

# Agency Financial Report

FISCAL YEAR 2014





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## How to Serve

If you are interested in joining or learning more about CNCS programs, go to [nationalservice.gov](http://nationalservice.gov). Click "Serve Your Community" to discover which opportunity is right for you.

An electronic copy of this report is available on the web at: [www.nationalservice.gov/about/role\\_impact/performance.asp](http://www.nationalservice.gov/about/role_impact/performance.asp)

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Fiscal Year 2014

# Agency Financial Report



## About this Report

In lieu of a Performance and Accountability Report, the Corporation for National and Community Service (CNCS) will instead produce three reports that provide financial management and program performance information. Each report will be available on CNCS's website at [www.nationalservice.gov/about/budget-and-performance/performance-and-accountability-reports](http://www.nationalservice.gov/about/budget-and-performance/performance-and-accountability-reports) as they are completed.

- This report, the Agency Financial Report (AFR), focuses on CNCS's financial management and the results of the agency's annual financial audit. It includes management's assurance statement, CNCS's improper payments report, and a response from management.
- The Annual Performance Report (APR) provides an overall assessment of agency performance. The APR will be included in CNCS's FY 2016 Congressional Budget Justification, which will be transmitted to Congress in February 2015.
- The Performance Highlights Report summarizes key information from the AFR and APR. It will be available in February 2015.

These reports meet all requirements under the Government Performance and Results Act, the Federal Financial Management Improvement Act, the Federal Managers' Financial Integrity Act, the Government Corporation Control Act, and the Federal Information Security Management Act, among others. These reports also follow applicable guidance from the Office of Management and Budget (OMB), as well as the recommendations of the Association of Government Accountants' Certificate of Excellence in Accountability Reporting program.

## How This Report Is Organized

### Section I: Management's Discussion and Analysis

Section I provides an overview of performance and financial information. It includes a brief history of CNCS, introduces its mission, and contains a description of CNCS's organizational structure and strategic framework. This section highlights performance and key accomplishments in each of CNCS's strategic goals and objectives. Section I also provides management's assessment of future priorities and management's assurances over internal controls. The section closes with highlights of financial results.

### Section II: Financial Statements

Section II begins with a message from the Acting Chief Financial Officer. The section contains the details of CNCS's finances to include the audited financial statements and footnotes.

### Section III: Independent Auditor's Report

Section III provides the independent auditor's reports on the audited financial statements and footnotes, compliance matters, and internal controls. This section also contains management's response to the results of the auditor's report.

### Section IV: Other Information

Section IV provides supplementary reporting of Donations and Contributions, the National Service Trust Fund, Improper Payments, and Freeze the Footprint. Donation and Contribution reporting identifies the nature and amount of donations, as well as how they were used and disposed of in support of CNCS's programs and activities. The National Service Trust Fund Status Report provides status of education awards and student loan interest forbearance to eligible participants. The Improper Payments section provides an assessment of Improper Payments made by each program or activity in the agency and actions taken to recover them. The section ends with Freeze the Footprint, which provides a status of leased space held by CNCS.

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**NATIONAL &  
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# Message from the CEO



Since its creation 20 years ago, the Corporation for National and Community Service (CNCS) has tapped our nation's greatest resource—the American people—to get things done.

Working hand in hand with thousands of local partners, CNCS programs improve lives, strengthen communities, and engage millions of Americans in solving tough problems.

I am pleased to present our fiscal year 2014 (FY 2014) Agency Financial Report, which demonstrates our continued commitment to strong performance, focused investments, innovative partnerships, and management excellence.

This past year, CNCS engaged millions of Americans of all ages and backgrounds in service, provided critical services to communities across the U.S., strengthened thousands of nonprofit and faith-based groups, forged innovative partnerships, increased accountability, and continued our strong record of reliable fiscal stewardship reflecting our dedication to build a better future for our citizens.

## Expanding Economic Opportunity

In FY 2014, we continued our focus on expanding economic opportunity by educating students for jobs of the 21st century, connecting returning veterans to employment, helping seniors live independently, rebuilding communities after disasters, teaching financial literacy, tutoring students in low-performing schools, and more.

CNCS programs also expanded economic opportunity for service participants, by helping them graduate from high school, gain career skills, pursue higher education, and find work. For both beneficiaries and participants national service helps expand individual opportunity, build family stability, and create more sustainable, resilient communities.

## Driving Impact and Innovation

This past year, we continued the vision of the bipartisan Edward M. Kennedy Serve America Act to target resources on Disaster Services, Economic Opportunity, Education, Environmental Stewardship, Healthy Futures, and Veterans and Military Families. Focusing on these priority areas aligns CNCS programming and uses a standard set of performance measures to evaluate progress.

In FY 2014, CNCS continued to leverage substantial non-federal support for the growth of evidence-based programs that improve lives and build economic independence of low-income individuals through the Social Innovation Fund.

Recognizing the importance of evidence-based approaches, we supported a robust research and evaluation agenda to help find and share effective practices, increase accountability, and strengthen investment in high-impact programs.

## Expanding Partnerships and Growing Volunteerism

National service is a model of public-private partnership that recognizes progress is best made by working together. The modest federal investment leverages hundreds of millions of additional resources from non-CNCS sources to strengthen community impact and increase return on taxpayer dollars.

Recognizing the wisdom of this approach, President Obama created the Task Force on Expanding National Service to increase national service opportunities through partnerships with other federal agencies and the private sector. Building on the success of FEMA Corps, School Turnaround AmeriCorps, and other initiatives, CNCS created new service corps partnerships that meet critical challenges and create pathways to opportunity for those who serve.

### **Managing for Results and Accountability**

CNCS has a deep commitment to ensuring the highest levels of accountability. In FY 2014, CNCS maintained its unmodified audit opinion for the 15th consecutive year. CNCS is committed to improving its internal controls, oversight, and monitoring to demonstrate the importance of integrity, accountability, and transparency. We have built an outstanding senior team with the vision and experience to lead the agency to higher levels of impact and accountability.

### **National Service Works for America**

America has always been its best when citizens work together, joined in common purpose. A sense of shared responsibility is woven into the fabric of our nation. For decades, successive Administrations of both parties have invested in national services as a smart way to tap the ingenuity and can-do spirit of the American people.

As we mark our 20th anniversary, we look forward to building on this great foundation and creating more opportunities for Americans to make a difference in their communities.

In Service,



Wendy Spencer  
Chief Executive Officer

## Section I:

# Management's Discussion & Analysis

## Agency Mission and Overview

The mission of the Corporation for National and Community Service (CNCS) is to improve lives, strengthen communities, and foster civic participation through service and volunteering.

Service is and always has been a vital part of the American character. From the earliest days of our nation, Americans have stepped forward to help their neighbors and their communities, cultivating a rich legacy of service and citizenship that continues to this day.

One of the ways Americans express their citizenship is by serving their communities. National service and volunteerism show the best of the American spirit – people turning toward problems instead of away, working together to find community solutions. As President Obama said in the 2014 State of the Union Address, “Citizenship demands a sense of common cause; participation in the hard work of self-government; an obligation to serve in our communities.”

Since its creation 20 years ago, CNCS has led the nation's efforts to tap the energy of citizens to solve problems in their communities. Working hand in hand with thousands of local partners, CNCS improves lives, expands economic opportunity, bolsters civic and faith-based organizations, and engages millions of Americans in service.

Americans engaged in national service make an intensive commitment to tackle some of the most pressing challenges facing our nation by:

- Educating students for the jobs of the 21st century
- Supporting individuals, families, and neighborhoods on the road to economic recovery
- Addressing the needs of military families and a new generation of veterans returning from war
- Helping communities rebuild after natural disasters
- Promoting health and well-being
- Preserving the nation's parks and public lands.



Through its programs, CNCS engages 5 million Americans in service each year at more than 60,000 locations across the country, from large cities to small towns to rural areas.

### Expanding Economic Opportunity

In all its programs, CNCS seeks to expand economic opportunity – helping disconnected youth, new Americans, veterans, military families, seniors, people with disabilities, and others acquire the skills, education, and training they need for productive employment.

CNCS programs expand economic opportunity in two ways. First, national service and volunteerism supports the beneficiaries of our programs by expanding individual opportunity, building family stability, and creating more sustainable, resilient communities. When national service participants help seniors live independently in their homes, or provide tutoring to help students graduate, or work alongside a low-income family to build a new home, they are driving economic independence.

Second, national service is a proven pathway to education and employment for those who serve. AmeriCorps is viewed as a ladder to economic opportunity that provides members with valuable skills, leadership abilities, and experience to help jumpstart their careers. In addition to gaining valuable experience to help them find employment, AmeriCorps alums have earned an estimated \$2.7 billion over 20 years in educational scholarships to help them pay for college and job training or pay back student loans.

CNCS research reinforces the positive connection between volunteering and employment. As shown in its seminal study, *Volunteering as a Pathway to Employment*, CNCS found that after a period of unemployment,

volunteers have a 27 percent higher likelihood of becoming employed than non-volunteers. This link was stable across socioeconomic variables such as gender, age, ethnicity, geographical area, or job market conditions. Volunteering can increase a person's social connections, professional contacts, skills, and experiences - all factors that are positively related to finding work. Thus the millions of volunteers engaged through CNCS programs each year not only help their communities, they can improve their own employment prospects.

By helping more Americans graduate from high school, pursue higher education, and find work, national service provides immediate benefits to the community and significant long-term benefits to service recipients and those who serve.

### Expanding Impact through Partnerships

National service is a public-private partnership that recognizes no one sector can meet our challenges alone, and that we make progress best by working together. Nearly everything CNCS does is accomplished by working with and through others - including nonprofit and faith-based organizations, schools and higher education institutions, government at all levels, businesses, and, ultimately, individual citizens.

As the nation's largest grant-maker for service and volunteering, CNCS supports thousands of organizations, including schools, food banks, homeless shelters, health clinics, youth centers, veteran's service facilities, and hospitals. CNCS's programs help these organizations expand their reach and impact<sup>1</sup> through their direct service and by recruiting and managing volunteers. A modest federal investment by CNCS leverages approximately \$829 million in additional resources from non-CNCS sources to strengthen community impact. In addition to collaborating with nonprofit organizations across the country, CNCS also works with federal, state, and local government to coordinate efforts, engage citizens, and carry out programming to meet important community needs.

Congress created national service as a shared federal-state partnership, providing a central role for governors in designing and implementing national service through Governor-supported State Service Commissions. CNCS also works closely with mayors and city officials across the country, supporting organizations that achieve measurable results where the need is greatest.

On the federal level, CNCS has developed several innovative partnerships with other agencies to meet critical challenges and expand opportunities for those who serve. For example, FEMA Corps is a unit of the AmeriCorps National Civilian Community Corps (NCCC) that strengthens disaster

capacity, prepares young people for emergency management careers, and saves significant taxpayer dollars. School Turnaround AmeriCorps is a partnership between the U.S. Department of Education and AmeriCorps that is bringing hundreds of new AmeriCorps members into some of the nation's lowest-performing schools, where they will work to boost student academic achievement, attendance, high school graduation rates, and college and career readiness.

Building on the success of these partnerships, President Obama created the President's Task Force on Expanding National Service (Task Force), co-chaired by the Domestic Policy Council and CNCS. The Task Force was the latest in a series of actions the Administration has taken to expand opportunities for Americans to serve, to focus service on our toughest challenges, and to increase the impact citizens have on our communities and nation. Through the new partnerships, an estimated \$33 million in additional resources have been dedicated to these priorities, including creating approximately 4,200 opportunities to serve in our communities.

For instance, AmeriCorps, Citi Foundation, and Points of Light launched an initiative to help 25,000 low-income youth develop the skills they need to prepare for college and careers. The 225 AmeriCorps members who will serve in this partnership will engage youth age 16-24 in a volunteer response effort in 10 cities. In the summer of 2014, as part of a major expansion of the Science, Technology, Engineering, and Math (STEM) AmeriCorps initiative, President Obama announced at the White House Science Fair that CNCS placed 256 AmeriCorps VISTA members in Alabama, Florida, Georgia, Mississippi, South Carolina, and West Virginia. These AmeriCorps VISTA members connected approximately 20,600 at-risk students in low-performing schools to STEM opportunities. As part of the Administration's My Brother's Keeper initiative, CNCS joined the Department of Justice in launching Youth Opportunity AmeriCorps, a \$10 million investment to enroll disconnected youth in national service programs.

### Evaluation and Accountability

CNCS has made it a priority to develop a knowledge and evidence base to support the agency's mission, programs, and strategic goals through rigorous program evaluation and research initiatives. CNCS's emphasis on evaluation is aligned with the Administration's guidance on the importance of using evidence and rigorous evaluation in budget, management, and policy decisions. CNCS believes that implementing a robust research and evaluation agenda is critical to our ability to achieve and communicate the value that national service and social innovation bring to communities across the country.

CNCS also has a deep and ongoing commitment to ensuring the highest levels of accountability in the agency's financial and program operations.

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<sup>1</sup> CNCS will update this leveraged resource number in the agency's FY 2016 Congressional Budget Justification (CBJ).



CNCS is fostering a culture of integrity, accountability, and transparency by fortifying its internal controls, oversight, and monitoring. CNCS established an Office of Accountability and Oversight (OAO) to implement an Integrity Framework as a set of disciplined practices to help ensure CNCS's organizational effectiveness, cohesion, and longevity.

## Legislation

Congress created CNCS in 1993, merging the work and staff of two separate agencies that provided opportunities for Americans of all ages and backgrounds to serve their communities.

At its inception, CNCS was directed to manage two programs:

- Senior Corps, which incorporated the Foster Grandparents Program (FGP), RSVP, and Senior Companion Program (SCP);
- The newly created AmeriCorps, which incorporated VISTA, State and National, and NCCC.

Enacted on April 21, 2009, the bipartisan Edward M. Kennedy Serve

America Act (SAA) reauthorized and expanded the mission and operation of CNCS, amending the National and Community Service Act of 1990 and the Domestic Volunteer Service Act of 1973.

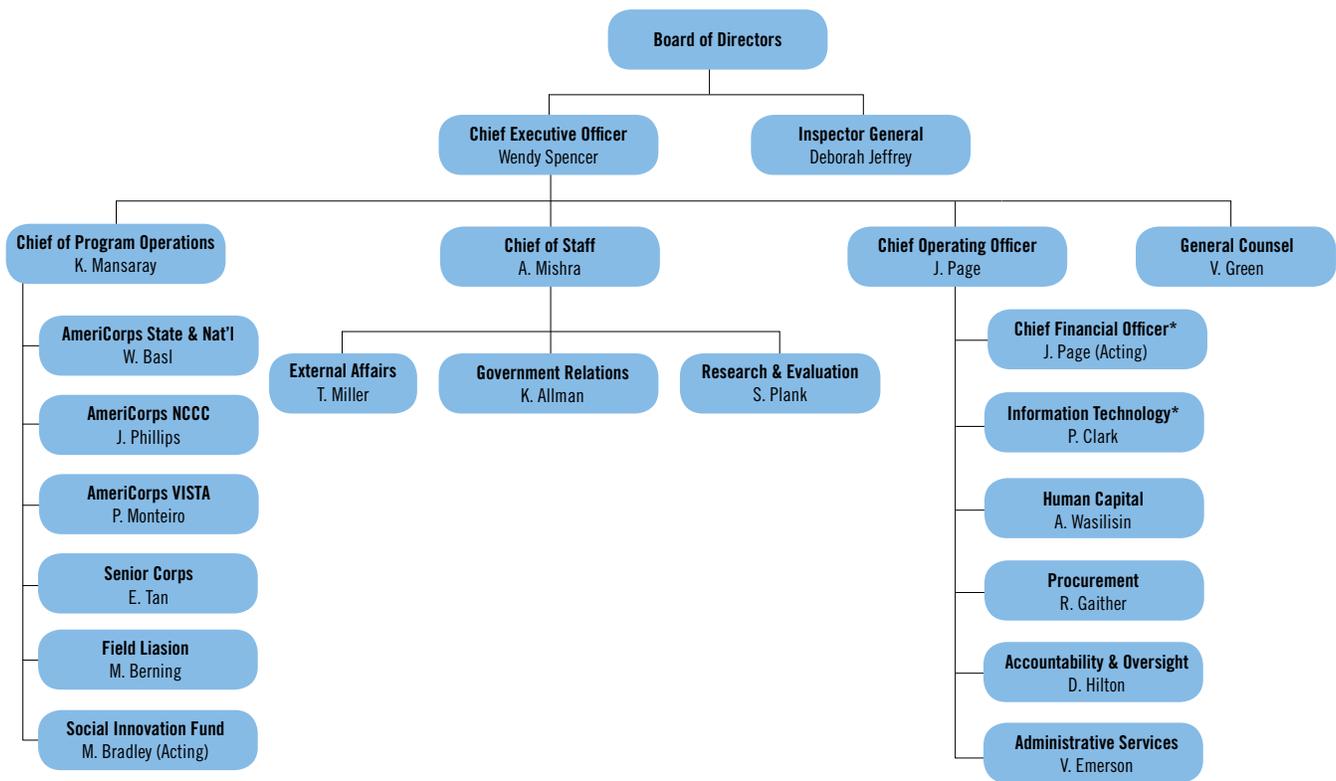
The SAA authorized both the expansion of existing service programs and the creation of a number of new programs and initiatives to provide opportunities to serve as well as support for the nonprofit sector. The legislation also directed CNCS to target resources on a core set of critical national problems and evaluate our impact using standardized performance measures.

# Organizational Structure

Headquartered in Washington, D.C., CNCS is an independent federal agency with a Board of Directors, Chief Executive Officer (CEO), and Inspector General (IG)—all of whom are appointed by the President and confirmed by the Senate.

The CEO provides overall management of the agency's programs and operations, including more than 500 employees who work throughout the United States and its territories. The Board of Directors works closely with the CEO to set policies and direction for CNCS, advises the President and Congress concerning developments in national and community service that merit their attention, and conducts an annual evaluation of the CEO.

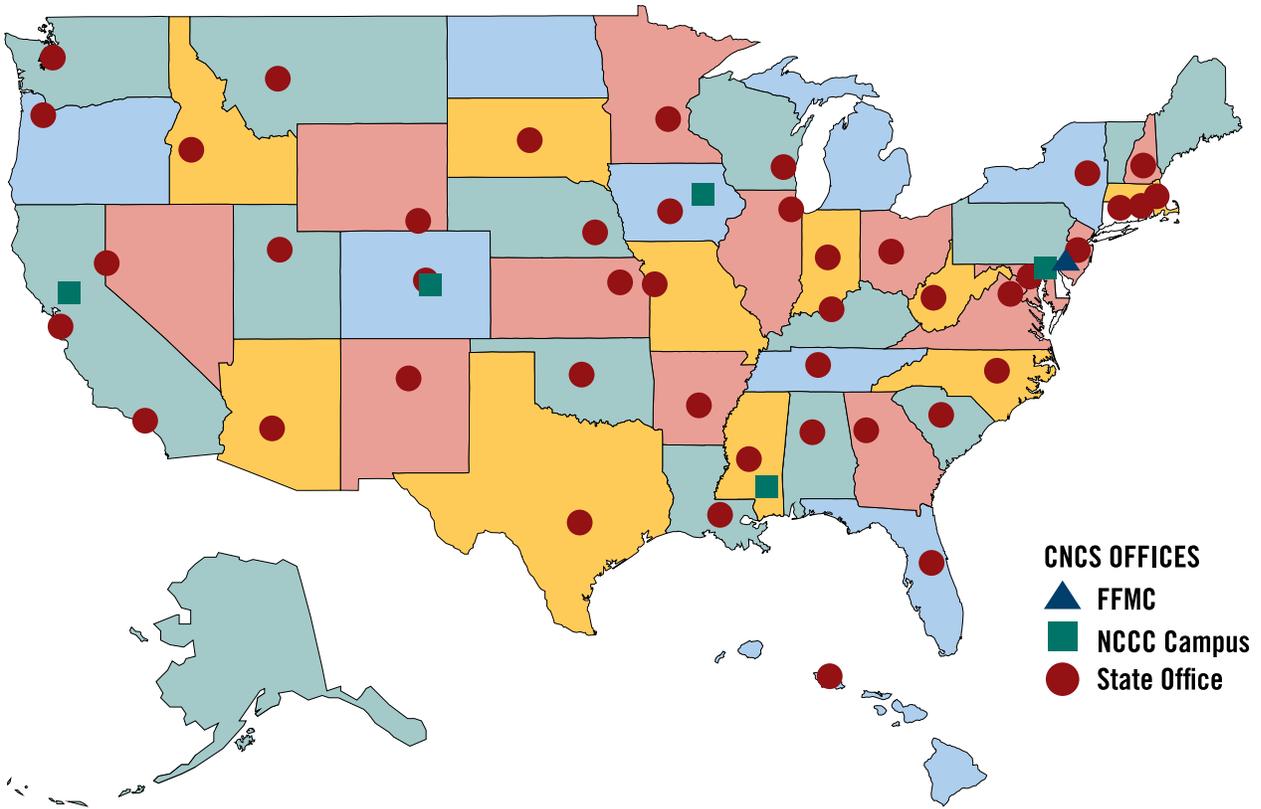
**Figure 1: CNCS Organization Chart**



*Organization Chart is as of November 1, 2014*

*\* Denotes staff that also have reporting line to the CEO*

**Figure 2: CNCS Field Offices**



## Strategic Priorities

During FY 2014, CNCS received \$1.1 billion in resources that it used to focus national service on six priority areas: Disaster Services, Economic Opportunity, Education, Environmental Stewardship, Healthy Futures, and Veterans and Military Families. In addition, CNCS set forth goals outlined in the tables on the following pages to help improve the lives and strengthen the communities of those serving and being served by the agency’s programs.

