

# *Corporation for National Service*

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Engaging Americans of all ages in service to strengthen communities.

*Annual Report to Congress*

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**Fiscal Year 2000**

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March 30, 2001

I am pleased to present the 2000 Annual Report of the Corporation for National Service. This unified report, which consolidates reporting requirements, details our significant achievements in meeting national needs, strengthening communities, invigorating citizenship and building a sound, fiscally responsible organization.

Fiscal 2000 was a landmark year for the Corporation. For the first time the Corporation received an unqualified, or “clean” opinion on all of its financial statements. This milestone means we can give a complete and accurate accounting to Congress and the American people of the federal resources entrusted to our stewardship. This success resulted from a commitment to strong management controls, leadership from our Board of Directors and management team, advances in technology, and most of all, hard work by dedicated Corporation staff. We are proud of this achievement and committed to taking further steps to build a first-rate, innovative organization.

While these improvements were taking place, more than one million Americans in national service were on the frontlines of America’s toughest problems, meeting critical needs in education, public safety, human needs and the environment. Whether serving in AmeriCorps, Learn and Serve America, or the National Senior Service Corps, these citizens changed lives, transformed neighborhoods, and brought about lasting improvements in our communities. This report highlights just a fraction of their accomplishments in raising reading scores, helping communities rebuild after disasters, moving people from welfare to work, bridging the digital divide and helping frail elderly live with dignity in their own homes. More information is available in the Corporation’s Government Performance and Results Act report and on our website, [www.nationalservice.org](http://www.nationalservice.org).

The Corporation is a catalyst, leveraging resources and increasing the effectiveness of America’s great nonprofit and faith-based organizations. In 2000, we strengthened our ties with the Points of Light Foundation, America’s Promise, Habitat for Humanity, the American Red Cross and hundreds of other organizations. With these great groups, the Corporation serves as a junior partner, offering them the additional people power they need to do more of what they do best. By investing in the civic sector and relying on faith-based and nonprofit organizations to solve problems, national service is at the vital center of a growing consensus on how our country should meet its challenges.

In fiscal 2000, we saw more evidence that service improves the lives of those who serve. AmeriCorps gave its members critical life and workforce skills while opening the door to higher education. Service-learning helped students acquire academic skills and increase civic involvement. The Senior Corps offered a half million older Americans the chance to be healthy and active while meeting important social needs. And all our programs took a stride forward in 2000 to expand service opportunities for people with disabilities.

As this report shows, 2000 was a year of marked productivity for the Corporation for National Service and its programs. National service accomplished great things for the American people. AmeriCorps members and senior and student volunteers met critical needs of families and communities. Those who served saw their own skills improved and lives enhanced. And, the service delivery system was strengthened through improvements to financial management, program oversight, and technical assistance.

The Corporation is proud of its record of accomplishment, and we look forward to working with our partners in the public, private and nonprofit sectors to make effective citizen service an integral part of the American way of life – and a strategy for meeting the needs of America's communities.

Wendy Zenker  
Acting Chief Executive Officer

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# *About the Corporation . . . .*

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The Corporation was established in 1993 to engage Americans of all ages and backgrounds in community-based service. It supports a range of national and community service programs, providing opportunities for individuals to serve full or part-time, with or without stipends, as individuals or as part of a team. The Corporation works with governor-appointed state commissions, non-profits, faith-based groups, schools, and other civic organizations to provide opportunities for Americans of all ages to serve their communities. The Corporation operates under a five-year strategic plan, approved by the Board of Directors, that sets forth the Corporation's vision, mission, and goals.

The Corporation's three major service initiatives are the National Senior Service Corps, AmeriCorps, and Service-Learning.

- **AmeriCorps.** AmeriCorps, the domestic Peace Corps, engages more than 40,000 Americans annually in intensive, results-driven service. Most AmeriCorps members are selected by and serve with hundreds of local and national organizations like Habitat for Humanity, the American Red Cross, and Boys and Girls Clubs. Others serve in AmeriCorps\*VISTA and AmeriCorps\*NCCC. After their term of service, AmeriCorps members receive education awards that help finance college or pay back student loans.
- **National Senior Service Corps.** Through the National Senior Service Corps, more than half a million Americans age fifty-five and older share their time and talents to help solve local problems. Seniors serve as Foster Grandparents, who serve one-on-one with young people with special needs; as Senior Companions, who help other seniors live independently in their homes; and as volunteers with the Retired and Senior Volunteer Program (RSVP), who meet a wide range of community needs.
- **Service-Learning.** Many schools are discovering the value of service-learning through projects that link education and service. Learn and Serve America helps support more than one million students from kindergarten through college who are meeting community needs while improving their academic skills and learning the habits of good citizenship. In addition to providing Learn and Serve grants and scholarships for student service, the Corporation also promotes youth service through the National Service-Learning Leader Schools Program and the President's Student Service Challenge.

Together, these initiatives promote the ethic of service and help solve critical community problems in every state, many Indian tribes, and most U.S. territories.

## **CORPORATION STRUCTURE**

At its creation, the Corporation was deliberately structured to operate differently from most Federal agencies. This is seen most clearly in the use of a corporate organization design, a flexible personnel system, a decentralized program network, and strong ties to the private and independent sectors. The structure of the Corporation for National Service as a wholly owned government corporation overseen by a board of directors is unusual. Indeed, it is the only such entity covered by the Government Corporation Control Act without predominantly commercial functions.

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## **Decentralized Structure**

The structure was conceived in 1993 as a means of providing more flexibility in procurement, personnel, and similar business areas than is typically accorded a Federal agency. Additionally, the corporate structure was intended to communicate a businesslike character and to make the Corporation more attractive as a partner with the private sector. Rather than implementing a centralized Federal program, the Corporation provides grant support and human resources to governor-appointed state commissions, non-profit, faith-based, civic, and educational organizations to develop or amplify innovative approaches to community needs. This is true of each of the Corporation's major programs: AmeriCorps, Learn and Serve America, and the Senior Corps.

In **AmeriCorps**, governor-appointed state commissions on community service are responsible for working with local communities to set state priorities and determine how AmeriCorps grant funds will be used. In fact, the Corporation's primary strength is the network of non-profits and state agencies that use national resources to achieve local goals through community service. It is the state commissions that serve as the primary vehicle for organizing and coordinating this network.

Roughly two-thirds of all AmeriCorps grant funding is in the hands of the state commissions. Once the commissions select which non-profits will receive grant funds, grantees recruit and select AmeriCorps members to meet community needs. The state commissions are responsible for overseeing the programs, ensuring that AmeriCorps members follow state and Federal laws, and providing training and technical assistance to programs.

Through the **Senior Corps**, nonprofit organizations, faith-based groups, and in some cases, state and local governments are responsible for managing more than 500,000 seniors who work on community problems with volunteer service. **Learn and Serve America** provides grant funding to state education agencies, schools and community organizations to augment resources for service-learning programs. These programs help more than one million students meet community needs while improving academic skills and learning the habits of good citizenship.

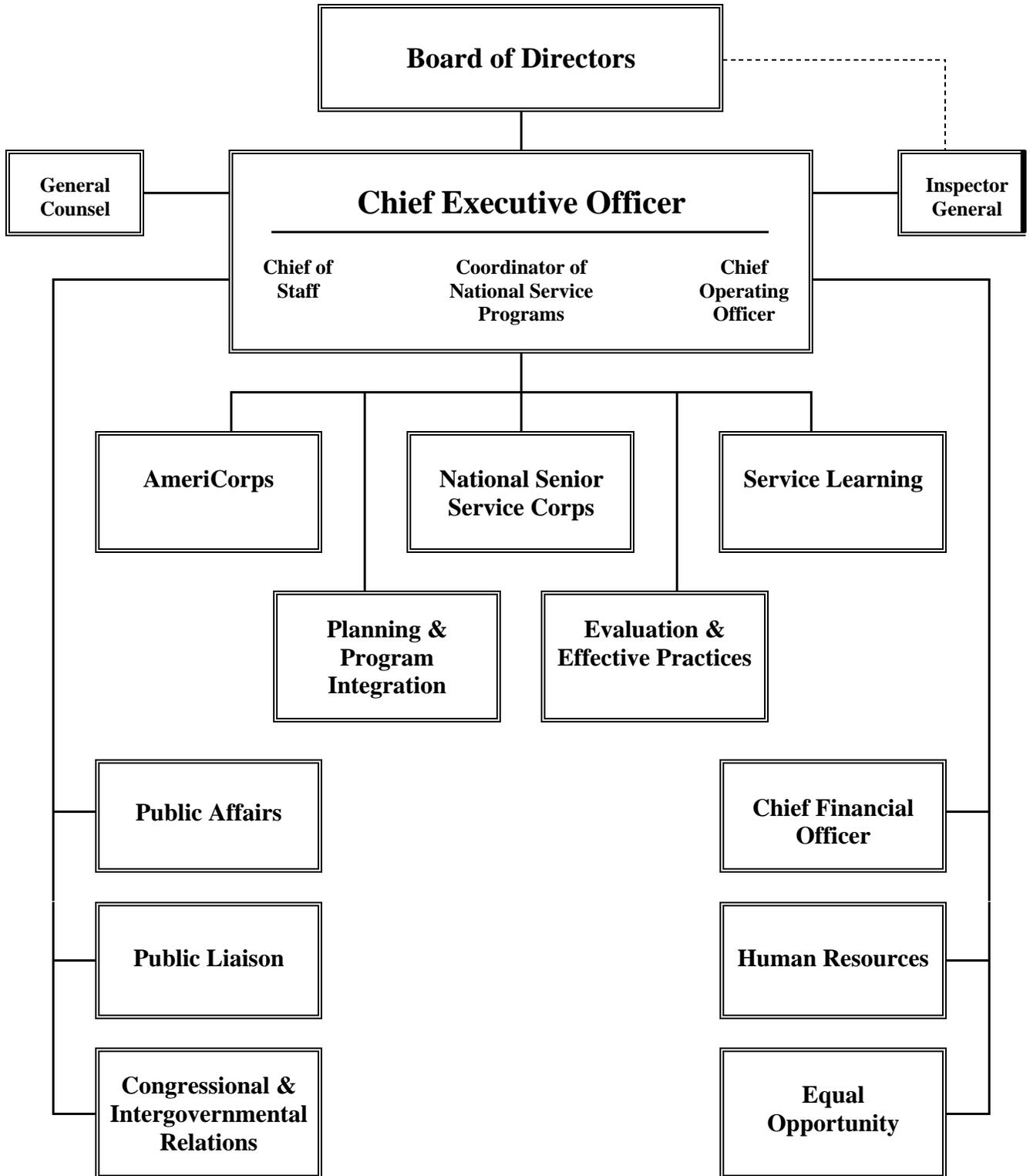
Each of these grant programs represents a public-private venture in which recipient organizations must bring private resources to the table in order to receive Federal dollars. The result of this venture is hundreds of thousands of Americans joining forces to meet community needs in education, housing, health care, environmental protection and disaster relief.

## **National Partnerships**

The Corporation has relationships with hundreds of national non-profit grantees such as Habitat for Humanity, the American Red Cross, the Boys and Girls Clubs of America, Big Brothers Big Sisters of America, YMCAs, City Year, and the Catholic Network of Volunteer Service. In addition to these grantee relationships, the Corporation works closely with a number of other national non-profits, like America's Promise and the Points of Light Foundation, that work to strengthen national and community service. The Corporation also receives substantial support from the corporate sector at both the national and local level. The private resources are as diverse as the sector itself; from high tech companies to cereal makers, many corporations recognize the power of a strategic alignment with national service.

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## THE CORPORATION AT A GLANCE



## THE CORPORATION'S BUDGET

The Corporation's overall budget is funded under two authorizing statutes: the National and Community Service Act (NCSA) and the Domestic Volunteer Service Act (DVSA). The two appropriations provide specific funding levels for individual activities that fall under the Corporation's three national service initiatives.

| <i>Activity Detail</i>   | <b>Fiscal 2000</b><br><i>(dollars in thousands)</i> |
|--|---|
| National and Community Service Act (NCSA):   |   |
| National Service Trust   | \$ 70,000   |
| AmeriCorps*State/National  | 228,395   |
| Innovation, Assistance, and other Activities   | 33,500  |
| Earmarks for Communities in Schools, Boys & Girls Clubs,<br>Parents as Teachers, and Youth Life Foundation | 0   |
| Evaluation   | 5,000   |
| National Civilian Community Corps  | 17,892  |
| Learn and Serve America  | 43,000  |
| Program Administration   | 27,895  |
| Points of Light Foundation   | 7,471   |
| America's Promise  | <u>0</u>  |
| Subtotal, NCSA   | \$433,153   |
| Office of the Inspector General  | <u>\$ 4,985</u>                                     |
| Subtotal, NCSA and OIG   | \$438,138   |
| Domestic Volunteer Service Act (DVSA)  |   |
| AmeriCorps*VISTA   | \$ 80,574   |
| National Senior Service Corps  | 182,818   |
| Program Administration   | <u>31,129</u>                                       |
| Subtotal, DVSA   | \$294,521   |
| Total, Corporation   | <u>\$732,659</u>                                    |

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## OVERVIEW OF AMERICORPS

| <i>At a Glance</i>                |   |
|-----------------------------------|---|
|                                   | <b>Fiscal 2000</b><br><i>(dollars in thousands)</i> |
| AmeriCorps*State/National         | \$228,395   |
| AmeriCorps*VISTA                  | 80,574  |
| National Civilian Community Corps | <u>17,892</u>                                       |
| Total AmeriCorps Program Budget   | <u>\$326,861</u>                                    |

AmeriCorps engages thousands of Americans, age 17 and over, in community service and provides education awards in exchange for their service. The service comes through local, state, and national organizations across the nation with whom AmeriCorps forms partnerships to involve people in results-driven community service. The Corporation operates three major programs under the AmeriCorps umbrella, each with its own funding, administration, grant processes, and emphasis areas. All three include individuals (“members”) who serve full or part time usually in exchange for a living allowance and an education award. The AmeriCorps programs are distinct yet complementary programs designed to provide a range of needed services to communities. In each of the past three years, AmeriCorps programs engaged over 40,000 members in 2,600 local projects and programs across the country.

The three major AmeriCorps programs are authorized under two separate statutes. *AmeriCorps\*VISTA* is authorized under Title I of the Domestic Volunteer Service Act of 1973. *AmeriCorps\*State and National* and *AmeriCorps\* National Civilian Community Corps (NCCC)* are authorized under the National and Community Service Act of 1990. Appropriations for AmeriCorps\*VISTA are provided through the Labor-HHS-Education appropriations bill and appropriations for AmeriCorps\*State/National and AmeriCorps\*NCCC are provided through the VA-HUD bill.

AmeriCorps is community-based, designed to respond to local needs and concerns. Since the beginning of the program in 1994, programs strive to meet the following five goals, which parallel the strategic goals of the Corporation for National Service:

- *Getting Things Done.* AmeriCorps helps communities meet critical needs in the areas of education, public safety, the environment, and other human needs through direct and demonstrable results.
- *Strengthening Communities.* AmeriCorps helps unite a diverse group of individuals and institutions in a common effort to improve communities through service. AmeriCorps

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recruits and engages volunteers in helping to meet community needs. By leveraging local volunteers and linking with other existing service efforts, AmeriCorps is a catalyst to building community capacity.

- *Expanding Opportunity.* AmeriCorps helps those who help America. Individuals who serve become better citizens. National service also uses the GI Bill model. In exchange for service, AmeriCorps members earn a scholarship that helps pay for college, training, or student loans.
- *Encouraging Responsibility.* National service demands responsibility. AmeriCorps members, through service and civic education, learn to take responsibility for helping to solve community problems.
- *Supporting Service Infrastructure.* AmeriCorps helps grantees and programs operate efficiently and effectively, using appropriate management systems.



One image from the new AmeriCorps recruitment campaign:  
*Your World. Your Chance to Make It Better.*

Members serve, and are recruited and selected by, nonprofit and faith-based organizations across the country, such as Habitat for Humanity, Boys and Girls Clubs, Big Brothers/Big Sisters, Communities in Schools, and YMCAs. While the national office provides assistance with member recruitment through the regional state offices, advertising initiatives, alumni and web links, a majority of each program's member recruitment and selection is managed at the local level.

