Office of the Inspector General
Corporation for National and Community Service

Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements

Report Number 00-01
March 3, 2000

Prepared by:
KPMG LLP
2001 M Street, N.W.
Washington, D.C. 20036

Under Corporation for National and Community Service
Contract # 98-743-3002
Task Order #7

This report was issued to Corporation management on March 31, 2000. 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 September 27, 2000 and complete its corrective actions by March 31, 2001. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

CORPORATION
FOR NATIONAL
SERVICE

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Introduction

As required by the Government Corporation Control Act (31 U.S.C. 9101 *et seq.*), the Office of the Inspector General engaged KPMG LLP to audit the fiscal year 1999 financial statements of the Corporation for National and Community Service. The audit, conducted in accordance with government auditing standards, included extensive audit procedures to overcome known material weaknesses and included tests of all three financial statements. As a result, KPMG was able to issue an unqualified opinion on the Corporation's Statement of Financial Position at September 30, 1999. However, as explained in the Auditors' Report on the Financial Statements, KPMG was unable to render an opinion on the Statement of Operations and Changes in Net Position, and the Statement of Cash Flows for the fiscal year.

As discussed in the Report on Internal Control Over Financial Reporting and illustrated in Exhibit I, material weaknesses have been reduced from eight in FY 1998 to five; two of the eight are now classified as reportable conditions; and one has been corrected to the extent that we will provide recommendations for further improvement in our final report on this audit, the "management letter" (OIG Report 00-38[1]). These improvements, and the Corporation's new accounting system implemented during the final months of FY 1999, indicate that the Corporation continues to make progress toward producing auditable financial reports.

However, the Corporation has yet to fully correct all of its financial management deficiencies. The five areas cited as material weaknesses in fiscal year 1999 were first reported as material weaknesses in 1996. They include: financial management and reporting, the Corporation's general control environment,[2] grants management, net position reporting, and fund balance with Treasury.

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[1] OIG Audit Report 00-38: "Recommended Improvements to the Corporation's Internal Controls - Fiscal Year 1999 Financial Audit Management Letter" is currently being prepared by KPMG and is expected to be issued within the third quarter of FY 2000.

[2] Control environment factors include commitment to competence, management philosophy and operating style, organizational structure, and assignment of authority and responsibility. The control environment sets the tone of an organization, influences the level of control consciousness, and provides the discipline and structure of an organization.

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The integrity of data in the National Service Trust and matters related to the Corporation's new accounting system's controls and reports are cited as reportable conditions.

The Report on Compliance with Laws and Regulations also repeats two areas of non-compliance with laws and regulations: the Corporation's substantial non-compliance with Federal financial systems requirements during the majority of fiscal year 1999, and the Corporation's practice to carry over grant funds when renewing grants that is not always in compliance with appropriation laws related to the use of National and Community Service Act funds.[3]

As is our responsibility under the Government Corporation Control Act, CNS OIG participated in the planning of the auditors' work and evaluated the nature, timing and extent of the procedures performed, monitored progress throughout the audit, and reviewed the auditors' report and the work papers supporting its conclusions, with which we concur.

The Corporation's response to our audit report

We provided the Corporation management with a copy of the report for review and comment. In the Corporation's response, the Chief Executive Officer disagrees with nearly all of the audit findings including the auditors' opinion. In disagreeing with the auditors' opinion, management incorrectly uses GAO's guidance for establishing initial estimates of planning materiality to justify its argument that its statements of operations and changes in net position and cash flows should not receive a disclaimer of opinion, despite a $10.5 million unidentified difference that impacts these statements.

As the report states, management is responsible for preparing the financial statements. It is the auditors' responsibility to express an opinion on the statements based on the audit. The auditors' opinion is a matter of professional judgement and objectively considers all aspects of the work performed. The auditors test and consider the amounts and disclosures in the financial statements and the overall financial statement presentation. Materiality considerations are not simply quantitative matters, they include the qualitative aspects of the financial statements and are based on the auditors' independent and professional judgement. KPMG performed the audit, evaluated the results, and concluded that the conversion of data to a new accounting system and the lack of an audit trail to explain adjustments to certain accounting balances made it impossible to obtain satisfactory evidence to support the $10.5 million reported as an increase in unexpended appropriations.[4] That is the basis for their disclaiming an opinion. CNS OIG agrees with KPMG's decision.

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[3] This condition is also discussed in Section E of the Report on Internal Control over Financial Reporting.

[4] As reported in the Independent Auditors' Report, page 1.

The Chief Executive Officer's response also asserts the auditors' report has "an unwarrantedly negative cast" and cites a list of the Corporation's accomplishments over the past 18 months. We agree that the Corporation has made progress. However, many of these achievements occurred in recent months – after the close of fiscal year 1999, the period covered by the audit. Our report acknowledges the Corporation's new financial accounting system, recognizes the arduous efforts that were necessary to convert from the Corporation's legacy systems to the new system, and mentions that the Corporation has a new Chief Financial Officer and other financial management personnel. Equally important, the report clearly states that during FY 1999, the Corporation reduced the number of accounting and financial reporting material weaknesses from eight to five.

Finally, the CEO's letter describes the communication of audit information during the audit process as "too limited," ignoring the fact that the Corporation's Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer receive monthly OIG audit management reports which provide information on the status of all of OIG's ongoing audit work, including the financial statement audit. Furthermore, the financial statement audit was a primary topic at CEO briefings on December 21st, January 27th, and February 17th. In those discussions, OIG reported that progress on the audit was delayed by the Corporation's failure to provide the statement of cash flows and other information critical to the auditors' work. OIG clearly stated the delay in receiving information was compressing audit field work into a five to six week period – mainly during the month of February.

On February 1st, KPMG informed the CFO of problems with the statement of cash flows. In addition, during the field work, KPMG discussed issues with the Corporation's accounting staff as they arose. A preliminary summary of significant issues was provided to the Deputy CFO on February 18th after a meeting held on February 16th. However, as the Inspector General informed management in the January and February briefings, due to the compressed audit schedule, formal written findings were not available until the end of field work, March 3rd.