CNCS’s priority measures provide a common focal point for all its programs, and allow the agency to demonstrate the tangible ways in which its grantees and participants are having an impact. As CNCS works to expand and strengthen national service, the agency is also taking additional steps to adopt a more performance-oriented culture.

These steps include building structures and systems for performance measurement, analysis, and knowledge management, and enhancing staff capacity to support results-based services. Highlights of this effort are provided in this report. In addition, CNCS recently updated its FY 2014 through 2018 Strategic Plan. The agency will use the plan to continue to focus on growing national service, leveraging evaluation to drive community impact and social innovation, and expanding economic opportunity for those who serve and benefit from service. While working toward these goals, CNCS will also renew its commitment to operational efficiency and accountability. More specific information on related performance initiatives will be presented with CNCS’s FY 2016 Congressional Budget Justification.

## Strategic Priority Goals

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### **Goal 1: Increase the impact of national service on community needs in communities served by CNCS-supported programs**

<b>Disaster Services</b>	Number of individuals that received assistance from CNCS-supported programs in disaster preparedness, mitigation, response, and/or recovery.
<b>Economic Opportunity</b>	Percent of economically disadvantaged people who showed improvement in their housing situation after receiving housing related assistance from CNCS-supported members, participants, and volunteers.
<b>Education</b>	<p>Percent of children that demonstrated gains in school readiness.</p> <p>Percent of students served by or serving in CNCS-supported programs that demonstrated improved academic performance (including the percent meeting state proficiency levels in literacy and/or math, or whose scores on state standardized tests improved).</p> <p>Percent of students served by CNCS-supported programs, or engaged in CNCS-supported service-learning, that demonstrated improved academic engagement.</p>
<b>Environment Stewardship</b>	Number of at-risk acres (land and/or water) improved by CNCS-supported members, participants, and volunteers.
<b>Healthy Futures</b>	<p>Percent of homebound or older adults and individuals with disabilities who received CNCS-supported services and reported having increased social ties/perceived social support.</p> <p>Number of individuals that gained access to food resources provided with the assistance of CNCS-supported members, participants, or volunteers.</p>
<b>Veterans and Military Families</b>	Number of each of the four categories of service recipients (veterans, veterans' family members, family members of active duty military, and military service members) that received CNCS-supported assistance.

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## **Goal 2: Strengthen national service so that participants engaged in CNCS-supported programs consistently find satisfaction, meaning, and opportunity**

<b>Veterans and Military Families</b>	Number of veterans and military family members engaged in providing services through CNCS-supported programs.
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<b>Member Experience</b>	Percent of service participants engaged in CNCS-supported programs who report gaining skills they can apply to future educational, professional, or civic endeavors.
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## **Goal 3: Maximize the value we add to grantees, partners, and participants**

<b>Social Innovation</b>	Percent of organizations that implement evaluations that demonstrate stronger evidence of program effectiveness than prior to receiving CNCS national service participants or funding.
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<b>Capacity Building</b>	Number of community volunteers recruited and/or managed by CNCS-supported organizations or National Service Participants.
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## **Goal 4: Fortify management operations and sustain a capable, responsive, and accountable organization**

<b>IT</b>	Complete modernization of IT infrastructure.
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<b>Financial Management</b>	Ensure that no material internal control or compliance issues are identified in the annual financial statement audit.
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<b>Grant Management</b>	Award and close grants and contracts within prescribed timeframes.
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# CNCS Programs and Performance<sup>2</sup>

## AmeriCorps State and National

For more than two decades, AmeriCorps State and National has engaged hundreds of thousands of members in intense, impactful service in every state. These AmeriCorps members have dedicated millions of hours of service in communities across the nation – tutoring children who are struggling in school, responding to natural disasters, building homes for low-income families, and helping returning veterans and their families. In meeting these community needs, AmeriCorps has been the catalyst for many of our country’s most respected and innovative non-profit organizations in serving our most vulnerable citizens.

AmeriCorps State and National service also builds leadership and employment skills and serves as a training ground for our nation’s future leaders. AmeriCorps State and National programs are designed and managed by national and community organizations that have demonstrated knowledge, expertise, and capacity to deploy AmeriCorps State and National members aged 17 years and older to meet critical needs across CNCS’s six priority focus areas: education, healthy futures, environmental stewardship, economic opportunity, disaster services, and veterans and military families



challenges. CNCS will provide priority performance measure data for these focus areas in the agency’s FY 2016 CBJ.

AmeriCorps State and National Strategic Goals		
1 - Increase impact on communities	2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
FY 2014 ENACTED LEVEL: \$335.4 MILLION		

In FY 2014, AmeriCorps State and National grantee organizations enrolled approximately 64,500 AmeriCorps members who served in all 50 states as well as many territories and tribes, in nearly 15,000 community locations.<sup>3</sup> AmeriCorps members recruited, trained, or supervised an estimated 2.6 million additional community volunteers. These AmeriCorps-managed volunteers provide a significant boost to organizations by greatly expanding their reach and impact.

AmeriCorps members and the additional volunteers they leveraged helped disadvantaged Americans find housing, supported students to improve academic performance, and provided critical assistance to those affected by natural disasters, in addition to offering many other solutions for local

### Education Highlight

Education is the single largest priority area for AmeriCorps State and National grantees. During FY 2014, approximately 50 percent of all current AmeriCorps State and National grantees were primarily focused on education. AmeriCorps State and National grantees are providing education services in the neighborhoods of one in 10 public schools (10,010 out of 103,483 total public schools). AmeriCorps State and National grantees are serving students from 1 out of 4 persistently low achieving schools. The communities AmeriCorps members serve are also more likely to be impoverished.

### Partnerships Highlight

The School Turnaround AmeriCorps program is designed to support the placement of a dedicated cadre of AmeriCorps members in persistently low-performing schools across the country. School Turnaround AmeriCorps members keep students on track to graduate by increasing student academic achievement, attendance, and high school graduation rates; improving college and career readiness; and providing college enrollment assistance and advice.

<sup>2</sup> All Performance-related data is estimated based on the previous year.

<sup>3</sup> AmeriCorps State and National grant awards are made near the end of the fiscal year. As a result, programs funded with the FY 2013 grants operate into FY 2014. Therefore, information reported here is for FY 2013 grants.

### **AmeriCorps 20th Anniversary**

The 20th anniversary of AmeriCorps highlighted the important role that national service plays in meeting critical community needs and transforming the lives of those who serve. Since 1994, more than 900,000 men and women have served in AmeriCorps, providing more than 1.2 billion hours of service addressing critical challenges from poverty and hunger to disasters and the dropout crisis. AmeriCorps members have earned more than \$2.7 billion in education scholarships to pay for college and job training or pay back student loans.

Concluding a year-long recognition of the AmeriCorps 20th anniversary, President Obama participated in a nationwide AmeriCorps pledge ceremony at the White House on September 12, 2014. More than 80 pledge ceremonies took place across all 50 states, Washington D.C., Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. The

events recognized the extraordinary impact of AmeriCorps members and alums over the past 20 years and welcomed a new class of AmeriCorps members as they embarked on a year of service. The nationwide ceremony also showcased how AmeriCorps has grown through innovative public-private partnerships in coordination with the President's Task Force on Expanding National Service.

The participation of former Presidents Bill Clinton and George H.W. Bush in the nationwide pledge ceremony underscored the history of bipartisan presidential support for AmeriCorps. From President George H.W. Bush signing the first national service legislation in 1990, to President Clinton creating AmeriCorps in 1993, to President George W. Bush adding 25,000 AmeriCorps positions after the 9/11 attacks, national service has spanned administrations of both parties.

## AmeriCorps VISTA

AmeriCorps VISTA was created to help reduce poverty and build economic opportunity throughout the country. Authorized in 1964 as Volunteers in Service to America, the program became part of the AmeriCorps network of programs in 1993. AmeriCorps VISTA primarily supports efforts to alleviate poverty by engaging individuals aged 18 and older in a year of full-time service. These AmeriCorps members build the organizational, administrative, and financial capacity of programs that help low-income Americans gain the skills and resources they need to break the cycle of poverty.

AmeriCorps VISTA Strategic Goals		
1 - Increase impact on communities	2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
FY 2014 ENACTED LEVEL: \$92.4 MILLION		

Building on its long history of public-private partnerships, AmeriCorps VISTA created and expanded collaborations with federal agencies, nonprofits, and the private sector in FY 2014. During FY 2014, 20 percent of all AmeriCorps VISTA living allowances for members were supported through cost-share agreements funded by the local communities served. This cost share program enabled CNCS to support nearly 1,600 additional AmeriCorps VISTA members in FY 2014.

In FY 2014, AmeriCorps VISTA placed 7,782 AmeriCorps VISTA members (including 5,838 full-time and 1,944 Summer Associates), in more than 4,000 organizations across the country.<sup>4</sup> The capacity-building activities performed by the AmeriCorps VISTA members varied, depending on the local needs, but some activities were common among many sponsors. For example, 81 percent of all sponsors assigned one or more of their AmeriCorps VISTA members to resource development, and these members raised more than \$160 million in cash and in-kind resources in support of anti-poverty programs. Similarly, 88 percent of sponsoring organizations used one or more of their AmeriCorps VISTA members to build their capacity to recruit and manage community volunteers. These AmeriCorps VISTA members meaningfully engaged nearly 1.4 million community volunteers in service.

## Shaping Our Appalachian Region

Kentucky Governor Steve Beshear (D) and Congressman Hal Rogers (R-KY) launched Shaping Our Appalachian Region to help meet the challenges in eastern Kentucky related to unemployment and poverty. The initiative is intended to help the region develop and put into action new locally-oriented strategies to attack persistent challenges. Through this investment of more than \$1.05 million, more than 50 AmeriCorps VISTA members will provide more than 100,000 volunteer hours over the next year to eastern Kentucky families and individuals in the areas of job creation and retention, youth engagement, education success, and health and human services. These AmeriCorps VISTA members will recruit and manage volunteers, raise funds, and build the capacity of 16 local nonprofit and education organizations that tackle poverty and expand opportunity to 50 counties in rural Kentucky's Appalachian region.

## ServiceWorks

Powered by the Citi Foundation, AmeriCorps and Points of Light, ServiceWorks is a groundbreaking, national program that uses volunteer service as a strategy to help 25,000 low-income youth and young adults in 10 cities develop the skills they need to prepare for college and careers. The program, which will deploy 225 AmeriCorps members over three years, will engage youth, ages 16–24, in service and build a large-scale volunteer response to the crisis of low college and career attainment.

FY 2014 was an important year for AmeriCorps VISTA as the program continued developing tools to measure the impact of AmeriCorps VISTA projects. CNCS completed technical requirements for a new project application and reporting system, which will assist applicants in developing project plans that incorporate CNCS national performance measures, capture data to demonstrate progress, and increase accountability. These new systems will be fully implemented for FY 2015 and will improve resource allocation decisions and results measurement.

<sup>4</sup> CNCS enhanced its data collection method in FY 2014, allowing it to track actual AmeriCorps VISTA member project sites. Thus, CNCS reported 3,000 more service locations in FY 2014 compared to the prior year.

## AmeriCorps National Civilian Community Corps

AmeriCorps National Civilian Community Corps (NCCC) is a residential, team-based program that provides opportunities for young Americans between the ages of 18 and 24 to address pressing national and community needs in all 50 states through 10 months of full-time, intensive national service.

AmeriCorps NCCC provides rigorous training in skills such as first aid, CPR, firefighting, case management and asset mapping, and volunteer coordination. This training prepares members to serve as lead CNCS disaster responders and as force multipliers who can effectively coordinate and manage episodic volunteers.

In addition to disaster preparation, mitigation, response, and recovery, traditional AmeriCorps NCCC members serve at the request of local, state, and regional organizations in the areas of infrastructure improvement, environmental stewardship and conservation, urban and rural development, and energy conservation.

AmeriCorps NCCC Strategic Goals		
1 - Increase impact on communities	2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
FY 2014 ENACTED LEVEL: \$30.0 MILLION		

In FY 2014, AmeriCorps NCCC enrolled 1,000 members and recruited or managed an additional 23,000 volunteers in efforts to improve communities throughout the country. The program continued to serve in the focus areas identified in the Serve America Act and CNCS's Strategic Plan: natural and other disasters, infrastructure improvement, environmental stewardship and conservation, urban and rural development, and energy conservation. In support of CNCS's work in these strategic focus areas, NCCC teams spent 36 percent of total project hours on urban and rural development, 30 percent on environmental stewardship and conservation, 24 percent on nationwide disaster services, eight percent on infrastructure improvement, and two percent on energy conservation projects. In addition, 26 AmeriCorps FEMA Corps teams provided humanitarian support for the unaccompanied children in Texas and Arizona.

In FY 2014, AmeriCorps NCCC members:

- Suppressed or contained wildfires on 89 acres, removed 1,173 acres of brush or undergrowth to prevent fires, and performed prescribed burns on more than 17,544 acres to prevent further wildfire spreading
- Assisted 17,809 homeless people, 24,247 at-risk youth, and 5,893 veterans
- Taught 11,129 people in environmental classes/workshops

- Planted 41,068 new trees
- Recruited and coordinated 23,079 volunteers
- Constructed 272 houses and weatherized/outfitted other homes with energy-efficient modifications
- Returned approximately \$13 million tax dollars to American communities through tax preparation services.

AmeriCorps NCCC members participated in disaster response and recovery efforts in partnership with the Federal Emergency Management Agency (FEMA), the American Red Cross, Governor-supported Commissions, and local municipalities in 22 states, including continued recovery efforts in the aftermath of the Colorado floods, as well as in the Atlantic states affected by Hurricane Sandy, and provided support following tornadoes in Tupelo, Mississippi.

Building on AmeriCorps NCCC disaster work and a 20-year history of working together on disaster response and recovery efforts, the Department of Homeland Security's Federal Emergency Management Agency (FEMA) and CNCS launched an innovative partnership in 2012 to further strengthen the nation's ability to respond to and recover from disasters while expanding professional disaster management opportunities for young people.

In FY 2014, FEMA Corps teams provided vital services to survivors of the Washington mudslides and Alaskan floods. Support services to the Washington mudslide survivors included providing meals to survivors, supporting disaster services facilities, and registering people at shelters with the National Emergency Management Information System. In Alaska, FEMA Corps members assisted with sheltering and feeding survivors, operating laundry services, distributing 6,619 meals to survivors, and supporting six disaster service facilities.

Disaster survivors also continue to benefit from innovative practices FEMA Corps helped to pilot, such as Disaster Survivor Assistance Teams. These groups go door-to-door with tablet computers in areas struck by disasters, registering residents who are in need of assistance. This greatly reduces burden on survivors when seeking access to government support by allowing them to submit information without having to travel to a central facility. The Administration has highlighted this effort as a great example of government delivering services better, faster, and more efficiently – a core element of President Obama's Management Agenda.

Since the program's inception, FEMA Corps has served in 91 cities across 35 states, and has completed more than 7,422 assessments, answered more than 32,352 registration or helpline calls, distributed 27,408 educational materials and/or preparedness kits, and conducted more than 79,778 case reviews for survivors.

Issue Area	Team Service Hours Completed <sup>1</sup>	Percentage of Total Team Service Hours
Natural and Other Disasters	264,073	24%
Infrastructure Improvement	84,279	8%
Environmental Stewardship and Conservation	319,206	30%
Energy Conservation	23,635	2%
Urban and Rural Development	393,647	36%
<b>Total</b>	<b>1,084,840<sup>2</sup></b>	<b>100%</b>

<sup>1</sup>All data submitted as of 9/30/2014.  
<sup>2</sup> These hours do not include those devoted to training or the 80 hours of individual service each NCCC member must complete with a community sponsor of their own choosing.

In addition to capturing the previously discussed performance information, AmeriCorps NCCC conducts project sponsor surveys, which provide outcome evidence on the community impact of the AmeriCorps NCCC program model. The most currently available results, from FY 2013, show two primary outcomes of AmeriCorps NCCC projects. First, AmeriCorps NCCC service enhanced the capacity of the sponsoring organization to meet community needs. Second, collaborating with AmeriCorps NCCC expanded or enhanced the sponsoring organization's community impact. Ninety-five percent of the sponsors enhanced their ability to provide services, including increasing the number of people they could serve and the amount of service they could provide.

AmeriCorps NCCC is a strong contributor to the agency's strategic goal of providing professional, educational, and life benefits to service participants. The most currently available data, from CNCS's 2013 AmeriCorps NCCC performance measures survey, found that 90 percent of members report that the AmeriCorps NCCC training and experience helped them to improve in sensitivity and respect for differences between people. In addition, 84 percent of members report that the training and experience strengthened their commitment to community service. Eighty-six percent also report that they are likely to motivate others to strengthen their commitment to community service in the next year. Seventy-nine percent intend to volunteer more frequently.

### Governor-Supported State Commissions

Since CNCS's inception in 1993, Congress envisioned AmeriCorps and national service as a joint state-federal undertaking. To carry out this partnership, Congress created a unique role and responsibility for State Service Commissions on service and volunteering (Commissions).

More than a thousand private citizens serve as governor-appointed commissioners and direct the states' national and community service efforts. These State Service Commissions serve as invaluable partners to CNCS identifying local needs and directing federal and state resources to address them.

Through partnerships with state and local governments, Governor-supported Commissions advance the Administration's goal to develop results-driven relationships within and outside of government at all levels. The Texas Commission partnered with the Bush School of Government and Public Service at Texas A & M University to identify the best mechanisms to build the capacity of the nonprofit sector to address community problems. This has resulted in the Commission developing other governmental and private sector partnerships to increase collaboration among nonprofit agencies across the state and to expand effectiveness in addressing immediate economic recovery needs and other social services challenges. Texas has now expanded this type of partnership with 10 universities.

As a result of revisions CNCS made to the application requirements for Commission Support grants in 2014, Governor-supported Commissions are providing more extensive information to CNCS about their goals and performance measures for their support grants. CNCS requires Governor-supported Commissions to report their plans and activities in three major areas: AmeriCorps Grant Outreach and Selection, Program Compliance and Performance, and Collaboration and Sustainability. In addition, Governor-supported Commissions must select and report on specific capacity-building performance measures. This will allow CNCS to aggregate and track both outputs and outcomes across the Governor-supported State Commission network. The agency anticipates sharing actual data for these measures in future performance reports.

These Governor-supported Commissions support and connect AmeriCorps National Direct operating sites to the state's AmeriCorps Network. Governor-supported Commissions are responsible for conducting a variety of activities in their states to ensure accountability and maintain a strong network of service delivery. These activities include training, performance reviews, site visits, risk assessments, and other oversight activities. As the centers for national service and volunteer activity in their states, Governor-supported Commissions have established partnerships that strengthen service and expand volunteer opportunities.

