Office of Inspector General
Corporation for National and Community Service

AUDIT OF THE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S NATIONAL SERVICE TRUST SCHEDULE OF FISCAL 2004 BUDGETARY RESOURCES AND OBLIGATIONS

Audit Report Number 05-03
October 29, 2004

Corporation for NATIONAL & COMMUNITY SERVICE

Prepared by:

COTTON & COMPANY LLP
333 North Fairfax Street, Suite 401
Alexandria, Virginia 22314

This report was issued to Corporation management on November 12, 2004.

Corporation for
NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Office of Inspector General Summary
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In accordance with the Strengthen AmeriCorps Program Act, the Office of Inspector General (OIG) engaged Cotton and Company LLP to audit the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations. The Strengthen AmeriCorps Program Act requires an independent annual audit of the accounts of the Corporation relating to the appropriated funds for approved national service positions, and the records demonstrating the manner in which the Corporation has recorded Trust obligations.

The Strengthen AmeriCorps Program Act directs that, beginning in fiscal year 2003, Trust obligations be recorded at the time the Corporation enters into an enforceable agreement with a National Civilian Community Corps (NCCC) member, or a member of Volunteers in Service to America (VISTA). In addition, the Act requires the Corporation to record Trust obligations when it awards a grant to an AmeriCorps State and National program. The Act also directs that the obligational amount be based on the estimated value of the education benefit, factoring in enrollment estimates, earning and usage rates, and the time value of money. The Act further requires the Corporation to establish a reserve account in the event that estimates used to calculate obligational amounts are insufficient to pay for education awards.

In summary, Cotton and Company concluded that the Corporation's Schedule of National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations presents fairly, in all material respects, the budgetary resources and obligations for the year ended September 30, 2004.

1201 New York Avenue, NW, Suite 830 ★ Washington, DC 20525
202-606-5000 ★ Hotline 800-452-8210 ★ www.cncsig.gov
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COTTON & COMPANY LLP
auditors • advisors

333 NORTH FAIRFAX STREET • SUITE 401 • ALEXANDRIA, VIRGINIA 22314 • 703/836/6701 • FAX 703/836/0941 • WWW.COTTONCPA.COM

Inspector General
Board of Directors
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying National Service Trust Schedule of Fiscal Year 2004 Budgetary Resources and Obligations of the Corporation for National and Community Service (Corporation) for the year ended September 30, 2004. This schedule is the responsibility of Corporation management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial statement 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 that the schedule of budgetary resources and obligations is free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the schedule of budgetary resources and obligations. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of budgetary resources and obligations was prepared for the purpose of complying with the provisions of the Strengthen AmeriCorps Program Act (Pub. L. No. 108-45), as discussed in Note A, and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the National Service Trust Schedule of Fiscal Year 2004 Budgetary Resources and Obligations referred to above presents fairly, in all material respects, its budgetary resources and obligations for the year ended September 30, 2004, on the accounting basis described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated October 29, 2004, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with provisions of laws and regulations. Our reports on internal control and compliance are an integral part of an audit conducted in accordance with *Government Auditing Standards,* and should be read in conjunction with this report in considering the results of our audit.

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, the Corporation, and the Inspector General. It is not intended for, and should not be used by, anyone other than these specified parties.

COTTON & COMPANY LLP

Alan Rosenthal, CPA
Partner

October 29, 2004
Alexandria, Virginia

NATIONAL SERVICE TRUST FISCAL 2004 BUDGETARY RESOURCES

Corporation for National and Community Service
National Service Trust
Schedule of Fiscal 2004 Budgetary Resources and Obligations
As of September 30, 2004
(dollars in thousands)

Resources		
Funds Available for Award, Beginning of Year	$ 9,979	
Fiscal 2004 Appropriation	130,000	
Transfer from Fiscal 2004 Program Appropriation	13,101	
Trust Reserve	(9,941)	
Rescissions	(767)	
Total Resources Available for Obligation		$ 142,372
2004 Obligations		
Education Awards	(127,090)	
Interest Forbearance	(6,851)	
President's Freedom Scholarships	$ (3,299)	
Total Obligations		(137,240)
Funds Available for Award, End of Year		$ 5,132

NOTES TO THE SCHEDULE

A. Basis of Accounting

The Schedule of Fiscal 2004 Budgetary Resources and Obligations for the National Service Trust (Trust) has been prepared from the books and records of the Corporation in accordance with the Strengthen AmeriCorps Program Act (Public Law 108-45, 42 USC § 12605) for the period commencing October 1, 2003 and ending September 30, 2004.

The activities of the Trust are funded through the Veterans Affairs, Housing and Urban Development, and Independent Agencies bill, which funds National and Community Service Act programs. Appropriations are provided on a no-year basis for the Trust, a fund within the Corporation used to provide education awards to eligible participants. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible education award purposes.

The Trust provides awards for AmeriCorps members serving in approved national service positions under AmeriCorps*State and National, AmeriCorps*NCCC, and AmeriCorps*VISTA, as well as for the AmeriCorps Education Award Program, where sponsoring organizations are responsible for providing member subsistence and other costs, and the Corporation provides an education award and a small amount for administrative costs.

Funds from the Trust may be expended for the purpose of providing an education award or interest forbearance payment and must always be paid 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, as well as for payments under the President's Freedom Scholarship Program.

The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. Budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The Strengthen AmeriCorps Program Act directs that, beginning with fiscal 2003, Trust obligations be recorded at the time the Corporation enters into an enforceable agreement with an individual participant to serve in a program carried out under subtitle E of title I of the National and Community Service Act of 1990 (42 USC § 12611 *et seq.*), or title I of the Domestic Volunteer Service Act of 1973 (42 USC § 4951 *et seq.*), or awards a grant to (or enters into a contract or cooperative agreement with) an entity to carry out a program for which such a position may be approved under section 123 of the Act (42 USC § 12573). The Strengthen AmeriCorps Program Act also directs that the obligational amount be based on the estimated value of the education benefit, discounted for the estimated enrollment, earning and usage rates, and the time value of money.

For fiscal 2004, the Corporation used the following assumptions to calculate Trust obligations and budgetary needs: full value of the education award, 100 percent enrollment rate, 80 percent earning rate, and 80 percent usage rate. These enrollment, earning, and usage rates are more conservative than historical rates used previously in determining the Corporation's budgetary needs.

B. Trust Appropriation for Program Year 2004

The program year 2004 Trust appropriation was composed of a $130 million appropriated in the 2004 Consolidated Appropriations Act (P.L. 108-199) less the $767 thousand Trust portion of the rescission to NCSA pursuant to the Miscellaneous Appropriations and Offsets Act of 2004. In addition, $13.1 million was transferred from program appropriations to the Trust pursuant to the 2004 Consolidated Appropriations Act (P.L. 108-199).

C. Trust Reserve

As required by the Strengthen AmeriCorps Program Act, in fiscal 2004 the Corporation set aside in reserve a portion of the funds appropriated to the Trust in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. As of September 30, 2004, $9.9 million of the amount originally appropriated to the Trust in 2004 had been set aside for this reserve. The total amount held in reserve under this provision for 2003 and 2004 was $19.9 million as of September 30, 2004.