On March 2nd, within hours of the auditors' formulating, and reporting to OIG, their conclusions as to the opinion on the financial statements, the IG reported the outcome to the CEO. Within 24 hours of the auditors' conclusions (on March 3rd), OIG and KPMG met with the COO, the CFO, the Deputy CFO, and the Corporation's Chief of Staff to discuss, and provide further information on, the outcome of the audit, including the opinion on the financial statements and a summary of the material weaknesses and compliance issues. As quickly as possible thereafter, OIG and KPMG provided the individual formal written findings supporting the auditors' overall findings and conclusions. On March 16th, and again on March 29th, we met with the COO, CFO and Deputy CFO to discuss the audit results, the draft audit report, and the Corporation's response.

Despite the Corporation's disappointment and disagreement with the outcome of its FY 1999 financial statement audit, it is important to keep in mind that the Corporation has had much to achieve. Over the past several years, OIG's audit reports have classified numerous deficiencies

into broad areas of material weaknesses that encompassed the most critical aspects of the Corporation's financial management. Given the pervasiveness of the deficiencies, it is not surprising that, although the Corporation has made some progress, we are reporting that not all of the material weaknesses were corrected during FY 1999. The Corporation has also reported that it has yet to fully achieve its major financial management improvement goals in its monthly report to Congress as recently as March 21, 2000.[5]

At any rate, the purpose of this report is to convey the results of the work performed to audit the Corporation's FY 1999 financial statements. Where the audit procedures revealed evidence of continuing or new deficiencies, the auditors, in accordance with government auditing standards, have reported the deficiencies and made recommendations for corrective actions and further improvements. Future audits will reveal the effectiveness of the achievements made in recent months and the effectiveness of the corrective actions put into place to respond to our findings and recommendations, as well as the Corporation's continued progress.

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[5] As reported in OIG Audit Report 00-13: "Review of the Corporation for National and Community Service Action Plan."

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Independent Auditors' Report

Inspector General
Corporation for National and Community Service:

We have audited the accompanying fiscal year 1999 financial statements of the Corporation for National and Community Service. Our report expresses an unqualified opinion on the Corporation's Statement of Financial Position as of September 30, 1999, and a disclaimer of opinion on the related Statements of Operations and Changes in Net Position and Cash Flows for the year then ended.

In connection with our audit, we considered the Corporation's internal control over financial reporting and tested the Corporation's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its fiscal year 1999 financial statements.

As a result of our consideration of internal control over financial reporting, we identified the following conditions that we consider to be material weaknesses:

- ***Financial Management and Reporting*** – The Corporation's policies and procedures in place during fiscal year 1999 were not effective in ensuring quality control of accounting and financial reporting activities. Additionally, the general ledger system in use for the majority of fiscal year 1999 was not adequate to support the financial information needs of the Corporation, or to facilitate the preparation of annual financial statements.

- ***General Control Environment*** – A comprehensive process for assessing the effectiveness of the Corporation's system of internal control for safeguarding assets, producing reliable financial reports, and complying with applicable laws and regulations, is not in place. Additionally, a comprehensive set of policies and procedures to guide Corporation financial management activities does not exist.

- ***Grants Management*** – Adequate procedures for monitoring grantees' financial activity and compliance with laws and regulations are not in place.

- ***Fund Balance with Treasury*** – The reconciliation of Corporation records to those maintained by the U.S. Department of the Treasury is not performed in an effective manner.

- ***Net Position*** – Adequate procedures for ensuring unexpended appropriations (both obligated and unobligated) are accurately accounted for, and reviewing the propriety of changes in the components of net position are not in place. In addition, controls have not been established to ensure compliance with National Community Service Act appropriation laws.

KPMG LLP KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

We also identified the following reportable conditions, which we do not consider to be material weaknesses:

- ***National Service Trust*** - Procedures to obtain and reconcile membership roster information prepared by program sites to corresponding information on file at the Corporation are ineffective. This information is necessary to validate the accuracy and completeness of the data supporting the calculation of the service award liability.

- ***Financial Systems*** – The Corporation's new financial accounting system lacks effective report generation capabilities to support its financial information needs or to facilitate the preparation of annual financial statements.

Our tests of the Corporation's compliance with certain provisions of applicable laws and regulations disclosed the following matters:

- ***Federal Financial Systems*** – During the first 10 months of fiscal year 1999, the Corporation utilized a financial management system that was in substantial noncompliance with the provisions of OMB Circular A-127, *Federal Financial Systems.*

- ***Availability of Funds*** – The Corporation is not in full compliance with appropriation laws related to the use of its National Community Service Act funds only during periods of availability.

The results of our audit, our consideration of internal control over financial reporting, and our tests of the Corporation's compliance with certain provisions of applicable laws and regulations are presented in more detail in the remainder of this report.

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of the Corporation for National and Community Service as of September 30, 1999, and the related Statement of Operations and Changes in Net Position and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion on the Statement of Financial Position. During 1999, the Corporation converted its general ledger to a new financial accounting system and made adjustments to certain financial statement account balances that affected the amounts reported as of and for the year ended September 30, 1999. Due to the complexity of the general ledger conversion process, and the lack of an adequate audit trail to support certain adjustments, we were unable to satisfy ourselves as to the

propriety of $10.5 million reported as an increase in unexpended appropriations, for the year ended September 30, 1999.

It was impracticable to extend our audit procedures sufficiently to determine the extent to which this matter affected the fiscal year 1999 results of operations and cash flows, and accordingly the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Corporation's Statements of Operations and Changes in Net Position and Cash Flows for the year ended September 30, 1999.