Governor State Service Commissions Strategic Goals		
1 - Increase impact on communities	2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
FY 2014 ENACTED LEVEL: \$15 MILLION		

**RSVP**

RSVP engages the skills, talents, and interests of volunteers age 55 and older to meet a wide range of community needs, such as mentoring and independent living services. RSVP is a flexible volunteer service model without established service schedules or compensation for the volunteers when on assignment, with the exception of insurance coverage and mileage reimbursement.

RSVP Strategic Goals		
1 - Increase impact on communities	2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
FY 2014 ENACTED LEVEL: \$48.9 MILLION		

RSVP volunteers delivered more than 39.3 million hours of service in their communities. Across the network of federally funded grantees, 245,415 volunteers served in more than 38,000 community organizations (volunteer stations) nationwide. The volunteers provided essential services, such as assisting local organizations that deliver meals to the homes of isolated older adults or tutoring at-risk youth in schools. Adoption of the CNCS national performance measures by all 615 RSVP grants has focused RSVP grantees on increasing community impact. Working through such networks as Area Agencies on Aging, Community Action Agencies, Volunteer Centers, United Ways, social services agencies, and faith-based organizations, RSVP volunteers:

- Served 461,000 veterans in activities such as transportation and employment service referrals
- Mentored more than 87,000 children
- Provided independent living services to 610,000 adults, primarily frail seniors
- Provided respite services to nearly 15,000 family or informal caregivers
- Engaged 21,600 veterans who served as RSVP volunteers.
- Leveraged an additional 32,500 volunteers to support RSVP activities such as delivering meals to those in need and tutoring at-risk children

In FY 2014, states and local communities contributed more than \$39.4 million in non-federal support, including cash and in-kind, to RSVP projects. This level is 45 percent of the total cost, and well above the required 30 percent non-federal share required by the program. This additional funding, including the \$4.4 million in state-appropriated dollars, demonstrates the value of services that RSVP volunteers provide in their communities.

For example, in the summer of 2014 RSVP initiated a cross-sectional evaluation to describe how RSVP volunteers are engaged under the newly adopted national performance measures. The evaluation also compares RSVP volunteers to community volunteers and how various RSVP volunteers were engaged in service under the FY 2013 work plans. Findings are expected to be released in the first quarter of FY 2015.

The 2013 tornado in central Okalahoma presents another example. In the year following the 2013 tornado in Central Oklahoma, more than 90 RSVP volunteers contributed 4,515 hours to nine nonprofit and state organizations working in the recovery effort. Senior Corps RSVP volunteers answered disaster hotlines, performed follow-up calls to families affected by the disaster, served food and provided companionship at day shelters, provided rides to medical appointments, and collected and distributed donated goods to disaster survivors.

As part of treatment and rehabilitation, the Queens Veterans Court used RSVP volunteers who are also veterans, to mentor veterans with low level misdemeanors who find themselves in court due to behavior, mental health, and substance abuse issues related to their military service. Because the mentors are veterans, they more easily relate to the issues the veteran may be having. The mentors help the veterans get their lives back on track and out of the revolving door of the justice system. Last year, RSVP volunteers mentored 50 veterans to help keep them from issues that would put them in more serious judicial court situations.

The RSVP sponsored by Volunteer Macon was instrumental in ensuring that elderly residents are not prematurely institutionalized, isolated, and companionless. Over the past year, 36 RSVP volunteers served 12,599 hours assisting 108 homebound elderly residents in Bibb County, Georgia. RSVP volunteers supported and assisted these elderly residents with transportation to medical appointments, grocery shopping, assistance at senior or community centers, and assistance with obtaining social

services such as energy assistance and commodities, and they also provided respite to caregivers.

For example, beginning in FY 2014, CNCS began planning a comprehensive review of the first agency-wide performance data reported by Senior Corps RSVP grantees and anticipates providing preliminary analysis in the agency's FY 2016 Congressional Budget Justification.

**Senior Companion Program (SCP)**

SCP provides a cost-effective option in the continuum of care available to the nation's aging population. Each year, SCP volunteers serve thousands of older and frail adults by providing companionship, transportation, light chores, and respite to assist seniors to remain in their own homes. They help aging Americans and veterans to maintain their dignity and quality of life, while enriching their own lives through their national service experience. Traditional program clients include frail seniors, particularly women over the age of 85 who live alone, in addition to individuals with disabilities and their caregivers.

Senior Companion Program Strategic Goals	
1 - Increase impact on communities	2 - Enhance national service participant experience
FY 2014 ENACTED LEVEL: \$45.5 MILLION	

Approximately 14,000 SCP volunteers delivered 10.7 million hours of service to approximately 46,750 frail, older adults and others with physical or other limitations, of which 3,480 were veterans. Of the SCP volunteers serving, 600 were veterans. SCP volunteers transport clients to medical appointments, help shop for food and basic necessities, provide companionship to offset isolation, and offer respite to 6,900 family members and informal caregivers.

The Senior Companion program sponsored by Audubon Area Community Services Inc. in Owensboro, Kentucky provides in-home service to chronic, long-term care clients. Working in partnership with nine volunteer stations, Senior Companions received four hours of in-service training monthly on aging issues including, but not limited to, hospice, cancer, dementia, Alzheimer's, and Parkinson's Disease.

Last year alone, 73 SCP volunteers provided 72,669 hours of in-home care assistance to 305 frail elderly clients. Senior Companions worked one-on-one with clients to build and maintain independent living skills.

To track the program's impact, data was collected from Client Care Plans. Reports indicated that 79 percent of SCP clients receiving weekly assistance maintained or improved their activities of daily living, as indicated on the Independent Living Skills surveys completed by volunteer stations. Ultimately, 91 percent of SCP clients were able to remain living in their own home.



**Foster Grandparent Program (FGP)**

Foster Grandparent Program is an intergenerational program first established in 1965. It connects volunteers age 55 and over with opportunities to provide one-on-one mentoring, nurturing, and support to children with special needs, exceptional needs, or who are at an academic, social, or financial disadvantage. Foster Grandparents help young children with special or exceptional needs to gain skills and confidence to succeed in school, tutor children in literacy, and assist children in the child welfare system.

Foster Grandparent Program Strategic Goals	
1 - Increase impact on communities	2 - Enhance national service participant experience
FY 2014 ENACTED LEVEL: \$107.7 MILLION	

Foster Grandparent Program had 27,450 volunteers of whom 1,000 were veterans, deliver 23.4 million hours of service in their communities. Volunteers served a total of 196,000 children, including mentoring more than 113,000 children, 3,400 of whom were children of military families. These volunteers served through a network of 321 grants, funded by both CNCS and non-federal funds.

**Subtitle H—Innovation and Demonstration and Call to Service**

Subtitle H Innovation funding provides resources for CNCS to support and encourage new forms of national service and civic participation and improve existing national service programs. The activities in Subtitle H generally promote national service and volunteering throughout the country. These activities identify innovative program models and disseminate practices found to improve the effectiveness of programs and projects.



The Syracuse school board approved funding for a plan to put a Foster Grandparent in every first- and second-grade classroom in the district. The district will contract with PEACE, Inc., the Foster Grandparent program sponsor, to place a Foster Grandparent in up to 167 classrooms. CNCS has invested additional federal dollars to leverage this local investment with supplemental funding to support the successful rapid expansion of the Foster Grandparent program. CNCS is also providing technical assistance and training to support the adoption of national service best practices in Syracuse. CNCS is evaluating the expansion to be able to support other communities as part of the Presidential Task Force on Expanding National Service.

Innovation and Demonstration and Call to Service Strategic Goals	
2 - Enhance national service participant experience	3 - Maximize value to grantees, partners, and participants
<b>FY 2014 ENACTED LEVEL: \$3.1 MILLION</b>	

**Call to Service**

In FY 2014, Call to Service activities including national days of service, partnerships, and convenings that engaged hundreds of thousands of Americans in service, expanded national service opportunities to new communities, demonstrated impact, and recognized the efforts of those who serve.

As the nation’s largest day of service the 2014 Martin Luther King, Jr. (MLK Day) was an especially significant moment for national service. Americans came together in all 50 states to deliver meals, refurbish schools and community centers, collect food and clothing, support veterans and military families, and promote nonviolence. Complete results from Martin Luther King Jr. Day grantees will be provided in the agency’s FY 2016 CBJ, but initial reports include examples of how volunteers recruited mentors, supported job-seekers, built homes and helped citizens improve their financial literacy skills.

In addition to celebrating Doctor King’s legacy with a national day of service, CNCS sponsored the September 11th National Day of Service and Remembrance, which commemorated the anniversary of the 9/11 attacks. Volunteers joined their neighbors in all 50 states and the District

of Columbia to build affordable housing for veterans and military families, educate citizens on disaster preparedness, organize food drives, and more.

Through National Mentoring Month, CNCS and its partners raised awareness about the positive impact high-quality mentoring relationships can have on young people's academic achievement, self-esteem, social skills, and career development. The National Mentoring Summit brought together 500 nonprofit, business, and government leaders to enhance the quality and impact of the mentoring programs. The Summit also provided a forum to chart the mentoring field's future and focus the power of mentoring on measurable outcomes.

Working with the Department of Education, CNCS recognized an estimated 550 schools for exemplary community service in the 2014 President's Higher Education Community Service Honor Roll. Of these designees, five institutions received the Presidential Award, the highest honor.

### Support for Innovative Services and Other Assistance

In FY 2014, CNCS support focused on enhancing the agency's grantee and project performance through innovative training models and digital infrastructure support focused on compliance, accountability, and management. For example, CNCS presented its third Senior Corps Virtual Conference, providing training to more than 1,800 registrants. Sessions focused on financial and grants management, criminal history checks, and compliance monitoring systems.

In addition to holding the Virtual Conference, CNCS hosted AmeriCorps grantees who participated in their annual symposium of 350 leaders of state service commissions, multi-state programs, programs operating in a territory without a commission, tribal programs, and tribal planning grantees. Participants included AmeriCorps national and tribal program managers, and state commission executive directors and financial officers. Special sessions targeted leaders who are new to managing AmeriCorps programs. Training topics focused on financial management, grant management, and compliance requirements.

In 2014, CNCS introduced competitive grants for Regional Training Conferences. The events were held in five locations, and reached over 1,000 participants, more than triple the total number trained in the previous year. This innovative training opportunity reached many frontline staff who have not previously benefited from expert training in critical topics including financial and grants management, performance measures, and criminal history checks. Participants included Senior Corps project directors, AmeriCorps project staff, and state commission leaders.

### The Volunteer Generation Fund (VGF)

The Volunteer Generation Fund supports voluntary organizations and Governor-supported State Service Commissions that help grow volunteerism, increase volunteers' career skills, and expand opportunity for the unemployed, veterans, and disadvantaged youth.



#### Volunteer Generation Fund Strategic Goals

2 - Enhance national service participant experience

FY 2014 ENACTED LEVEL: \$3.8 MILLION

In FY 2014, 17 of the Governor-supported Commissions that received CNCS grant awards in the previous year supported volunteer connector organizations, trained nonprofits in volunteer management, and increased the number of new and continuing skilled volunteers in their states. Governor-supported Commissions provided direct support to numerous nonprofits and volunteer connector organizations in urban and rural communities in their states, and reported on performance measures related to volunteer recruitment and management.

For example, Volunteer Generation Fund grantees:

- Expanded access to volunteer opportunities by expanding geographic reach of volunteer centers in underserved communities
- Improved systems and training for coordinating disaster and emergency volunteers to meet immediate and long-term needs
- Implemented a research-based volunteer management curriculum for nonprofit organizations
- Enhanced nonprofit organizational capacity to manage and engage volunteers in meaningful service through training and technical assistance
- Recruited volunteers from specialized populations including college students, youth, and corporate volunteers
- Built capacity to manage volunteers in times of disaster.

In addition, in late FY 2014, CNCS awarded 17 new Volunteer Generation Fund grants for the coming year, including four Governor-supported Commissions new to the Volunteer Generation Fund. All grantees will subgrant to locally based non-profits and volunteer centers, including those located in rural and underserved communities in Mississippi, Louisiana, Michigan, and Maryland. Priority areas represented include education, disaster response, and building capacity of volunteer recruitment and retention. Several grantees will build capacity in

their states by implementing the Service Enterprise Model, developed under the Volunteer Generation Fund grant by California Volunteers. Areas of emphasis include recruitment of mentors, Science Technology Engineering Mathematics volunteers, and programs that serve disconnected youth.

## Evaluation

Research and evaluation is a priority for CNCS as outlined in the Strategic Plan. It is designed to develop actionable knowledge to support the mission through rigorous program evaluation and research initiatives.

### Evaluation Strategic Goals

3 – Maximize the value to grantees, partners, and participants

**FY 2014 ENACTED LEVEL: \$5.0 MILLION**

CNCS sponsored a quasi-experimental outcome evaluation of the Minnesota Reading Corps Pre-Kindergarten Program (a distinct model, customized to that stage of child development). The results of this evaluation show strong positive impacts on 4- and 5-year-old students in five areas of literacy skills in both public school settings and Head Start programs. Positive, significant findings emerged for 3-year-old Pre-K students as well.

- Students who received tutoring by Minnesota Reading Corps AmeriCorps members achieved higher literacy assessment scores.
- Minnesota Reading Corps tutoring had impact across multiple racial groups.
- The Minnesota Reading Corps model is replicable in multiple school settings using AmeriCorps members with varied backgrounds.

## School Turnaround AmeriCorps Evaluation (Design Phase)

School Turnaround AmeriCorps is a partnership between CNCS and the Department of Education focused on improving student achievement in low-performing schools.<sup>5</sup> During FY 2014, CNCS completed the design phase for a School Turnaround AmeriCorps national evaluation. The primary purpose of this evaluation is to assess the value brought by AmeriCorps above and beyond the school turnaround federal resources already invested in these persistently low-achieving schools.

In partnership with Senior Corps, CNCS's Office of Research and Evaluation oversaw Senior Corps evaluation activities during FY 2014. For example, CNCS analyzed over 30,000 Foster Grandparent Program and Senior Companion Program volunteers to understand the demographic

composition of these Senior Corps volunteers and to explore self-rated health status. Through this analysis, the agency found higher self-ratings of health for Senior Corps volunteers than for a matched comparison group of other self-described volunteers from an independent national sample (the Health and Retirement Study).

CNCS's Office of Research and Evaluation partners with the Social Innovation Fund program leadership in overseeing the SIF National Assessment. During FY 2014, CNCS examined how participation in the Social Innovation Fund has affected the policies, practices, and capacities of the Social Innovation Fund grantee organizations. The National Assessment also examines whether the existence and operations of the Social Innovation Fund program are influencing federal grantmaking and other actors in the grantmaking and non-profit world more broadly. Preliminary findings from this review will be available at several points during FY 2015. The effort is intended to conclude in FY 2016.

During FY 2014, CNCS's Office of Research and Evaluation worked closely with AmeriCorps State and National and its grantees to continue to build evaluation capacity aligned with levels of evidence featured in the agency's Notices of Funding Opportunity. The Office provided one-on-one technical assistance for large grantees (those receiving more than \$500,000 from CNCS per year that are required to conduct an external impact evaluation). Additionally, the Office developed a core curriculum on evaluation principles and methods for all grantees, program officers, and other stakeholders.

## Social Innovation Fund (SIF)

As one of CNCS's signature programs to find and scale social interventions, the Social Innovation Fund combines public and private resources to grow the impact of innovative, community-based solutions that have compelling evidence of improving the lives of people in low-income communities throughout the United States. The SIF invests in three issue areas: economic opportunity, healthy futures, and youth development.

### Social Innovation Fund Strategic Goals

3 – Maximize value to grantees, partners, and participants

**FY 2014 ENACTED LEVEL: \$70.0 MILLION**

The SIF invested \$33.7 million in seven new grantee intermediaries, provided \$18.1 million in continuation funding to existing grantees, and selected its inaugural class of Pay for Success grantees with awards totaling \$12 million. Through the SIF, CNCS also joined OMB's Performance

<sup>5</sup> Please see the AmeriCorps State and National section of this report for more information.



Partnership Pilot, which seeks to align cross-agency investment into pay for performance social financing.

In FY 2014, the SIF continued to operate under the following guiding principles:

- Build a solid programmatic and operational foundation to support growth and development of promising, innovative program models and the generation of compelling outcomes.
- Strengthen the application of rigorous evidence and evaluation in critical program phases.
- Develop key knowledge initiatives, sharing what the SIF learns about what works in tackling our nation's toughest challenges for the benefit of other federal agencies and the nonprofit sector.

The SIF portfolio represents a total investment of more than \$783 million. This includes \$243.4 million in federal funding to more than 30 intermediary grantees.

Through the SIF, more than 217 local nonprofits and programs in 37 states and Washington, DC, utilizing 87 promising interventions, have received funding commitments from more than 200 non-federal organizations to date.

By focusing on priority areas, SIF grantees have reached almost 300,000 Americans in need with targeted solutions, including efforts to:

- Increase the employability of those seeking work

- > The Center for Employment Opportunities, a subgrantee of the Edna McConnell Clark Foundation, offers comprehensive employment services exclusively for people with criminal records. In 2013, 61 percent of participants were still employed or in school after 12 months.
- > In the last three years, over 15,000 individuals have been placed in jobs with the assistance of the Local Initiatives Support Corporation's Financial Opportunity Centers.
- Reduce health risk factors and disease prevalence in low-income populations.
  - > AIDS United's SIF grant has produced positive health outcomes for 3,448 low-income and marginalized individuals living with HIV through innovative, evidence-based, collaborative programs.
  - > The US Soccer Foundation's Soccer for Success participants experienced a statistically significant improvement in nutrition knowledge and healthy nutrition behavior.

As of the end of the first quarter of 2014, SIF had invested over \$5.96 million towards the design and implementation of 73 approved program evaluations. This evaluation program is managed by SIF and monitored by independent evaluation experts who check each SIF evaluation study for rigor and quality. Evaluation plans have been approved for all current grantees. In total, 87 interventions are funded and will be evaluated, including 10 in Economic Opportunity, 14 in Healthy Futures, and 63 in Youth Development.

## Disability

Disability inclusion is a priority for CNCS. In alignment with the agency’s authorizing legislation, CNCS seeks to expand opportunities for the meaningful and successful inclusion of people with disabilities in national service.<sup>6</sup> The agency’s disability inclusion strategy supports the objectives of Goal 2 in the CNCS strategic plan to strengthen national service so that participants engaged in CNCS-supported programs consistently find satisfaction, meaning, and opportunity.

Disability Inclusion Grants Strategic Goals
2 - Enhance national service participant experience
FY 2014 ENACTED LEVEL
CNCS did not receive an appropriation for this line item in FY 2014. However, as authorized by the Serve America Act, CNCS funded disability activities with money from its program budget.

In FY 2014, to support the goal of inclusion of people with disabilities in service, CNCS signed a Memorandum of Understanding with the Department of Labor Office of Disability Employment Policy. The MOU will further the coordination of policy activities, disseminate effective practices, and share informational resources and technical efforts between the two agencies. It will amplify mutual interests and engage people with disabilities in national service, where they will gain the skills and experience that prepare them for gainful employment.

CNCS also signed a Memorandum of Understanding with Health and Human Services’ Administration for Community Living (ACL). Under this MOU, ACL and CNCS will jointly recruit, engage, and support older Americans and people with disabilities in national service and maximize

the ability of older adults to live independently. The primary goals of this collaboration are:

- supporting inclusive, accessible service sites and programs
- building integrated National Service Learning Community networks; increasing the impact of volunteering by and for older adults and persons with disabilities
- strengthening volunteer service, so that participants find satisfaction, meaning and opportunity
- maximizing the value added to grantees, partners, and participants through research, technical assistance, evaluation and program oversight; and heightening the visibility of volunteering and the ACL/ CNCS partnership.

The process for obtaining funding for reasonable accommodations for national service members with disabilities was strengthened. AmeriCorps grantees are now able to submit requests for reimbursement after they have verified that their AmeriCorps member has a qualifying disability under the Americans with Disabilities Act and determined the proper reasonable accommodation.