Members who serve full time for a year receive education awards worth \$4,725. The Corporation's National Service Trust pays the awards as vouchers. They may be redeemed, within seven years, at institutions of higher education to either pay for current education costs or to pay down loans incurred in previous enrollments in school.

Approximately two-thirds of all AmeriCorps program funds are distributed through state commissions and national non-profit organizations. State commissions are awarded a majority of this amount and then sub-grant the AmeriCorps awards to locally-based agencies in their state that have been approved by the state commission for funding. Currently there are 48 state commissions, plus commissions in Puerto

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Rico and the District of Columbia, administering AmeriCorps and community-based Learn and Serve programs, in addition to other service-related initiatives, in their state.

The majority of state commissions are under the auspices of a state government agency, and are established in an Executive Order or state statute. Several commissions are now established as independent 501(c)(3) entities or have affiliated with a non-profit organization for the purpose of facilitating funding support from outside the government. Regardless of the structure, commissions receive administrative funding determined by a formula based on state population. The roles of the state commissions include, but are not limited to, the following:

- Administer a competitive process to review and select national service programs to be included in any application to the Corporation for funding;
- Ensure direct accountability of its grantees, including grant administration, program development assistance and training, program monitoring, and reporting on programs' and commission progress and accomplishments; and
- Provide leadership in developing and implementing a *unified state planning* process that builds on collaboration among existing Corporation programs in the state (Learn and Serve, the Senior Corps and AmeriCorps).

The partnership between the Corporation and state commissions is dynamic and has developed and matured over the past six years. State commissions, in partnership with the Corporation, have worked closely together on numerous initiatives and system designs. Two such collaborative efforts include the State Commission Administrative Standards and the Web-Based Reporting System. Recently this state-federal partnership was endorsed by forty-nine Governors in their expressed support of national service.

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## OVERVIEW OF THE NATIONAL SENIOR SERVICE CORPS

### *At a Glance*

|  | <b>Fiscal 2000</b><br><i>(dollars in thousands)</i> |
|--|---|
| Retired and Senior Volunteer Program               | 46,117  |
| Foster Grandparent Program                         | 95,988  |
| Senior Companion Program                           | 39,219  |
| Senior Demonstration Program                       | <u>1,494</u>  |
| Total National Senior Service Corps Program Budget | <u>\$182,818</u>                                    |

The National Senior Service Corps engages over half a million older adults in 1,200 local projects across the country, providing opportunities for Americans over 55 to serve their communities in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. The Senior Corps comprises four programs: the *Retired and Senior Volunteer Program (RSVP)*, the *Foster Grandparent Program*, the *Senior Companion Program*, and *Senior Demonstration Programs*. The Corporation awards grants to local community agencies that determine what gets done. This is a highly effective public/private partnership, with local agencies adapting the program model to fit local circumstances.

The Senior Corps is authorized under Title II of the Domestic Volunteer Service Act of 1973, and is supported through the Labor-Education-HHS appropriations bill.

Since 1996, the Senior Corps has operated under an outcome-based approach called *Programming for Impact* designed to demonstrate and capture how the Senior Corps' projects and volunteers positively impact the communities they serve. *Programming for Impact* adds the dimension of what difference Senior Corps volunteers make in meeting high priority community needs and calls for projects to measure accomplishments, impacts, and outcomes that occur as a result of volunteer efforts. *Programming for Impact* balances Senior Corps' past focus on the volunteer with what the volunteers are accomplishing to strengthen the fabric of community. Increases in funding for project expansion and new grants are awarded based on the local organizations' plans and potential for getting things done through impact programming and on the high quality experience provided to the volunteers.



*A Foster Grandparent tutors a child.*

Project grants are awarded to state and local private nonprofit organizations and public agencies that recruit, place, and support participants in the Senior Corps. These grants are awarded through the Corporation's state offices and are generally noncompetitive. Examples of sponsoring organizations include United Ways, Red Cross, Catholic Charities, Lutheran Social Services, community colleges, civic organizations, Community Action Agencies, local school systems, and self-incorporated Senior Corps projects. The Corporation provides technical assistance to sponsors and training for project staff.

The local sponsor is responsible for hiring and supervising a project director, who assumes primary responsibility for the management and operation of the project, including recruiting and placing volunteers. More than 500,000 individual Senior Corps volunteers, in turn, are assigned to more than 80,000 placement sites, called "volunteer stations" including schools, child and adult day care centers, hospitals and other nonprofit organizations that work to meet the educational, health, social services, public safety, and environmental needs of the community.

Funding for Senior Corps projects is shared between the sponsor and the Corporation. In fiscal 2000, the Senior Corps programs had the following grant ranges and average awards. An additional \$1.5 million was available for demonstration grants.

|   | <b>RSVP</b>           | <b>Foster Grandparent Program</b> | <b>Senior Companion Program</b> |
|---|-----------------------|-----------------------------------|---------------------------------|
| Federal Funding (in millions)   | \$46.1                | \$96.0                            | \$39.2                          |
| Non-federal contributions (in millions)   | \$46                  | \$37                              | \$24                            |
| Range of Grants (in dollars)  | \$520 to<br>\$754,594 | \$13,251 to<br>\$1,916,159        | \$13,151 to<br>\$554,326        |
| Average Grant Award (in dollars)  | \$60,116              | \$310,527                         | \$240,011                       |
| <i>Note: The lower end of the range amounts reflect Senior Corps projects that receive the bulk of their funds from sources other than the Corporation for National Service. The Corporation dollars support specific activities, such as a Programs of National Significance augmentation.</i> |                       |                                   |                                 |

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## OVERVIEW OF SERVICE-LEARNING

| <i>At a Glance</i>                     |   |
|--|---|
|  | <b>Fiscal 2000</b><br><i>(dollars in thousands)</i> |
| Learn and Serve America Program Budget | \$43,000  |

Learn and Serve America supports programs that engage 1.2 million K-12 students and 30,000 higher education students, faculty, staff, and community members in service, helping to build the field of service-learning in schools, community-based organizations, and in colleges and universities across the country. Toward that end, the Corporation administers the Learn and Serve America Grants program, the President's Student Service Challenge, the National Service-Learning Leader Schools, and manages two technical assistance providers for the field: the National Service-Learning Clearinghouse and the Learn and Serve America Peer Exchange.

The goal of the Learn and Serve America programs is to make service an integral part of the education and life experiences of all young people, thereby building a lifelong ethic of responsibility and service. All Learn and Serve America programs (K-12 school- and community-based, and higher education) integrate community service with academic curriculum or with out-of-school time and extracurricular learning opportunities. Student participants in these programs have demonstrated increased civic responsibility and academic achievement when their programs effectively link theoretical with practical knowledge to serve the educational, public safety, environmental and other human needs in their communities. The programs in which students serve over an extended period of time and in which effective connections are made to classroom curriculum have the greatest positive effects on student outcomes.

Learn and Serve America is authorized under the National and Community Service Act of 1990, and is supported through the VA-HUD appropriations bill. Seventy-five percent of appropriations go to school- and community-based programs and 25% to higher education.

The program provides funds to state education agencies, State commissions, Indian tribes, U.S. territories, colleges and universities, and nonprofit organizations. Most of these grantees administer a competitive process to provide subgrants to local programs, monitor and evaluate local programs, and provide training and technical assistance. The local programs create new service-learning activities, replicate existing models, and provide training and development on service-learning to staff, faculty, adult volunteers, student participants and community members.

At the local level, all programs are partnerships between schools and community-based organizations or between higher education institutions and schools or community-based organizations. Some Learn and Serve America grants are made directly to local program sites;

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these programs fall under the school-based Tribal and higher education Individual Campus-Based categories. These local program sites create new service-learning activities, replicate existing models, and provide training and development on service-learning to staff, faculty, adult volunteers, student participants and community members.

In fiscal 2000, the Corporation assisted 100 school- and community-based projects that expected to enroll more than 1.2 million students in service-learning activities. In that same year, 69 college and university projects supported by Learn and Serve America expected an enrollment of approximately 30,000 participants (students, faculty, staff, and community members). These 169 grantees operated approximately 2500 local programs in schools, nonprofit organizations, and higher education institutions.



*Service-Learning programs may include one-on-one mentoring.*

Participants work with the community to identify needs and determine appropriate service-learning activities. Projects meet needs in the four primary statutory areas of national service: education, public safety, environment, and other human needs. Projects are designed to meet pressing local needs such as literacy improvement, neighborhood beautification, health education and intervention, conflict resolution, helping the elderly maintain independence, watershed management, or housing rehabilitation. Participants' service activities are complemented by related classroom instruction and service activities are designed to build academic skills. Students involved in a health education project, for example, might improve language arts skills by making oral

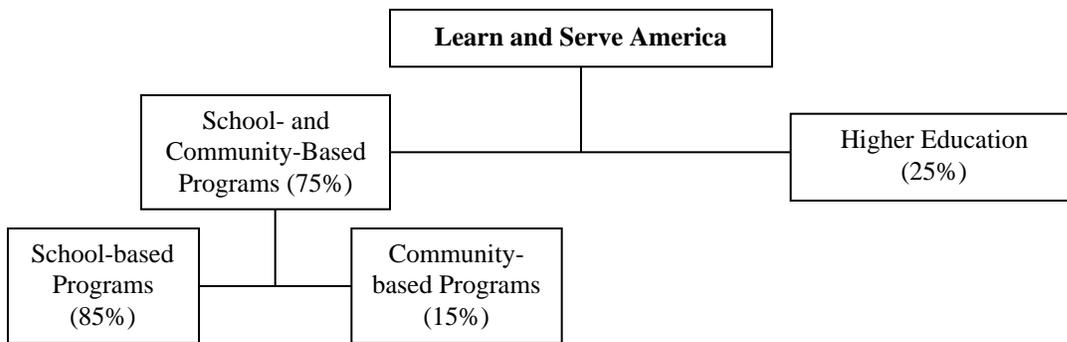
presentations; writing articles for neighborhood newspapers; and producing a health guide to be distributed in the community. The same project might enhance science skills and knowledge through research on community health problems and local health resources.

Students' civic skills are improved through active participation in community improvement as well as through their interaction with individuals in other key civic institutions in the community. Service-learning programs form partnerships with schools, hospitals, nursing homes, community recreation centers, day care centers, parks, and human service agencies of all types. Depending upon the program and the age of the student, the intensity of the service activities varies from a few hours per month to 20 hours per week.

As required by legislation, Learn and Serve America awards most of the K-12 school-based funds by formula to state education agencies for local competitive distribution in support of service-learning. School-based funds are also awarded competitively to Indian tribes and U.S. territories, which have an up to 3% set aside. School-based funds are also available on a competitive basis to national nonprofit organizations (grantmaking entities), Indian tribes, and

state education agencies (SEA) for Community, Higher Education, School Partnership (CHESP) programs; these programs also distribute funds locally through a subgranting process. Funds for community-based organizations are awarded competitively to the state commissions on national and community service as well as to multi-state nonprofit organizations (grantmaking entities) for local competitive distribution. One-quarter of all Learn and Serve America funds are awarded competitively to individual higher education institutions and higher education consortia and associations.

All school- and community-based grantees must demonstrate an increasing level of matching funds to qualify for continued Federal support; after four years school- and community-based grantees are required to provide half of the program costs. Higher education grantees must provide half of all program costs from the outset. These matches require programs to seek local sources of support for service-learning programs.



### **President’s Student Service Scholarships**

Fiscal year 2000 was the fourth year of the President’s Student Service Scholarships (originally called the National Service Scholars). Under this program exemplary juniors or seniors in high schools across the country may receive a \$1,000 scholarship for outstanding service. The Corporation provides one-half of the scholarship. Local funding from schools, businesses, nonprofit organizations, or civic groups provides one-half. Supporters in prior years have included the Elks, Lions, Boys and Girls Clubs, Kiwanis, Moose, Rotary, PTAs, the Links, Dollars for Scholars, and the Miss America Organization. In addition, the Corporation may enter into arrangements with national organizations providing matching scholarships for outstanding service by school-aged youth. Current national partners include Boys and Girls Clubs of America and the Coca-Cola Foundation.

### **President’s Student Service Awards**

The President’s Student Service Awards recognize youth that contribute at least 100 hours of service to local communities. Students are certified by their school, their college, or a community organization and receive pins and other forms of recognition for their service. This program is supported with non-Corporation funds through nominal fees paid by certifying schools, colleges, and community organizations.

# *Performance Results . . . .*

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In its fiscal 2000 Government Performance and Results Act Report (GPRA) the Corporation presents the results achieved by the Corporation for National Service in fiscal 2000. The Corporation's GPRA report is published separately from its Annual Report. Highlights from the GRPA report are presented below.

The GPRA report is organized around the nine principal budget activities of the Corporation. The first section of the report covers the five program activities: AmeriCorps\*State and National, AmeriCorps\*National Civilian Community Corps, AmeriCorps\*VISTA, Learn and Serve America, and the National Senior Service Corps. A second section includes four support activities: National Service Trust, Evaluation, Innovation, and Program Administration.

## **The Corporation for National Service's Vision, Mission, and Strategic Goals**

In its Strategic Plan, the Corporation envisions a nation in which service is valued, used to solve important problems, and rooted in community and individual responsibility. To achieve this vision, the Corporation defines its mission as providing opportunities for Americans of all ages and backgrounds to engage in service. The Corporation seeks to achieve its mission by fostering civic responsibility, strengthening the ties that bind us together as a people, and providing educational opportunities for those who make a substantial commitment to service.

The Corporation's strategic plan identifies four strategic goals for fiscal 1997-2002 as the focus for realizing the vision and mission. These goals are:

1. Help solve the nation's critical needs through service.
2. Strengthen communities through service.
3. Improve the lives of those who serve through their service experience.
4. Develop and maintain a sound, innovative organization that strengthens the service field.

The four strategic goals cross cut the nine principal budget activities of the Corporation, which contribute in different ways to achieving the strategic goals.

## **What the Corporation and Its Service Programs Got Done in 2000 to Meet the Strategic Goals: Some Examples**

### **1. Helping solve the nation's critical needs through service.**

- AmeriCorps tutoring programs reported positive and significant change for the students who receive tutoring. According to an independent study by Abt Associates, reported in 2000, AmeriCorps members tutored at least 100,000 students in first through third grades in program year 1999-2000. Abt concluded: "The tutored students at all grade levels improved their reading performance from pretest to post-test more than the gain expected

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for the typical child at their grade level. Reading comprehension and reading skills started out below grade-level; by year-end, students closed the gap and were reading at or near the grade-level expectation.”

- AmeriCorps\*National Civilian Community Corps members were trained and certified in CPR, first aid, mass care, damage assessment, and family assistance, serving as part of the American Red Cross National Disaster Response Network. Fire fighting was also an important aspect of NCCC disaster response activities. In partnership with the U.S. Forest Service, 16 percent of the entire Corps was red-card certified in a rigorous and challenging fire fighter training program. In 2000, NCCC members responded to floods, fires, hurricanes and other disasters, providing disaster relief to an estimated 33,500 people.
- AmeriCorps\*VISTA helped bridge the digital divide. In the past year, the number of AmeriCorps\*VISTA projects focused on technology issues grew from 18 to more than 100. AmeriCorps\*VISTA members provided more than \$1.8 million in technology hardware, software, and services to 800 nonprofit agencies.
- AmeriCorpsVISTA supported more than 300 projects providing access to employment, self-employment, capital, and credit for thousands of low-income people seeking transition from welfare to self-sufficiency. AmeriCorps\*VISTA’s focus on the creation of economic opportunities for welfare recipients has expanded as part of its welfare-to-work initiative.
- Retired and Senior Volunteer Program(RSVP) recruited executives over the age of 55 to provide management consulting services to private, nonprofit, and public agencies. They helped more than 6,000 local organizations to expand and improve their operations.
- Foster Grandparent Program oversaw the work of more than 28,000 Foster Grandparents as they served in schools, hospitals, drug treatment centers, correctional institutions, and Head Start and day care centers. They helped abused and neglected children, mentored troubled teenagers and young mothers, and cared for premature infants and children with physical disabilities. In all, the Corporation estimates that Foster Grandparents reached 230,000 children in need.
- The Senior Companion Program recruits and manages older, low-income persons who provide assistance to frail, homebound individuals, most of them elderly. These clients have difficulties with daily living tasks and Senior Companions help them retain their dignity and independence. In 2000, nearly 15,000 Senior Companions served an estimated 61,000 clients.

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## 2. Strengthening communities through service.