In our opinion, the Statement of Financial Position referred to above, presents fairly, in all material respects, the financial position of the Corporation for National and Community Service at September 30, 1999, in conformity with generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

The management of the Corporation is responsible for establishing and maintaining internal control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control over financial reporting are to provide management with reasonable, but not absolute, assurance that:

- transactions are executed in accordance with laws governing the use of budget authority and with other laws and regulations and government-wide policies identified by the Office of Management and Budget (OMB) as applicable to the Corporation, that could have a direct and material effect on the financial statements;
- assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and
- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal control, misstatements, losses, or noncompliance may nevertheless occur and not be detected. Also, projection of an evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered the Corporation's internal control over financial reporting by obtaining an understanding of the Corporation's internal controls, determined whether these internal controls have 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 Statement of Financial Position, and not to provide assurance on internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described above. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls. Consequently, we do not provide an opinion on internal controls.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are material weaknesses. Reportable conditions are matters coming to our attention that represent significant deficiencies in the design or operation of internal control that could adversely affect the Corporation's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted certain matters, described below, involving internal control over financial reporting that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

We believe the reportable conditions identified as items A through E below are material weaknesses. These conditions were first identified and previously reported as material weaknesses in OIG Audit Report 96-38, *Report on the Results of the Auditability Study,* issued in March 1996, and other OIG reports. Items F and G, National Service Trust and financial systems, also previously reported as material weaknesses in the aforementioned reports, are no longer considered material weaknesses, but remain reportable conditions. All of these conditions were considered in determining the nature, timing, and extent of audit procedures to be performed in our audit of the Corporation's 1999 Statement of Financial Position. A summary of the status of material weaknesses and other reportable conditions included in our prior year *Independent Auditors' Report on Internal Control Over Financial Reporting* is included as Exhibit I.

A. Financial Management and Reporting

During the latter half of fiscal year 1999, the Corporation identified a candidate to fill the position of Chief Financial Officer; however, this individual was not confirmed by Congress and did not assume official duties until November 1999. As a result, fiscal year 1999 financial management leadership, and oversight of accounting and financial reporting activities, remained the responsibility of the Chief Operating Officer who was required to split her time between financial management and the operational demands requisite in managing a growing national service program.

Additionally, limitations of the legacy financial system, Federal Success, in use by the Corporation for the majority of fiscal year 1999 contributed significantly to the Corporation's inability to compile reliable and meaningful financial reports for management information and annual financial reporting purposes. That financial system did not provide the Corporation with an effective means for control of financial activity at the detail fund level. To compensate for system inadequacies, numerous detail subsidiary ledgers were maintained separate from the general ledger system, by accounting personnel and staff members in other offices, to track information not readily available from the legacy financial system. Reconciliation of these manual and personal computer based records to the general ledger was time consuming and subject to human error.

The Corporation implemented a new financial accounting system, Momentum, in August 1999. This new system is intended to address management information needs, and result in improved system integration, enhanced data integrity checks, funds control, and expanded reporting functions. The conversion of financial data from Federal Success to Momentum was a very arduous task, and was completed near the Corporation's

fiscal year end. There was no period of parallel operation, and due to complexities of Federal Success, which made it incompatible with the architecture of Momentum, most data was converted in summary form. Although the detail was archived on a CD-Rom for reference purposes, preparing financial statements as of and for the year ended September 30, 1999, using data from the two general ledger systems, was a challenge for the Corporation.

Financial reporting issues identified during our audit included the following:

- The posting of prior year audit adjustments was delayed until the preparation of the fiscal year 1999 post-closing trial balance, resulting in uncertainty as to which adjustments needed to be posted and to what general ledger account;
- Transactions posted to grant accounts were not effectively reviewed and adjusted, thus requiring additional significant adjustments to grant advances, payables, and expense for fiscal year 1999;
- A number of adjustments were identified and posted directly to net position accounts with no formal audit trail or supporting documentation to justify the decision to make these adjustments directly to net position;
- Certain journal vouchers were prepared and posted to the post-closing trial balance by an accounting manager without review and approval by supervisory personnel; and
- Unusual financial statement relationships, such as National Service Trust activity reported as impacting the increase in unexpended appropriations, were not identified and resolved on a timely basis.

Additionally, the Corporation's Accounting Department, which was reorganized during the year and again subsequent to fiscal year end when the new CFO took office, includes a number of new personnel who did not work with Federal Success when it was the Corporation's core general ledger system. For the most part, these individuals, including the CFO, were responsible for preparing the year end financial statements. Unfamiliarity with Federal Success, and lack of sufficient detail in Momentum, made preparation of the financial statements extremely complicated.

Moreover, the fair presentation of financial statements in accordance with generally accepted accounting principles includes not only the reporting of materially correct account balances, but also the presentation of those balances in a reasonably classified and summarized (neither too detailed or too condensed) manner, so that the financial statements are informative of matters that may affect their use, understanding, and interpretation. The Corporation's financial statements do not currently provide information related to its many service programs, the administrative costs of those programs, or the separate operations of the National Service Trust.

To improve its financial management and reporting processes, we recommend the Corporation:

1. Continue to investigate, identify, and resolve the reporting errors affecting unexpended appropriations and the cash flow statement;

2. Require the completion of a financial disclosure checklist and the documentation of senior management's review and approval of the financial statements and related support;

3. Provide personnel responsible for preparation and review of the financial statements adequate training on current accounting and reporting requirements as they apply to government corporations;

4. Establish formal procedures for the monthly review of general ledger accounts, trial balances, adjusting journal vouchers, and account reconciliations and other supporting documentation by the Director of Accounting or other supervisory personnel;

5. Enhance the overall presentation of the financial statements, and their usefulness to the reader, by reporting costs, including an allocation of those costs related to administration, for each Corporation service program and separately report the operations of the National Service Trust.

B. General Control Environment

The general control environment sets the tone of an organization and thereby influences the level of control consciousness and provides the discipline and structure of an organization. Control environment factors include commitment to competence, management philosophy and operating style, organizational structure, and assignment of authority and responsibility. During fiscal year 1999, the Corporation operated with less than optimal personnel resources that contributed to the weaknesses noted in the Corporation's general control environment.