The cooperative agreement with the National Service Inclusion Project was concluded. All evergreen website content (webinars, e-courses, and tips) was archived and will move to a CNCS-operated disability resource webpage. This webpage will also be the home of five new e-courses developed to assist grantees and partners who are supervising service members with disabilities to recruit, accommodate, retain, and better understand some of the unique issues associated with disability identity. This new webpage will also include updated additional resources regarding disability issues for grantees and partners.

<sup>6</sup> For FY 2014, as authorized by the Serve America Act, CNCS used program dollars to fund its disability activities.

# Management Performance

## Human Capital

CNCS remains committed to ensuring its employees are prepared to do their jobs effectively and efficiently. An important tool in helping

the agency meet this goal is the employee satisfaction survey, which assesses the extent to which employees believe CNCS provides them with the necessary support to achieve mission success. Below are the most recently available data on employee satisfaction and related trend information for previous years.

### Employee Satisfaction Trends (2010–2014)

Performance Objective and Measure	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	Actual Data Trend FY 10-14
Percent of employees who report overall satisfaction with their jobs	73%	69%	65%	67%	63%	

As shown in the table above, CNCS achieved an Employee Satisfaction score of 63 percent for FY 2014, which were two percentage points below its annual goal and four percentage points short of the agency’s FY 2013 results. This mirrors overall government employee satisfaction score which has decreased by six percentage points over the last three years, suggesting broad federal workforce challenges.<sup>7</sup> CNCS continues to assess its survey score and identify major drivers.

During 2014, with a goal of improving engagement, effectiveness, and efficiency across CNCS, the Corporation continued its analyses to improve the operating structure for CNCS offices. Approximately 5 offices were analyzed to review staffing, work processes, and core functions. This resulted in reorganization and the elimination of unnecessary positions. The analysis will continue into 2015.

In an effort to improve automation of core human resources functions, the Office of Human Capital transitioned the agency’s automated timekeeping system to the National Finance Center. This transition updated an existing timekeeping system to provide both employees and supervisors greater access to time and attendance records. Additionally, the Office of Human Capital implemented an automated performance management system to allow greater use of web-based performance management tools, thereby improving the quality and timeliness of employee feedback and appraisals.

## Information Technology

CNCS’s recent IT investments have focused on addressing Goal 4 of the agency’s Strategic Plan. These investments have resulted in a core set of IT services to support mission needs and IT policy, process, and tools to enable secure and effective IT management. In FY 2014, OIT continued execution of its IT strategy through initiatives and projects focused on:

- Protecting systems and data
- Expanding IT capabilities
- Modernizing systems to meet evolving business needs
- Maximizing return on IT investment
- Effectively managing agency information resources.

In FY 2014, a Federally-Funded Research and Development Center completed an independent assessment of CNCS’s IT Program. The assessment provided recommendations that prompted CNCS to initiate an IT Modernization Program that will ultimately update the underlying technology for the agency’s core grants and member management systems. This update will make data more accessible to support evidence-based decisions, help staff be more productive, and make the system more responsive to changing business needs and more cost-effective to maintain.

<sup>7</sup> A More Efficient and Effective Government: Cultivating the Federal Workforce, Partnership for Public Service. 2014. <http://ourpublicservice.org/OPS/publications/download.php?id=242>

## Priority Measures

### Grantmaking

CNCS is the nation's largest federal grantmaker focused on supporting national and community service. CNCS provides approximately \$750 million annually to organizations across the nation to improve lives and strengthen communities through service and volunteering.

CNCS has adopted the following key indicators to gauge the agency's effectiveness and efficiency in managing grants. The metrics serve as a supplement to the Goal 1 and 2 priority measures in the agency's strategic plan.<sup>8</sup>

### CNCS High Priority Measures

**CNCS Strategic Goal 4:** Strengthen and align operations to support and grow innovative community solutions and national service

Performance Measure	FY14 Target	FY14 Actual
<b>Financial Statements:</b>		
Prepare and publish audited financial statements covering CNCS operations within 45 days of fiscal year end and receive a clean audit opinion on annual financial statements	On time; Unmodified opinion	On time; Unmodified opinion
No material internal control weaknesses identified in the annual financial statement audit	0	0
No significant deficiencies in internal control weaknesses identified in the annual financial statement	0	2
No compliance issues identified in the annual financial statement audit	0	1
<b>Grantmaking:</b>		
Award all grants before the budget period start date	95%	95%
Post all grant competition award data to the Internet within 90 days of completion of the award process <sup>9</sup>	100%	TBD
Complete all grant-monitoring activities identified in the annual monitoring plan and follow up with grantees where necessary	85%	85%
Close all grants within 180 days of the performance period end date	64%	65%

<sup>8</sup> CNCS's strategic plan is located at <http://www.nationalservice.gov/about/strategic-plan>

<sup>9</sup> Actual data for this measure will be available in February 2015.

In addition to its effective grantmaking in FY 2014, CNCS completed a number of critical initiatives to improve overall operations, performance, and accountability. CNCS completed the following management initiatives in the last year:

### **Accounting and Financial Management Services**

In FY 2014, CNCS used the Department of the Treasury's Invoice Processing Platform to process a majority of all vendor invoices increasing operational efficiency. Also in FY 2014, CNCS established an interface with Treasury's Collection Information Repository, which allows for all collection transactions cleared through Treasury to be automatically posted to the CNCS administrative accounting system (Momentum). This interface reduces errors and increases efficiency of CNCS accounting operations. In addition, CNCS moved toward more consistent and complete financial data by reconciling its accounts with the Government-wide Treasury Account Symbol Adjusted Trial Balance System.

Also in FY 2014, CNCS automated the production of invoices and account statements for AmeriCorps VISTA Cost Share sponsors. The automated invoicing cycle was accelerated from monthly to bi-weekly to increase the receivable turnover ratio. Finally, CNCS implemented a Pay Now functionality that makes it easier for the customer to pay their invoices electronically. Coupled with the automated interface with Treasury Collection Information Repository (CIR), payment information is now made available to VISTA Cost Share sponsors within three days of payment. As

a result of these improvements, CNCS has observed a significant rise in electronic payments versus payments by check. Additionally, account receivable balances have been reduced. These initiatives have provided a greater level of transparency, along with increased sponsor confidence and satisfaction in the Cost Share program.

### **Accountability**

CNCS continued to foster a culture of integrity, accountability, and transparency in FY 2014 by fortifying its internal controls, oversight, and monitoring. In this spirit of continual improvement and CNCS' Strategic Plan Goal 4 strategy of promoting adherence to internal controls, CNCS continued to implement an Integrity Framework to help ensure CNCS' organizational effectiveness, cohesion, and longevity. This framework identifies integrity as the cultural value by which all CNCS staff members are called upon to act, in accordance with high ethical and professional standards. It focuses on the continual assessment and improvement of daily business practices. To support this framework, CNCS implemented management team work plans with an enhanced integrity performance standard. CNCS, with the coordination of the Office of Accountability and Oversight (OAO), carried out a focused campaign to strengthen grants management oversight, improve internal controls, and address audit findings. CNCS also established an oversight and governance structure for its Integrity Assurance Program that includes the roles and responsibilities of executive leadership, managers, and rank-and-file CNCS staff in maintaining an effective system of internal controls.



## Internal Controls: Management Assurance Statements

CNCS annually makes a number of specific assurances that its policies, procedures, and operations are sufficient to meet specified management objectives. These assurance statements meet government-wide objectives in regard to CNCS's internal and management controls (including controls over financial reporting) and CNCS's financial management systems, as well as specific annual assurances regarding the management and operation of the National Service Trust. This section briefly describes each of these management objectives, the bases for CNCS's assessments, and provides the specific management assurance statements for each area.

### Internal Controls, Audit Results, and Management Assurances

CNCS is subject to the reporting requirements of the Government Corporation Control Act (31 U.S.C. 9101 et. seq.). Under these requirements, CNCS provides a statement on its internal accounting and administrative controls consistent with the requirements of the amendments made by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), (31 USC 3512, et seq.) and implemented by Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. The statement reflects CNCS's assessment of whether there is reasonable assurance that internal controls are achieving the intended results, reports any material weaknesses in internal controls present within the agency, and describes management's current plans to address and correct any material weaknesses.

During FY 2014, CNCS continued to strengthen its internal control program by following the requirements of the FMFIA, the Government Corporation Control Act, applying OMB Circular A-123 and its related appendices, implementing a new internal control governance structure, and enhancing its assessment process.

CNCS's FY 2014 internal control program is led by the Director of Accountability and Oversight, under the direction of the Chief Operating Officer. Senior management from across the agency provide support and guidance based on their subject matter expertise.

In FY 2014, CNCS enhanced its Integrity Assurance Program. The principles within the Integrity Framework (which customized government-wide internal control standards to CNCS operations) apply to all aspects of CNCS's operations: programmatic, financial, and compliance. CNCS is implementing its enhanced Integrity Assurance Program through well-established methodologies and effective systems of internal control, including the Government Accountability Office's exposure draft of the Standards for Internal Control in the Federal Government. Using these approaches allow CNCS to assess how well internal controls are integrated into its operations and are built into its entity-wide policies, procedures, and practices.

In FY 2014, CNCS applied GAO's Risk Management Framework as an important tool in planning its assessment of internal and management controls. This framework helps identify the areas of greatest risk within agency operations and provides indicators as to where CNCS should concentrate its efforts to assess the effectiveness and efficiency of controls. Additionally, based on the assessment of risk, CNCS can determine the scope and frequency of control evaluations it should establish. CNCS further incorporated risk assessment and management into its overall assessment of internal and management controls

by conducting a rigorous analysis to meet the OMB Circular A-123 requirement to establish materiality levels that provide reasonable assurance that significant deficiencies will be detected and corrected in a timely manner.

Through the materiality assessment and by applying the GAO Risk Management Framework, CNCS identified the following 13 business processes for evaluation in FY 2014:

- Accounts Receivable
- Budget Execution
- Disbursements
- Entity-wide
- Financial Management Systems
- Financial Reporting
- Funds Balance with Treasury
- Grants Management
- Human Capital
- Interest and Investments
- Procurement
- Property and Equipment
- National Service Trust Service Award Liability.

Concerning Accounts Receivable, Human Capital, Interest and Investments, and the National Service Trust Service Award Liability, OAO determined through inquiry and inspection of documents that the results of its FY 2013 assessments of internal controls in those areas were sufficient to forego more detailed testing in FY 2014. To assess the sufficiency of internal and management controls in the remaining areas, CNCS established a five step process:

- Step 1: Planning
- Step 2: Evaluating Internal Control at the Entity Level
- Step 3: Evaluating Internal Control at the Process Level
- Step 4: Testing Control Design and Operating Effectiveness at the Transaction Level
- Step 5: Concluding, Reporting, and Correcting.

After OAO carried out a series of evaluations using the five-step process, the Director of Accountability and Oversight reported to CNCS's Chief Executive Officer that – except for matters raised in CNCS's Fiscal Year 2014 evaluation under the Federal Information Systems Management Act (FISMA) – OAO's Fiscal Year 2014 evaluation did not uncover any significant deficiencies in CNCS's internal controls over the nine key CNCS business processes. In carrying out its internal control assessment, and in determining whether any identified deficiency was a potential significant deficiency, CNCS considered the nature of each deficiency,

the existence of compensating controls, the dollar value of transactions potentially affected by the deficiency, the level of risk, and the likelihood that an error may not be prevented or detected. The impact of the FISMA evaluation findings is discussed below.

CNCS also considered the knowledge of management officials gained from daily operations of its programs, offices, and systems, as well as the results of its annual financial statement audit, as part of its internal controls assessment. The directors responsible for each of CNCS's programs and significant operational functions provided specific assurances that they are aware of their responsibilities to report any significant deficiencies to higher levels of management, and that they have done so, if applicable. No officials reported any significant deficiencies to higher levels of management in FY 2014. FY 2014 also marks the 15th consecutive year CNCS has earned an unmodified opinion on its financial statements. Other than the results of the OIG's FY 2014 evaluation of CNCS's compliance with FISMA, the audit also found no instance of noncompliance with laws and regulations. These results reflect CNCS's commitment to sound financial management, as well as the hard work by staff over the past year to continuously improve financial operations.

## Management Assurances

### Management's Statement of Assurance for Financial Management Systems, Operations, and Compliance with Laws and Regulations

CNCS management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of FMFIA and OMB Circular A-123. These objectives are to ensure (1) effective and efficient operations; (2) compliance with applicable laws and regulations; and (3) reliable financial reporting. As required by OMB Circular A-123, CNCS has evaluated its internal control and financial management systems to determine whether the FMFIA objectives are being met. Based on its assessment (as described above), CNCS provides a qualified statement of assurance that its internal control and financial systems meet the objectives of the FMFIA as of September 30, 2014. This statement of assurance is qualified because the OIG's FY 2014 evaluation of CNCS's compliance with FISMA found that CNCS was not compliant in a number of respects with the FISMA legislation, OMB guidance, and National Institute of Standards and Technology (NIST) security publications as of September 30, 2014. The FISMA evaluation noted a number of significant deficiencies, which under OMB guidance must be reported as a material weakness under FMFIA. The Summary of Material Weakness section below contains a description of these control weaknesses.

### Management's Statement of Assurance for Internal Control Over Financial Reporting

CNCS's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and

regulations. CNCS conducted an assessment of its internal control effectiveness over financial reporting in accordance with OMB Circular A-123. Based on the results of this evaluation, CNCS can provide reasonable assurance that internal control over financial reporting as of June 30, 2014 was operating effectively and no material weaknesses were found in the design or operation of those controls.

### **Compliance with Financial Systems Requirements, Accounting Standards, and U.S. Standard General Ledger**

Although not required by OMB Bulletin 14-02, Audit Requirements for Federal Financial Statements, CNCS has adopted the standards governing financial systems that were established by the Federal Financial Management Improvement Act (FFMIA). FFMIA provides guidance to federal agencies in implementing and maintaining financial management systems that are in substantial compliance with federal financial system requirements, federal accounting standards issued by the Federal Accounting Standards Advisory Board, and implementation of the Department of the Treasury Standard General Ledger (USSGL) at the transaction level. Pursuant to FFMIA, OMB issued Circular A-123 Appendix D, Compliance with the Federal Financial Management Improvement Act. Appendix D prescribes the policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

CNCS's assessment of its compliance with FFMIA standards is based in part on its use of Momentum Financials as its core financial system. Momentum Financials is a commercial off-the-shelf software application certified by the Office of Federal Financial Management as meeting the Circular A-123 Appendix D financial system requirements. Activity is posted in Momentum Financials following the USSGL at the transaction level.

CNCS's assessment of its compliance with FFMIA is also informed by its overall information system security assessments. In accordance with FISMA, OMB policies and guidance, and standards and guidance issued by the NIST, federal agencies are required to secure information and information systems through the implementation of appropriate risk mitigation strategies.

### **Management's Statement of Compliance with Financial Systems Requirements, Accounting Standards, and U.S. Standard General Ledger**

Based on its assessments of its financial management systems (as described above), CNCS has determined that it substantially complies with the requirements of the FFMIA for FY 2014.

### **National Service Trust Obligations**

Section 149(a)(3) of the National and Community Service Act of 1990 (NCSA), as amended by the Edward M. Kennedy Serve America Act (PL 111-13), establishes the specific criteria for timing and recording obligations in the National Service Trust. Section 149(a)(3) of the NCSA requires the Chief Executive Officer of CNCS to annually certify that CNCS is in compliance with the requirements of the NCSA with regard to the timing and recording of obligations within the Trust.

Section 149(c) of the NCSA requires CNCS to obtain an independent audit of the accounts and records demonstrating the manner in which CNCS has recorded its Trust estimates (see 42 USC 12606). For FY 2014, the CNCS OIG obtained the independent audit required by section 149(c) of the NCSA. At the conclusion of the audit, the auditors issued an unmodified opinion that CNCS's financial reports regarding the National Service Trust present fairly, in all material respects, the assets, liabilities, net position, and obligations of the Trust as of September 30, 2014.

### **Management Certification of Compliance Regarding National Service Trust**

Based on CNCS's analysis and review of its National Service Trust activities and the results of the OIG's audit, CNCS certifies that for FY 2014 it complied with the requirements for recording National Service Trust Obligations as described in section 149(a)(1) of the NCSA.

### **Summary of Material Weakness**

#### **Information Technology – General Controls**

CNCS relies on extensive information technology systems operated by the agency, other federal agencies, and various contractors to provide and monitor general control activities. In the FY 2014 evaluation of CNCS's Information Security Program, it was determined that, in a number of respects, CNCS was not fully compliant with the FISMA legislation, OMB guidance, and applicable NIST security publications as of September 30, 2014. Of the noted areas of noncompliance, those relating to Continuous Monitoring Management, Risk Management, Plans of Actions and Milestones, and Privacy were determined to be significant deficiencies under applicable OMB FISMA guidance. As required by OMB Circular A-123, CNCS is reporting the significant deficiencies found in the FISMA evaluation as material weaknesses under FFMIA.

**Core Action Plan and Impact of Material Weakness**

Material Weakness and Corrective Action Plan	Corrective Action Date	Impact of Control Weakness on the Agency
<p>CNCS will form a project team under the direction of the Chief Operating Officer to formulate a plan to remediate the findings in FY 2014 FISMA evaluation.</p>	<p>TBD</p>	<p>Although significant information security risks exist, no actual event has occurred that has impacted the reliability of or accuracy of CNCS's operational or financial data. In addition, there are no known breaches of either sensitive data or Personally Identifiable Information in CNCS's systems.</p>



**Wendy Spencer**  
Chief Executive Officer



**Jeffrey Page**  
Acting Chief Financial Officer

# Analysis of Appropriations and Financial Condition

## Understanding the Financial Statements

CNCS has a fiduciary and stewardship responsibility to efficiently and effectively manage its federal funds and to comply with federal guidance on financial management. As part of this responsibility, the agency prepares annual financial statements in conformity with generally accepted accounting principles (GAAP) for U.S. Federal government corporations and subjects them to an independent audit to ensure their integrity and reliability in assessing performance. For FY 2014 and 2013, CNCS's financial statements received an unmodified opinion. This opinion recognized that CNCS's financial statements are fairly presented and in conformity with generally accepted accounting principles in all material respects.

The consolidated financial statements report CNCS's financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (GCCA) and Executive Order 13331, National and Community Service Programs. As specified in GCCA, the principal financial statements of CNCS are the:

- Statement of Financial Position (balance sheet), which reports the status of CNCS assets, liabilities, and net position
- Statement of Operations and Changes in Net Position (income statement), which reports CNCS's revenues and expenses for the year and the changes in net position that occurred during the year
- Statement of Cash Flows, which shows how changes in CNCS's financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

In addition, under the requirements of Executive Order 13331, CNCS prepares a Statement of Budgetary Resources (SBR). The SBR provides information about the budgetary resources made available to CNCS and the status of those resources at the end of the fiscal year.

### Composition of CNCS Assets

The Statement of Financial Position presents the total amounts available for use by CNCS (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). Over 96 percent of CNCS's total assets are comprised of Fund Balance with Treasury (FBWT) and Trust Investments and Related Receivables.

In FY 2014, total assets increased five percent over the balance at the end of FY 2013. The majority of the \$83.3 million increase occurred in Fund Balance with Treasury (FBWT) and the Trust Investments and Related Receivables.