- AmeriCorps programs – State and National, NCCC, and VISTA recruit and manage large numbers of community volunteers, providing the full-time oversight of intermittent volunteers that is often required to make effective use of this powerful, but underutilized local resource. For every NCCC member in service in fiscal 2000, thirty local volunteers served on NCCC projects. This represents an increase of 200 percent over fiscal 1999 levels. NCCC members led 2,000 student volunteers who spent their spring break on Habitat for Humanity Collegiate Challenge projects building houses for low-income families. According to an evaluation of project accomplishments, by Aguirre International, in one year approximately 5,000 AmeriCorps\*VISTA members recruited more than 283,000 community volunteers who donated 6.6 million volunteer hours to projects. An earlier evaluation by Aguirre International, completed in 1997, found an average of eight community volunteers generated by each member of an AmeriCorps\*State and National program.
- AmeriCorps\*Promise Fellows provided leadership to hundreds of communities' efforts to expand, enhance, and improve the delivery of the resources needed by all young people as identified at the Presidents' Summit for America's Future in April 1997. Through the Promise Fellows program and in cooperation with America's Promise, the Corporation awarded 60 grants and enrolled 458 Promise Fellows.
- AmeriCorps\*VISTA members serve in nonprofit organizations and agencies to develop new permanent infrastructure that aids and expands services, strengthens programs, and empowers low-income individuals. More than half of AmeriCorps\*VISTA Sponsoring Organizations are small local organizations with less than ten professional staff. In 2000, AmeriCorps\*VISTA partnered with nearly 1,200 nonprofit organizations ranging from small rural public schools and faith-based groups to national organizations. In addition, the Corporation estimates each AmeriCorps\*VISTA member generated \$15,400 of financial and in-kind support for project activities.
- Learn and Serve America awarded \$43,000,000 in grants for service-learning activities. Local school districts across the country are increasingly using service-learning as a means of meeting state academic standards. Local schools use service-learning activities to complement other national education programs, including School-to-Work and various titles of the Elementary and Secondary Education Act. Because of the positive impacts on students' learning, behavior, and civic attitudes, many educators view service-learning as an effective vehicle for educational reform.
- National Service-Learning Leader Schools is an initiative that recognizes schools for excellence in service-learning. Middle schools and high schools receive recognition for improving learning and teaching at their schools and strengthening their communities through high-quality, broad-based service-learning. The schools serve as models of excellence for two years by providing both awareness programs and professional development to other schools. In 2000, the Corporation named 66 schools as National Service Leader Schools.

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- Retired and Senior Volunteer Program (RSVP) supported more than 450,000 volunteers in fiscal 2000. The research firm ORC Macro conducted a survey of the community agencies serving as placement sites for these volunteers. ORC Macro found that the most prevalent reason agencies gave for using RSVP volunteers was to increase the quality of services that address community needs.

### **3. Improving the lives of those who serve through their service experience.**

- The National Service Trust provides a secure repository for education awards earned by eligible participants who successfully complete a term of service in one of the three branches of AmeriCorps: AmeriCorps\*State and National, AmeriCorps\*NCCC, and AmeriCorps\*VISTA. In 2000, 76.3 percent of all AmeriCorps members who ended their service during the year earned an education award ranging in value up to \$4,725. They can use the award to repay student loans, pay to attend school beyond high school, or pay expenses in a school-to-work program.
- AmeriCorps\*State and National members gain significantly in “life skills,” those competencies needed to function effectively in the modern workplace and social environment, according to a study by Aguirre International, completed in 1999.
- The President’s Student Service Challenge, administered by the Corporation’s Department of Service-Learning, offers an opportunity for schools, colleges, and community organizations to recognize young people for their outstanding community service and to encourage more young people to serve. More than 5,000 students received a \$1,000 President’s Student Service Scholarship in 2000, recognizing outstanding service to their communities and at least 100 hours of service in a 12-month period.
- Service-Learning, according to numerous research studies, greatly benefits student participants. The research supports several generalizations about its impact on students. Service-learning has a positive effect on students’ engagement in school. It helps students acquire academic skills and knowledge. It reduces the likelihood that students will engage in risk behaviors. And, service-learning enhances students’ social and civic development.
- Disability Initiatives were a focus of the Corporation in 2000. The Corporation held a national conference for 400 people including representatives from national disability organizations, disability coordinators from state commissions, and program directors from AmeriCorps\*State and National, AmeriCorps\*VISTA, and the Senior Corps. The conference served several purposes. First, the conference was a way to present tools and techniques for effectively integrating people with disabilities into national service programs. Second, it increased the Corporation’s understanding of how to collaborate with the disability community. And, third, it helped the Corporation to develop collaborative relationships with important disability organizations.

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#### **4. Developing and maintaining a sound, innovative organization that strengthens the service field.**

- A Clean Audit for the Corporation was the conclusion of the auditors for fiscal 2000. For the first time, the Corporation received an unqualified opinion on its financial statements. This achievement resulted from a commitment to strong management control and accountability for financial resources.
- The State Administrative Standards Project was continued and expanded by the Corporation. This initiative sets administrative standards for state commissions on service. It helps the Corporation assess and expand the capacity of state commissions to administer federal funds in a responsible manner. In 2000, the Corporation reviewed nine states.
- The Web-Based Reporting System (WBRS) is a web-based, member enrollment and exit system for AmeriCorps\*State/National Direct grantees and sub-grantees. In 1999, the system was expanded to permit programs to submit financial reports via the Internet. In 2000, the Automated Progress Report (APR) module was added to the system. It links member management, financial reporting, and the tracking of programmatic outcomes into a single management system. Through the APR, programs can produce periodic progress reports that inherit information from the financial and member-related functions of WBRS so that progress reporting becomes significantly automated.
- EpiCenter was launched by the Corporation in 2000. An effective practices information center, EpiCenter is a web-based searchable database of program practices, designed to help in creating and managing national service programs. Its purpose is to share timely, relevant information that will lead to sustainable programs and positive outcomes for program participants, beneficiaries, organizations, and communities.

#### **Conclusion**

Fiscal 2000 was a year of marked productivity for the Corporation for National Service and its programs. As this summary illustrates and the complete *Performance Report for Fiscal 2000* documents, national service accomplished great things for the American people. Critical needs of families and communities were directly addressed by the Corporation's service programs. Those who served saw their own lives enhanced and expanded. And, the service delivery system was strengthened through improvements to its financial management, program oversight, and technical assistance systems.

# Financial Results . . . .

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## OVERVIEW OF FINANCIAL OPERATIONS

Fiscal 2000 was a landmark year for the Corporation – for the first time it received an unqualified opinion on all of its financial statements. This achievement resulted from a commitment to strong management controls and accountability for the Corporation’s financial resources. The Corporation has put in place a top flight management team, invested in and implemented state-of-the-art systems, engaged its bipartisan Board of Directors in active oversight, and performed the hard work to correct past mistakes. The Corporation is positioned to manage its program and grant portfolio efficiently and effectively. The efforts at improvement, however, will not stop here. While the Corporation is proud of its accomplishments, more needs to be done. The following table illustrates the Corporation’s progression toward full attainment of unqualified audit opinions.

| <b>Corporation Audit Results – Fiscal 1996 through 2000</b> |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Type of Opinion</u></b>                               | <b><u>1996</u></b> | <b><u>1997</u></b> | <b><u>1998</u></b> | <b><u>1999</u></b> | <b><u>2000</u></b> |
| Unqualified   |                    |                    |                    |                    | ✓                  |
| Unqualified Balance Sheet only*                             |                    |                    | ✓                  | ✓                  |                    |
| Qualified Balance Sheet only**                              |                    | ✓                  |                    |                    |                    |
| Financial Statements Not Auditable                          | ✓                  |                    |                    |                    |                    |

\*The financial statements were fully auditable, the auditors issued an unqualified opinion on the Statement of Financial Position and disclaimed on the Statement of Operations and Statement of Cash Flows.

\*\* Only the Statement of Financial Position was auditable.

The Corporation has made a concerted effort to improve its operations and correct the material weaknesses and reportable conditions identified in past financial audits. This progress is reflected in the fiscal 2000 financial statement audit results. The number of operational areas deemed to be materially weak was reduced from *ten* in fiscal 1996 to *one* in fiscal 2000. The Corporation has reached the point where it is on solid ground. Below are some highlights of the Corporation’s management improvement initiatives.

- The Corporation’s management team is much stronger. It has a non-political Chief Operating Officer with wide-ranging management experience; a Deputy Chief Financial Officer who came from the Corporation’s Inspector General’s office with extensive audit experience; and a Chief Information Officer. With these leadership positions filled, the Corporation has a sound financial management team in place that is committed to sustaining the progress made by the outgoing presidentially-appointed Chief Executive Officer and Chief Financial Officer.

- In fiscal 2000 the Corporation's new financial management system – *Momentum Financials* – was utilized for the entire year. The *Momentum* system was implemented at the end of fiscal 1999 (which accounts in part for the failure to achieve an unqualified opinion in fiscal 1999). The system is now fully operational, and is being used to produce financial statements on a monthly basis. In fiscal 2001, as part of the Corporation's continuous improvement program, the *Momentum* software was upgraded to enhance the functionality of the system.
- The management of the National Service Trust has been greatly enhanced by a new document imaging system and the Web-Based Reporting System (WBRS). The Trust, with more than 215 thousand enrollments, is a vital part of the administration of AmeriCorps. Imaging over one million pages of historical Trust documents permits the Corporation to immediately access the members' forms, thereby resolving what had been a material weakness. The WBRS system is a secure internet-based reporting system that permits subgrantees and program sites to directly enter AmeriCorps member enrollments and track service as it is performed. It provides real-time management reports for oversight and significantly increases the accuracy, completeness, and accessibility of Trust data.
- The Corporation's comprehensive Action Plan identifies tasks that need to be accomplished to sustain our progress in improving management and correcting financial weaknesses. The Corporation carefully monitors and tracks progress on these items. The Plan is continually updated to incorporate new tasks, including those identified by the Office of the Inspector General, and documents the Corporation's progress toward completing existing tasks.

The Corporation is proud of these accomplishments but also recognizes that more needs to be done to fully implement corrective actions related to weaknesses identified in past audits. The Corporation is well situated to complete those improvements and continue to show progress as reflected in the Action Plan and in the financial statement audit. The following table illustrates our progress in correcting management control issues raised in the most recent financial audit reports.

| <b>Corporation Management Control Issues – Fiscal 1996 through 2000*</b> |                    |                    |                    |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Type of Weakness</u></b>   | <b><u>1996</u></b> | <b><u>1997</u></b> | <b><u>1998</u></b> | <b><u>1999</u></b> | <b><u>2000</u></b> |
| Material Weakness  | <b>10</b>          | 7                  | 8                  | 5                  | <b>1</b>           |
| Reportable Condition   | <u>0</u>           | <u>3</u>           | <u>2</u>           | <u>2</u>           | <u>2</u>           |
| <b>Total</b>   | <b>10</b>          | 10                 | 10                 | 7                  | <b>3</b>           |

\*In order to provide comparable information for all five years presented, the source for fiscal 1996 through 1999 data is OIG briefing material provided to Congressional oversight committee staff. The source for fiscal 2000 data is OIG report 01-01, the audit of the Corporation's fiscal 2000 financial statements.

The Corporation also recently began using quantitative indicators to monitor improvements in financial management. The table below shows the Corporation's performance during fiscal 2000 against target performance for selected areas.

| <b>Corporation Financial Management Indicators – Fiscal 2000</b> |                                  |                                       |
|--|----------------------------------|---------------------------------------|
| <b><u>Financial Performance Measure</u></b>                      | <b><u>Fiscal 2000 Target</u></b> | <b><u>Fiscal 2000 Performance</u></b> |
| Percentage of timely vendor payments                             | 95%                              | 98%                                   |
| Percentage of payroll by electronic transfer                     |                                  |                                       |
| CNS Employee   | 100%                             | 100%                                  |
| VISTA Volunteers   | 60%                              | 48%                                   |
| Timely reports to central agencies                               | 95%                              | 93%                                   |
| Audit opinion on fiscal 2000 financial statements                | Unqualified                      | Unqualified                           |
| Material weaknesses reported in financial statement audit        | 1                                | 1                                     |

In addition, the Corporation has begun development of a cost allocation model for reporting costs in the financial statements utilizing *Momentum*. The Corporation's cost accounting model allocates expenses by program according to an appropriate cost driver in accordance with Federal accounting standards (Statement of Federal Financial Accounting Standards Number 4, *Managerial Cost Accounting Concepts and Standards*).

Under the model, cost assignments are performed by directly tracing costs wherever feasible and economically practicable, assigning costs on a cause-and-effect basis, or allocating costs on a reasonable and consistent basis as prescribed by SFFAS 4.

In accordance with the standards, the Corporation determined the level at which its "responsibility segments" are defined based on the type of activities performed and the degree to which these activities could be identified with one particular program. For the purposes of allocating costs, the Corporation defined its core responsibility segments as the AmeriCorps Program, the National Senior Service Corps, and the Service-Learning Program. The results of allocating fiscal 2000 expenses to the Corporation's responsibility segments using the model are shown on the next page.

As information for future years becomes available, the Corporation will be able to provide comparative information on the costs of its programs and begin to link costs to program

outcomes. Because fiscal 2000 was the first year for which the Momentum financial management system was utilized for the entire year, similar data is not available from previous years. In fiscal 2001, the Corporation plans to refine the model and improve upon the system's capabilities. In addition, the Corporation will contract with an independent public accounting firm to validate the cost model.

**Fiscal 2000 Expenses by Responsibility Segment**  
*(dollars in thousands)*

| <u>Expense</u>                                 | <u>Amount</u> |
|--|---------------|
| AmeriCorps Program <sup>(1)</sup>              | \$ 437,236    |
| National Senior Service Corps <sup>(2)</sup>   | 135,650       |
| Service Learning Program <sup>(3)</sup>        | 42,373        |
| Subtotal                                       | 615,259       |
| National Service Award <sup>(4)</sup>          | 83,971        |
| Points of Light Foundation <sup>(5)</sup>      | 7,471         |
| DVSA State Pass-Through Grants <sup>(6)</sup>  | 748           |
| Office of the Inspector General <sup>(7)</sup> | 1,535         |
| Total Expenses                                 | \$ 708,984    |

<sup>(1)</sup> The AmeriCorps responsibility segment includes grant expenses, as well as direct and allocated personnel and administrative costs, for the VISTA, NCCC, State & National, and AmeriCorps recruitment.

<sup>(2)</sup> The National Senior Service Corps responsibility segment includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Foster Grandparent Program, Senior Companions Program, and the Retired and Senior Volunteer Program.

<sup>(3)</sup> The Service-Learning Program responsibility segment includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Learn & Serve America Program, the President's Student Service Challenge, and National Service Leader Schools.

<sup>(4)</sup> The National Service Award line item consists of the Corporation's estimated expense education awards based on the increase in its service award liability during the year as well as interest forbearance costs on qualified student loans during the period members perform community service. No indirect costs have been allocated this line item.

<sup>(5)</sup> The Corporation's annual appropriation includes funds earmarked for the Points of Light Foundation. No indirect costs have been allocated to these grants.

<sup>(6)</sup> The Corporation has reimbursable agreements with state agencies whereby the Corporation awards and administers grants to a list of grantees selected and funded by the State. No indirect costs have been allocated to these grants.

<sup>(7)</sup> The Office of the Inspector General receives a separate appropriation. No indirect costs have been allocated to the OIG.

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## **REPORT ON MANAGEMENT CONTROLS**

The Corporation is subject to the reporting requirements of the Government Corporation Control Act (31 U.S.C. 9101 et. seq.). Under these requirements, the Corporation must provide a statement on its internal accounting and administrative controls consistent with the requirements of the Federal Managers' Financial Integrity Act of 1982 (Public Law 98-255). This statement must reflect the Corporation's assessment of whether there is reasonable assurance that management controls are achieving their intended results, report on any material weaknesses in management controls present within the agency, and describe management's current plans to address and correct these deficiencies.

### **Statement of Assurance**

The Corporation is responsible for assessing the effectiveness of its internal controls in achieving the following objectives:

- reliability of financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with generally accepted accounting principles;
- safeguarding of assets against loss from unauthorized acquisition, use, or disposition; and
- compliance with applicable laws and regulations – transactions are executed in accordance with: (a) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (b) any other laws and regulations or government-wide policies identified by the OMB and entity management as being significant for which compliance can be objectively measured and evaluated.