The Corporation has begun to take a more proactive approach to ensuring that an effective system of internal control is in place, primarily through progress made in implementing its Action Plan for financial management improvements, initially submitted to Congress in December 1998, and reported upon bimonthly as required by the House of Representatives Conference Committee Report accompanying PL 105-276. Additionally, the Corporation has taken steps to survey key members of Corporation management to obtain relevant information to prepare the annual statement on internal accounting and administrative control systems.

However, the Corporation continues to rely heavily on issues being brought to its attention through audits conducted by the Office of the Inspector General (OIG) and independent auditors. Corporation management is responsible for establishing and maintaining an effective system of internal controls. Reliance on the work of the OIG and independent auditors to identify and report internal control risks for management's attention does not prevent or routinely detect matters during the year which could result in material misstatements of accounting and budgetary reports or instances of material noncompliance with laws and regulations. It also leaves the Corporation vulnerable to the risks of fraud or other irregularities (either intentional or unintentional) that may not be detected or corrected in a timely manner by Corporation employees in the course of performing their assigned duties.

The following matters are the most significant factors in our conclusion regarding the presence of a continuing materially weak general control environment:

1. Although the Corporation has recently promulgated some policies, the Corporation still lacks a comprehensive set of policies and procedures to provide the guidance Corporation personnel need for effective and efficient performance of their assigned duties in accordance with management directives and relevant industry standards, and in compliance with applicable laws and regulations.

2. The Corporation's current plan for self-assessment of internal control, which relies primarily on internal surveys of designated assessable units on a staggered schedule, is not sufficiently comprehensive, and to date has not assessed information technology controls. It also does not include a process for independent validation of survey responses, or for formal monitoring of corrective action taken to improve any identified internal control weaknesses.

3. The Corporation has developed an Action Plan, as mandated by Congress, to guide and track its efforts in improving its overall financial management. However, this plan continues to evolve and through October 8, 1999, the date of OIG Audit Report Number 00-13, *Review of the Corporation for National and Community Service Action Plan,* none of the major financial management reform goals had been completely achieved.

Additionally, the attention focused by the Corporation on implementing the new financial accounting system within a limited timeframe, resulted in a shift of priorities away from strengthening supervisory review of ongoing financial accounting activity.

We also concluded that the Corporation lacks an effective management control environment as evidenced by the volume of material weaknesses and other reportable conditions identified herein, and in other reports issued by its OIG. Many of the matters presented in this report, and the related recommendations, have been made in prior reports, some of which date back several years. These matters continue to raise questions about the reliability of the Corporation's general control environment.

To improve its general control environment, we recommend the Corporation:

1. Complete the development of a comprehensive set of policies and procedures to guide Corporation personnel in the performance of their assigned duties.

2. Dedicate the resources necessary to design and implement a more comprehensive plan for self-assessment of management internal accounting and administrative controls. All assessable units need to be initially surveyed, grants management needs to be surveyed annually, and information technology controls need to be included in the self-assessment survey. Validation of survey responses and monitoring of corrective action taken to improve internal control weaknesses should be independently performed.

3. Reemphasize the importance of supervisory review of transactions, prior to their posting to the new financial accounting system.

4. As discussed in more detail in OIG Audit Report 00-13, critically evaluate its Action Plan to ensure goals and tasks are appropriately defined and prioritized, timelines are realistic, and appropriate criteria are in place to measure results and completion of tasks.

C. Grants Management

The Corporation awards National and Community Service Act (NCSA) and Domestic Volunteer Service Act (DVSA) grants to state and local governments, institutions of higher education, and other not-for-profit organizations. The Corporation spends most of its funds on grants. Therefore, grant activities result in the

most significant components of the Corporation's financial statements. Grantees are required, among other things, to expend funds for allowable costs and provide periodic reports to the Corporation to demonstrate programmatic and financial compliance with the terms of the respective grant agreements.

The majority of grant funds must be spent to support program members recruited to provide a variety of community service activities. Because the success of member recruitment by grantees varies in terms of numbers and timing, it is difficult for the Corporation to estimate expenses incurred by grantees. Therefore, it is critical that grantees' financial activity is monitored closely and required reporting deadlines enforced so that related financial statement amounts (grant advances, grants payable, and grant obligations and expenses) are fairly stated.

Monitoring of grantee financial activity is hampered by the limitations of the current financial system used to track grant awards. Momentum lacks a grants module, and the grants management system currently in use is not integrated with the new general ledger system. The current grants management system does not include sufficient flexibility to produce reports which would be useful in monitoring grantee performance, including reports of grantees with past due reports and impending grant expiration dates, so that appropriate action could be taken by program managers to contact grantees or close out grants on a timely basis.

Further, the Corporation is expanding the use of its Web-Based Reporting System in fiscal year 2000. Controls over the input of enrollment and end-of-term forms are critical to ensure the integrity of the National Service Trust database, and therefore should be reviewed as part of the Corporation's grantee monitoring procedures.

Equally important, the Corporation is also responsible for ensuring that grantees comply with applicable laws and regulations related to the administration of the respective grant awards, including those related to federal cash management requirements. One method for accomplishing this is to rely on financial and compliance audits of grantees performed under the Single Audit Act. Another is to establish an internal program of grantee oversight, including risk-based site visits to review grantee financial management and programmatic compliance. Because the Single Audit Act leaves the identification of major programs which are subject to compliance testing to the judgment of the grantees' independent auditors, there can be no assurance that the Corporation's programs will be selected for review. Further, many of the Corporation's DVSA grants fall below the $300,000 threshold that triggers the Single Audit Act requirement. Therefore, a combination of an internal grantee monitoring program and review of Single Audit reports is required to ensure effective grantee oversight is maintained.

