	1,368
Michigan Community Service Commission	93NMSTMI0005	*	0	0	0
Blackfeet Tribal Council	93NMITMT0002	*	0	0	0
Western Rural Development Center	93NMSTOR0007		0	0	0
Border Volunteer Corps	93NMLOAZ0001		215,000	500	500
Full Employment Council	93COLOMO0001		0	0	0
Youth Education and Health	93COLOMO0004	*	0	0	0
Wisconsin Conservation Corps	92COLOWI0003	*	0	0	0
Kansas State Department of Education	93NMSTKS0004		156,000	9,552	9,552
Seneca Nation of Indians	92NMITNY0008		15,000	15,000	15,000
Oklahoma State Department of Education	92NMSTOK0006		50,000	50,000	50,000
Sacramento County Parks and Recreation	93DCLOCA0003		<u>170,485</u>	<u>170,485</u>	<u>170,485</u>
<b>Total</b>			<b><u>\$9,043,615</u></b>	<b><u>\$2,009,489</u></b>	<b><u>\$1,994,100</u></b>

\* Grantee has drawn down all Federal grant funds awarded by the Commission.

Grantee	Award Number		Excess Drawdown	Estimated Interest	Total Due Corporation
Iowa Department of Economic Development	2COSTIA0006	(a)*	\$114,256	\$28,952	\$143,208
Vermont Department of Education	92COSTVT0026	(a)	15,546	2,812	18,358
Maryland Governor's Office of Volunteerism	92NMSTMD0003	(a)*	—	—	—
Maine Department of Labor	93DCSTME0002	(a)	—	—	—
Washington Employment Security Division	93DCSTWA0004	(a)*	—	—	—
<b>Subtotal</b>			<u>129,802</u>	<u>31,764</u>	<u>161,566</u>
Maine Department Conservation	92COSTME0011	(b)	12,233	3,384	15,617
Mississippi State Department of Education	92COSTMS0015	(b)	—	—	—
Wisconsin Department of Health	92COSTWI0030	(b)	—	—	—
New York Governor's Office for Voluntary Service	93NMSTNY0006	(c)*	—	—	—
Florida Office of the Governor	92COSTFL0004	(d)*	—	—	—
<b>Subtotal</b>			<u>12,233</u>	<u>3,384</u>	<u>15,617</u>
<b>Total</b>			<u>\$142,035</u>	<u>\$35,148</u>	<u>\$177,183</u>

\* Grantee has remaining post-service liability (reported on Schedule B-1).  
(a) Review performed at grantee's facility.  
(b) Confirmation obtained from grantee.  
(c) Entity dissolved prior to review.  
(d) Grantee records were not adequate to determine number of participants eligible for post-service benefits.

## **Appendix A**


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### **Response of the Corporation for National Service**

MEMEORANDUM

DATE: December 21, 1998

TO: Luise Jordan, Inspector General

FROM: Wendy Zenker, Chief Operating Officer 

SUBJECT: Response to OIG Draft Report 99-06. Liabilities for Post Service Benefits under Commission on National and Community Service Programs

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We agree with the findings of the referenced audit and the results presented therein.

Related to this audit, the OIG makes three recommendations: establish clear responsibility for monitoring and closing out these awards; establish a process to close them within the next year; and have grantees return excess funds.

We agree with the specific grant-related recommendations and designate the the Grants Management Office to assume overall responsibility to assure that:

1. The prior Commission grants are closed within the next fiscal year. Grants with active post-service benefits will be closed except for liability for payments of current post-service benefits.
2. Grantees identified as retaining excess funds will be required to return such funds immediately to the Corporation.

Both AmeriCorps State and National and Learn and Serve will provide assistance as necessary to assure that prior, related programs are closed expeditiously.

Finally, the OIG recommends that the Corporation resolve with OMB the funding of post-service benefits where appropriation authority has lapsed. This issue has been addressed by the General Counsel and OMB resulting in a determination that current appropriations can be used, within limits, to pay post-service benefit costs resulting from previous obligations under the programs of the prior Commission.

cc: Mike Kenefick, Grants Management  
Debbie Jospin, AmeriCorps  
Peter Heinaru, AmeriCorps, State and National  
Marilyn Smith, Learn and Serve