Based on its evaluation, the controls in place on September 30, 2000, provided the Corporation reasonable assurance that the foregoing objectives were met. The Corporation is reporting grants management as a material weakness. With the successful implementation of the *Momentum* financial management system the Corporation is also pleased to report that the Corporation complies with Federal financial management system requirements including those specified in the Federal Financial Management Improvement Act.

### **Basis of Fiscal 2000 Assessment**

The Corporation's assessment of management controls is based on reviews and other assessments of Corporation operations, programs and grantees including:

- a written assessment of controls by Corporation managers;
- independent validation of the managers' responses for selected Corporation units; and
- OIG reports, including the annual financial statement audit and recent audits of the Corporation's procurement operations.

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In addition, management's knowledge of the Corporation's day-to-day operations plays an important role in the assessment that controls generally are in place for our fundamental work. These controls include the announcement of funds availability for Corporation grants, the receipt and evaluation of applications for financial assistance, and the negotiation and award of grants and cooperative agreements.

### **Material Weaknesses Corrected in Fiscal 2000**

While the Corporation's fiscal 1999 financial audit reported five material weaknesses the Corporation believes that two of the areas cited were not materially weak. However, over the past year, the Corporation has worked hard to implement corrective actions and continue to make improvements to all five areas cited as described in its Action Plan. Accordingly, the Corporation is pleased to report that the following four areas are no longer considered to be materially weak in the fiscal 2000 financial audit report:

***Financial Management and Reporting*** – The Corporation has filled all non-political financial management leadership positions and has implemented a new core financial system, American Management System's *Momentum Financials*. *Momentum* is a commercial off the shelf (COTS) software package. Fiscal 2000 was the first year in which the system was fully operational for the entire year. The Corporation has been using the new system to produce financial statements on a monthly basis. In January 2001, as part of its continuous improvement program, the Corporation upgraded the software to enhance the functionality of the system. *Momentum* is certified by the Joint Financial Management Improvement Program (JFMIP) as meeting all Federal financial systems requirements. As newer JFMIP certified releases of the software become available, the Corporation will continue to obtain upgrades to ensure that the Corporation remains current in meeting all Federal system requirements.

The Corporation continues working to update its financial management policies and procedures to reflect current workflow under the new system; however, policies do exist for most financial management activities. In addition, during fiscal 2000 a formal procedure was established for the monthly review of general ledger accounts and account reconciliations and a financial statement disclosure checklist was prepared and reviewed prior to the financial statement's issuance.

In addition, as demonstrated in the other sections of this report, the Corporation has begun to enhance the overall presentation of its financial information by reporting costs, including an allocation of those costs related to administration for the Corporation's service programs, and separately reporting on the operations of the Trust and Gift funds. During fiscal 2001 the Corporation will continue to refine the financial information reported and improve its presentation. While we continue to implement improvements to our financial operations, we have successfully addressed the concerns that led to designation of this issue as a material weakness in previous audits.

***General Control Environment*** – The Corporation has completed the majority of the Action Plan tasks related to the general control environment. The remaining open tasks reflect

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continued implementation of initiatives that are now well established including a strong commitment by Corporation senior management to resolve financial management weaknesses, improve training, and maintain a comprehensive management control program. The Action Plan is regularly shared with senior management and CFO office heads and used to monitor the Corporation's progress in meeting its critical assignments. The Corporation is actively monitoring the Action Plan and maintains documentation in support of completed actions.

The Corporation's management control program includes providing appropriate training to managers on the purpose of controls and how the Corporation develops, implements, assesses, corrects, and reports on controls. The management control program is conducted through a four-part process:

- A self-assessment of controls by Corporation managers using a structured questionnaire.
- An examination of all completed questionnaires by CFO staff and an on-site management review to independently test selected areas determined to be the highest risk.
- The provision of feedback, including noting areas for improvement at locations reviewed.
- The documentation of results for analyses and planning future reviews and improvement efforts.

Under the management control program, certain areas of the Corporation's operations are tested annually (e.g. accounting, grants) and all others on a cyclical basis (at least once every three years). During fiscal 2000 the Corporation surveyed 18 operational areas and performed additional on-site verification testing at 11 of the 18. The results of this testing supported the conclusion that management controls provide reasonable assurance that the Corporation's objectives are met.

In September 1998, the OIG issued a report on the Corporation's procurement operations. In response to the recommendations in the report, the Corporation conducted procurement training for Procurement Office and other staff involved in procurement. The Corporation has also issued comprehensive procurement policies and procedures and implemented a new procurement module in Headquarters to process contract awards and purchase orders. The procurement module is also scheduled for implementation at the Corporation's service centers at the end of the fiscal year.

In addition, a new contract specialist and cost and price analyst have been hired. In a follow up audit, the OIG identified several areas where the Corporation needs to improve on adherence to our procedures. The CFO's Office has directed that additional emphasis be placed on compliance with Corporation procedures and has included requirements on these activities in the Director of Procurement's fiscal 2001 performance plan. However, a careful analysis of the issues cited in the follow-up audit report supports the conclusion that this area is not a materially weak.

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The Corporation has also been successful over the last two years in improving its timeliness in preparing management decisions on audit recommendations compared to earlier years. However, over the last several months the Corporation has seen the number of audits in an overdue status increase significantly. The majority of these (20 out of 22 as of March 1<sup>st</sup>) were related to OIG's pre-audit survey work at State commissions. Resolution of the pre-audit surveys is the responsibility of the cognizant Corporation program officer. Because program officers do not normally handle audit resolution and have had difficulty in drafting management decisions, the Corporation also assigned experienced staff to assist the program officers and eliminate the backlog. Under the process put in place the Corporation expects the backlog to be substantially eliminated by the end of March 2001.

***Fund Balance with Treasury*** – During fiscal 2000, the Corporation began reconciling its Fund Balance with Treasury at the appropriation level on a monthly basis. The reconciliation work is reviewed and approved by the Director of Accounting or other supervisory personnel. The aggregate unreconciled difference of \$3.4 million at September 30, 1999, enumerated in the fiscal 1999 audit report, has been reduced to \$1.1 million as of September 30, 2000. The Corporation believes this initiative will resolve remaining differences in fiscal 2001.

***Net Position*** – The Corporation established procedures in fiscal 2000 for budget holders to routinely review open obligations and deobligate funds on a monthly basis. In addition, *Momentum* automatically deobligates remaining balances when a final payment is made via the “final flag” feature. CFO staff also analyze net position on a monthly basis to detect unusual activity and make appropriate corrections. As a result of these efforts, account 3100 – Unexpended Appropriations – was cleaned up so that the change in unexpended appropriations and cumulative results of operations from fiscal 1999 to fiscal 2000 was identified to the penny. A cleanup of the related budgetary accounts is currently underway and should be completed during the current fiscal year.

## **Plans for 2001**

While the Corporation believes that its management controls provide reasonable assurance that control objectives are being met, there is more work to be done to correct the remaining material weakness and fully accomplish the Corporation's our financial management goals. To this end, the Corporation's top internal priority continues to be meeting the goals and objectives of the comprehensive Action Plan established in fiscal 1999. In addition to providing the Corporation's plans for correcting material weaknesses, the Action Plan includes other objectives and tasks related to a broader management agenda.

To resolve the grants management material weakness, the Corporation will continue to focus on three areas: designing and implementing a single grants management system that will interface with *Momentum*; continuing to close out expired grants; and implementing a comprehensive OMB Circular A-133 (*Audit of States, Local Governments, and Non-Profit Organizations*) policy.

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In fiscal 2000, the Corporation began work on a long-range project to reengineer its grant processes and to build an information system to manage those processes. Throughout the fall, many Corporation employees spent hundreds of hours with the systems designers to redesign and consolidate processes and document a new system to reflect those improved processes. That design work was completed in December.

The system will be built in ORACLE and will share many of the same tables of the Corporation's System for Programs, Agreements, and National Service Participants. When completed, the Corporation will have an integrated grants management system that provides comprehensive financial management information for all grants and cooperative agreements. The design meets the Grants Financial System Requirements of the JFMIP and the requirements of the Government Paperwork Elimination Act and the Federal Financial Assistance Management Improvement Act. The Corporation has also provided the design documentation, including functional hierarchies, entity diagrams, and initial mock-ups of all forms and reports to the Office of Inspector General for comment.

Once fully implemented, potential grantees will be able to apply for Corporation grants using a common electronic standard form 424 on the Internet. The Corporation will also be able to perform peer review of grant proposals over the Internet. All employees of the Corporation will be able to perform their role-based grant functions in one system. Both financial and progress reporting will be done over the Internet. The system will be linked to the Corporation's *Momentum* financial management system so that all financial data will be in sync. Much of the current labor intensive tracking and notifying affected parties requirements will be automated. All of the Corporation's grant activity (including tracking OMB Circular A-133 audit reports) with appropriate audit trails, will be done in one place.

In January 2001 the Corporation issued a task order to a contractor to build the system. Construction, testing, and training associated with the new system is expected to take 14 to 18 months. The first of those months will be devoted to a detailed design review to make sure that what is captured in the design documents meets the Corporation's requirements.

Plans are also moving forward to close out expired AmeriCorps grants and send the files to the Federal Records Center. To expedite this process, the Corporation will contract with a qualified vendor to perform grant file review, grant award reconciliation, and an analysis of financial and related reports to determine that all requirements have been met. The Corporation expects that a contractor will begin work on the close-out project in April 2001.

The Corporation also plans to consolidate its grant and program files in a central archive for grants issued from the Corporation's headquarters. Files for grants issued by the Corporation's five service centers will remain at the location servicing the grant. In the longer term, the Corporation believes that the archive will not be needed. As discussed above, the Corporation is building a new grant management system that will handle all aspects of the grant process from accepting applications, to peer review, to award and eventual close-out. The Corporation estimates that within five years virtually the entire grant process will be paperless, eliminating the need for an archive.

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## SUMMARY OF DONATIONS

Under the Corporation's authorizing legislation, donated funds may be accepted and used for the purpose of expanding and improving national service (42 U.S.C. §12651g(a)(2)(A)). The law allows the Corporation to "solicit, accept, hold, administer, use, and dispose of, in furtherance of the purposes of the national service laws, donations of any money or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest, or otherwise." The legislation requires that the Corporation report to the Congress on the nature and amount of donations as well as on how they were used and disposed of (in the case of donated property) in support of its programs and activities. This report fulfills these requirements for fiscal year 2000.



*Best Buy employees present the Corporation for National Service and the King Center for Nonviolent Social Change, Inc. \$100,000.00 in support of Martin Luther King, Jr. Day of Service.*

### **Fiscal 2000 Gift Fund Results**

The following information provides the financial status of the Gift Fund as of September 30, 2000, and the results of operations for the fiscal year. It should be noted that funds expended in fiscal 2000 include amounts donated in previous years.

| <b>Gift Fund Statement of Financial Position<br/>As of September 30, 2000</b> |                  |
|---|------------------|
| <b>Assets</b>   |                  |
| Fund Balance With Treasury  | \$ 98,240        |
| Advances to Others  | 511              |
| Total Assets  | <u>\$ 98,751</u> |
| <b>Liabilities</b>  |                  |
| Accounts Payable  | \$ 11,662        |
| Grants Payable  | 20,585           |
| Total Liabilities   | <u>\$ 32,247</u> |
| <b>Net Position</b>   |                  |
| Cumulative Results Of Operations  | \$ 66,504        |
| Total Net Position  | <u>\$ 66,504</u> |
| Total Liabilities & Net Position  | <u>\$ 98,751</u> |

| <b>Gift Fund Statement of Operations and Changes in<br/>Net Position<br/>For the Year Ended September 30, 2000</b> |                    |
|--|--------------------|
| <b>Revenues</b>  |                    |
| Gifts & Donations  | \$ 136,650         |
| Total Revenues   | <u>\$ 136,650</u>  |
| <b>Expenses</b>  |                    |
| Program & Administrative   | \$ 75,118          |
| MLK Day Grants   | 77,903             |
| Total Expenses   | <u>\$ 153,021</u>  |
| <b>Excess of Revenues over Expenses</b>  | <u>\$ (16,371)</u> |
| <b>Net Position</b>  |                    |
| Net Position, Beginning  | \$ 82,875          |
| Excess of Revenues over Expenses   | (16,371)           |
| Net Position, Ending   | <u>\$ 66,504</u>   |

In fiscal 2000, the Corporation received funds to support specific activities for the National Civilian Community Corps, to support grants to implement service projects on the Martin Luther King, Jr. Federal holiday and used various donations to support other national service activities. The donors were private sector foundations, corporations and individuals as detailed below. The following activities are among those for which donations were received or used by the Corporation during fiscal 2000:

- support for the AmeriCorps Leaders Program which provides a cadre of highly skilled individuals to provide leadership for service programs throughout the country;
- support and promotion of the necessary infrastructure for national service, including training and technical assistance;
- program support for the NCCC campus in the Washington, D.C. area; and
- support and in-kind promotion of the Martin Luther King, Jr. Day of Service initiative.

In addition, the Franklin Mint made 45 bronze medals available to recognize AmeriCorps members for excellence in service; and in partnership with Warner Brothers, the movie magazine Entertainment Weekly published two full page public service advertisements and two half page public service advertisements promoting AmeriCorps in four issues of their magazine. The fall 2000 release of the Warner Brother's film "Pay It Forward" promoted the idea of community service and Warner Brothers selected AmeriCorps to be the recipient of in-kind promotion.

**Supplemental Information on the Source and Use of Donations – Fiscal 2000**

| <i>Source of Funds</i> | <i>Use of Funds</i>   | <i>Receipt</i>          | <i>Expense</i>          |
|------------------------|---|-------------------------|-------------------------|
| Kellogg Foundation     | Training and Technical Assistance                             | \$ 0                    | \$ 34,718               |
| Best Buy               | Grants for the MLK – Day of Service                           | 90,000                  | 77,903                  |
| Eli Lilly              | Support for the 2000 National Senior Service Corps Conference | 30,000                  | 30,000                  |
| KFC                    | Support for Seniors for Schools                               | 10,000                  | 4,017                   |
| GE/United Way          | Program support for the NCCC Capital Region Campus            | 650                     | 0                       |
| Other Donors           | Miscellaneous and unspecified purposes                        | <u>6,000</u>            | <u>6,383</u>            |
| <b>Total</b>           |   | <b><u>\$136,650</u></b> | <b><u>\$153,021</u></b> |

In addition to donations made directly to the Corporation, a variety of state and local entities and private organizations provide a significant amount of nonfederal support to state and local service programs – the Corporation's grantees and program sponsors. This direct support, while not a donation to the Corporation, is very valuable to the nonprofit organizations and government entities sponsoring service programs. In general, the authorizing legislation for the Corporation encourages local support of programs through the provision of either direct or matching resources. This emphasis on providing support directly to local programs reflects the Corporation's philosophy of decentralized program delivery to maximize the impact of its available resources.



*Kentucky Fried Chicken has been a strong supporter of the National Senior Service Corps and has supported MLK Day activities on a local basis.*

**Gift Fund Statement of Cash Flows  
For the Year Ended September 30, 2000**

**Cash Flows From Operating Activities**

|   |               |                  |
|---|---------------|------------------|
| Excess of Revenues over Expenses          |               | \$ (16,371)      |
| Adjustments Affecting Cash Flow:          |               |                  |
| Decrease in Accounts Receivable           | \$ 166        |                  |
| Increase in Advances                      | (511)         |                  |
| Increase in Accounts Payable              | 7,097         |                  |
| Increase in Grants Payable                | <u>20,585</u> |                  |
| Total Adjustments                         |               | <u>27,337</u>    |
| Net Cash Provided by Operating Activities |               | 10,966           |
| Fund Balance with Treasury, Beginning     |               | <u>87,274</u>    |
| Fund Balance with Treasury, Ending        |               | <u>\$ 98,240</u> |



*Additional supporters of MLK Day have included the National Basketball Association's Team Up program and the Washington Wizards.*

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## **THE NATIONAL SERVICE TRUST**

Established by the National and Community Service Trust Act of 1993, the National Service Trust provides funds for education awards for eligible participants who complete service under AmeriCorps, the national service program. The Trust consists of amounts appropriated to the Corporation, interest earned, and the proceeds from the sale or redemption of Trust investments. The Trust is also authorized to receive gifts or bequests; however, to date, no donations have been received by the Trust.