However, our audit procedures revealed that a routine methodology for obtaining and reviewing grantees' Single Audit reports, where required, and resolving noted instances of noncompliance, has not been implemented as of September 30, 1999. Likewise, a comprehensive, risk-based internal grants management program for performing grantee site visits to ensure financial and programmatic compliance is not in place. Considering the size of grants awarded to state commissions and certain not-for-profit organizations, establishing a comprehensive program for oversight of grantees, including procedures to ensure grantees are effectively monitoring their subgrantees, should be a high priority for the Corporation.

We recommend the Corporation take the following actions to improve its grants management process:

1. Continue to emphasize the importance of timely receipt and accurate processing of grantee financial reports to all service center and headquarters grants management and accounting personnel.

2. Develop appropriate actions to penalize grantees that consistently miss reporting deadlines, and notify all grantees of enforcement actions to be taken. Follow through to demonstrate commitment to attaining improved reporting compliance.

3. Implement procedures to obtain and review grantee Single Audit reports, where required, and resolve identified instances of noncompliance.

4. Establish a comprehensive program to monitor the programmatic and financial activity of all grantees to ensure adequate attention is given to compliance issues which may not be addressed even if a Single Audit has been performed for any specific grantee. Corporation monitoring activities should include site visits performed on a periodic basis, the frequency of which would depend on the level of risk assessed by the program managers, to ascertain whether Corporation administrative and programmatic guidance provided to the grantees, including the requirement for monitoring of subgrantees, has been effectively implemented.

5. Incorporate procedures during site visits to ascertain that adequate controls over input of enrollment and end-of-term forms via WBRS have been established by grantees.

6. Identify and implement an improved grants management system that could interface with or provide compatible data input for the new financial accounting system, and which could be used to produce grantee monitoring reports, such as listings (by service center) of those grantees with past due financial status reports and impending grant expiration dates, so that appropriate and timely action could be taken by the Corporation's program managers.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Corporation's accounts with the U.S. Department of the Treasury from which it is authorized to make expenditures and pay liabilities. The controls over capturing and reconciling the appropriate information for inclusion in the financial statements are essential to ensure that the related balances are complete and accurate.

The Corporation is not performing effective Fund Balance with Treasury reconciliation procedures at the appropriation level on a monthly basis. Significant differences continue to exist, at the appropriation level, between the Corporation's records and those maintained by the Treasury. Additionally, although the year end procedures materially reconciled the total balance to Treasury records, an aggregate unreconciled difference of approximately $3.4 million existed between the Corporation's general ledger balances and those reported by Treasury at September 30, 1999. Further, the current procedures are not effective for detecting the inappropriate use of Trust or gift funds for other than their intended purpose.

We recommend the Corporation improve its monthly Fund Balance with Treasury reconciliation procedures as follows:

1. Perform reconciliations at the appropriation level to help isolate variances to a few specific accounts. All reconciling differences, as identified on the TFS 6652, *Statement of Differences*, and on the Corporation's cash comparison sheet at the appropriation level, should be promptly investigated and resolved.

2. Document and submit the reconciliations to the Director of Accounting or other senior management for review and approval no later than 30 days after each month end.

E. Net Position

The results of the Corporation's operations are reported in the various components of its net position as of each fiscal year end. Because the Corporation receives significant annual appropriations from Congress, the status of unexpended appropriations, as well as the cumulative results of operations related to the National Service Trust, are important disclosures for the users of the financial statements. Our audit revealed the following matters affecting the reported component balances of net position that required management attention.

- Tests of a sample of obligated balances at year end revealed that these amounts are not always deobligated on a timely basis.

- A number of adjustments, totaling approximately $7.5 million, had initially been posted directly to net position instead of initiating a prior period adjustment or posting the "clean-up" activity to the appropriate operating expense account.

- Once appropriations have been obligated as a result of NCSA grant awards, the Corporation considers the funds available for allowable grant costs until expended. If unexpended grant funds remain unspent at the end of any funding period, carryovers are computed and subsequent funding period costs are charged first to the carryover balances, followed by charges to any new grant award funds. Based on consultation with legal counsel at the General Accounting Office, in some instances, depending on the wording in the specific grant agreements, this practice is in violation of restrictions on the period of availability of appropriations made to the Corporation in its appropriation laws.

- The initial roll-forward of unexpended appropriations included a line item related to the National Service Trust activity, in error. Management was unable to determine the actual nature of this change.

We concluded that the Corporation does not have adequate procedures in place to ensure the accuracy of components of net position; nor does it have controls in place to ensure timely deobligation of previously obligated items, or to routinely analyze the entries recorded in the components of net position for propriety. Additionally, controls are not in place to ensure compliance with appropriation laws. As a result, the risk of material misstatements reported in the financial statements is increased, and inappropriate management decisions which rely on reported balances of available appropriations could occur.

We recommend the following with respect to accounting for activity reported in net position:

1. Establish a routine procedure to ensure obligations are properly deobligated when final payments are made and grant award periods expire.

2. Perform a quarterly analysis of changes in net position balances to detect unusual activity and make appropriate corrections.

3. Refine grant agreement wording for NCSA grant awards to clearly indicate the period of time the funds are available to absorb grant expenses. Restrict the use of carryover funds in a manner that does not conflict with the corresponding period of availability of the appropriation under which the award was made.

F. National Service Trust

The National Service Trust receives appropriated funds restricted for education and similar awards made under the National and Community Service Act of 1990, as amended. For financial reporting, the Corporation records a service award liability that represents education awards earned by AmeriCorps program members for performing authorized community service activities. The recorded liability for these service awards is based on actual awards earned by participants who have completed service and estimated amounts for participants currently enrolled in the program. The Corporation uses the Trust Fund database to capture the data required to estimate this liability. The integrity of this database and the data capturing processes, as well as the controls over these processes (including those related to the internet-based system), are essential elements to ensure that the service award liability is based on accurate and complete information.

