

**Office of Inspector General  
Corporation for National and  
Community Service**

**AUDIT OF THE  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE'S  
FISCAL YEAR 2012  
NATIONAL SERVICE TRUST  
SCHEDULES**

**Audit Report Number 13-02**



Prepared by:


Kearney & Company  
1701 Duke Street, Suite 500  
Alexandria, Virginia 22314

This report was issued to Corporation management on November 16, 2012.



November 16, 2012

TO: Wendy Spencer  
Chief Executive Officer

FROM: Stuart Axenfeld   
Assistant Inspector General for Audit

SUBJECT: Audit of the Corporation for National and Community Service's  
Fiscal Year 2012 National Service Trust Schedules, OIG Audit Report 13-02

Attached is the Independent Auditor's Report on the Fiscal Year 2012 National Service Trust Schedule of Financial Position, and the related schedules of Operations and Changes in Net Position, Budgetary Resources and Trust Obligations (Schedules). We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) to audit the financial statements of the Corporation as of September 30, 2012 and 2011, and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit, Kearney found that the Schedules present fairly, in all material respects, the financial position of the Corporation's National Service Trust Fund for the fiscal year ended September 30, 2012.

Kearney is responsible for the attached auditor's report, dated November 16, 2012, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the Schedules.

Attachment

cc: Asim Mishra, Chief of Staff  
Robert Velasco II, Chief Operating Officer  
David Rebich, Chief Financial Officer  
Philip Clark, Chief Information Officer  
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center  
Douglas Hilton, Director, Office of Accountability and Oversight  
David Zavada, Engagement Partner, Kearney & Company

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special purpose schedules of financial position of the Corporation for National and Community Service's (the Corporation) National Service Trust Fund (Trust) as of September 30, 2012 and 2011, and the related special purpose schedules of operations and changes in net position, Trust obligations, and Trust budgetary resources (hereinafter referred to as the "Trust Schedules") for the years then ended. These Trust Schedules are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these Trust Schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the Trust Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Trust Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Trust Schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Trust Schedules were prepared for the purpose of complying with the National and Community Service Act of 1990 (Public Law 101-610), as amended, and are not intended to be presented in conformity with generally accepted accounting principles.

In our opinion, the Trust Schedules referred to above, including the accompanying notes, present fairly, in all material respects, the assets, liabilities, net position, and Trust obligations of the Corporation as of September 30, 2012 and 2011, and the revenues, expenses, budgetary resources, obligations, and commitments for the years then ended, in conformity with the basis of accounting described in Note A of the Trust Schedules.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued reports, dated November 16, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of the Corporation's compliance with certain provisions of laws, regulations, and other matters for the year ended September 30, 2012. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance as well as the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing*



*Standards* and OMB Bulletin No. 07-04, as amended, and should be considered in assessing the results of our audits.

\* \* \* \* \*

This report is intended solely for the information and use of the Corporation's management, those charged with governance and others within the Corporation, the Corporation's Office of Inspector General, the Government Accountability Office, OMB, the Department of the Treasury, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Kearney &amp; Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia  
November 16, 2012

NATIONAL SERVICE TRUST FUND

SCHEDULE OF FINANCIAL POSITION

as of September 30

(dollars in thousands)

	2012	2011
<b>Assets</b>		
Trust Fund Balance with Treasury	\$ 4,951	\$ 361
Investments, carrying value	637,507	604,218
Investment and interest receivable	1,058	1,443
Accounts receivable	251	643
<b>Total Assets</b>	<u>\$ 643,767</u>	<u>\$ 606,665</u>
<b>Liabilities</b>		
Service Award Liability	\$ 447,191	\$ 410,261
<b>Net Position</b>		
Cumulative Results of Operations	<u>196,576</u>	<u>196,404</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 643,767</u>	<u>\$ 606,665</u>