Under the Trust Act, funds are available to:

- repay qualified student loans;
- pay all or part of the cost of attendance at an institution of higher education;
- pay expenses incurred in participating in an approved school-to-work program; and
- repay eligible interest expense.

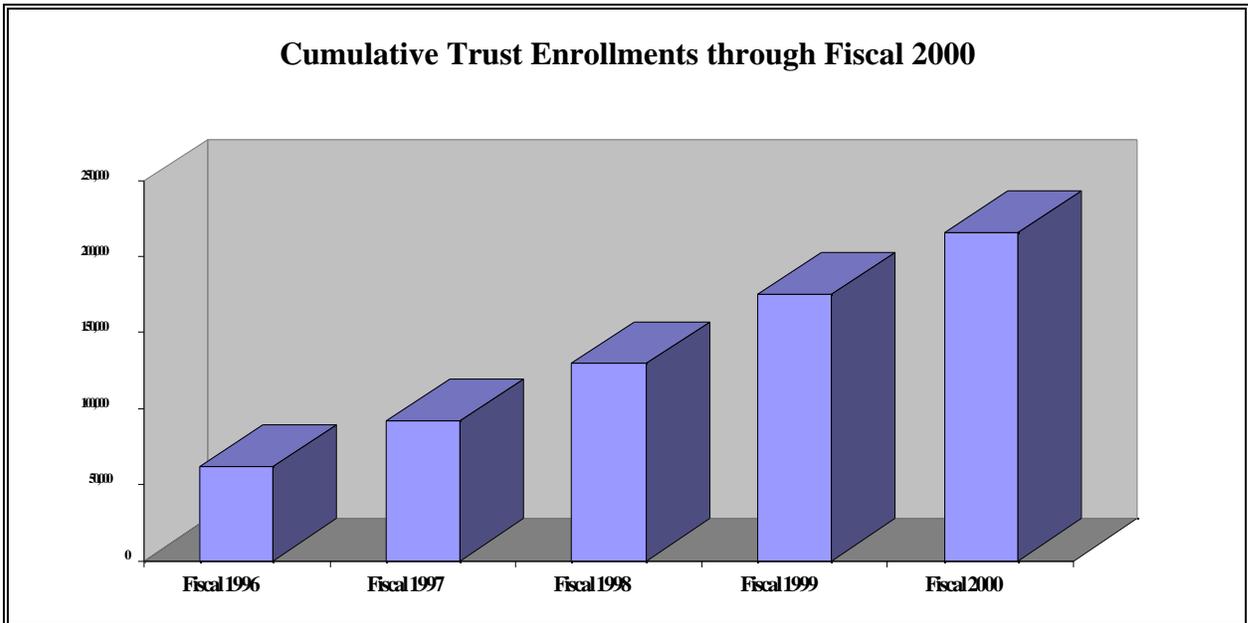
In addition, the Corporation's appropriation acts in recent years have made specified amounts from the Trust available for scholarships for high school students.

The value of an education award depends on the length of service performed by an AmeriCorps member. Completion of a full time term of service, currently requiring a minimum of 1,700 hours of service, entitles an AmeriCorps member to an education award of \$4,725. Education awards earned by AmeriCorps members are available to be used for seven years from the end of the service. Payments from the Trust are made directly to the education institutions and the loan holders as directed by the members and by the institutions.

Generally, AmeriCorps grants are not awarded until late in the year in which the funds are appropriated or early in the subsequent year (the NCSA appropriation is available for two fiscal years). Thus, most AmeriCorps members begin their service in the fiscal year after the funds are appropriated. With the staggered starting times of projects and part-time service being provided over a several year period, most of the service by members is not completed until late in the subsequent year or the year following.

### **Trust Enrollment Activity**

Shown in the chart on the next page are cumulative enrollments in the Trust through the end of fiscal 2000. Since the Corporation's inception in 1994, through fiscal 2000, over 215 thousand enrollments were recorded in the Trust and over 134 thousand enrollees earned an education benefit. Many of these enrollees are still serving. Of those earning an award, nearly 70 thousand have used some or their entire award, totaling over \$218 million as of fiscal 2000 year-end. Another \$9.5 million in interest forbearance payments have been made and \$5.3 million has been used for awards under the President's Student Service Scholarship Program.



### Fiscal 2000 Results

The following financial statements provide the financial status of the Trust Fund as of September 30, 2000, and the results of operations for the fiscal year.

| <b>Trust Fund Statement of Financial Position</b><br>As of September 30, 2000<br><i>(dollars in thousands)</i> |                   |
|--|-------------------|
| <b>Assets</b>  |                   |
| Fund Balance With Treasury   | \$ 1,191          |
| Investments & Related Receivables, Net   | 331,831           |
| Accounts Receivable, Net   | 36                |
| Total Assets   | <u>\$ 333,058</u> |
| <b>Liabilities</b>   |                   |
| Trust Service Award Liability  | \$ <u>193,035</u> |
| Total Liabilities  | <u>\$ 193,035</u> |
| <b>Net Position</b>  |                   |
| Cumulative Results Of Operations   | \$ <u>140,023</u> |
| Total Net Position   | <u>\$ 140,023</u> |
| Total Liabilities & Net Position   | <u>\$ 333,058</u> |

| <b>Trust Fund Statement of Operations and Changes<br/>Net Position</b><br>For the Year Ended September 30, 2000<br><i>(dollars in thousands)</i> |                   |
|--|-------------------|
| <b>Revenues</b>  |                   |
| Appropriation Received   | \$ 70,000         |
| Interest   | 21,514            |
| Other  | 36                |
| Total Revenues   | <u>\$ 91,550</u>  |
| <b>Expenses</b>  |                   |
| National Service Award   | \$ 83,971         |
| Other  | 2,014             |
| Total Expenses   | <u>\$ 85,985</u>  |
| <b>Excess of Revenues over Expenses</b>  | <u>\$ 5,565</u>   |
| <b>Net Position</b>  |                   |
| Net Position, Beginning  | \$ 215,458        |
| Excess of Revenues over Expenses   | 5,565             |
| Permanent Rescission of Trust Funds  | <u>(81,000)</u>   |
| Net Position, Ending   | <u>\$ 140,023</u> |

**Trust Fund Statement of Cash Flows**  
**For the Year Ended September 30, 2000**  
*(dollars in thousands)*

**Cash Flows From Operating Activities**

|                                       |              |                 |
|---------------------------------------|--------------|-----------------|
| Excess of Revenues over Expenses      | \$           | 5,565           |
| Adjustments Affecting Cash Flow:      |              |                 |
| Appropriations Received by Trust Fund | \$ (70,000)  |                 |
| Decrease in Interest Receivable       | 499          |                 |
| Increase in Service Award Liability   | 12,604       |                 |
| Decrease in Accounts Payable          | (24)         |                 |
| Loss on Treasury bond recall          | 2,014        |                 |
| Amortization of Premium/Discount      | <u>2,615</u> |                 |
| Total Adjustments                     |              | <u>(52,292)</u> |
| Net Cash Used by Operating Activities |              | (46,727)        |

**Cash Flows From Investing Activities**

|   |                  |        |
|---|------------------|--------|
| Sales of Securities                       | 211,869          |        |
| Purchase of Securities                    | <u>(153,138)</u> |        |
| Net Cash Provided by Investing Activities |                  | 58,731 |

**Cash Flows From Financing Activities**

|                                       |                 |                 |
|---------------------------------------|-----------------|-----------------|
| Appropriations Received               | 70,000          |                 |
| Cancelled/Rescinded Appropriations    | <u>(81,000)</u> |                 |
| Net Cash Used by Financing Activities |                 | <u>(11,000)</u> |

|   |    |                     |
|---|----|---------------------|
| Net Cash Provided by Operating, Investing, & Financing Activities |    | 1,004               |
| Fund Balance with Treasury, Beginning                             |    | <u>187</u>          |
| Fund Balance with Treasury, Ending                                | \$ | <u><u>1,191</u></u> |

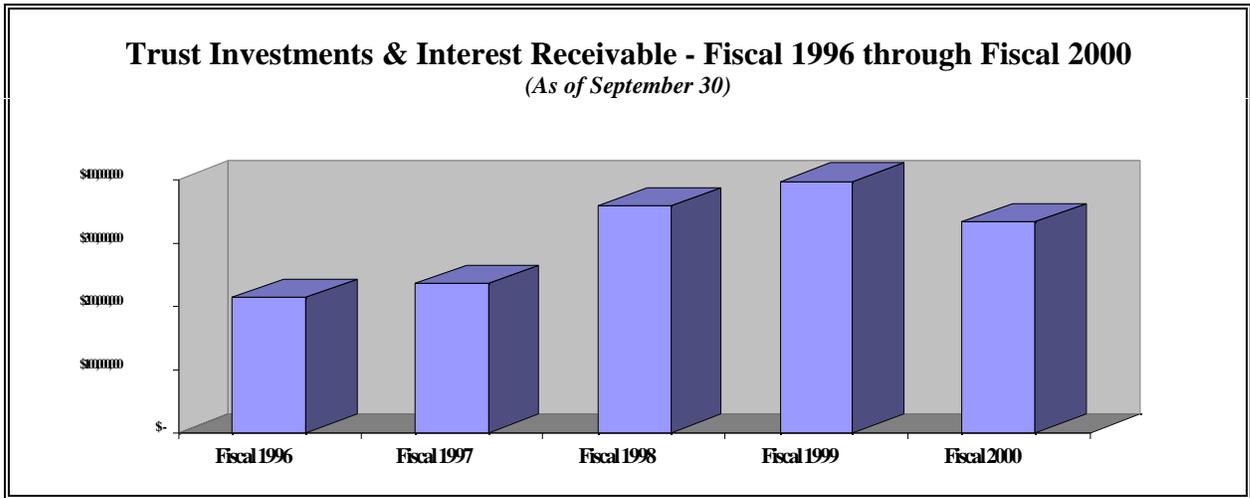
**Trust Investments**

By law, funds in the National Service Trust are invested only in U.S. Treasury interest bearing obligations - notes, bills, and bonds. The Corporation's investments are referred to as Market Based Specials, which are similar to government securities sold on the open market.

The amount reported above as Appropriations Received reflects funding levels contained in the Corporation's appropriation act for fiscal 2000. In fiscal 2000 the Trust received an appropriation of \$70 million but also had \$81 million of prior year appropriations rescinded. Thus, the net affect on the Trust was to decrease the funds available for education awards and other authorized payments by \$11 million.

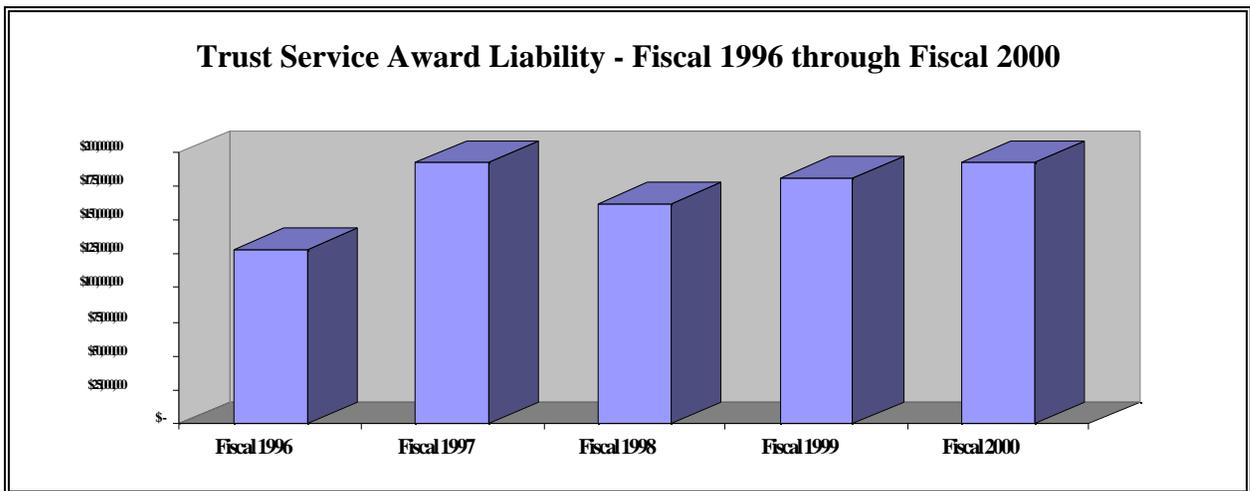
The amount reported as Interest Earned reflects the amount earned (accrual basis) on investments during the year. Actual interest received (cash basis) totaled \$22.6 million during the year.

As shown in the chart below, the year-end balance in the Corporation's Trust Investments and Interest Receivable account increased consistently during fiscal 1996 through fiscal 1999; however, there was a significant decrease (more than 16 percent) between the fiscal 1999 and fiscal 2000 year-end balance. The decrease was primarily the result of the \$81 million rescission from the Trust coupled with a steady increase in payments for education awards.



### Service Award Liability

The Corporation's service award liability totaled \$193 million at September 30, 2000. As shown below, the liability has grown significantly since the Trust's inception as more and more Americans have become engaged in national service.



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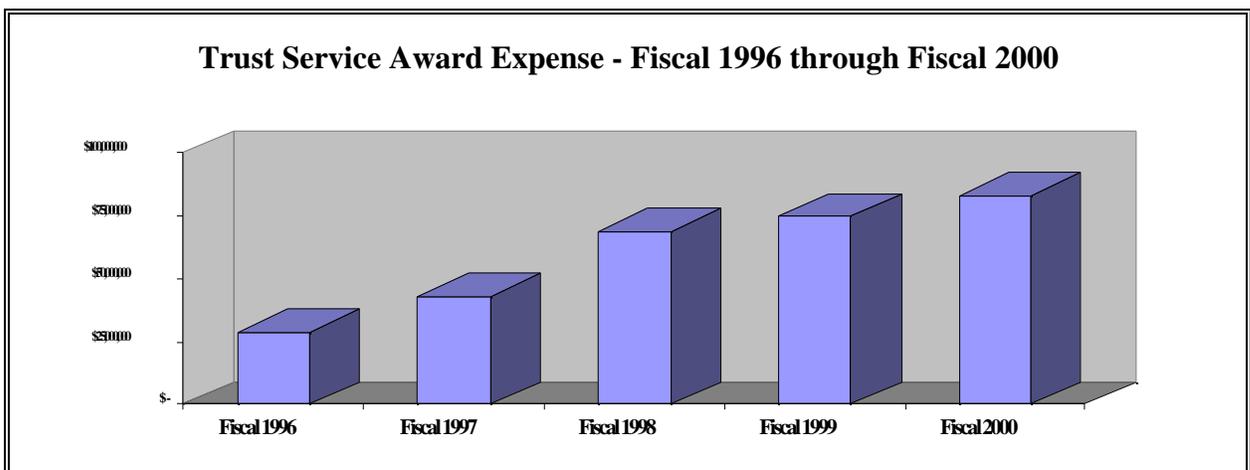
The liability represents an estimate of the unpaid earned and expected to be earned education award and interest forbearance costs which are likely to be used by members who have already completed at least 15 percent of the minimum service requirement as of the date the liability is calculated.

It is also important to note that the liability estimate does not include the full cost of all earned service awards. The Corporation includes a factor in the estimate for members who do not use their award within the seven-year period of availability. We currently estimate that about 78 percent of members earning an award will use it. However, the Corporation does not yet have the experience of a full seven-year period to determine the actual use of these awards by members, which may ultimately be higher or lower than the Corporation's estimate.

In addition, because the service award liability estimate is calculated at a given point in time for financial statement purposes, it does not include all commitments made against funds in the Trust. For example, the liability estimate at September 30, 2000, does not include members to be enrolled during fiscal 2001 whose education award is funded by appropriations in the Trust as of September 30, 2000. Thus, while these financial statements appear to report a surplus of \$140 million (Trust investments less service award liability) in the Trust at September 30, the amount is actually significantly less.

### **Service Award Expense**

As discussed above, members participating in the Trust programs are eligible to earn a service award to pay for qualified education expenses. The Trust also pays interest forbearance costs on qualified student loans during the period members perform community service. The Corporation estimates the expense for national service awards based on the increase in its service award liability during the year. As shown below, the service award expense increased significantly from about \$29 million in fiscal 1996 to nearly \$84 million in fiscal 2000.