The membership roster confirmation process, a key control in ensuring the completeness and accuracy of the database, is currently ineffective as evidenced by reconciling differences between roster information prepared at the program sites and corresponding information on file at the Corporation used to calculate the service award liability. This weakness increases the risk of errors and irregularities, including fraud, which could result in the calculation of a materially incorrect service award liability and in educational awards being paid to members who have not successfully completed program requirements.

We recognize that the Corporation has implemented a Web-Based Reporting System (WBRS) for enrollment and end-of-term activity reporting of AmeriCorps members which will reduce the need for reliance upon the membership roster confirmation process in the future. However, the use of WBRS did not become widespread until fiscal year 2000, and not all program sites are using WBRS. Consequently, membership roster confirmations will continue to play an important part in ensuring the service award liability is computed accurately for financial reporting purposes.

To improve the accuracy and reliability of the reported service award liability, we recommend the Corporation continue to emphasize the importance of the quarterly membership roster confirmation process by enforcing the requirement for all sites not using WBRS to return, within a reasonably established timeframe, either the corrected roster or a certification that the rosters are correct and complete and that no changes are necessary.

G. Financial Systems

The Corporation's new financial management system, Momentum, was brought on-line near the end of fiscal year 1999. It accepted its first live transaction postings in mid-September, 1999. Since that time,

Corporation personnel have begun to assess the quality of information produced by the system and its ability to provide meaningful information to assist the Corporation in managing its financial operations.

The first test of Momentum's capabilities came from the annual financial statement preparation process, in anticipation of the fiscal year 1999 audit. As a part of the audit process, we determined that the system does have the ability to produce trial balances on a fund basis, but that the accounts used for each fund are strictly governmental in nature and do not take into consideration the unique characteristics of revolving or trust fund operations. As a result, manual adjusting entries needed to be posted to the National Service Trust accounts to make them consistent with the external financial reporting presentation.

Additionally, the Corporation was unable to prepare an accurate cash flow statement or a roll-forward of the change in unexpended appropriations from information produced by Momentum as of and for the year ended September 30, 1999. Although we believe the difficulty in preparing these statements can be traced to problems encountered in the conversion process from Federal Success, it is clear that data resident in Momentum to support the opening balances for the fiscal year beginning October 1, 1999, is not entirely reliable. These balances will enter materially into the results of operations and changes in net position for the fiscal year ending September 30, 2000.

Further the Corporation admits to problems encountered in obtaining mandatory reports from Momentum, thus necessitating the purchase of a different reporting package. The ability of system users at all levels to access and analyze financial information in a meaningful format is essential to achieving the ultimate goal of improved financial management within the Corporation.

Finally, our review of system security revealed that logical access to information resident in Momentum needs improvement. The most significant improvements needed relate to the incompatible duties of service center directors who are able to create, approve, and process payments, as well as create vendor files. Certain other Corporation personnel have both system manager and security officer access privileges.

To improve the control environment surrounding the new financial accounting system, we recommend the Corporation:

1. Adjust the opening balances in Momentum to the correct amounts once the matters creating the reporting problems have been identified and resolved, as recommended in item A above.

2. Investigate the possibilities for making programming changes to tailor the accounts used and the flow of transactions for the National Service Trust and Gift Fund to more closely mirror the substance of the activity maintained in these accounts.

3. Conduct a "hard close" test of Momentum's capabilities to produce accurate and complete financial information for annual financial reporting purposes as of an interim date, and take appropriate action to resolve any unusual problems encountered.

4. Work collaboratively with system users to resolve identified difficulties in obtaining meaningful and timely information to assist in analyzing account transactions and managing financial operations.

5. Survey system users to determine the nature of any other problems encountered in using Momentum, and consider providing additional focused training on the new reporting package and other capabilities of Momentum.

6. Take appropriate action to mitigate the segregation of duties concerns raised in the system security review.

Report on Compliance with Laws and Regulations

The management of the Corporation is responsible for complying with laws and regulations applicable to the entity. As part of obtaining reasonable assurance about whether the Corporation's financial statements were free of material misstatement, we performed tests of the Corporation's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Corporation. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit. Accordingly, we do not express such an opinion.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, disclosed instances of noncompliance with the following laws and regulations that are required to be reported under *Government Auditing Standards*.

- During the first 10 months of fiscal year 1999, the Corporation utilized a financial management system that was in substantial noncompliance with the provisions of OMB Circular A-127, *Federal Financial Systems*. This system was replaced by a new general ledger system in August 1999 which meets the requirements of OMB Circular A-127.

- The Corporation is not in full compliance with appropriation laws related to the use of National and Community Service Act (NCSA) funds only during periods of availability. As discussed in our *Report on Internal Control Over Financial Reporting*, the Corporation considers NCSA appropriated funds available for allowable grant costs until expended. If unexpended grant funds remain unspent at the end of any funding period, carryovers are computed and subsequent funding period costs are charged first to the carryover balances, followed by charges to any new grant award funds. Annual appropriation laws related to NCSA grants limit the availability of funds to annual and two-year periods.

The results of our tests of compliance with the laws and regulations, as described above, disclosed no other instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. The status of prior year reportable instances of noncompliance with laws and regulations is presented as Exhibit II.

We also noted other matters involving internal control over financial reporting and compliance with laws and regulations that we do not consider to be reportable conditions or reportable instances of noncompliance, that we will report separately (OIG Audit Report 00-38).