*The accompanying notes are an integral part of these financial schedules.*

NATIONAL SERVICE TRUST FUND

SCHEDULE OF OPERATIONS AND CHANGES IN NET POSITION

For the Period Ending September 30

*(dollars in thousands)*

	2012	2011
<b>Revenues</b>		
Appropriations	\$ 207,561	\$ 199,260
Transfer in of Program Funds	4,355	1,940
Interest	4,434	4,669
Other	<u>2,686</u>	<u>152</u>
<b>Total Revenues</b>	<b>219,036</b>	<b>206,021</b>
 <b>Expenses</b>		
AmeriCorps Program	218,423	195,817
Service Learning Program	-	-
(Writeoff) / Recovery of Receivables	<u>441</u>	<u>(428)</u>
<b>Total Expenses</b>	<b>218,864</b>	<b>195,389</b>
 <b>Excess of Revenues Over Expenses</b>	 <b><u>\$ 172</u></b>	 <b><u>\$ 10,632</u></b>
 <b>Net Position</b>		
Excess of Revenues Over Expenses	\$ 172	\$ 10,632
Net Position, Beginning of Year	<u>196,404</u>	<u>185,772</u>
<b>Net Position, End of Year</b>	<b><u>\$ 196,576</u></b>	<b><u>\$ 196,404</u></b>

*The accompanying notes are an integral part of these financial schedules.*

**NATIONAL SERVICE TRUST FUND**

**SCHEDULE OF TRUST OBLIGATIONS**

as of September 30

*(dollars in thousands)*

	2012	2011
<b>Resources</b>		
Trust Fund Balance with Treasury	\$ 4,951	\$ 361
Investments, carrying value	637,507	604,218
Investment and interest receivable	1,058	1,443
Accounts receivable	251	643
Sub-total	<u>643,767</u>	<u>606,665</u>
Less investments and receivables not available for obligation	(3,238)	(3,052)
Less Trust Reserve	<u>(50,197)</u>	<u>(50,197)</u>
<b>Total Resources</b>	<b><u>\$ 590,332</u></b>	<b><u>\$ 553,416</u></b>
 <b>Unliquidated Obligations</b>		
President's Freedom Scholarships	\$ 883	\$ 880
Education Awards	548,998	526,707
Interest Forbearance	14,595	15,002
<b>Total Unliquidated Obligations</b>	<u>564,476</u>	<u>542,589</u>
 <b>Commitments</b>		
Education Awards	14,927	-
Interest Forbearance	474	-
<b>Total Commitments</b>	<u>15,401</u>	<u>-</u>
 <b>Total Budgetary Uses</b>	 <b><u>\$ 579,877</u></b>	 <b><u>\$ 542,589</u></b>
 <b>Funds Available for Obligation at September 30</b>	 <b><u>\$ 10,455</u></b>	 <b><u>\$ 10,827</u></b>

*The accompanying notes are an integral part of these financial schedules.*

NATIONAL SERVICE TRUST FUND

SCHEDULE OF TRUST BUDGETARY RESOURCES

For the Period Ending September 30

(dollars in thousands)

	2012	2011
Funds Available for Obligation, beginning of year	\$ 10,827	\$ 11,872
<b>Budgetary Resources</b>		
<i>Appropriations</i>		
Appropriation Received in Trust (net of rescissions)	207,561	199,260
Other Actual Collections - Federal	2,251	-
Transfers in of Program Funds	4,355	1,940
Deobligation of Member Positions	1,765	2,226
Collection of Audit Receivables	435	151
<i>Less: Addition to Trust Reserve</i>	-	-
<b>Total Budgetary Resources</b>	<b>\$ 227,194</b>	<b>\$ 215,449</b>
<b>Obligations</b>		
Education Awards	\$ 193,815	\$ 197,115
Interest Forbearance	7,523	7,507
President's Freedom Scholarships	-	-
<b>Total Obligations</b>	201,338	204,622
<b>Net Change in Commitments</b>		
Education Awards	14,927	-
Interest Forbearance	474	-
<b>Total Commitments</b>	15,401	-
<b>Total Budgetary Uses</b>	<b>\$ 216,739</b>	<b>\$ 204,622</b>
<b>Funds Available for Obligation, end of year</b>	<b>\$ 10,455</b>	<b>\$ 10,827</b>

*The accompanying notes are an integral part of these financial schedules.*



## ***NOTES TO THE TRUST FUND SCHEDULES***

### ***A. Basis of Accounting***

The Schedules of Financial Position; Operations and Changes in Net Position; Trust Obligations; and Trust Budgetary Resources have been prepared from the books and records of the Corporation in accordance with the National and Community Service Act of 1990, as amended by Edward M. Kennedy Serve America Act (Section 149 of Public Law 101-610, 42 USC § 12606).