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## **ANALYSIS OF FISCAL 2000 FINANCIAL STATEMENTS**

### **Composition of Corporate Assets**

The Corporation's primary assets are Fund Balance with Treasury (\$813 million), Trust Investments (\$332 million), and Advances to Others (\$25 million). The Fund Balance with Treasury represents annual, multi-year, and no-year funds that are available to pay current and future commitments. Trust Investments, which are maintained in the National Service Trust, are restricted for use in paying service awards earned by eligible recipients, and are not available for use in the current operations of the Corporation. Advances to Others represent funds provided to grantees in advance of their performance under a grant. For the most part, these advances were liquidated during the first quarter of fiscal 2001.

There was a significant decrease (19%) from the previous year in the balance of Trust Investments and Related Receivables as of September 30, 2000. The decrease was primarily a result of the \$81 million rescission from the Trust in fiscal 2000 coupled with a steady increase in payments for education awards. The Corporation anticipates a further decline as a result of a \$30 million rescission enacted in fiscal 2001.

### **Composition of Corporate Liabilities**

The Corporation's most significant liability is the Trust Service Award Liability (\$193 million). Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for the cost of attendance at qualified educational institutions. The awards, which can be used for a period of up to seven years, are paid from the National Service Trust. The Trust also pays forbearance interest on qualified student loans during the period members perform community service. The award liability components related to education awards and interest forbearance have been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits.

### **Limitations of the Financial Statements**

These statements have been prepared to report on the financial position and results of operations of the Corporation for National and Community Service, a Federal government corporation, in accordance with generally accepted accounting principles. While the statements have been prepared from the books and records of the Corporation, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. These statements should also be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation for National and Community Service (the Corporation), as required by Section 9106 of the Government Corporation Control Act and by

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the National and Community Service Act of 1990, as amended. These financial statements have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles and include the Corporation's activities related to providing grants and education awards to eligible recipients. The Corporation is not subject to income tax.

Transactions are recorded in the accounting system on an accrual basis and a budgetary basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Appropriations are considered earned for the Corporation's National Service Trust Fund and are recognized as revenue when received in the Trust Fund.

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. Thus, the financial statements differ from other financial reports submitted pursuant to Office of Management and Budget directives for the purpose of monitoring and controlling the use of the Corporation's budgetary resources.

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**Corporation for National and Community Service**  
**Statement of Financial Position**  
**As of September 30, 2000**  
*(dollars in thousands)*

**ASSETS**

|  |                     |
|--|---------------------|
| Fund Balance with Treasury <i>(Note 2)</i>                   | \$ 812,521          |
| Trust Investments & Related Receivables, Net <i>(Note 3)</i> | 331,831             |
| Advances to Others   | 24,848              |
| Accounts Receivable, Net <i>(Note 4)</i>                     | 3,058               |
| Property & Equipment, Net <i>(Note 5)</i>                    | 1,715               |
| Total Assets   | <u>\$ 1,173,973</u> |

**LIABILITIES**

|  |                   |
|--|-------------------|
| Trust Service Award Liability <i>(Note 6)</i>              | \$ 193,035        |
| Grants Payable   | 39,516            |
| Accounts Payable   | 9,699             |
| Actuarial FECA Liability <i>(Note 9)</i>                   | 12,265            |
| Other Liabilities  | 8,064             |
| Accrued Annual Leave                                       | 3,011             |
| Commission Post-Service Benefits Liability <i>(Note 7)</i> | 1,439             |
| Advances from Others                                       | 742               |
| Capital Lease Liability <i>(Note 8)</i>                    | 128               |
| Total Liabilities  | <u>\$ 267,899</u> |

Commitments & Contingencies *(Notes 8 and 16)*

**NET POSITION**

|                                     |                     |
|-------------------------------------|---------------------|
| Unexpended Appropriations           |                     |
| Obligated                           | \$ 645,132          |
| Unobligated                         | 138,692             |
| Cumulative Results of Operations    | 122,250             |
| Total Net Position <i>(Note 10)</i> | <u>\$ 906,074</u>   |
| <br>                                |                     |
| Total Liabilities & Net Position    | <u>\$ 1,173,973</u> |

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

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**Corporation for National and Community Service**  
**Statement of Operations and Changes in Net Position**  
**For the Year Ended September 30, 2000**  
*(dollars in thousands)*

**REVENUES**

|   |                   |
|---|-------------------|
| Appropriated Capital Used, excluding Trust Fund | \$ 611,641        |
| Appropriations Received by Trust Fund           | 70,000            |
| Interest  | 21,514            |
| Revenue from Services Provided                  | 6,044             |
| Other   | 173               |
| Total Revenues                                  | <u>\$ 709,372</u> |

**EXPENSES**

|   |                   |
|---|-------------------|
| Grants <i>(Note 11)</i>                   | \$ 467,943        |
| Program & Administrative <i>(Note 12)</i> | 157,070           |
| National Service Award <i>(Note 13)</i>   | 83,971            |
| Total Expenses                            | <u>\$ 708,984</u> |

**EXCESS OF REVENUES OVER EXPENSES**

\$ 388

**NET POSITION**

|   |                   |
|---|-------------------|
| Excess of Revenues over Expenses  | \$ 388            |
| Increase in Unexpended Appropriations, Net <i>(Note 14)</i>                 | 41,759            |
| Non-Operating Change - Permanent Rescission of Trust Funds <i>(Note 15)</i> | <u>(81,000)</u>   |
| Decrease in Net Position, Net   | (38,853)          |
| Net Position, Beginning Balance   | <u>944,927</u>    |
| Net Position, Ending Balance  | <u>\$ 906,074</u> |

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

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**Corporation for National and Community Service**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2000**  
*(dollars in thousands)*

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |              |    |                  |
|--|--------------|----|------------------|
| Excess of Revenues over Expenses                 |              | \$ | 388              |
| Adjustments Affecting Cash Flow:                 |              |    |                  |
| Appropriated Capital Used                        | \$ (611,641) |    |                  |
| Appropriations Received by Trust Fund            | (70,000)     |    |                  |
| Decrease in Accounts Receivable                  | 3,397        |    |                  |
| Decrease in Interest Receivable                  | 499          |    |                  |
| Decrease in Advances                             | <u>3,717</u> |    |                  |
|  |              |    | (674,028)        |
| Increase in Accounts Payable & Other Liabilities | \$ 292       |    |                  |
| Increase in FECA & Annual Leave Liabilities      | 4,394        |    |                  |
| Decrease in Commission Liability                 | (157)        |    |                  |
| Decrease in Capital Lease Liability              | (54)         |    |                  |
| Increase in Trust Liability                      | 12,604       |    |                  |
| Increase in Grants Payable                       | <u>3,276</u> |    |                  |
|  |              |    | 20,355           |
| Amortization of Premium/Discount                 | \$ 2,615     |    |                  |
| Loss on Treasury bond recall                     | 2,014        |    |                  |
| Depreciation & Amortization                      | <u>1,907</u> |    |                  |
|  |              |    | 6,536            |
| Total Adjustments                                |              |    | <u>(647,137)</u> |
| Net Cash Used by Operating Activities            |              | \$ | (646,749)        |

*(continued)*

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

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**Corporation for National and Community Service**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2000**  
*(dollars in thousands)*

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                  |           |
|---|------------------|-----------|
| Purchase of Property and Equipment        | \$ (449)         |           |
| Sales of Securities                       | 211,869          |           |
| Purchase of Securities                    | <u>(153,138)</u> |           |
| Net Cash Provided by Investing Activities |                  | \$ 58,282 |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|   |                 |                          |
|---|-----------------|--------------------------|
| Appropriations Received   | \$ 734,145      |                          |
| Canceled/Rescinded Appropriations                                 | <u>(91,745)</u> |                          |
| Net Cash Provided by Financing Activities                         |                 | \$ <u>642,400</u>        |
| Net Cash Provided by Operating, Investing, & Financing Activities |                 | \$ 53,933                |
| Fund Balance with Treasury, Beginning                             |                 | <u>758,588</u>           |
| Fund Balance with Treasury, Ending                                |                 | <u><u>\$ 812,521</u></u> |

**Supplemental Disclosure of Cash Flow Information**

|               |    |    |
|---------------|----|----|
| Interest Paid | \$ | 18 |
|---------------|----|----|

**Supplemental Schedule of Financing & Investing Activity**

|  |    |    |
|--|----|----|
| Equipment Acquired Under Capital Lease Obligations | \$ | 25 |
|--|----|----|

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

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## Corporation for National and Community Service Notes to the Financial Statements

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

These financial statements have been prepared to report the financial position, results of operations, and cash flows of the Corporation for National and Community Service (the Corporation), as required by Section 9106 of the Government Corporation Control Act and by the National and Community Service Act of 1990, as amended. These financial statements have been prepared from the books and records of the Corporation in accordance with generally accepted accounting principles and include the Corporation's activities related to providing grants and education awards to eligible recipients. The Corporation is not subject to income tax.

The principal financial statements of the Corporation are the:

- Statement of Financial Position;
- Statement of Operations and Changes in Net Position; and
- Statement of Cash Flows.

The notes to the financial statements are considered an integral part of the financial statements.

#### B. Reporting Entity

The Corporation was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). The Corporation provides grants and other incentives to states, local municipalities, and not-for-profit organizations to help communities meet critical challenges in the areas of education, public safety, human needs, and the environment. The Corporation oversees three national service initiatives:

- **AmeriCorps** is the national service program that engages thousands of Americans of all ages and backgrounds in full-time and sustained part-time community service and provides education awards in return for such service.
- **The National Senior Service Corps** is a network of more than 500,000 people age 55 and older who participate in the *Foster Grandparent Program*, the *Senior Companion Program*, and the *Retired and Senior Volunteer Program*. These programs tap the experience, skills, talents, and creativity of America's seniors.
- **Service-Learning** supports and promotes service learning in schools, universities, and communities. Through structured service activities that help meet community needs, more than 750,000 students improve their academic learning, develop personal skills, and practice responsible citizenship.

Together, these initiatives promote the ethic of service and help solve critical community problems in every state, many Indian tribes, and most U.S. territories.

#### C. Budgets and Budgetary Accounting

The activities of the Corporation are primarily funded through two separate appropriation bills. One is the Labor/Health and Human Services bill, which funds Domestic Volunteer Service Act (DVSA) programs. The DVSA appropriation is available for obligation by the Corporation for one fiscal year only, e.g., from October 1, 1999, through September 30, 2000. The second is the Veterans Affairs, Housing and Urban Development, and Independent Agencies bill, which funds National Community Service Act (NCSA) programs. The NCSA appropriation is available for obligation by the Corporation over two fiscal years, e.g., from October 1, 1999, through September 30, 2001.

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## **Corporation for National and Community Service Notes to the Financial Statements**

Both the DVSA and the NCSA appropriations fund a part of the Corporation's costs for administrative operations. In addition, part of the NCSA appropriations are provided for the National Service Trust (the Trust), a fund within the Corporation used to provide education awards to eligible participants. The Trust provides awards for AmeriCorps members 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.

### **D. Basis of Accounting**

Transactions are recorded in the accounting system on an accrual basis and a budgetary basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Appropriations are considered earned for the Corporation's National Service Trust Fund and are recognized as revenue when received in the Trust Fund.

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. Thus, the financial statements differ from other financial reports submitted pursuant to Office of Management and Budget directives for the purpose of monitoring and controlling the use of the Corporation's budgetary resources.

### **E. Fund Balance with Treasury**

The Corporation does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The Fund Balance with Treasury represents annual, multi-year, and no-year funds, which are maintained in appropriated and trust funds that are available to pay current and future commitments.

Funds maintained in the National Service Trust are restricted for use in paying service awards earned by eligible recipients, and are not available for use in the current operations of the Corporation. The majority of the funds received from individuals and organizations in the form of gifts and donations for the support of service projects are restricted for a particular use.

### **F. Trust Investments and Related Receivables**

By law, the Corporation invests funds, which have been transferred to the Trust, only in interest-bearing Treasury obligations of the United States. These Treasury obligations are referred to as market-based specials, which are similar to government securities sold on the open market, and consist of Treasury notes, bonds, bills and one-day certificates.

The Corporation classifies these investments as held-to-maturity at the time of purchase and periodically re-evaluates such classification. Securities are classified as held-to-maturity when the Corporation has the positive intent and ability to hold securities to maturity. Held-to-maturity securities are stated at cost with corresponding premiums or discounts amortized over the life of the investment to interest income. Premiums and discounts are amortized using the effective interest method.

Interest receivable represents amounts earned but not received on investments held at year-end. Purchased interest is the amount of interest earned on a security since the date of its last interest payment up to the date the security is purchased by the Corporation. Such interest, if any, at year-end is included in the interest receivable balance.

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## **Corporation for National and Community Service Notes to the Financial Statements**

### **G. Advances to Others**

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

### **H. Accounts Receivable**

Accounts receivable represents amounts due to the Corporation primarily under Federal and non-Federal reimbursable agreements, grantee audit resolution determinations, and unresolved travel advances due from employees. These amounts are reduced by an allowance for uncollectible accounts based on the age of each past due account.

### **I. Property and Equipment**

The Corporation capitalizes property and equipment at historical cost for acquisitions of \$10 thousand or more, with an estimated useful life of two or more years. The assets reported include telephone equipment, computer systems equipment, copiers, computer software, systems furniture, and assets under capital leases. These assets are depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years, using the half-year convention.

Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred.

### **J. Trust Service Award Liability**

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

### **K. Grants Payable**

Grants are made to non-profit organizations, education institutions, and other external organizations. Grants become budgetary obligations, but not liabilities, when they are awarded. At the end of each fiscal year, the Corporation reports the total amount of unreimbursed authorized grantee expenses, earned under the terms of grant agreements, as grants payable.

### **L. Accounts Payable**

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

### **M. Actuarial FECA Liability**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Corporation employees under FECA are administered by the Department of Labor (DOL)

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## **Corporation for National and Community Service Notes to the Financial Statements**

and later billed to the Corporation. The Corporation's actuarial liability for workers' compensation includes costs incurred but unbilled as of year-end, as calculated by DOL, and is not funded by current appropriations.

### **N. Other Liabilities**

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits; VISTA stipends; and the portion of the liability for Federal Employees' Compensation Act charges incurred and billed but unpaid.

### **O. Accrued Annual Leave**

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

### **P. Commission Post-Service Benefits Liability**

The Commission post-service benefits liability represents unpaid earned education awards incurred by the former Commission on National and Community Service, which has been managed by the Corporation since 1994. This liability, more fully discussed in Note 7, is funded by the Corporation when a request for payment is made.

### **Q. Advances from Others**

Advances from others consist of advances from other government agencies related to interagency agreements the Corporation entered into to provide services to those agencies.

### **R. Net Position**

Net position is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations are funds appropriated and warranted to the Corporation that are still available for expenditure as of the end of the fiscal year. Cumulative results of operations represent the net differences between revenues and expenses from the inception of the Corporation.

### **S. Revenues**

#### *Appropriated Capital*

The Corporation obtains funding for its program and operating expenses through annual and multi-year appropriations. Appropriations are recognized as an accrual-based financing source at the time they are used to pay program or administrative expenses, except for expenses to be funded by future appropriations such as earned but unused annual leave. Appropriations expended for property and equipment are recognized as a financing source when the property is purchased. Funds not used for eligible expenses within the allowed time must be returned to Treasury.

Appropriations received for the Corporation's Trust are recognized as revenue when received in the Trust Fund. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible education service award purposes.

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## Corporation for National and Community Service Notes to the Financial Statements

### *Interest*

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

### *Revenue from Services Provided*

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

### *Other Revenue*

Other revenue consists of gifts and donations for the support of service projects from individuals and organizations plus gains on dispositions of investments.

## **T. Retirement Benefits**

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

For employees covered by CSRS, the Corporation contributes 8.51 percent of their gross pay to the Plan. For those employees covered by FERS, the Corporation contributes to the Plan 11.50 percent of their gross pay. Employees are allowed to participate in the Federal Thrift Savings Plan (TSP). For employees under FERS, the Corporation contributes an automatic 1 percent of basic pay to TSP and matches employee contributions up to an additional 4 percent of pay, for a maximum Corporation contribution amounting to 5 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either the Corporation's automatic or matching contributions.

The Corporation made retirement contributions of \$993 thousand to the CSRS Plan, and \$4,580 thousand in contributions to the FERS and TSP Plans in fiscal year 2000.