We provided a draft of this report to the Corporation. The Corporation's response to our report, including our findings and recommendations, is included as Appendix A. We acknowledge the Corporation's difference of opinion as to the reported results of our audit procedures, but continue to believe that the results of those audit procedures support our report. However, in its response to our report, the Corporation makes certain statements which we believe deserve further comment:

1. The Corporation states "...the standard being applied to the Corporation appears to be exceptionally high. For example, the General Accounting Office (GAO), which audits the Federal Government's financial statements, sets planning materiality at 3 percent of the base." The Corporation uses this reference to GAO audit guidance contained in its *Financial Audit Manual* (which is not an audit standard) to support its contention that the $10.5 unidentified change in unexpended appropriations is not material enough to result in a disclaimer of opinion on its statements of operations and changes in net position and cash flows. However, the Corporation's response did not reference GAO's complete guidance regarding materiality, which indicates that test materiality, used by auditors in testing a specific line item or account, should be one-third of planning materiality. As noted by the Corporation, the $10.5 unidentified amount clearly exceeds the lower one percent of the base. Additionally, GAO guidance specifically indicates that, based on auditor judgment, test materiality may be set lower than one-third of planning materiality "...when the auditor expects to find a significant amount of misstatements." Although we were not engaged to perform the Corporation's audit in accordance with the GAO *Financial Audit Manual,* our prior year audit experience with the Corporation, would support the use of a lower threshold of materiality for the fiscal year 1999 audit.

2. In discussing the $10.5 unidentified amount further, the Corporation indicates "...we have a bookkeeping error. This is the same problem reported in 1998. During fiscal year 1999 the Corporation reviewed fiscal year 1998 activity in an attempt to identify the cause of the difference. We also anticipated that the precise activity giving rise to this condition would be identified by KPMG during its detailed testing of transactions during the fiscal year 1999 audit." The purpose of our audit was obtain sufficient evidence to express an opinion on the Corporation's 1999 financial statements. It was not designed to identify precise activity giving rise to any condition and, therefore, the Corporation should not have anticipated such results from the audit. Additionally, we have no basis for assuming that the problem noted in fiscal year 1999 is the same problem reported in fiscal year 1998. However, we agree with the Corporation that the problem is likely the result of one or more bookkeeping errors which can not be specifically identified due to difficulties encountered in the conversion process from its legacy financial accounting system to a new general ledger system.

As required by the Government Corporation Control Act, this report is intended solely for the information and use of the United States Congress, the President, the Director of the Office of Management and Budget, the Comptroller General of the United States, and the Corporation for National and Community Service and its Inspector General, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 3, 2000

Exhibit I

Corporation for National and Community Service
Status of Prior Year Internal Control Findings

FY98 Finding	*Type*	*FY99 Status*
Financial Management and Reporting - The Corporation does not have a Chief Financial Officer or other strong financial management in place to provide the leadership and oversight necessary for effective quality control of accounting and financial reporting activities.	1998 – Material Weakness 1999 – Material Weakness	A Chief Financial Officer assumed duties in November 1999. However, financial management problems continue to exist that have prevented the achievement of an effective system of quality control over accounting and financial reporting activities. This finding has been revised to reflect fiscal year 1999 operations and repeated as a continuing material weakness for 1999.
General Control Environment - The Corporation's general control environment is weak and is not conducive to ensuring that an effective system of internal control is maintained to safeguard assets, produce reliable financial reports, and comply with applicable laws and regulations.	1998 – Material Weakness 1999 – Material Weakness	General control environment weaknesses continued during 1999, due primarily to a lack of comprehensive policies and procedures to guide Corporation personnel in the performance of their financial management activities. Additionally, the Corporation's self-assessment process to ensure the effectiveness of its internal control systems needs to be enhanced. This finding has been revised to reflect fiscal year 1999 operations and repeated as a continuing material weakness for 1999.
Grants Management - Adequate procedures for monitoring grantees' financial activity and compliance with laws and regulations are not in place. In addition, a reliable method for estimating expenses incurred by grantees, and related amounts advanced or payable to grantees, has not been established.	1998 – Material Weakness 1999 – Material Weakness	A reasonable method for estimating grant expenses and related accruals has been established; however, oversight of grantee financial activity and compliance with laws and regulations has not significantly improved. This finding has been revised to reflect fiscal year 1999 operations and repeated as a continuing material weakness for 1999.
Financial Systems - The Corporation's general ledger system is not adequate to support its financial information needs, including funds control, or to facilitate the preparation of annual financial statements.	1998 – Material Weakness 1999 – Reportable Condition	The Corporation implemented a new financial accounting system in 1999. Use of the old system during a significant portion of 1999 is included as a component of the 1999 material weakness related to financial management and reporting noted above. A finding related to the use of the new system is included as a separate reportable condition for 1999.

Exhibit I

Corporation for National and Community Service
Status of Prior Year Internal Control Findings

FY98 Finding	*Type*	*FY99 Status*
National Service Trust - Procedures to obtain and reconcile membership roster information prepared by program sites to corresponding information on file at the Corporation are ineffective. This information is necessary to validate the accuracy and completeness of the data supporting the calculation of the service award liability.	1998 – Material Weakness 1999 – Reportable Condition	The Corporation has implemented a new Web-Based Reporting System for submitting Member enrollment and end-of-term activity. The use of WBRS will significantly reduce the need for membership roster confirmations in the future. This finding has been revised to reflect fiscal year 1999 operations and has been reduced to a reportable condition for 1999.
Fund Balance with Treasury - The reconciliation of Corporation records to those maintained by the U.S. Department of the Treasury is not performed in an effective manner and does not adequately support the separate balances related to Appropriations, Gift, and Trust accounts.	1998 – Material Weakness 1999 – Material Weakness	Significant differences continue to exist between the Corporation's records and those maintained by the U.S. Department of the Treasury. This finding has been revised to reflect fiscal year 1999 operations and repeated as a continuing material weakness for 1999.
Net Position - Adequate procedures for ensuring accurate and timely deobligation of expired grant awards and other obligations are not in place, and changes in the components of net position are not reviewed for propriety on a timely basis. In addition, controls have not been established to ensure compliance with appropriation laws.	1998 – Material Weakness 1999 – Material Weakness	Effective procedures to monitor activity in net position accounts and to take timely action to resolve unusual or incorrect transactions posted to these accounts have not been established. This finding has been revised to reflect fiscal year 1999 operations and repeated as a continuing material weakness for 1999.
Revenue from Reimbursable Agreements - Procedures are not in place to ensure revenue related to offsetting collections from reimbursable agreements is fairly stated and properly recorded in the general ledger accounts.	1998 – Material Weakness 1999 – Closed	The Corporation has taken action to correct this finding; thus, it is considered closed.
Payment of Member Allowances - Procedures established to verify that AmeriCorps*VISTA and *NCCC members are accurately paid are not functioning effectively.	1998 – Reportable Condition 1999 – Other Comment	Verification procedures related to AmeriCorps*VISTA and *NCCC members have significantly improved, but require additional attention. This finding has been revised and will be included as a comment in a separate OIG Audit Report (00-38.).