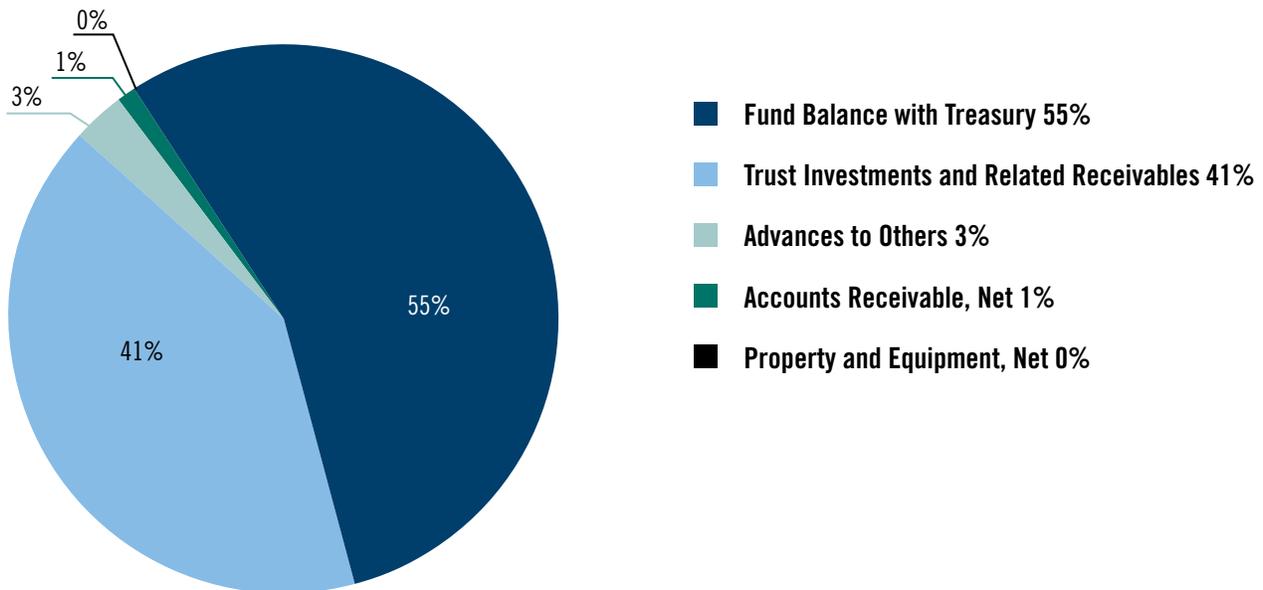
FBWT is funding available to CNCS to make expenditures for authorized expenses through the disbursement authority of the Department of the Treasury. The FBWT is increased through appropriations and collections and decreased by expenditures and rescissions. The increase of \$57.6 million in FY 2014 primarily results from restoration of funds withdrawn with sequestration in the prior year.

Trust Investments and Related Receivables are used to pay Segal AmeriCorps Education Awards for eligible participants who complete AmeriCorps service. Funding for the Trust comes from appropriations; interest earned, sponsorships, and proceeds from the sale or redemption of investments. The account increased by \$24.8 million, reflecting the investment of FY 2014 appropriations for new AmeriCorps positions awarded during the year net of payments made on previously earned awards.

CNCS records Trust obligations at the time of the grant award for AmeriCorps State and National, or at the time the AmeriCorps VISTA and NCCC members begin their terms of service. The amount to be obligated is the estimated value of authorized education benefits, discounted for estimated enrollment, historical earning and usage rates, and the time value of money.

CNCS has also set aside a Trust reserve of \$50.2 million (including \$3.5 million set aside in FY 2009 for Recovery Act positions) to protect CNCS in the event that the estimates used to calculate obligations differ from actual results. During FY 2014, CNCS based its obligation amount on the full value of the education award, a 100 percent enrollment rate (allowing for refills), and earning and usage rates ranging from 77 to 87 percent depending on term type.

## CNCS Assets as of September 30, 2014



As of September 30, 2014, the National Service Trust had available cash, investments, and other assets of about \$724.8 million to make education award and interest forbearance payments. Of this amount, CNCS's unliquidated obligations for awarded AmeriCorps positions totaled about \$623.3 million. About \$47.6 million was available at year-end to fund new AmeriCorps member positions, of which \$1.9 million derives from Recovery Act funding and cannot be used without new authorization. Trust assets are estimated to be sufficient to pay for all awarded AmeriCorps positions. As grants expire, CNCS deobligates funds related to member positions that were not filled. CNCS also continuously analyzes Trust operations and liability projections to identify any needed adjustments to obligations.

Advances to Others mainly represent funds provided to grantees in advance of their performance under a grant. For the most part, these advances are liquidated during the first quarter of the subsequent fiscal year. Advances to Others increased by about four percent, from \$56 million at September 30, 2013 to \$58.1 million at September 30, 2014, reflecting increased funding level for 2014 programs.

### Composition of CNCS Liabilities

CNCS's most significant liabilities are the Trust Service Award Liability and Grants Payable. Individuals who successfully complete terms of service in AmeriCorps programs earn education awards that can be used to make payments on qualified student loans or for educational

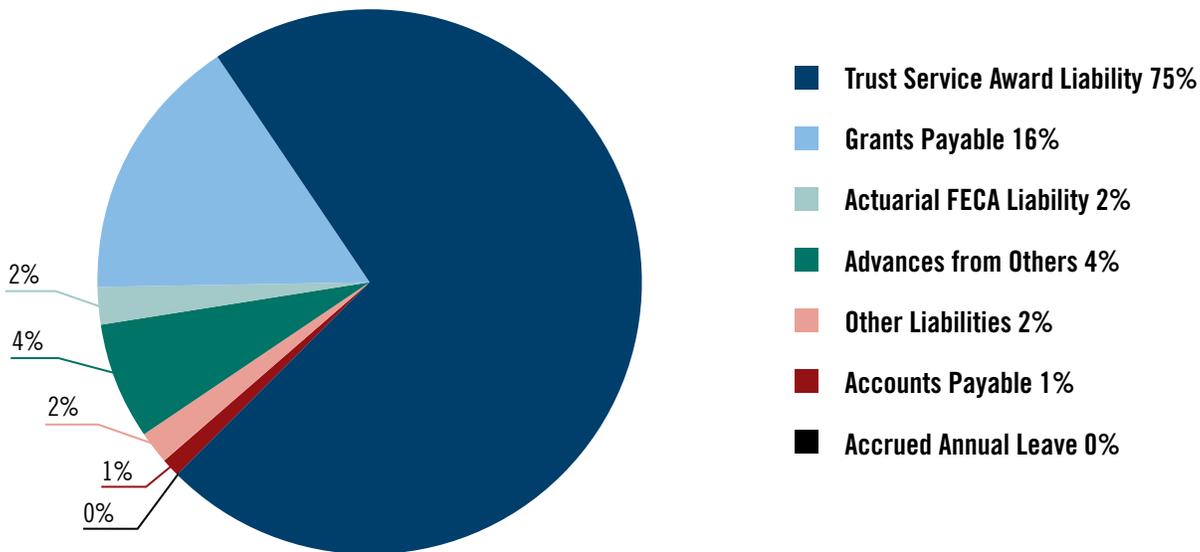
expenses at qualified educational institutions. The awards, which can be used for a period of up to seven years, are paid from the National Service Trust. Since CNCS' inception through FY 2009 the maximum amount of an education award was \$4,725. Beginning with FY 2010, the SAA tied the amount of the award to the amount of a Pell Grant administered by the Department of Education. The award amount of \$5,645 was in effect throughout FY 2014.

The Trust also pays forbearance interest on qualified student loans during the period members serve. Each year, the award liability components related to education awards and interest forbearance are adjusted to reflect current trends. For FY 2014, the Trust Service Award Liability decreased by \$10.1 million, about two percent, due to a decline in enrollment of members in AmeriCorps programs, and an accelerated usage of awards.

Grants Payable represents funds due to grantees in payment of their performance under a grant. For the most part, these payables are liquidated during the first quarter of the subsequent fiscal year.

Grants Payable decreased seven percent, from \$103.1 million at September 30, 2013 to \$95.6 million at September 30, 2014, reflecting decreased grant activity from prior years.

## CNCS Liabilities as of September 30, 2014



Advances from Others represent the receipt of cash for work to be performed at a future date. This liability decreased \$21.1 million during FY 2014 resulting from a change in methodology for advancing funds supporting FEMA Corps related activity.

### Results of Operations

The Statement of Operations and Changes in Net Position presents revenue earned by CNCS (primarily appropriations) and the annual cost of operating CNCS programs. CNCS recognizes its use of appropriated capital as revenue at the time it is expended or accrued to pay program or administrative expenses. Appropriations received for the CNCS Trust are recognized as revenue when received in the Trust Fund. Using an appropriate cost accounting methodology, CNCS's expenses have been allocated among its major programs at the sub-program level. Costs for each major CNCS program are reported separately. Program costs include grant expenses, and direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations.

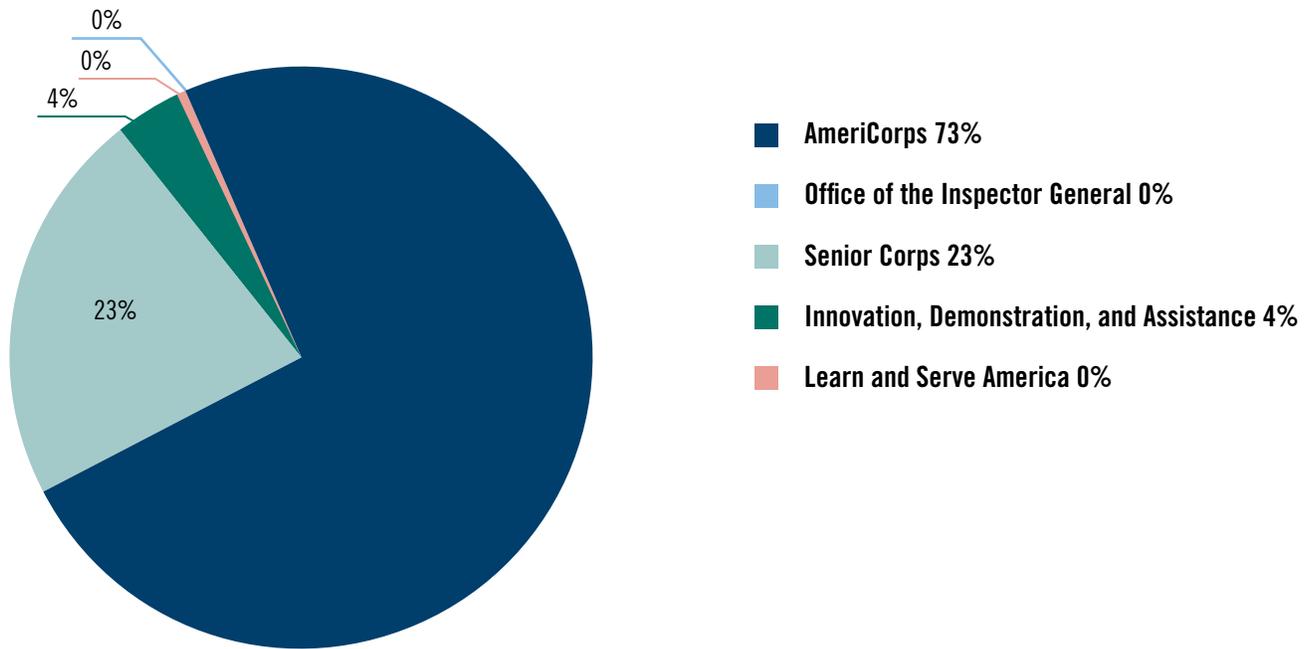
For FY 2014, CNCS Revenue totaled \$1.013 billion, a decrease of \$73.9 million, or seven percent, from FY 2013. Total Expenses reported for FY 2014 were \$973.1 million which represents a decrease of \$85.2 million, or 8 percent, from FY 2013. The decrease reflects the reduced funding level in prior years for all of CNCS's programs.

CNCS's net revenue over expenses for FY 2014 was \$39.9 million which is an increase of \$11.3 million compared to FY 2013. The increase is primarily attributable to declining expenditures resulting in reduced prior year funding levels.

### Budgetary Resources

The Statement of Budgetary Resources provides information on how budgetary resources were made available to CNCS for the year and the status of those budgetary resources at year-end. For FY 2014, Total Budgetary Resources increased \$36.5 million and Total Obligations Incurred increased \$44.3 million due primarily to restoration of sequestration funds in prior years.

## CNCS Expenses for the Period Ended September 30, 2014



## Business Achievements and Trends

CNCS is committed to serve as an effective and efficient steward of taxpayer dollars. CNCS leaders seek to continuously improve and integrate financial operations and processes to provide for better oversight, transparency, and accountability for the resources we manage. The following are FY 2014 accomplishments and FY 2015 plans to improve our ability to manage public resources:

### FY 2014 Achievements

- **New Programing—**
  - > Celebrated the 20th Anniversary of AmeriCorps in September with swearing-in ceremonies in every state; the events, which included the participation of four Presidents, celebrated the 20 year impact of AmeriCorps in improving communities across the country.
  - > Launched the Employers of National Service initiative to connect national service alumni with public, private, and non-profit employers for hiring and advancement opportunities.
  - > Established important new partnerships with the U.S. Department of Justice, the U.S. Department of Agriculture, and the Citi Foundation, among others, as part of the President’s Task Force on Expanding National Service.
  - > Conducted the first Social Innovation Fund Pay for Success competition to advance and evaluate emerging models that align payment for social services with verified social outcomes.
- **System Upgrades—**
  - > Transitioned CNCS employee timekeeping system to the National Finance Center.
  - > Implemented an automated performance management system which improved the quality and timeliness of employee feedback and appraisals.
- **Improper Payments Elimination and Reduction Act (IPERA)—**
  - > Completed an analysis of Improper Payments for AmeriCorps State and National and Senior Corps.
  - > For detailed information see Improper Payments in Section IV, Other Information.
- **IT Modernization—**
  - > Issued a contract for a new software platform which will serve as the basis for modernization.
  - > Worked with program offices to establish key modernization goals.

### FY 2015 Plans

- **Focus on the Agency’s Core Mission Support Activities—**

Under the categories detailed below, CNCS will:

  - > Improve and reinforce infrastructure systems and processes that support our programs and grantees.
  - > Renew and revise the policy review and update processes to enhance the currency and effectiveness of the policy framework and improve program and support operations overall.
  - > Improve an enterprise-wide approach to internal controls, including IPERA.
  - > Pilot a streamlined and consolidated grants process through Operation AmeriCorps, which will make all three AmeriCorps programs available as part of a single grant application.
- **Expand access to and use of agency financial information stakeholders and programs.**
- **Normalize growth—**
  - > Develop new partnerships that expand national service and provide opportunities for more Americans to serve in their communities while also integrating the partnership development into the agency’s existing programmatic processes.
  - > Build on past partnership success through the continued development of initiatives such as Pay for Success, Employers of Service, My Brother’s Keeper, STEM, and other initiatives.
- **Research and Evaluation—**
  - > Focus on building the evidence base for national service.
  - > Refine our systems for performance measurement.
- **Improve procurement planning and operations—**
  - > Improve the efficiency of the agency’s contracts and procurement process.
  - > Enhance existing acquisition planning efforts among all offices and units.
- **IT Modernization—**
  - > Deliver a new platform for streamlining grantmaking processes.
  - > Improve data analytics and move appropriate data to the Cloud.
- **Ensure a High Performing Workforce—**
  - > Increase emphasis on succession planning and developing the workforce.
  - > Work to provide enhanced opportunities for employee promotions, salary awards, and training.

# Message from the Acting CFO



The Corporation for National and Community Service (CNCS) strives to provide efficient and cost-effective national service programs. The CNCS Agency Financial Report (AFR) presents a comprehensive report on financial operations and provides transparency and accountability to the American people.

I am pleased to report that for the 15th consecutive year, CNCS has earned an unmodified opinion on its AFR. This accomplishment demonstrates an on-going commitment to delivering cost-effective programs through sound fiscal management and effective internal controls. We have continued our efforts to address management letter findings and were able to close four findings cited in the 2013 audit.

The CFO organization is committed to making continuous improvements to fiscal operations as part of delivering support to the mission and goals of CNCS. We have continued to implement policies and procedures demonstrating the importance of accountability and fiscal responsibility and of assessing and reporting on internal controls throughout the organization.

While this progress will serve as a foundation for continued improvements in organizational and financial management, we

recognize the need to address ongoing challenges as we move forward. We are committed to resourcing and fully implementing a sound governance and oversight framework for CNCS's entity-wide risk management program and maximizing the agency's fiscal stewardship.

Finally, I would like to thank the financial management and program professionals throughout the agency for their continued dedication and hard work this past year. It is their efforts that enable CNCS to deliver the most accurate, transparent, and useful information possible.

A handwritten signature in black ink, consisting of several vertical, slightly wavy lines of varying heights, representing the name Jeffrey Page.

**Jeffrey Page**  
Acting Chief Financial Officer

## Section II:

# Financial Statements

### Consolidated Financial Statements

CNCS's consolidated financial statements outline its financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (GCCA) and Executive Order 13331, National and Community Service Programs. The Act requires government corporations to submit an annual report including the corporation's financial statements to Congress. As specified in the Act, the principal financial statements of CNCS are the:

- Statement of Financial Position (balance sheet), which reports the status of CNCS assets, liabilities, and net position
- Statement of Operations and Changes in Net Position (income statement), which reports CNCS's revenues and expenses for the year and the changes in net position that occurred during the year
- Statement of Cash Flows, which shows how changes in CNCS's financial position and results affected its cash (Fund Balance with Treasury), and presents analysis of operating, investing, and financing activities.

In addition, under the requirements of Executive Order 13331, CNCS prepares a Statement of Budgetary Resources (SBR) as a principal financial statement. The SBR provides information about the budgetary resources made available to CNCS and the status of those resources at the end of the fiscal year.

CNCS's financial statements provide comparative information for FY 2014 and 2013. For FY 2014, CNCS's financial statements, for the 15th consecutive year, received an unmodified opinion. This opinion recognizes that CNCS's financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles.



Section IV, Other Information of this report presents the National Service Trust Fund Status Report which includes the Statements of Financial Position; and Operations, Changes in Net Position, Cash Flows, and Budgetary Resources prepared in accordance with Generally Accepted Accounting Principles (GAAP) as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs. These principal statements and the accompanying notes present information on the assets, liabilities, revenue, expenses, cash flow, and budgetary resources of the National Service Trust Fund.