## **U. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

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**Corporation for National and Community Service**  
**Notes to the Financial Statements**

**NOTE 2 – FUND BALANCE WITH TREASURY**

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

- **Appropriated Funds** – Appropriated funds are received through congressional appropriations to provide financing sources for the Corporation’s programs on an annual, multi-year, and no-year basis. The funds are warranted by the United States Treasury and apportioned by the Office of Management and Budget.
- **Trust Funds** – Trust Funds are accounts designated by law for receipts earmarked for specific purposes and for the expenditure of these receipts. Funds from the Corporation’s Trust Fund may be expended for the purpose of providing an education award 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.
- **Gift Funds** – Gift Funds are funds received from individuals and organizations in forms of gifts and donations for the support of service projects.

| <b>Fund Balance with Treasury as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |                       |                         |
|---|-------------------------|-----------------------|-------------------------|
| Type  | Unrestricted            | Restricted            | Total                   |
| Appropriated Funds  | \$811,232               | \$ 0                  | \$811,232               |
| Trust Funds   | 0                       | 1,191                 | 1,191                   |
| Gift Funds  | 11                      | 87                    | 98                      |
| <b>Total</b>  | <b><u>\$811,243</u></b> | <b><u>\$1,278</u></b> | <b><u>\$812,521</u></b> |

All fund balances have been reconciled to Treasury records for the fourth quarter fiscal 2000.

**NOTE 3 – TRUST INVESTMENTS AND RELATED RECEIVABLES, NET**

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

| <b>Trust Investments and Interest Receivable as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|--|-------------------------|
| Investments, carrying value  | \$306,146               |
| Matured Investment Receivable  | 20,967                  |
| Interest Receivable  | 4,718                   |
| <b>Total</b>   | <b><u>\$331,831</u></b> |

The receivable amount at year-end includes two investments that matured on Saturday, September 30, 2000, but were not redeemed by Treasury until the first business day of fiscal 2001.

**Corporation for National and Community Service**  
**Notes to the Financial Statements**

| <b>Amortized Cost and Fair Value of Investment Securities as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |                         |                            |                         |
|---|-------------------------|-------------------------|----------------------------|-------------------------|
| <b>Securities</b>   | <b>Amortized Cost</b>   | <b>Unrealized Gains</b> | <b>Unrealized (Losses)</b> | <b>Fair Value</b>       |
| Notes   | \$261,815               | \$ 0                    | \$(1,368)                  | \$260,447               |
| Bills   | 26,717                  | 415                     | 0                          | 27,132                  |
| Bonds   | 17,614                  | 0                       | (217)                      | 17,397                  |
| <b>Total</b>  | <b><u>\$306,146</u></b> | <b><u>\$415</u></b>     | <b><u>\$(1,585)</u></b>    | <b><u>\$304,976</u></b> |

At September 30, 2000, the notes held at year-end had an interest rate range of 5.25% to 8.00% and a maturity period from about 31 days to almost five and a half years. Interest rates on bonds ranged between 10.75% to 14.25% and had a maturity period from about one and a half years to almost five years. The bills held at year-end had an interest rate range of 5.71% to 6.15% and were all due to mature within 120 days. The par values of these investments range from \$404 thousand to \$27,917 thousand.

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

| <b>Maturation of Securities Held as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |                         |
|--|-------------------------|-------------------------|
| <b>Held-to-Maturity Securities</b>   | <b>Amortized Cost</b>   | <b>Fair Value</b>       |
| Due in 1 year or less  | \$ 77,852               | \$ 78,016               |
| Due after 1 year up to 5 years   | 209,473                 | 208,193                 |
| Due after 5 years up to 10 years   | 18,821                  | 18,767                  |
| <b>Total</b>   | <b><u>\$306,146</u></b> | <b><u>\$304,976</u></b> |

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

| <b>Accounts Receivable as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                       |
|--|-----------------------|
| Accounts receivable  | \$3,352               |
| Less: allowance for loss on receivables  | 294                   |
| <b>Accounts Receivable, Net</b>  | <b><u>\$3,058</u></b> |

**Corporation for National and Community Service  
Notes to the Financial Statements**

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

| <b>General Property and Equipment as of September 30</b><br><i>(dollars in thousands)</i> |                                 |                       |   |                           |
|---|---------------------------------|-----------------------|---|---------------------------|
| <b>Major Class</b>  | <b>Service Life<br/>(Years)</b> | <b>Cost</b>           | <b>Less:<br/>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
| Equipment and furniture   | 3-10                            | \$2,080               | \$1,362                                       | \$ 718                    |
| Capital leases  | 3-5                             | 280                   | 145   | 135                       |
| ADP software  | 2                               | 3,182                 | 2,320   | 862                       |
| <b>Total</b>  |                                 | <b><u>\$5,542</u></b> | <b><u>\$3,827</u></b>                         | <b><u>\$1,715</u></b>     |

**NOTE 6 – SERVICE AWARD LIABILITY – NATIONAL SERVICE TRUST**

Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for the cost of attendance at qualified educational institutions. The awards, which can be used for a period of up to seven years, are paid from the National Service Trust. The Trust also pays forbearance interest on qualified student loans during the period members perform community service as well as awards under the President’s Student Service Scholarship program. The award liability components related to education awards and interest forbearance have been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The service award liability was composed of the following as of September 30, 2000:

| <b>Service Award Liability as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|--|-------------------------|
| Education awards   | \$407,591               |
| Interest forbearance   | 12,826                  |
| President’s Student Service Scholarships   | <u>5,571</u>            |
| Total service award liability  | 425,988                 |
| Less: cumulative awards paid   | 232,953                 |
| <b>Net Service Award Liability</b>   | <b><u>\$193,035</u></b> |

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## Corporation for National and Community Service Notes to the Financial Statements

### *NOTE 7 – POST-SERVICE BENEFITS LIABILITY, COMMISSION ON NATIONAL AND COMMUNITY SERVICE*

The Commission on National and Community Service (Commission) was merged into the Corporation for National and Community Service during fiscal year 1994. With this merger, the Corporation became responsible for all Commission liabilities, including those for post-service benefits.

Post-service benefits liabilities from the former Commission's operations differ from those originating within the Corporation in three significant respects:

- the grantee, rather than an agency of the Federal government, is responsible for making post-service award payments;
- the portion of these awards which is funded by the Federal government is specified in each grant agreement, with any remaining amount funded by the grantee; and
- the post-service period during which an award is available for use was established by each program grantee, rather than set at seven years for all awardees.

The post-service benefits liability associated with the former Commission is estimated based on a review of its grants that authorize post-service benefits. Amounts shown below represent the aggregate maximum liability under the assumption that all funds obligated for post-service benefits remain payable to grantees for this purpose until they are drawn down or the period of award availability has expired.

| <b>Commission Post-Service Benefits Liability as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                       |
|---|-----------------------|
| Estimated liability as of September 30, 1999  | \$1,596               |
| Less: drawdowns and adjustments   | <u>61</u>             |
| Potential education awards  | 1,535                 |
| Less: award expirations   | <u>96</u>             |
| <b>Commission Post-Service Benefits Liability as of September 30, 2000</b>                                  | <b><u>\$1,439</u></b> |

**Corporation for National and Community Service  
Notes to the Financial Statements**

**NOTE 8 – CAPITAL AND OPERATING LEASES**

**A. Capital Leases**

The Corporation has entered into lease agreements for copy machines. These leases vary from 3 to 5 year terms and are deemed to be capital leases. The costs of the copiers have been recorded as property and equipment (also see Note 5). The following is a schedule by year of the future minimum payments under these leases:

| <b>Capital Leases Future Minimum Payments Due as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                     |
|---|---------------------|
| Fiscal Year 2001  | \$ 75               |
| Fiscal Year 2002  | 37                  |
| Fiscal Year 2003  | 32                  |
| Fiscal Year 2004  | <u>2</u>            |
| Total future minimum lease payments   | 146                 |
| Less: amounts representing interest   | 18                  |
| <b>Capital Lease Liability as of September 30, 2000</b>   | <b><u>\$128</u></b> |

**B. Operating Leases**

The Corporation leases office space through the General Services Administration (GSA). GSA charges the Corporation a Standard Level Users Charge that approximates commercial rental rates for similar properties. Additionally, the Corporation leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the National Civilian Community Corps. Commitments of the Corporation for future rental payments under operating leases at September 30, 2000, are as follows:

| <b>Estimated Operating Lease Commitments as of September 30,2000</b><br><i>(dollars in thousands)</i> |                         |                       |                     |                        |
|---|-------------------------|-----------------------|---------------------|------------------------|
| <b>Fiscal<br/>Year</b>  | <b>Office<br/>Space</b> | <b>Vehicles</b>       | <b>Other</b>        | <b>Total</b>           |
| 2001  | \$ 4,101                | \$ 957                | \$189               | \$ 5,247               |
| 2002  | 4,249                   | 996                   | 189                 | 5,434                  |
| 2003  | 4,403                   | 1,035                 | 189                 | 5,627                  |
| 2004  | 4,562                   | 1,077                 | 194                 | 5,833                  |
| 2005  | 4,727                   | 1,120                 | 187                 | 6,034                  |
| <b>Total</b>  | <b><u>\$22,042</u></b>  | <b><u>\$5,185</u></b> | <b><u>\$948</u></b> | <b><u>\$28,175</u></b> |

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**Corporation for National and Community Service**  
**Notes to the Financial Statements**

**NOTE 9 – WORKERS’ COMPENSATION**

The Corporation’s liability for future workers’ compensation benefits (FECA) was \$12,265 thousand as of September 30, 2000. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The actuarial liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget’s economic assumptions for 10-year Treasury notes and bonds.

**NOTE 10 – NET POSITION**

The reported net position consists of unexpended appropriations and cumulative results of operations (cumulative results of operations represents the differences between revenues and expenses since the Corporation’s inception). Component funds are separately maintained for the Gift Fund, Trust Fund and Appropriated Fund.

| <b>Net Position by Fund Balance Components as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                     |                          |                          |                          |
|--|---------------------|--------------------------|--------------------------|--------------------------|
|  | <b>Gift Fund</b>    | <b>Trust Fund</b>        | <b>Appropriated Fund</b> | <b>Total</b>             |
| Unexpended appropriations  | \$ 0                | \$ 0                     | \$ 783,824               | \$ 783,824               |
| Cumulative results of operations   | 67                  | 140,023                  | (17,840)                 | 122,250                  |
| <b>Total Net Position</b>  | <b><u>\$ 67</u></b> | <b><u>\$ 140,023</u></b> | <b><u>\$ 765,984</u></b> | <b><u>\$ 906,074</u></b> |

**NOTE 11 – GRANTS EXPENSE**

| <b>Grants Expense Components for the year ended September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|---|-------------------------|
| Domestic Volunteer Service Act Programs   | 192,012                 |
| National and Community Service Act Programs   | 267,712                 |
| Points of Light Foundation  | 7,471                   |
| DVSA State Pass-Through Grants  | 748                     |
| <b>Total Grants Expense</b>   | <b><u>\$467,943</u></b> |

**Corporation for National and Community Service  
Notes to the Financial Statements**

**NOTE 12 – PROGRAM AND ADMINISTRATIVE EXPENSE**

The costs of operating the Corporation’s Volunteers in Service to America (VISTA), National Civilian Community Corps (NCCC), grant programs and providing administrative support for Trust Fund operations are included in program and administrative expense.

| <b>Program and Administrative Expense for the year ended September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|--|-------------------------|
| Federal employee salaries and benefits   | \$ 52,482               |
| Volunteer stipends and healthcare  | 56,522                  |
| Travel and transportation  | 7,359                   |
| Rent, communications, and utilities  | 6,479                   |
| Program analysis and evaluation  | 4,754                   |
| Printing and reproduction  | 1,168                   |
| Other services   | 20,385                  |
| Supplies and materials   | 2,098                   |
| Loss on Treasury bond recall   | 2,014                   |
| Depreciation and amortization  | 1,907                   |
| Bad debt   | 22                      |
| Office of the Inspector General  | 1,535                   |
| Other  | 345                     |
| <b>Total Program and Administrative Expense</b>  | <b><u>\$157,070</u></b> |

**NOTE 13 – NATIONAL SERVICE AWARD EXPENSE**

Members participating in the Trust programs are eligible to earn a service award to pay for qualified education expenses. The Trust also pays interest forbearance costs on qualified student loans during the period members perform community service. The Corporation estimates the expense for national service awards based on the increase in its service award liability during the year (see Note 6). The total service award liability as of September 30, 2000 has been adjusted to reflect the extent that earned awards are not always used.

| <b>National Service Award Expense for the year ended September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|--|-------------------------|
| Awards earned as of September 30, 2000   | \$375,010               |
| Estimated awards to be earned  | 32,581                  |
| Estimated interest forbearance   | 12,826                  |
| President’s Student Service Scholarships   | <u>5,571</u>            |
| Total service award liability as of September 30, 2000   | 425,988                 |
| Total service award liability as of September 30, 1999   | 342,017                 |
| <b>National Service Award Expense</b>  | <b><u>\$ 83,971</u></b> |

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**Corporation for National and Community Service**  
**Notes to the Financial Statements**

**NOTE 14 – INCREASE IN UNEXPENDED APPROPRIATIONS, NET**

| <b>Increase in Unexpended Appropriations, Net as of September 30, 2000</b><br><i>(dollars in thousands)</i> |                         |
|---|-------------------------|
| <b>Increases:</b>   |                         |
| Appropriations received, net of Trust   | \$ 664,145              |
| OIG Supplemental Appropriation  | <u>1,000</u>            |
| <b>Total Increases</b>  | <b>665,145</b>          |
| <b>Decreases:</b>   |                         |
| Appropriated capital used, net of Trust   | (611,641)               |
| Rescinded appropriations (non-Trust)  | (2,630)                 |
| Canceled appropriations   | <u>(9,115)</u>          |
| <b>Total Decreases</b>  | <b>(623,386)</b>        |
| <b>Increase in Unexpended Appropriations, Net</b>   | <b><u>\$ 41,759</u></b> |

**NOTE 15 – TRUST FUND RESCISSION**

In fiscal 2000, \$81 million of amounts previously appropriated under the National and Community Service Act of 1990 (Act) and transferred to the National Service Trust were rescinded. One million of the \$81 million was provided to the OIG in a supplemental appropriation for use in its current operations. The rescissions permanently reduced the amount available under subtitle D of title I of the Act (42 U.S.C. 12601 et seq.) for the disbursement of education awards. A similar rescission was enacted in fiscal 2001 and is described in Note 17 below.

**NOTE 16 – CONTINGENCIES**

***Contingencies***

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

***Judgment Fund***

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

**NOTE 17 – SUBSEQUENT EVENT**

In October 2000, \$30 million of amounts previously appropriated under the National and Community Service Act of 1990 (Act) and transferred to the National Service Trust were rescinded. This action, pursuant to Public Law 106-377, permanently reduces the amount available under subtitle D of title I of the Act (42 U.S.C. 12601 et seq.) for the disbursement of education awards.

## *Audit Results . . . .*

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The 2000 audit results were not provided to the Corporation electronically. To request a hard copy, contact the Office of the Inspector General at 1-202-606-5000.

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**APENDIX A**

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**CORPORATION FOR NATIONAL SERVICE RESPONSE**

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March 21, 2001

The Honorable Luise Jordan,  
Inspector General  
Corporation for National and  
Community Service

Dear Ms. Jordan:

The Corporation has reviewed the draft *Independent Auditors' Report*, prepared by KPMG, on the Corporation's fiscal 2000 financial statements and is extremely pleased that the Corporation has received its first-ever unqualified opinion on its financial statements. This achievement resulted from the hard work and dedication of Corporation staff and a commitment to strong management control and accountability for the Corporation's financial resources. The Corporation has put in place a top flight management team, invested in and implemented state-of-the-art systems, engaged its bipartisan Board of Directors in active oversight, and performed the hard work to correct past problems and position the Corporation to manage its program and grant portfolio efficiently and effectively.

The Corporation is also pleased that the report recognizes its many improvements in internal control. Operational areas deemed to be materially weak have been reduced from *five* in fiscal 1999 to *one* in fiscal 2000 and testing of compliance with laws and regulations disclosed no instances of noncompliance. However, the Corporation's efforts will not stop here. While the Corporation is proud of these accomplishments, more needs to be done. To this end, the Corporation's priority continues to be meeting the goals and objectives of the comprehensive Action Plan established in fiscal 1999. In addition to providing the Corporation's blueprint for correcting material weaknesses, the Action Plan includes other objectives and tasks related to a broader management agenda.