The activities of the Trust are funded through the annual Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 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 and student loan interest forbearance 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 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. Programs have up to two years after award to enroll members in positions.

Funds from the Trust may be expended for the purpose of providing an education award or student loan 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. The Trust may also expend funds for payments under the President's Freedom Scholarship Program as authorized under various Corporation appropriations through fiscal 2006.

Assets, liabilities, and net position, included in the Schedule of Financial Position and revenues and expenses included in the schedule of operations and changes in net position are presented in accordance with Generally Accepted Accounting Principles. The accompanying schedules of Trust Obligations and Trust Budgetary Resources were prepared in accordance with budgetary accounting rules.

The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of Federal funds. Budgetary accounting principles are designed to recognize the obligation of funds upon the establishment of a properly documented legal liability, which in many cases is different from the occurrence of an accrual-based transaction.

The National and Community Service Act of 1990 (NCSA), as amended by the Edward M. Kennedy Serve America Act (PL 111-13), establishes the specific criteria for estimating and recording obligations in the Trust. Accordingly, Trust obligations are recorded at the time the Corporation: (1) 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 (2) awards a grant to (or enters into a contract or cooperative agreement with) an entity

## **NOTES TO THE TRUST FUND SCHEDULES - CONTINUED**

to carry out a program for which such a position may be approved under section 123 of the Act (42 USC § 12573). The obligational amount is 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 2012 the factors used to calculate Trust obligations and budgetary needs were the full value of the Segal AmeriCorps Education Award, a 100 percent enrollment rate (allowing for refills), an average earning rate of 84 percent (the rate ranges from 77 to 86 percent depending on term type), and an average usage rate of 87 percent. Under the Serve America Act awards earned by members age 55 or older at the time of enrollment can be transferred to an eligible beneficiary. The Corporation projects that all transferable awards will eventually be used. For program years 2002 and prior, the Corporation used the actual amounts earned, adjusted for amounts used and the time value of money when establishing the obligation. Estimates for program years 2003 and forward are periodically adjusted to reflect current usage projections and actual fill rates. Funds related to these revised estimates are periodically deobligated and become available for award for new program activities. The Corporation deobligated \$1.765 and \$2.226 million in fiscal 2012 and 2011, respectively.

### **B. Trust Appropriations**

For fiscal year 2012, the National Service Trust received \$207.561 million under the Consolidated Appropriations Act, 2012. For fiscal year 2011, the National Service Trust received \$199.260 million under the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10). The acts also authorized the Corporation to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. The Corporation transferred \$4.355 million and \$1.940 million to the Trust under this provision in fiscal year 2012 and 2011, respectively.

### **C. Trust Reserve**

As required by the Strengthen AmeriCorps Program Act (up to September 30, 2009) and section 149 of the National and Community Service Act (as of October 1, 2009) the Corporation sets 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. No funds were added to the reserve in fiscal year 2012 or fiscal year 2011. The total amount held in reserve under this provision was \$50.197 million as of September 30, 2012 and 2011.

### **D. Trust Awards**

Since the Corporation's inception in 1994, AmeriCorps members have earned over \$2.4 billion in education awards. The Corporation has made \$1.671 billion in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$62.04 million in interest forbearance payments since the program's inception. Approximately \$243.9 million in education awards earned had expired without being used as of September 30, 2012. The Trust obligation formula has been adjusted to reflect these expired awards. Payments for President's Freedom Scholarships have totaled \$21.7 million.

**APPENDIX**

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**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S  
RESPONSE TO DRAFT REPORT**



**MEMORANDUM**

**DATE:** November 16, 2012

**TO:** Deborah Jeffrey, Inspector General

**FROM:** David Rebich, Chief Financial Officer

**SUBJECT:** Draft Report on the National Service Trust Fund (Trust) FY 2012 Financial Statements

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Thank you for the opportunity to respond to the draft report on the results of your audit of the National Service Trust Fund's (Trust) FY 2012 financial statements. For the first time in FY 2012, the results are reported separately for the Trust; prior audit results of the Trust were included in the audits results of the Corporation for National and Community Services. I am pleased to report that in FY 2012, the Trust received an unqualified opinion on its consolidated financial statements. The audit also found no instance of noncompliance with laws and regulations.