Corporation for National and Community Service
Status of Prior Year Noncompliance with Laws and Regulations

FY98 Finding	*FY99 Status*
Federal Managers' Financial Integrity Act – The Corporation is not compliant with the provisions of the Government Corporation Control Act, which require it to make an annual assessment and report on the effectiveness of its internal control, in a manner consistent with the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).	The Corporation has a process in place to prepare the annual FMFIA statement. However, additional measures should be taken to make the process more comprehensive. This finding has been closed as an instance of reportable noncompliance with laws and regulations.
Federal Financial Systems – The Corporation is in substantial noncompliance with the provisions of OMB Circular A-127, *Federal Financial Systems,* which requires Federal entities to establish and maintain a single, integrated financial management system to process and record financial events effectively and efficiently, and to provide complete, timely, reliable and consistent information for decision makers and the public.	Noncompliance with OMB Circular A-127 requirements continued for the first 10 months of fiscal year 1999, until a new financial accounting system was implemented. Due to the significance of the time noncompliance continued, this finding has been repeated as an instance of reportable noncompliance for 1999.
Availability of Funds – Compliance related to the use of funds only during periods of availability is uncertain due to apparent conflicts between the Corporation's enabling legislation and subsequent appropriation laws.	The Corporation is not in full compliance with appropriation laws related to the use of its National Community Service Act funds only during periods of availability. This finding has been repeated as an instance of reportable noncompliance with laws and regulations for 1999.

Corporation for National and Community Service
Statement of Financial Position
As of September 30, 1999
(Dollars in Thousands)

ASSETS	
Fund Balance with Treasury (Note 2)	$758,588
Trust Investments and Interest Receivable, Net (Note 3)	395,690
Advances to Others	28,565
Accounts Receivable, Net (Note 4)	6,455
Property and Equipment, Net (Note 5)	3,173
Total Assets	$1,192,471
LIABILITIES	
Trust Service Award Liability (Note 6)	$180,431
Grants Payable	36,240
Accounts Payable	10,781
Actuarial FECA Liability (Note 9)	8,110
Other Liabilities	6,897
Accrued Annual Leave	2,772
Commission Post-Service Benefits Liability (Note 7)	1,596
Advances from Others	535
Capital Lease Liability (Note 8)	182
Total Liabilities	$247,544
NET POSITION (Note 10)	
Unexpended Appropriations	
Obligated	$531,047
Unobligated	211,048
Cumulative Results of Operations	202,832
Total Net Position	$944,927
Commitments and Contingencies (Notes 8 and 15)	
Total Liabilities and Net Position	$1,192,471

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

Corporation for National and Community Service
Statement of Operations and Changes in Net Position
For the Year Ended September 30, 1999
(Dollars in Thousands)

REVENUES	
Appropriated Capital Used, excluding Trust Fund	$573,120
Appropriations Received by Trust Fund	70,000
Interest	23,672
Revenue from Services Provided	7,288
Other	25
Total Revenues	$674,105
EXPENSES	
Grants (Note 11)	$444,136
Program and Administrative (Note 12)	139,511
National Service Award (Note 13)	74,793
Total Expenses	$658,440
EXCESS OF REVENUES OVER EXPENSES	$15,665
NET POSTION	
Net Position, Beginning Balance	$847,499
Excess of Revenues over Expenses	15,665
Increase in Unexpended Appropriations, Net (Note 14)	81,763
Net Position, Ending Balance	$944,927

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

Corporation for National and Community Service
Statement of Cash Flows
For the Year Ended September 30, 1999
(Dollars in Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of Revenues over Expenses			$15,665
Adjustments Affecting Cash Flow:			
Appropriated Capital Used	($573,120)		
Appropriations Received by Trust Fund	(70,000)		
Increase in Accounts Receivable	(3,871)		
Increase in Interest Receivable	(107)		
Decrease in Prepayments	2,800		
Increase in Advances	(9,069)		
		(653,367)	
Increase in Accounts Payable and Other Liabilities	$219		
Increase in FECA and Annual Leave Liabilities	2,555		
Decrease in Commission Liability	(162)		
Increase in Capital Lease Liability	32		
Increase in Trust Liability	18,982		
Decrease in Grants Payable	(4,421)		
		17,205	
Amortization of Premium/Discount	$2,403		
Depreciation and Amortization	1,086		
Bad Debt Expense	194		
Other Adjustments	9,735		
		13,418	
Total Adjustments			(622,744)
Net Cash Used by Operating Activities			($607,079)

(continued)

Corporation for National and Community Service
Statement of Cash Flows
For the Year Ended September 30, 1999
(Dollars in Thousands)
(continued)

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	($3,261)	
Sales of Securities	144,441	
Purchase of Securities	(184,244)	
Net Cash Used by Investing Activities		($43,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received	$715,339	
Canceled Appropriations	(928)	
Net Cash Provided by Financing Activities		714,411
Net Cash Provided by Operating, Investing and Financing Activities		$64,268
Fund Balance with Treasury, Beginning		694,320
Fund Balance with Treasury, Ending		$758,588

Supplemental Disclosure of Cash Flow Information

Interest Paid	$32

Supplemental Schedule of Financing and Investing Activity

Property and Equipment Acquired under Capital Lease Obligations	$103

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