The draft report cites one area of the Corporation's operations as a material weakness and two areas as reportable conditions. The Corporation's comments on the related findings and recommendations follow. As suggested, we have separately transmitted revisions to the draft report to correct errors and clarify facts.

#### **GRANTS MANAGEMENT**

To resolve the grants management material weakness the Corporation will continue to focus on three areas: designing and implementing a single grants management system that will interface with *Momentum*; continuing to close out expired grants; and implementing a comprehensive OMB Circular A-133 (*Audits of States, Local Governments, and Non-Profit Organizations*) policy.

In fiscal 2000 the Corporation began work on a long-range project to reengineer its grant processes and to build an information system to manage those processes. In fiscal 2001, the Congress provided special funding to support the design and implementation of this system. Throughout the fall, many Corporation employees spent hundreds of hours with the system's designers to reengineer and consolidate processes and document a new system to reflect those improved processes. That design work was completed in December 2000.

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The system will be built in ORACLE and will share many of the same tables of the Corporation's System for Programs, Agreements, and National Service Participants. When completed, the Corporation will have an integrated grants management system that provides comprehensive financial management information for all grants and cooperative agreements. The design meets the Grants Financial System Requirements of the Joint Financial Management Improvement Program (JFMIP) and the requirements of the Government Paperwork Elimination Act and the Federal Financial Assistance Management Improvement Act. The Corporation has also provided the design documentation, including functional hierarchies, entity diagrams, and initial mock-ups of all forms and reports, to the Office of the Inspector General for comment.

Once fully implemented, potential grantees will be able to apply for Corporation grants using a common electronic standard form 424 on the Internet. The Corporation will also be able to perform peer review of grant proposals over the Internet. All employees of the Corporation will be able to perform their role-based grant functions in one system. Both financial and progress reporting will be done over the Internet. The system will be linked to the Corporation's *Momentum* financial management system so that all financial data will be in sync. Much of the current labor intensive tracking and notifying-affected-parties requirements will be automated. All of the Corporation's grant activity (including tracking OMB Circular A-133 audit reports), with appropriate audit trails, will be done in one place.

In January 2001 the Corporation issued a task order to a contractor to build the system. Construction, testing, and training associated with the new system is expected to take 14 to 18 months. The first of those months will be devoted to a detailed design review to make sure that what is captured in the design documents meets the Corporation's requirements.

Plans are also moving forward to close out expired AmeriCorps grants and send the files to the Federal Records Center. To expedite this process, the Corporation will contract with a qualified vendor to perform grant file review, grant award reconciliation, and an analysis of financial and related reports to determine that all requirements have been met. The Corporation expects that a contractor will begin work on the close-out project by the end of April 2001.

The Corporation also plans to consolidate its grant and program files in a central archive for grants issued from the Corporation's headquarters. Files for grants issued by the Corporation's five service centers will remain at the location servicing the grant. In the longer term, the Corporation believes that the archive will not be needed. As discussed above, the Corporation is building a new grant management system that will handle all aspects of the grant process from accepting applications, to peer review, to award and eventual close-out. The Corporation estimates that within five years the entire grant process will be paperless eliminating the need for an archive.

#### ***Oversight of Grantee Financial Status***

The audit report states that the Corporation's financial management system lacks "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." The Corporation agrees that the current grants management system does not interface with *Momentum* and is not efficient. As discussed above, the Corporation has a major project underway to replace the system. However, the systems and processes currently in use by the Corporation do allow adequate monitoring of grants. For DVSA grants awarded through *Momentum*, the system allows grants staff to produce reports showing

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overdue Financial Status Reports. For NCSA grants, the Corporation produces and uses many different reports from Grantsbase, including:

- Aggregate expenditures through the SF-269 Financial Status Reports by grant.
- List of grantees which have (or have not) submitted a bi-annual or quarterly SF-269 Financial Status Report.
- End dates of grants within a set time period (for closeout).
- Aggregate funding by grantee/state/grant type.
- Amendments for increased funding or no-cost extensions in a particular time period.
- Number of programs uploaded to SPAN/WBRS and dates.
- Tracking by date of all awards.

Grant officers also review Financial Status Reports on a regular basis and are now trained to directly access the new internet-based Department of Health and Human Services (HHS) Payment Management System. The HHS Payment Management System data exactly summarizes award amounts, drawdowns, and expenditures based on the SF-272. Grant officers for NCSA programs generally will not issue a new grant award unless the grantee is current with Financial Status Reports. In addition, a grantee's account at HHS can be frozen if other remedies are not effective. Moreover, grantees are made aware of their reporting responsibilities and deadlines, as well as the potential consequences of non-compliance, as part of the grant award process.

Finally, development of the new integrated grants management system is on schedule. The system will be web-based and incorporate all phases of grant-making: applying, awarding, monitoring, reporting, and close-out. Individual staff members will be able to track grant-making processes and many edit checks will be built into the system to cut down dramatically on errors in financial reporting. The system will also have a series of automatic notifications for upcoming and overdue financial and program reports. The new system will interface with *Momentum*, the AmeriCorps Web-based Reporting System (WBRS), and the HHS Payment Management System.

#### ***Grantee Site Visits***

As noted in the audit report, the Corporation has established a risk-based monitoring process for conducting site visits and developed site visit monitoring tools that are used as needed for specific grantees. Program and grants officers determine the capacity and risk factors for grantees and determine what specific site visit tools will be used on monitoring visits. Thus, depending on the need and depth of review required, utilization of the monitoring tools may vary for each site visit. The Corporation agrees that the review of subgrantee reporting documentation should be considered when performing site visits. The NCSA grant and program offices have developed a joint, one-page template for site visits. This template includes procedures for reviewing reporting documentation and also serves as the basis for the use of other financial monitoring tools, including a "Financial Controls Assessment" and the "Financial System Survey."

In addition, the Corporation, in conjunction with the governor-appointed State Commissions, has implemented a State Commission Administrative Standards Review program as the Corporation's primary tool for monitoring the State Commissions that administer the AmeriCorps\*State program. Under the program, a review team spends five days on site assessing a Commission in five statute-based areas: 1) proper grant processes; 2) monitoring of service programs; 3) member record keeping; 4) filing of Corporation reports; and 5) financial management. In addition, the Commissions' planning and assessment processes, personnel management, systems for training and technical assistance, as well as service promotion within states are evaluated. As part of the review process, Corporation staff also

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conduct site visits to selected program sites receiving funding from Commissions to ensure that the Commissions are conducting proper program oversight. To date Corporation staff have reviewed 15 State Commissions and an additional 14 reviews will be conducted in fiscal 2001.

The standards reviews help Commissions identify areas where their administrative and management practices may need improvement. Once these areas are identified, State Commissions are instructed to obtain technical assistance and training to correct any deficiencies and must establish policies and procedures to remedy the problems. The Commission then establishes a work plan for developing and implementing any changes in policies and procedures that are necessary. State Commissions are required to report on any corrective actions, and the Corporation monitors the State Commission to ensure that all deficiencies are corrected. Corporation staff perform site visits as needed to check on the status of these items.

Finally, the Corporation will continue to rely on the judgement of independent auditors, such as KPMG, who perform OMB Circular A-133 audits to assess the risks at the grantees they audit and determine the level and extent of compliance testing that should be performed at a particular grantee.

#### ***Oversight of OMB Circular A-133 Reporting***

The Corporation believes its current OMB Circular A-133 audit monitoring processes are sufficient but will be even better once the new grants management system is fully implemented. In fiscal 2000, grant staff reviewed OMB Circular A-133 audit reports via the Federal Audit Clearinghouse for all grantees meeting the \$300,000 threshold for an OMB Circular A-133 audit for both NCSA and DVSA grants. This review is done annually and is documented in the grant file.

In cases in which the OMB Circular A-133 audit has not been completed, grants staff may hold up the award or issue a partial award pending completion of the audit. When an audit identifies reportable findings, grant staff coordinate with the auditee's oversight or cognizant agency to determine if the organization has taken corrective action. If the Corporation has oversight responsibility, grants staff will follow-up and track the audit through the Corporation's OMB Circular A-133 audit tracking system.

#### ***Controls Over Web Based Reporting System Data Integrity***

The Corporation recognizes that as it upgrades its systems, modernizes its grant processes, and moves into a "paperless" operating environment, it must consider the impact on its internal control environment. To that end, the Corporation will consider KPMG's recommendation to develop and implement procedures to randomly sample and verify data related to members included in the Trust. The Corporation will also update the State Commission Administrative Standards to specifically incorporate testing of Commission controls over WBRs data and system access as part of the review.

#### ***Review of Service Organization Controls***

The Corporation acknowledges the importance of considering the controls of its service organizations and reviews every report deemed to be relevant to the Corporation's control environment, including "SAS 70" audits. In the draft report, KPMG cites the Corporation for not obtaining the auditors' report from the Center for Information Technology (CIT), whose hardware is used to process the Payment Management System data, until "brought to their attention during the audit."

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The Corporation believes that this statement is misleading. Each year, the Corporation obtains and reviews the SAS 70 audit reports for the service organizations it utilizes as soon as they are available. The Corporation had been in contact with HHS for several months attempting to obtain the SAS 70 audit reports. In the example cited by KPMG, the Payment Management System audit report was made available to the Corporation on February 12. KPMG requested the related CIT report on February 27, 15 days later. This is not a sufficient time lapse to conclude that the Corporation was negligent in obtaining and reviewing the report. In fact, as of the date of this letter, the Corporation's Office of Information Technology has reviewed the SAS 70 reports and concluded that the Corporation's current procedures provide adequate access security. The reports are also currently under review by the Corporation's accounting and grant offices.

#### ***Timely Close-out of Grants***

The Corporation agrees that grant close-outs are important and has established procedures to close-out its backlog of expired grants. To facilitate this effort revised written policies and procedures were put in place in July 2000. The grants office has closed approximately 400 expired NCSA grants and created a database to generate information on all expired grants. By late April, the Corporation will have a contract in place to assist with the close-out of the remaining expired NCSA grants over the next two years and get the Corporation current on closing-out its grant portfolio.

The grant staff also trained grantees on the close-out requirements and processes at the Corporation conference in June 2000 and through a series of conference calls to groups of

grantee staff. In addition, Corporation program and grants officers have received training on close-out responsibilities and procedures. Finally, the Corporation just completed a web site that grantees can access to download required documents and related information on close-out.

#### **FUND BALANCE WITH TREASURY**

During fiscal 2000 the Corporation began reconciling its Fund Balance with Treasury at the appropriation level on a monthly basis. Prior to the implementation of the *Momentum* financial management system, this was not practical. The reconciliation work is reviewed and approved by the Director of Accounting or other supervisory personnel.

The draft report cites as a reportable condition that two of the 12 monthly reconciliations were not prepared and reviewed in a timely manner and that differences exist at the appropriation level between the Corporation's records and Treasury's. As for the timeliness of the reviews, during fiscal 2000 (and continuing in fiscal 2001) the Chief Financial Officer or Deputy Chief Financial Officer regularly met (*usually on a weekly basis*) with the cash reconciliation team to review the results of the reconciliation and determine what additional actions were necessary to resolve any differences.

Moreover, during fiscal 2000 the aggregate unreconciled difference of \$3.4 million at September 30, 1999, cited in the fiscal 1999 audit report, was reduced to \$1.1 million as of September 30, 2000. The remaining differences between Treasury and the Corporation are a result of prior years' activity – before strong financial management controls were put in place. The only significant unreconciled differences remaining relate to activity reported to Treasury by the Department of Health and Human Services on behalf of the Corporation for grants issued prior to fiscal 1999.

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For fiscal 2000, the Corporation reconciled all Fund Balance With Treasury transactions with Treasury records. The Corporation is continuing these efforts in fiscal 2001 and believes this initiative will resolve all significant prior period differences by the end of the year. For its on-going processing activity the Corporation will require the cash reporting and reconciliation team to complete work on current month's differences and submit it to the Director of Accounting for review within 30 days after each month's end. The Corporation believes these actions resolve the reportable condition in this area.

## **NET POSITION**

The draft report states that "the Corporation does not have adequate procedures in place to ensure the accuracy of components of unexpended appropriations." This statement is misleading because there are no proprietary components of unexpended appropriations. The audit report should clearly state that it is referring to the budgetary makeup of unexpended appropriations (essentially memorandum accounts), and has no effect on financial statements prepared in accordance with FASB standards, which are prepared from the Corporation's proprietary accounts. With that clarification, the Corporation recognizes that the budgetary components of unexpended appropriations should be reconciled with the proprietary accounts and initiated several actions during fiscal 2000 to address this matter and believes that it has taken great strides toward clean budgetary reporting.

First, *Federal Success*, the accounting system in use by the Corporation through July 1999, incorrectly posted transactions to the budgetary accounts. These posting problems were not easy to identify, isolate, and correct in the *Federal Success* system. At the end of fiscal 1999, with the implementation of *Momentum*, it became much easier to identify and correct posting problems. Moreover, *Momentum* has additional controls such as self-balancing budgetary accounts to help prevent errors from occurring.

In addition, during fiscal 2000, with the assistance of American Management Systems (AMS) and the Department of Interior's National Business Center, the Corporation underwent an extensive review of all posting logic that had been set up in *Momentum*. As a result of this review, posting logic was revised, unused accounting events were deactivated, and adjustments were posted to the system. Now changes in budgetary accounts tie to changes in proprietary accounts.

Finally, the Corporation established procedures in fiscal 2000 for budget holders to routinely review open obligations and deobligate funds on a monthly basis. These reviews are in addition to the monthly review and analyses of appropriations, general ledger account balances, and net position by CFO staff to detect unusual activity and make appropriate corrections. Moreover, *Momentum* automatically deobligates remaining balances when a final payment is made via the "final flag" feature.

As a result of these efforts, account 3100 – Unexpended Appropriations – was cleaned up so that the change in unexpended appropriations and cumulative results of operations from fiscal 1999 to fiscal 2000 was identified to the penny. A cleanup of the related budgetary accounts is currently underway and should be completed during the current fiscal year.

While adjustments to the trial balance were necessary for SF-133 reporting due to the way *Momentum* posted transactions, the Corporation believes that it has an adequate process for preparing SF-133s. The two instances of incorrect SF-133 reporting (out of 102 prepared for fiscal 2000) resulted from human error. Revised SF-133s were prepared once the mistake was identified, and will be transmitted to OMB during the next reporting cycle in April. However, to help ensure that fewer errors are made in the future, the Corporation has instituted an additional control over these reports whereby the Director of Budget must review and approve SF-133s prior to their transmittal to OMB.

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The posting issue described in the audit report was brought to the attention of AMS when the Corporation implemented *Momentum* in September 1999. The Corporation is pleased to report that AMS has recently corrected the problem in the Corporation's current release of the software and that future activity will post properly.

The Corporation, in conjunction with AMS, is in the process of correcting the posting for transactions occurring prior to the software fix. The Corporation believes these actions resolve the reportable condition in this area.

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Finally, the Corporation would like to express its appreciation for the effort that your staff made on the fiscal 2000 audit. Corporation staff also worked extremely hard during the year improving operations. The audit result – a clean opinion – has been a long time in the making, but happened because of the dedication and hard work of the entire team.

Sincerely,

Wendy Zenker  
Acting Chief Executive Officer

# *State Profiles. . . .*

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When faced with challenges such as illiteracy, poverty, crime, and environmental problems, our nation has always relied on the dedication and action of citizens.

Today, the Corporation for National Service carries on that tradition by working with local and national nonprofits, faith-based groups, schools, state commissions and other civic organizations to provide more than 1.5 million opportunities for Americans of all ages to serve their communities each year. The Corporation for National Service works through three major service initiatives: AmeriCorps, Learn and Serve America, and the National Senior Service Corps.

To communicate the scope and impact of national service on the state level, the Corporation has created State Profiles. These reports show national service programs, participants and funding levels for all fifty states, the District of Columbia, Puerto Rico and Indian Country.

Complete State Profiles including accomplishment highlights, testimonial quotes, detailed program lists, and contact information are available at the Corporation's website, [www.nationalservice.org/stateprofiles/](http://www.nationalservice.org/stateprofiles/). The data reflects the 1999-2000 program year.