### Limitations of the Financial Statements

The principal financial statements have been prepared in compliance with the reporting requirements described above. CNCS's financial statements published herein are in addition to the financial reports it uses to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. An implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

**Corporation for National and Community Service**  
**Consolidated Statements of Financial Position as of September 30** *(dollars in thousands)*

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Fund Balance with Treasury (Note 2)	\$ 971,863	\$ 914,224
Trust Investments and Related Receivables (Note 3)	717,973	693,165
Advances to Others	58,122	56,000
Accounts Receivable, Net (Note 4)	9,278	9,601
Property and Equipment, Net (Note 5)	2,387	3,346
<b>Total Assets</b>	<b><u>\$ 1,759,623</u></b>	<b><u>\$ 1,676,336</u></b>
<b>Liabilities</b>		
Trust Service Award Liability (Note 6)	\$ 454,131	\$ 464,274
Grants Payable	95,571	103,125
Accounts Payable	5,103	4,466
Actuarial FECA Liability (Note 8)	9,255	9,702
Advances from Others	24,990	46,121
Accrued Annual Leave	4,244	4,129
Other Liabilities	14,273	12,042
<b>Total Liabilities</b>	<b><u>607,567</u></b>	<b><u>643,859</u></b>
Contingencies (Note 14)	—	—
<b>NET POSITION (Note 9)</b>	<b><u>\$ 1,152,056</u></b>	<b><u>\$ 1,032,477</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,759,623</u></b>	<b><u>\$ 1,676,336</u></b>

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

**Corporation for National and Community Service**  
**Consolidated Statements of Operations and Changes**  
**in Net Position for the Periods Ended September 30** *(dollars in thousands)*

<b>Revenue</b>	<b>2014</b>	<b>2013</b>
Appropriated Capital Used	\$ 740,124	\$ 808,085
Appropriations Received by the National Service Trust (Note 10)	212,496	223,568
Interest	2,442	3,133
Revenue from Services Provided	44,545	34,816
Other	12,201	17,231
<b>Total Revenue</b>	<b>\$ 1,011,808</b>	<b>\$ 1,086,833</b>
<b>Expenses</b>		
AmeriCorps	\$ 707,310	\$ 778,211
SeniorCorps	219,678	223,235
Learn and Serve America	472	6,048
Innovation, Demonstration and Assistance Activities	42,165	47,355
Office of the Inspector General	3,458	3,392
<b>Total Expenses (Note 11)</b>	<b>973,083</b>	<b>1,058,241</b>
<b>Net of Revenue Over Expenses</b>	<b>\$ 38,725</b>	<b>\$ 28,592</b>
<b>Net Position</b>		
Net of Revenue over Expenses	\$ 38,725	\$ 28,592
Increase/(Decrease) in Unexpended Appropriations, Net (Note 13)	80,854	(55,318)
Increase/(Decrease) in Net Position, Net	119,579	(26,726)
Net Position, Beginning Balance	1,032,477	1,059,203
<b>Net Position, Ending Balance (Note 9)</b>	<b>\$ 1,152,056</b>	<b>\$ 1,032,477</b>

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

**Corporation for National and Community Service**  
**Consolidated Statements of Cash Flows for the Periods Ended September 30** *(dollars in thousands)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2014</b>	<b>2013</b>
Net of Revenue over Expenses	\$ 38,725	\$ 28,592
Adjustments Affecting Cash Flow:		
Depreciation, Amortization, and Loss on Disposition of Assets	1,740	801
Amortization of Premium/Discount on Investments	(613)	1,795
Appropriated Capital Used	(740,124)	(808,085)
Appropriations Received in Trust	(212,496)	(223,568)
Appropriations Transferred to Other Federal Agency	(2,000)	-
Decrease/(Increase) in Accounts Receivable	323	(1,118)
Decrease/(Increase) in Interest Receivable	253	136
Decrease/(Increase) in Advances to Others	(2,122)	1,298
Increase/(Decrease) in Accounts Payable and Other Liabilities	2,868	(571)
Increase/(Decrease) in Advances from Others	(21,131)	12,425
Increase/(Decrease) in FECA and Annual Leave Liabilities	(332)	(92)
Increase/(Decrease) in Trust Liability	(10,143)	17,083
Increase/(Decrease) in Grants Payable	(7,554)	2,334
Total Adjustments	(991,331)	(997,562)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(952,606)</b>	<b>(968,970)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of Securities	867,395	729,799
Purchase of Assets	(781)	(2,537)
Purchase of Securities	(891,843)	(786,331)
<b>Net Cash Provided/(Used) in Investing Activities</b>	<b>(25,229)</b>	<b>(59,069)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Appropriations Received, Net of Trust	1,049,954	1,048,884
Rescissions and Cancellations	(14,480)	(72,549)
<b>Net Cash Provided by Financing Activities</b>	<b>1,035,474</b>	<b>976,335</b>
<b>Net Increase/(Decrease) in Fund Balance with Treasury</b>	<b>57,639</b>	<b>(51,704)</b>
<b>Fund Balance with Treasury, Beginning</b>	<b>914,224</b>	<b>965,928</b>
<b>Fund Balance with Treasury, Ending</b>	<b>\$ 971,863</b>	<b>\$ 914,224</b>

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

**Corporation for National and Community Service**  
**Combined Statements of Budgetary Resources for the Periods Ended September 30** *(dollars in thousands)*

BUDGETARY RESOURCES	2014	2013
Unobligated balance, brought forward, October 1	\$ 213,255	\$ 205,105
Adjustment to unobligated balance brought forward, Oct 1	-	(5)
Unobligated balance brought forward, Oct 1, as adjusted	213,255	205,100
Recoveries of prior year unpaid obligations	37,405	33,850
Other changes in unobligated balance (+ or -)	(14,480)	(17,692)
Unobligated balance from prior year budget authority, net	236,180	221,258
<b>Budget authority:</b>		
Appropriation Discretionary	1,047,954	1,048,884
Appropriation (special or trust fund)	212,589	223,770
Permanent Reduction – New Budget Authority	-	(54,857)
Appropriation Discretionary (total)	1,260,543	1,217,797
Appropriation Mandatory (special or trust fund)	5,050	1,295
Appropriations (discretionary and mandatory)	1,265,593	1,219,092
<b>Spending authority from offsetting collections:</b>		
Spending Authority from offsetting collections (total)	27,911	52,845
<b>Total budgetary resources</b>	<b>\$ 1,529,684</b>	<b>\$ 1,493,195</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
<b>Obligations incurred</b>		
Obligations incurred (total) (Note 17)	\$ 1,324,264	\$ 1,279,940
<b>Unobligated balance</b>		
Apportioned	60,614	52,837
Unobligated balance not available	144,806	160,418
Total unobligated balance, end of year	205,420	213,255
<b>Total budgetary resources</b>	<b>\$ 1,529,684</b>	<b>\$ 1,493,195</b>

*(Continued)*

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

**Corporation for National and Community Service—Continued**  
**Combined Statements of Budgetary Resources for the Periods Ended September 30** *(dollars in thousands)*

<b>CHANGE IN OBLIGATED BALANCE</b>	<b>2014</b>	<b>2013</b>
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 1,387,779	\$ 1,393,997
Obligations incurred	1,324,263	1,279,941
Outlays (gross) (-)	(1,194,220)	(1,252,314)
Recoveries of prior year unpaid obligations, actual	(37,405)	(33,845)
<b>Unpaid Obligations, end of year</b>	<b>1,480,417</b>	<b>1,387,779</b>
Uncollected Payments:		
Uncollected payments, Federal Sources, brought forward, October 1	(104)	(106)
Change in uncollected customer payments, Federal sources	(27)	2
<b>Uncollected payments, Federal Sources, end of year</b>	<b>(131)</b>	<b>(104)</b>
Memorandum entries:		
<b>Obligated balance, start of year</b>	<b>\$ 1,387,675</b>	<b>\$ 1,393,891</b>
<b>Obligated balance, end of year</b>	<b>\$ 1,480,286</b>	<b>\$ 1,387,675</b>
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 1,293,504	\$ 1,271,937
Actual offsetting collections	(27,884)	(52,847)
Change in uncollected customer payments from federal sources	(27)	2
<b>Budget authority, net (discretionary and mandatory)</b>	<b>\$ 1,265,593</b>	<b>\$ 1,219,092</b>
Outlay, gross (discretionary and mandatory)	1,194,220	1,252,314
Actual offsetting collections	(27,884)	(52,847)
<b>Outlays, net (discretionary and mandatory)</b>	<b>1,166,336</b>	<b>1,199,467</b>
Distributed offsetting receipts	(214,188)	(224,088)
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b>\$ 952,148</b>	<b>\$ 975,379</b>

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

## NOTE 1—Summary of Significant Accounting Policies

### A. REPORTING ENTITY

The Corporation for National and Community Service (CNCS) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). CNCS's mission is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, CNCS provides grants and other assistance to states, local municipalities, and nonprofit organizations to help communities meet critical challenges in the areas of education, healthy futures, environmental stewardship, economic opportunity, disaster services, and assisting veterans and military families through volunteer service. CNCS's major programs are:

**Senior Corps.** Senior Corps offers a network of programs that tap into the rich experience, skills and talents of older citizens to meet community challenges. Senior Corps comprises the RSVP, the Foster Grandparent Program, and the Senior Companion Program.

**AmeriCorps.** AmeriCorps provides opportunities for Americans to make an ongoing, intensive commitment to service through the following programs:

- AmeriCorps State, National, Tribes, and Territories (State and National) offers grants supporting a broad range of local service programs that engage thousands of Americans in intensive service to meet critical community needs
- AmeriCorps Volunteers in Service to America (VISTA) helps community organizations and public agencies create and expand programs that build capacity and ultimately bring low-income individuals and communities out of poverty
- AmeriCorps National Civilian Community Corps (NCCC) strengthens communities while developing leaders through direct, team-based national and community service

CNCS, for the most part, administered its programs in FY 2014 from the following funds:

#### Trust and Gift Funds:

- National Service Trust (the Trust), from which CNCS provided education awards and interest forbearance for volunteers under the AmeriCorps members.
- Gifts and Contributions, into which CNCS deposited qualified gifts and contributions from individuals and organizations from which approved expenditures are made furthering CNCS's goals.

#### Appropriated Funds:

- Operating Expenses, from which the CNCS funded Senior Corps, AmeriCorps, and other program activity.
- Salaries and Expenses, from which CNCS funded its general administrative expenses.

- Office of Inspector General (OIG), from which CNCS funded the expenses of the Office of Inspector General.
- AmeriCorps VISTA Advance Payment Revolving Fund, from which CNCS paid the living allowances for AmeriCorps VISTA members enrolled under cost share agreements with sponsoring organizations. CNCS is reimbursed for these costs by the sponsoring organization. Despite the account title, the AmeriCorps VISTA Advance Payment Revolving Fund is not a revolving fund, but rather a general fund expenditure account.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act included funding for the use of CNCS to support an expansion of the AmeriCorps State and National and VISTA programs. As a result of the passage of the Recovery Act, three additional appropriated funds were established:

- Operating Expenses, Recovery Act, from which CNCS funded the increased AmeriCorps State and National and VISTA membership as a result of the Recovery Act.
- Salaries and Expenses, Recovery Act, which funded CNCS's expenses to improve IT systems and administer the increased AmeriCorps State and National and VISTA membership.
- OIG, Recovery Act, from which CNCS funded the expenses of the OIG's Recovery Act oversight responsibilities.

### B. BASIS OF ACCOUNTING

The accompanying financial Statements include all funds administered by CNCS, as delineated in Note 1A—Reporting Entity. They include CNCS's activities related to providing grants and other assistance to eligible states, local governments, and nonprofit organizations as well as education awards to eligible national service participants. All significant intra-entity transactions and balances are eliminated in consolidation.

### C. FINANCIAL STATEMENT PRESENTATION AND CONSOLIDATION POLICY

The accompanying financial statements report CNCS's financial position, results of operations, and cash flows, as required by the Government Corporation Control Act (GCCA). As required by GCCA, the principal financial statements of CNCS are the:

- Statement of Financial Position, which reports the status of Corporation assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position, which reports CNCS's revenues and expenses for the year and the changes in net position that occurred during the year; and
- Statement of Cash Flows, which shows how changes in CNCS's financial position and results affected its cash (Fund Balance with Treasury), and present the analysis of operating, investing, and financing activities.

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America (GAAP), as applicable to federal government corporations. The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides that financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation the financial statements are presented in accordance with the accounting standards issued by FASAB.

In addition, under Executive Order 13331, National and Community Service Programs, CNCS must prepare a Combined Statement of Budgetary Resources as a principal statement. The accompanying Combined Statements of Budgetary Resources have been prepared in accordance with GAAP, as prescribed by FASAB. The Combined Statement of Budgetary Resources presents additional details to include activity that is significant to the CNCS.

CNCS's consolidation policy requires the consolidation of all funds administered by CNCS, as delineated in Note 1A—Reporting Entity.

#### **D. BUDGETS AND BUDGETARY ACCOUNTING**

The activities of CNCS are primarily funded through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. CNCS's accounting structure reflects both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash. Federal budgetary accounting recognizes the obligation of appropriations and other funds upon the establishment of a properly documented legal liability, which, in many cases, is different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds.

#### **E. ASSET AND LIABILITY VALUATION**

CNCS values its investments at carrying value and discloses fair value. As of September 30, 2014, the carrying amounts of Fund Balance with Treasury, Accounts Receivable, Advances to Others, Accrued Interest Receivable, Accounts Payable and Other Liabilities approximate their fair value.

#### **F. FUND BALANCE WITH TREASURY**

CNCS considers Fund Balance with Treasury (FBWT) to represent cash and cash equivalents. It is CNCS's cash accounts with the Department of the Treasury (the Treasury). The Treasury processes cash receipts and disbursements on behalf of CNCS and CNCS's accounting records are reconciled with those of the Treasury on a regular basis. CNCS's FBWT includes all of its appropriated and trust funds.

The FBWT maintained in the National Service Trust is restricted to specific purposes, such as paying service awards earned by eligible participants, and is not available for use in the current operations of CNCS. In addition, the majority of the funds received from individuals and organizations for deposit in the Gifts and Contributions fund are restricted for particular uses, such as service projects.

#### **G. INVESTMENTS AND RELATED RECEIVABLES**

By law, CNCS may invest the funds of the National Service Trust in interest-bearing Treasury securities guaranteed by the United States as to principal and interest. These Treasury securities are referred to as "market-based," since they mirror actual Treasury securities sold on the open market. They consist of Treasury notes, bonds, bills, and one-day certificates.

Since they are expected to be held-to-maturity, CNCS's investments are valued at cost and adjusted for the amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, using the effective interest method. Interest receivable represents amounts earned, but not received on investments held at year-end. Prepaid 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 CNCS. Such interest, if any, at year-end is included in the interest receivable balance.

#### **H. CASH EQUIVALENTS**

For purposes of the statement of cash flows, CNCS considers all interest-bearing Treasury securities guaranteed by the United States to be cash equivalents.

#### **I. ADVANCES TO OTHERS**

CNCS advances funds to non-federal entities, primarily in response to grantee drawdown requests, to facilitate their authorized service activities. The cash payments to grantees, in excess of amounts appropriately expended 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 total CNCS-funded amount of grant expenses properly incurred 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.

## **J. ACCOUNTS RECEIVABLE**

Accounts receivable represents amounts due to CNCS primarily under federal and non-federal reimbursable agreements, grantee audit resolution determinations, and outstanding travel advances due from employees.

An allowance for doubtful accounts is established for reporting purposes based on past experience.

## **K. PROPERTY AND EQUIPMENT**

Property and Equipment is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation (or amortization). Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred.

CNCS's general policy is to capitalize Property and Equipment if the initial acquisition price is \$50 thousand or more. Property and equipment with an estimated useful life that extends beyond the year of acquisition is capitalized at historical cost and is depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years.

## **L. TRUST SERVICE AWARD LIABILITY**

The Trust Service Award Liability represents unpaid earned, and expected to be earned, education awards and eligible student loan interest forbearance costs 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 CNCS's historical experience.

## **M. GRANTS PAYABLE**

CNCS awards grants to nonprofit organizations, educational institutions, states, municipalities, and other external organizations. Grants become budgetary obligations, but not liabilities, at the time they are awarded.

Although most grantees request funds prior to incurring expenses, some incur expenditures prior to initiating a request for disbursement, based on the nature of the expenditures. At the end of the fiscal year, CNCS computes and reports an estimate of the amount of unreimbursed grantee expenses as grants payable. This accrual is based on an analysis of the amounts actually disbursed to grantees in the third quarter.

## **N. ACCOUNTS PAYABLE**

CNCS 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 external entities for goods and services received by CNCS, but not paid for at the end of the fiscal year.

## **O. ACTUARIAL FECA LIABILITY**

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees, AmeriCorps NCCC and VISTA members 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 CNCS employees and members under FECA are determined and paid by the Department of Labor (DOL) and later billed to CNCS. CNCS's actuarial liability for workers' compensation includes costs incurred, but unbilled as of year-end, as calculated by DOL. CNCS reimburses DOL for FECA claims out of current appropriations upon receipt of a bill from DOL.

## **P. OTHER LIABILITIES**

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits, AmeriCorps VISTA stipends, the amount of claims for benefits for CNCS employees under FECA that have been paid by DOL and billed to CNCS but have not yet been reimbursed to DOL, and imputed costs for future retirement and health care benefits as determined by an Office of Personnel Management calculation.

## **Q. 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 also expensed when used.

## **R. ADVANCES FROM OTHERS**

Advances from others consist of advances from other federal agencies and the public related to interagency and cost share agreements into which CNCS entered to provide services.

## **S. NET POSITION**

Net Position represents Net Assets. It is comprised of CNCS's unexpended appropriations and its cumulative results of operations. Unexpended appropriations reflect the balance of appropriated authority granted to CNCS against which no outlays have been made. Cumulative results of operations represent the net differences between revenues and expenses from the inception of CNCS.

## **T. REVENUE RECOGNITION**

Appropriated Capital Used. CNCS recognizes its use of appropriated capital as revenue at the time it is expended or accrued to pay program or administrative expenses. Appropriations expended for property and equipment are recognized as used when the property is purchased. Appropriated capital not expended within five fiscal years after it became available for obligation is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available appropriated funds as payments become due. Appropriations received for CNCS'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 CNCS in the Trust until used for eligible education service award purposes.

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

**Revenue from Services Provided.** CNCS 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.

**Gifts and Donations.** Revenue is recognized at the time gifts and donations are received and deposited in the Treasury to the credit of the Gifts and Contributions Fund.

#### **U. RETIREMENT BENEFITS**

CNCS'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, CNCS contributes 7.0 percent of their basic pay. For those employees covered by FERS, CNCS contributes 11.2 percent of their gross pay towards retirement. Employees are allowed to participate in the Federal Thrift Savings Plan (TSP). For employees under FERS, CNCS contributes an automatic one percent of basic pay to TSP and matches employee contributions up to an additional 4 percent of pay, for a maximum CNCS contribution amounting to 5 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either CNCS's automatic or matching contributions.

#### **V. INCOME TAXES**

As a federal entity, CNCS is exempt from all income taxes imposed by any governing body, Federal, State, commonwealth, local, or foreign government.

#### **W. USE OF ESTIMATES**

The preparation of financial statements in accordance with GAAP requires CNCS to make estimates and assumptions about future events. These estimates and assumptions affect the amounts reported in CNCS's financial statements and accompanying notes. CNCS evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that it believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made when facts and circumstances warrant. As future events and their effects cannot be determined with certainty, actual results could differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the liability for service awards, grants payable, and grant advances.

#### **X. Comparative Data**

CNCS financial statements provide comparative information for FY 2014 and 2013.

#### **Y. CONCENTRATION OF RISKS**

Congress annually considers whether to fund CNCS's program and operational activities. Should Congress opt not to enact appropriations to fund them, CNCS would be unable to continue operations. CNCS management believes the risk of such an occurrence is remote.

**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 CNCS's programs on an annual, multi-year, and no-year basis.

**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 National Service Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and are made directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The National Service Trust also pays awards under the President's Freedom Scholarship, Summer of Service, and Silver Scholar programs.

**Gift Funds**—Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of national service laws.

**Fund Balance with Treasury as of September 30, 2014** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 964,761	\$ -	\$ 964,761
Trust Funds	-	6,606	6,606
Gift Funds	-	496	496
<b>Total</b>	<b>\$ 964,761</b>	<b>\$ 7,102</b>	<b>\$ 971,863</b>

**Fund Balance with Treasury as of September 30, 2013** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 912,962	\$ -	\$ 912,962
Trust Funds	-	611	611
Gift Funds	-	651	651
<b>Total</b>	<b>\$ 912,962</b>	<b>\$ 1,262</b>	<b>\$ 914,224</b>

**NOTE 2—Fund Balance with Treasury—Continued****Unexpended Balances as of September 30, 2014** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
FBWT	\$ 964,761	\$ 7,102	\$ 971,863
Investments and Related Receivables	-	717,973	717,973
<b>Total</b>	<b>\$ 964,761</b>	<b>\$ 725,075</b>	<b>\$1,689,836</b>

**Status of Unexpended Balances as of September 30, 2014** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 107,940	\$ 50,940	\$ 158,880
Unavailable	-	50,670	50,670
Obligated not yet Disbursed	856,821	623,465	1,480,286
<b>Total</b>	<b>\$ 964,761</b>	<b>\$ 725,075</b>	<b>\$1,689,836</b>

**Unexpended Balances as of September 30, 2013** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
FBWT	\$ 912,962	\$ 1,262	\$ 914,224
Investments and Related Receivables	-	693,165	693,165
<b>Total</b>	<b>\$ 912,962</b>	<b>\$ 694,427</b>	<b>\$1,607,389</b>

**Status of Unexpended Balances as of September 30, 2013** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 117,527	\$ 51,990	\$ 169,517
Unavailable	-	50,197	50,197
Obligated not yet Disbursed	795,435	592,240	1,387,675
<b>Total</b>	<b>\$ 912,962</b>	<b>\$ 694,427</b>	<b>\$1,607,389</b>

**NOTE 3—National Service Trust Investments and Related Receivables**

The composition of National Service Trust Investments and Related receivables at September 30 is as follows:

**Investments and Related Receivables as of September 30** *(dollars in thousands)*

	2014	2013
Investments, Carrying Value	\$ 717,304	\$ 692,243
Interest Receivable	669	922
<b>Total</b>	<b>\$ 717,973</b>	<b>\$ 693,165</b>

**Amortized Cost and Fair Value of Investment Securities as of September 30, 2014** *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 459,781	\$ 596	\$ 460,377
Bills	257,523	37	257,560
<b>Total</b>	<b>\$ 717,304</b>	<b>\$ 633</b>	<b>\$ 717,937</b>

**Amortized Cost and Fair Value of Investment Securities as of September 30, 2013** *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 512,220	\$ 1,560	\$ 513,780
Bills	180,023	11	180,034
<b>Total</b>	<b>\$ 692,243</b>	<b>\$ 1,571</b>	<b>\$ 693,814</b>

At September 30, 2014, the notes held at year-end had an interest rate range of 0.125 percent to 4.25 percent and an outstanding maturity period of approximately seven days to three years. The bills held at year-end had an interest rate range of 0.250 percent to 0.625 percent. The par values of these notes range from \$18 million to \$148.3 million. The fair value of the bills and notes is based on bid and ask prices quoted by the Treasury as of September 30, 2014 and 2013.

Since FY 2003, CNCS has set aside in reserve a portion of the funds in the National Service Trust for use in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. This reserve was originally required by the Strengthen AmeriCorps Program Act, and is now required by section 149(b) of the National and Community Service Act (42 U.S.C. 12606(b)). As of September 30, 2014, \$50.2 million of CNCS's investment account has been set aside for this reserve.

### NOTE 3—Trust Investments and Related Receivables—Continued

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

#### Maturation of Securities Held as of September 30 (dollars in thousands)

	2014		2013	
Held-to-Maturity Securities	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 537,761	\$ 538,417	\$ 441,185	\$ 441,710
Due after 1 year up to 5 years	179,543	179,520	251,058	252,104
<b>Total</b>	<b>\$ 717,304</b>	<b>\$ 717,937</b>	<b>\$ 692,243</b>	<b>\$ 693,814</b>

### NOTE 4 – Accounts Receivables, Net

#### Accounts Receivable as of September 30 (dollars in thousands)

	Appropriated Funds	Trust Fund	Total
<b>2014</b>			
Accounts receivable	\$ 9,875	\$ 274	\$ 10,149
Less: allowance for loss on receivables	(826)	(45)	(871)
<b>Accounts Receivable, Net</b>	<b>\$ 9,049</b>	<b>\$ 229</b>	<b>\$ 9,278</b>
<b>2013</b>			
Accounts receivable	\$ 9,962	\$ 281	\$ 10,243
Less: allowance for loss on receivables	(595)	(47)	(642)
<b>Accounts Receivable, Net</b>	<b>\$ 9,367</b>	<b>\$ 234</b>	<b>\$ 9,601</b>

**NOTE 5—Property and Equipment, Net****General Property and Equipment as of September 30, 2014** *(dollars in thousands)*

Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 2,586	\$ (2,267)	\$ 319
ADP software	2	12,764	(10,696)	2,068
<b>Total</b>		<b>\$ 15,350</b>	<b>\$ (12,963)</b>	<b>\$ 2,387</b>

**NOTE 5—Property and Equipment, Net—Continued****General Property and Equipment as of September 30, 2013** *(dollars in thousands)*

Equipment	3 - 10	\$ 2,586	\$ (2,065)	\$ 521
ADP software	2	11,983	(9,158)	2,825
<b>Total</b>		<b>\$ 14,569</b>	<b>\$ (11,223)</b>	<b>\$ 3,346</b>

**Depreciation Expense for the period ending September 30** *(dollars in thousands)*

Major Class	2014	2013
Equipment	\$ 202	\$ 202
ADP software	1,538	599
<b>Total</b>	<b>\$ 1,740</b>	<b>\$ 801</b>

**NOTE 6—Trust Service Award Liability**

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 educational expenses at qualified educational institutions. The awards, which are available to use for a period of up to ten years after the benefit has been earned, are paid from the National Service Trust.

The National Service Trust also pays forbearance interest on qualified student loans during the period members perform community service, as well as awards under the Presidential Freedom Scholarship Program. The award liability components related to education awards and interest forbearance has been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The Service Award was composed of the following as of September 30:

**Service Award Liability as of September 30** *(dollars in thousands)*

	2014	2013
Education awards	\$ 2,469,053	\$ 2,301,708
Interest forbearance	89,677	79,604
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>
Total estimated service award liability	2,581,257	2,403,839
Less: cumulative awards paid	<u>2,127,126</u>	<u>1,939,565</u>
<b>Total</b>	<b><u>\$ 454,131</u></b>	<b><u>\$ 464,274</u></b>

The net Service Award Liability as of September 30, 2014 decreased by approximately \$10.1 million from the net Service Award Liability as of September 30, 2013. This change was largely due to declining member enrollment, and accelerated usage of awards. Past CNCS appropriations made amounts from the National Service Trust available for \$1,000 scholarships for high school students known as Presidential Freedom Scholarships. To fund each scholarship, a local community or corporate source matched the \$500 portion of the scholarship provided by CNCS. The program was discontinued in FY 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made through FY 2014. As of October 1, 2009, the National Service Trust is also available to pay Summer of Service and Silver Scholar educational awards.

However, the Silver Scholar program was not funded and no current liability was accrued for those educational awards. The Summer of Service program was only funded in FY 2010.

**NOTE 7—Operating Leases**

CNCS leases office space through the General Services Administration (GSA). GSA charges CNCS a Standard Level Users Charge that approximates commercial rental rates for similar properties. The NCCC also leases housing and other facilities for its campuses. Additionally, CNCS leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the NCCC. The leases are renewable with no purchase or escalation clause. The following schedule presents future minimum rental commitments under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of September 30.

**Estimated Operating Lease Commitments as of September 30** *(dollars in thousands)*

Fiscal Year	2014				2013			
	Facilities Space	Vehicles	Other	Total	Facilities Space	Vehicles	Other	Total
2014	\$ -	\$ -	\$ -	\$ -	\$ 10,059	\$ 953	\$ 354	\$ 11,366
2015	10,414	298	540	11,252	10,115	873	303	11,291
2016	10,381	309	522	11,212	10,401	874	287	11,562
2017	10,702	322	531	11,555	10,696	733	287	11,716
2018	11,033	335	532	11,900	11,000	750	287	12,037
2019	11,374	348	541	12,263	-	-	-	-
<b>Total</b>	<b><u>\$ 53,904</u></b>	<b><u>\$ 1,612</u></b>	<b><u>\$ 2,666</u></b>	<b><u>\$ 58,182</u></b>	<b><u>\$ 52,271</u></b>	<b><u>\$ 4,183</u></b>	<b><u>\$ 1,518</u></b>	<b><u>\$ 57,972</u></b>

**NOTE 8—Actuarial FECA Liability**

CNCS's actuarial liability for future workers' compensation benefits under FECA was \$9.3 and \$9.7 million as of September 30, 2014 and 2013, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. As with all federal agencies, CNCS's FECA liability is determined by the Department of Labor. 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 ten-year Treasury notes and bonds.

**NOTE 9—Net Positions**

Net position consists of unexpended appropriations and cumulative results of operations. Component balances are separately maintained for the Gift Fund, Trust Fund, and Appropriated Funds.

**Net Position by Fund Balance Component as of September 30, 2014** *(dollars in thousands)*

	Gift Fund	Trust Fund	Appropriated Funds	Total
Unexpended appropriations	\$ -	\$ -	\$ 890,367	\$ 890,367
Cumulative results of operations	462	270,677	(9,450)	261,689
<b>Total Net Position</b>	<b>\$ 462</b>	<b>\$ 270,677</b>	<b>\$ 880,917</b>	<b>\$ 1,152,056</b>

**Net Position by Fund Balance Component as of September 30, 2013** *(dollars in thousands)*

	Gift Funds	Trust Funds	Appropriated Funds	Total
Unexpended appropriations	\$ -	\$ -	\$ 809,513	\$ 809,513
Cumulative results of operations	644	229,736	(7,416)	222,964
<b>Total Net Position</b>	<b>\$ 644</b>	<b>\$ 229,736</b>	<b>\$ 802,097</b>	<b>\$ 1,032,477</b>

CNCS is required to report information regarding its financial position according to three classes of net assets (net position): unrestricted, temporarily restricted, and permanently restricted.

CNCS has no permanently restricted assets. The following table presents CNCS's unrestricted and temporarily restricted net assets.

**Restrictions on Net Position as of September 30, 2014** *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 880,917	\$ -	\$ 880,917
Trust Funds	-	270,677	270,677
Gift Funds	-	462	462
<b>Total Net Position</b>	<b>\$ 880,917</b>	<b>\$ 271,139</b>	<b>\$ 1,152,056</b>

**Restrictions on Net Position as of September 30, 2013** *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 802,097	\$ -	\$ 802,097
Trust Funds	-	229,736	229,736
Gift Funds	-	644	644
<b>Total Net Position</b>	<b>\$ 802,097</b>	<b>\$ 230,380</b>	<b>\$ 1,032,477</b>

**NOTE 10—Appropriations Received by the National Service Trust**

The National Service Trust received \$207.4 million for FY 2014, and \$200.7 million for FY 2013. CNCS is also authorized to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. Under the provisions of the law, CNCS transferred \$5.1 million and \$22.8 million to the Trust in FY 2014 and 2013, respectively.

**NOTE 11—Expenses**

Using an appropriate cost accounting methodology, CNCS's expenses have been allocated among its major programs, at the sub-program level.

Costs for each sub-program are reported on separately:

AmeriCorps engages members in intense, impact-oriented service to address local community needs in areas of education, healthy futures, environmental stewardship, economic opportunity, disaster services, and assisting veterans and military families. AmeriCorps includes the State, National, Tribes, and Territories (State/National); National Civilian Community Corps (NCCC); and Volunteers In Service To America (VISTA) programs. The State/National sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations. The NCCC sub-program includes member stipend and benefits, and direct and allocated personnel and administrative costs, including AmeriCorps recruitment and National Service Trust operations. The AmeriCorps VISTA sub-program includes grant expenses, member stipend and benefits, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations.

Senior Corps programs provide opportunities for members 55 and older to address local community needs in the areas of education, assisting veterans and military families, disaster response, and healthy futures. Senior Corps includes the Foster Grandparent Program (FGP); Senior Companion Program (SCP); and the RSVP.

The Senior Corps program includes grant expenses, as well as direct and allocated personnel and administrative costs for RSVP, FGP, and SCP. CNCS also has reimbursable agreements with several state agencies whereby CNCS awards and administers grants to a list of grantees selected and funded by the State (pass-through grants). The activity related to pass-through grants has been reclassified to be associated with the related Senior Corps program.

Learn and Serve America includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Learn and Serve America Program, the President's Student Service Challenge, and National Service Leader Schools. The Learn & Serve program is no longer funded; however, there was on-going activity through FY 2014 as the program shut down.

The National Service Award Expense component consists of CNCS's estimated expense for education awards based on the increase in its service award liability during the year and interest forbearance costs on qualified student loans during the period members perform community service. No indirect costs have been allocated to the National Service Award expense component.

Innovation, Demonstration, and Assistance Activities (ID&A Activities) include grants to support and encourage new forms of service and volunteering. The most significant program is the Social Innovation Fund (SIF). The primary objective of the SIF is to improve the lives of people in low-income communities by mobilizing public and private sources to grow innovative nonprofit organizations that have evidence of compelling impact in the areas of economic opportunity, youth development, and healthy futures. No indirect costs have been allocated to the Innovation, Demonstration, and Assistance Activities component.

The Office of Inspector General (OIG) receives a separate appropriation. No indirect costs have been allocated to OIG.

**NOTE 11—Expenses—Continued****Components of Grant Funds Expended for the Period Ended September 30** *(dollars in thousands)*

	2014	2013
Domestic Volunteer Service Act Programs	\$ 223,680	\$ 226,790
National and Community Service Act Programs	344,812	395,955
<b>Total Grant Funds Expended</b>	<b><u>\$ 568,492</u></b>	<b><u>\$ 622,745</u></b>

**Expenses by Major Responsibility Segment for the Period Ended September 30** *(dollars in thousands)*

	2014	2013
<b>AmeriCorps</b>		
State and National	\$ 535,574	\$ 595,844
NCCC	39,698	48,216
VISTA	132,038	134,151
Subtotal	\$ 707,310	\$ 778,211
<b>Senior Corps</b>		
RSVP	54,994	53,115
Foster Grandparent Program	116,428	119,391
Senior Companion Program	\$ 48,256	\$ 50,729
Subtotal	219,678	223,235
Learn and Serve America	472	6,048
Innovation, Demonstration, Assistance Activities	42,165	47,355
Office of Inspector General (OIG)	3,458	3,392
<b>Total Expenses</b>	<b><u>\$ 973,083</u></b>	<b><u>\$ 1,058,241</u></b>

**Expenses by Type and Sub-Program for the Period Ended September 30, 2014** (dollars in thousands)

Type	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
<b>Grant and Related Expense</b>										
Grant funds expended	\$ 303,511	\$ -	\$ 34,375	\$ 46,756	\$ 100,907	\$ 41,642	\$ 371	\$ 40,930	\$ -	\$ 568,492
VISTA and NCCC stipends and benefits	-	9,414	52,677	-	-	-	-	-	-	62,091
Service award expense	155,001	3,766	18,640	-	-	-	-	-	-	177,407
<b>Total Grant and Related Expense</b>	<b>458,512</b>	<b>13,180</b>	<b>105,692</b>	<b>46,756</b>	<b>100,907</b>	<b>41,642</b>	<b>371</b>	<b>40,930</b>	<b>-</b>	<b>807,990</b>
<b>Administrative Expense</b>										
Federal employee salaries and benefits	41,304	3,311	8,208	3,970	8,584	3,570	47	-	2,448	71,442
Travel and transportation	3,345	4,392	1,685	321	695	289	4	-	83	10,814
Rent, communications, and utilities	5,977	4,818	1,049	573	1,240	516	7	-	-	14,180
Program analysis and evaluation	2,373	50	416	228	493	205	3	-	-	3,768
Printing and reproduction	77	30	14	7	67	7	-	-	-	202
Other services and expenses	22,330	11,749	14,684	2,980	4,098	1,883	38	1,235	923	59,920
Supplies and materials	540	2,145	95	52	112	47	1	-	4	2,996
Depreciation, amortization, and loss on disposition of assets	1,096	23	192	105	228	95	1	-	-	1,740
Bad debt	20	-	3	2	4	2	-	-	-	31
<b>Total Administrative Expense</b>	<b>77,062</b>	<b>26,518</b>	<b>26,346</b>	<b>8,238</b>	<b>15,521</b>	<b>6,614</b>	<b>101</b>	<b>1,235</b>	<b>3,458</b>	<b>165,093</b>
<b>Total Expenses by Type</b>	<b>\$ 535,574</b>	<b>\$ 39,698</b>	<b>\$ 132,038</b>	<b>\$ 54,994</b>	<b>\$ 116,428</b>	<b>\$ 48,256</b>	<b>\$ 472</b>	<b>\$ 42,165</b>	<b>\$ 3,458</b>	<b>\$ 973,083</b>

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**Expenses by Type and Sub-Program for the Period Ended September 30, 2013** (dollars in thousands)

Type	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
<b>Grant and Related Expense</b>										
Grant funds expended	\$ 344,389	\$ -	\$ 31,893	\$ 45,576	\$ 105,085	\$ 44,236	\$ 5,057	\$ 46,509	\$ -	\$ 622,745
VISTA and NCCC stipends and benefits	-	8,896	54,961	-	-	-	-	-	-	63,857
Service award expense	171,188	8,484	19,896	-	-	-	-	-	-	199,568
<b>Total Grant and Related Expense</b>	<b>515,577</b>	<b>17,380</b>	<b>106,750</b>	<b>45,576</b>	<b>105,085</b>	<b>44,236</b>	<b>5,057</b>	<b>46,509</b>	<b>-</b>	<b>886,170</b>
<b>Administrative Expense</b>										
Federal employee salaries and benefits	40,355	4,752	7,226	3,286	7,735	3,280	490	-	2,429	69,553
Travel and transportation	2,449	5,107	1,559	261	603	261	30	-	72	10,342
Rent, communications, and utilities	5,563	3,922	884	450	1,060	449	67	-	12	12,407
Program analysis and evaluation	1,720	63	308	139	328	139	24	-	-	2,721
Printing and reproduction	126	84	23	22	23	15	1	-	-	294
Other services and expenses	29,032	14,703	17,194	3,300	4,365	2,268	363	846	866	72,937
Supplies and materials	444	2,194	117	34	81	34	9	-	13	2,926
Depreciation, amortization, and loss on disposition of assets	520	10	81	42	100	42	6	-	-	801
Bad debt	58	1	9	5	11	5	1	-	-	90
<b>Total Administrative Expense</b>	<b>80,267</b>	<b>30,836</b>	<b>27,401</b>	<b>7,539</b>	<b>14,306</b>	<b>6,493</b>	<b>991</b>	<b>846</b>	<b>3,392</b>	<b>172,071</b>
<b>Total Expenses by Type</b>	<b>\$ 595,844</b>	<b>\$ 48,216</b>	<b>\$ 134,151</b>	<b>\$ 53,115</b>	<b>\$ 119,391</b>	<b>\$ 50,729</b>	<b>\$ 6,048</b>	<b>\$ 47,355</b>	<b>\$ 3,392</b>	<b>\$ 1,058,241</b>

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**NOTE 12—National Service Award Expense**

Members serving in approved national service positions are eligible to earn a service award to pay for qualified education expenses.

The National Service Trust also pays interest forbearance costs on qualified student loans during the period members perform community service.

CNCS estimates the expense for national service awards based on the increase in its cumulative service award liability during the year (see Note 6). The total service award liability as of September 30, 2014 and 2013, respectively, has been adjusted to reflect the fact that earned awards are not always used.

**National Service Award Expense for the Period Ended September 30** *(dollars in thousands)*

	2014	2013
Estimated education awards	\$ 167,334	\$ 190,594
Estimated interest forbearance	10,073	8,974
<b>National Service Award Expense</b>	<b>\$ 177,407</b>	<b>\$ 199,568</b>

**NOTE 13—Change in Unexpended Appropriations, Net****Unexpended Appropriations, Net as of September 30** *(dollars in thousands)*

	2014	2013
Unexpended Appropriations, Beginning Balance	\$ 809,513	\$ 864,831
<b>Increases:</b>		
Appropriations Received	1,049,954	1,048,884
<b>Decreases:</b>		
Appropriated Capital Used	(740,124)	(808,085)
Appropriations Transferred to Trust Fund (net of rescissions)	(207,387)	(200,719)
Program Funds Transferred to Trust	(5,109)	(22,849)
Appropriations Transferred to Other Federal Agency	(2,000)	—
Rescissions and Cancellations	(14,480)	(72,549)
Total Decreases	(969,100)	(1,104,202)
<b>Change in Unexpended Appropriations</b>	<b>80,854</b>	<b>(55,318)</b>
<b>Unexpended Appropriations, Ending Balance</b>	<b>\$ 890,367</b>	<b>\$ 809,513</b>

#### **NOTE 14—Contingencies**

CNCS 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 CNCS. In the opinion of CNCS' management and legal counsel, there are no proceedings, actions, or claims outstanding or threatened that would materially impact the financial statements of CNCS.

Certain legal matters to which CNCS is 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 the Treasury Judgment Fund (TJF). Although the ultimate disposition of any potential TJF proceedings cannot be determined, management does not expect that any liability or expense that might ensue would be material to CNCS' financial statements.

#### **NOTE 15—Subsequent Events**

CNCS has evaluated subsequent events through November 14, 2014, which is the date these financial statements were available to be issued. As a consequence of its evaluation, CNCS has determined that no subsequent events need to be recognized or disclosed.

#### **NOTE 16—Undelivered Orders at Fiscal Year-End**

CNCS' undelivered orders at September 30, 2014 and 2013 were \$979.9 million and \$869.5 million, respectively.

#### **NOTE 17—Apportionment Categories of Incurred Obligations**

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Corporation funds on both a quarterly and annual basis. Obligations incurred during FY 2014 and 2013 were:

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### **Consolidated Obligations Incurred through September 30** *(dollars in thousands)*

<b>Fiscal Year</b>	<b>Direct</b>	<b>Reimbursable</b>	<b>Total</b>
<b>2014</b>	\$ 1,275,003	\$ 49,261	\$ 1,324,264
<b>2013</b>	\$ 1,226,901	\$ 53,039	\$ 1,279,940

Section III:

# Independent Auditor's Report



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

**AUDIT OF THE  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE'S  
FISCAL YEAR 2014 FINANCIAL STATEMENTS**

**OIG REPORT 15-01**



Prepared by:

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

This report was issued to Corporation management on November 14, 2014. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than June 15, 2015, and complete its corrective actions by November 16, 2015. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



November 14, 2014

TO: Wendy Spencer  
Chief Executive Officer

FROM: Stuart Axenfeld /s/  
Assistant Inspector General for Audit

SUBJECT: Audit of the Corporation for National and Community Service's  
Fiscal Year 2014 Financial Statements, OIG Report 15-01

We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit the consolidated financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2014 and 2013, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards* and applicable Office of Management and Budget guidance.

In its audit, Kearney found:

- The financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- Two significant deficiencies (Integrity Assurance Program and Information Technology) in the Corporation's internal control over financial reporting; and
- One instance of noncompliance (Federal Information Security Management Act of 2002) with applicable provisions of laws, regulations, contracts, and grant agreements.

In connection with the contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with United States generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Corporation's financial statements or conclusions about the effectiveness of internal control; or conclusions on compliance with applicable provisions of laws, regulations, contracts, and grant agreements.

Kearney is responsible for the attached independent auditor's reports, dated November 14, 2014, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with United States generally accepted government auditing standards.

Attachment

cc: Asim Mishra, Chief of Staff  
Jeffrey Page, Chief Operating Officer and Acting Chief Financial Officer  
Tom Hanley, Acting Chief Information Officer  
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center  
Douglas Hilton, Director, Office of Accountability and Oversight  
David Zavada, Engagement Partner, Kearney & Company, P.C.

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation for National and Community Service (the Corporation), which comprise the consolidated statements of financial position as of September 30, 2014 and 2013, the related consolidated statements of operations and changes in net position, the consolidated statements of cash flows, and the combined statements of budgetary resources (SBR) (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2014 and 2013, and its net cost of operations, changes in net position, cash flows, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the 2004 Executive Order, entitled “National and Community Service Programs” (E.O. 13331), requires a statement of assurance in the Corporation’s Management Representation Letter by the Chief Executive Officer and Chief Financial Officer that its financial statements, including the SBR, are accurate and reliable. The Corporation has interpreted this requirement to include presenting the SBR as a principal financial statement. The Corporation’s SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (hereinafter referred to as the “required supplementary information”) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing it for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the Donations and Contributions, National Service Trust Fund (Trust) Status Report – September 2014, Improper Payments, and Freeze the Footprint sections of the Fiscal Year 2014 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the financial statements. Except as described below, such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Certain information from the Trust Status Report – September 2014 statements of financial position, related statements of operations and changes in net position, statements of cash flows and combined SBR (hereinafter referred to as the “Trust financial statements”), as of September 30, 2014, is presented as other information. In accordance with the requirements of the National and Community Service Act of 1990, as amended, we performed a separate audit of the Trust financial statements and issued a report thereon, dated November 14, 2014.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, we have also issued a report, dated November 14, 2014, on our consideration of the Corporation’s internal control over financial reporting and on our tests of the Corporation’s compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters for the year ended September 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting, or on compliance and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, and in considering the Corporation’s internal control over financial reporting and compliance.

Alexandria, Virginia  
November 14, 2014

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND COMPLIANCE WITH APPLICABLE PROVISIONS  
OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

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

We have audited the consolidated financial statements of the Corporation for National and Community Service (the Corporation) and the Corporation National Service Trust Fund (Trust) as of and for the year ended September 30, 2014, and have issued our reports thereon dated November 14, 2014. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine that the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain



deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies.

We noted certain additional matters involving internal control over financial reporting that we will report to the Corporation's management in a separate letter.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. Noncompliance could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Corporation. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and is described in the accompanying Schedule of Findings and Responses.

### **Corporation's Response to Findings**

The Corporation's response to the findings identified in our audits is described in a separate letter. The Corporation's response was not subjected to the auditing procedures applied in our audits of the financial statements and accordingly, we do not express an opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02 in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia  
November 14, 2014



## Schedule of Findings and Responses

### Significant Deficiencies

#### I. Information Technology (New Condition)

The Corporation's information technology (IT) internal control structure, both for the general support systems (GSS) and significant financial reporting applications, did not support a sound internal control environment in all five categories of general controls, which include the following areas: security management, access controls, configuration management, segregation of duties, and contingency planning. The National Institute of Standards and Technology (NIST) and the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM) provide control objectives and evaluation techniques that we used during our audit. For efficiency, Kearney conducted the audit of IT internal controls in conjunction with the Corporation's annual Federal Information Security Management Act of 2002 (FISMA) evaluation.

The FISMA legislation requires the Office of Inspector General (OIG) to perform an annual evaluation of a Federal agency's information security program, including testing security controls for a representative subset of agency's systems. Kearney performed the annual FISMA evaluation of the Corporation's information security and privacy program for fiscal year (FY) 2014 on behalf of the OIG and prepared responses to 115 FISMA security metric questions. Of the 115 security metric questions, our testing identified 49 instances of noncompliance with OMB guidance and NIST guidance. These 49 control deficiencies were consolidated into 16 reported findings within the FY 2014 FISMA report, dated November 14, 2014.

Collectively, these control deficiencies in the Corporation's information security and privacy program increase the risk of fraud, waste, and abuse and the likelihood that an information security breach may occur and result in loss of sensitive information. The loss of sensitive information, such as personally identifiable information (PII), could result in significant financial liabilities for the Corporation to investigate and remediate the security breach, as well as requiring the purchase of credit monitoring and fraud protection services for the affected individuals. Based on our integrated test work, Kearney concluded that the Corporation's information security and privacy program was not compliant in a number of respects with the FISMA legislation, OMB guidance, and applicable NIST security publications as of September 30, 2014. Overall, the Corporation needs to take substantial corrective action to address IT deficiencies identified in the FY 2014 FISMA report. Management has reported these significant deficiencies as a material weakness under FMFIA, consistent with the FISMA legislation and OMB reporting guidance.

The list of 16 findings, organized by FISCAM control area, is presented on the following pages.

## *Security Management*

1. *Lack of a formally documented and fully implemented Information Security Continuous Monitoring (ISCM) strategy (Repeat finding from FY 2013 FISMA Evaluation)* – The Corporation has not adopted, formally documented, or implemented an organization-wide ISCM strategy and program, as mandated by the OMB guidance and as required by several NIST Special Publications (SP), including NIST SP 800-137; NIST SP 800-37 Revision 1, NIST SP 800-39, and NIST SP 800-53 Revision 4. As part of monitoring its outsourced information systems, the Corporation has not developed meaningful and reportable performance metrics to evaluate the IT contractors’ performance and has not incorporated such performance metrics into its IT contracts.
2. *Organizational conflict of interest* – NIST SP 800-53 Revision 4 requires that security assessors be independent and impartial when performing security assessments for Federal Information Processing Standard (FIPS) 199 rated “moderate” and “high” impact information systems. The Corporation permitted its managed data center services (MDCS) contractor to perform the Security Assessment and Authorization (SA&A) of the Corporation’s GSS and Electronic System for Programs Agreements and National Service Participants (eSPAN) information systems rather than requiring the MDCS contractor to hire an independent party. The security assessors, who had primary responsibility for monitoring the Corporation’s network, worked for the MDCS contractor and reported to the overall Project Manager. The security assessors were effectively reviewing their own work and that of their colleagues; their employment status, assigned job responsibilities, and organizational reporting relationships precluded an impartial and objective evaluation of security controls.
3. *Inadequate enterprise-wide risk management policies and practices (Repeat finding from FY 2013 FISMA Evaluation)* – The Corporation’s documented risk management policies and security controls describe the risk management process at the information system (Tier 3) level but do not address risks at Tier 1 (Organization) and Tier 2 (Mission/Business). The risk management practices largely do not involve the individuals who are responsible for accomplishing organizational, mission, and business objectives on a daily basis, such as the business owner or application owner.
4. *Weaknesses with the Corporation’s security planning and assessment* – The Corporation did not develop corporate standards for its multiple IT contractors to follow regarding ongoing security assessments and continuous monitoring activities. Kearney’s testing of IT security controls across multiple Corporation information systems identified numerous inconsistencies and inaccuracies in the system security plans, security assessment reports, and Plan of Action and Milestones (POA&M), highlighting the inconsistent nature, depth, and quality of security assessments and continuous monitoring activities performed by the Corporation’s IT vendors.
5. *Lack of formal role-based training (Repeat finding from FY2013 FISMA Evaluation)* – The Corporation has not implemented a formal, documented role-based Information Security

Training program for individuals with significant security responsibilities as required by NIST. Without regular training, individuals with significant information security responsibilities may not keep abreast of new IT threats and vulnerabilities and the techniques to mitigate them.

6. *Improvements needed to POA&M Reporting* – The Corporation did not have an adequate POA&M management process in place to ensure all known enterprise security weaknesses are recorded, remediation resources are specifically and uniformly identified, and progress toward timely resolution is adequately monitored.
7. *Inadequate controls over privacy* – The Corporation demonstrated multiple weaknesses in the implementation of privacy controls, such as documenting its implementation of required NIST SP 800-53 privacy controls, maintaining a complete inventory of PII, and complying with requirements to destroy outdated records containing PII in accordance with records retention schedules.
8. *Inadequate incident response reporting* – The Corporation has not properly classified all computer security incidents, nor has it reported all computer security incidents to the United States-Computer Emergency Readiness Team (US-CERT), as required by OMB and US-CERT computer security reporting guidance. Specifically, three Category 1 events and three Category 4 events<sup>1</sup> were not reported because they were not correctly classified as reportable events.

### ***Access Controls***

1. *Use of an obsolete and unsupported network monitoring tool* – The Corporation’s primary tool for network access control, monitoring, and audit log analysis was obsolete and unsupported by the vendor.
2. *Lack of controls to prevent use of unauthorized devices* – The Corporation did not implement IT security policies and supporting technical controls to prevent the use of non-Corporation-issued portable data storage devices such as Universal Serial Bus (USB) thumb drives, USB hard drives, smart phones, and tablets. Further, Kearney observed Corporation employees utilizing personal devices for work purposes even though the Corporation did not have a bring-your-own-device policy that permitted such behavior. Without clear, enforced IT security policies regarding the use of personal devices for corporate use, Corporation employees and contractors may connect personal USB storage devices to Corporation computers and unknowingly introduce malicious software or potentially store sensitive information on an unencrypted device.

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<sup>1</sup> Category 1 events represent unauthorized access and must be reported within one hour of discovery. Unauthorized access occurs when an individual gains logical or physical access without permission to a Federal agency network, system, application, data, or other resource. Category 4 events represent improper usage and must be reported weekly. Improper usage occurs when a person violates acceptable computing use policies.

3. *Risks to the confidentiality and availability of voice communications* – The Corporation does not separate its data network traffic from its voice network traffic. Specifically, Corporation desktops were able to ping (query) Cisco Voice over Internet Protocol (VoIP) phones and VoIP servers at local and remote offices. In addition, users were able to access the Cisco VoIP phones using their desktops’ web browser over unencrypted hypertext transfer protocol. Connecting the data network with the voice network exposes the VoIP infrastructure to multiple attack vectors and security weaknesses, which could allow a hacker to intercept and record phone calls without the knowledge of the caller, or worse, create a denial-of-service condition.

### ***Configuration Management***

1. *Multiple weaknesses with vulnerability scanning and remediation* – Kearney identified five deficiencies related to vulnerability scanning and the remediation process at the Corporation. Specifically, the Corporation did not:
  - a. Scan desktops and laptops on a monthly basis for missing security patches and/or configuration errors
  - b. Review monthly scan results of servers for 10 months. This allowed 39 high-risk vulnerabilities on several critical servers to continue for this period
  - c. Configure the vulnerability scanner to identify missing security patches belonging to frequently exploited applications such as Internet Explorer, Microsoft Office, Adobe Reader, Adobe Flash, and Java
  - d. Periodically perform a scan for configuration errors and deviations from the United States Government Configuration Baseline for desktops
  - e. Include performance metrics for the timely remediation of identified vulnerabilities in the MDCS or other IT contracts.
2. *Inadequate controls over remote access* – The Corporation-issued laptops were configured to automatically connect to the Corporation’s network through Cisco’s “AnyConnect VPN” client. However, the automatic connection of the laptop to the Virtual Private Network (VPN) server does not meet the two-factor authentication requirements for Federal agencies where “one of the factors is provided by a device separate from the computer gaining access.”<sup>2</sup> In addition, the Corporation incorrectly configured its VPN to permit the use of non-compliant, FIPS<sup>3</sup> encryption protocols,<sup>4</sup> leaving VPN sessions vulnerable to exploitation, such as “man-in-the-middle attacks.” Kearney also noted that the Corporation’s VPN client did not include the latest Cisco security patches as of August 25, 2014 to several Secure Socket Layer (SSL)/Transport Layer Security (TLS) vulnerabilities.

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<sup>2</sup> OMB Memorandum M-06-16, *Protection of Sensitive Agency Information*, June 23, 2006

<sup>3</sup> FIPS Publication 140-2, *Security Requirements for Cryptographic Modules*

<sup>4</sup> RC4, Secure Socket Layer (SSL) 3.0, and SSL 3.1/TLS 1.0. RC4, SSL 3.0, and Transport Layer Security (TLS) 1.0 are widely used commercially, but have several technical flaws that can increase the risk of exploitation.

### ***Segregation of Duties***

1. *Lack of segregation of duties* – The Corporation did not document requirements for segregation of duties for the eSPAN application. This issue has been recurring for the past four years. Despite repeated assurances that the Corporation is in the process of establishing required segregation of duties across all business processes and aligning this with its IT systems, the Corporation has not demonstrated meaningful progress to resolve the weakness.

### ***Contingency Planning***

1. *Lack of adequate testing of Continuity of Operations Programs (COOP)* – The Corporation has not conducted adequate planning or testing of its COOP.
2. *Inadequate Disaster Recovery Plan (DRP) documentation and planning* – The Corporation’s disaster recovery documentation does not plan for all of the Corporation’s essential functions and missions. The Business Impact Analysis specifically states that it is not meant to address all essential business functions, and refers to the COOP and the Corporation DRP for coverage. However, the COOP and DRP also did not identify all essential business functions.

## **II. Integrity Assurance Program (New Condition)**

The Corporation is subject to the reporting requirements of the Government Corporation Control Act and is therefore subject to FMFIA; OMB Circular A-123, *Management’s Responsibility for Internal Control*; and the GAO’s Standards for Internal Control in the Federal Government, incorporated by reference within these requirements. Collectively, these laws, regulatory guidance, and standards require agencies to establish effective internal controls over program and financial operations. The Corporation has struggled with meeting these requirements and does not yet have a fully functioning internal control monitoring process in place to determine the effectiveness of internal controls and support management’s required annual assurance statement under FMFIA.

In FY 2013, the Corporation established the Financial Integrity Steering Committee (FISC), a governance and oversight structure for internal control, which conducted a risk assessment and tested financial controls in 13 cycles. During this past year, the Corporation issued the Integrity Assurance Program (IAP) policies and procedures, formed the Integrity Steering Committee (ISC), and updated its initial risk assessment. However, the IAP also experienced a number of setbacks and delays that have offset this progress and severely restricted the effectiveness of the current program. Kearney has reported the lack of an effective internal control monitoring program in each of the past five years when we have performed the financial statement audit of the Corporation.

Agency management is responsible for implementing effective internal controls and must certify their effectiveness annually in an assurance statement included in the Agency Financial Report.

However, the Corporation has not adopted a comprehensive and timely assessment process with effective governance and management follow-up, resulting in assurance statements that are not fully supported. Deficiencies in internal control design and operation can and did go undetected. For example, during this past year, deficiencies in information security were identified through our integrated FISMA evaluation and financial statement audit that were not detected by management's Internal Control or Information Assurance program. In the area of procurement, an audit conducted by the OIG during FY 2014 found numerous weaknesses related to the Corporation's contract management process and controls; the Corporation has acknowledged the broad scope of the issues involved in this area. Both information security and contract management are areas widely recognized throughout the Government to carry high risk; therefore, they require diligent monitoring of the effectiveness of internal controls. The lack of an effective internal control monitoring program means that financial, operational, and compliance objectives may not be met, and risks may not be adequately identified and mitigated.

***Governance and Oversight not Effective: The FISC Discontinued Monthly Meetings in June and the ISC did not Meet Quarterly***

The initial meeting of the ISC, a governance body established in FY 2014 to function as a Senior Assessment Team in carrying out internal control monitoring, was not held until the third quarter of the FY on June 12, 2014. The ISC did not convene again. The FISC, a governance and oversight structure for internal control established in FY 2013, met monthly through June 2014, but did not meet again for the remainder of the FY. The absence of a fully engaged and functioning internal control oversight body means that corrective action plans (CAP), resource constraints, key vacancies, test plans, and results are not monitored at the appropriate senior level within the Corporation.

***Insufficient Resources Dedicated to Internal Control Monitoring***

During FY 2014, the Office of Accountability and Oversight (OAO)<sup>5</sup> did not have sufficient, properly trained personnel to complete the internal control assessment in a comprehensive and timely manner. Since FY 2013, the OAO has had one vacant position, and during FY 2014, the staffing levels dedicated to Internal Control and Analysis within the OAO decreased.

The OAO also does not have personnel with the IT skills to perform an assessment of information systems controls. Without the skill set and experience of an IT specialist, or access to this skill set within the Corporation, IT testing was inadequate. Kearney's detailed sampling of IT controls highlighted that documented IT procedures and practices were not consistently followed and operational security gaps existed.

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<sup>5</sup> The OAO is an office that was established by the Corporation in FY 2012 and is responsible for establishing program objectives, defining policy, overseeing risk/control assessment, submitting results to FISC for FMFIA decision-making, and performing subsequent remediation activities.



***Undetected Significant Deficiencies Related to Information Security and Compliance***

As noted above, internal controls over information security are separately identified as part of the financial statement audit as a significant deficiency. The information security and privacy program at the Corporation did not meet minimum security standards established by FISMA, OMB, and NIST, and needs substantial improvement across the board. These information security deficiencies and areas of noncompliance with Federal information systems requirements were not detected as part of the Corporation’s internal control monitoring program.

***An Incomplete Risk Assessment Process***

The OAO’s risk assessment process remains incomplete and needs to be more comprehensive in identifying the range of risks faced by the Corporation. For example, factors such as a changed regulatory or operating environment, new personnel, turnover of key personnel, new or revamped information systems, and new technology all represent risks that should be considered during the Corporation’s risk assessment process. Further, the GAO’s Standards for Internal Control in the Federal Government also require a detailed fraud risk assessment, and that responses to those risks be performed and incorporated into the risk assessment process.

***Internal Control Assessment was not Completed Timely***

The OAO did not complete its internal control assessment in a timely manner. As of the end of the FY 2014, the Corporation had not completed its testing for any of the areas selected, and grants management assessment was not completed until October 24, 2014. An effective and fully functioning internal control monitoring program should complete and report the results of internal control testing during the FY. The delay in the Corporation’s internal control testing provided very little time to assess and consider the results with the ISC, FISC, Chief Executive Officer, and Board of Directors before decisions regarding management’s annual assurance statement need to be made.

\* \* \* \* \*



## Noncompliance and Other Matters

### III. Federal Information Security Management Act of 2002 (FISMA) (New Condition)

FISMA requires agencies to develop, document, and implement an agency-wide information security program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

As noted in its Management Assurance Statement in the FY 2014 Agency Financial Report, the Corporation disclosed an instance of noncompliance with FISMA that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 14-02.

By not complying with FISMA, the Corporation has potentially weakened security controls, which could adversely affect the confidentiality, integrity, and availability of information and information systems.

\* \* \* \* \*

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

**AUDIT OF THE  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE'S  
FISCAL YEAR 2014  
NATIONAL SERVICE TRUST FUND  
FINANCIAL STATEMENTS**

**OIG REPORT 15-02**



Prepared by:

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



November 14, 2014

TO: Wendy Spencer  
Chief Executive Officer

FROM: Stuart Axenfeld /s/  
Assistant Inspector General for Audit

SUBJECT: Audit of the Corporation for National and Community Service's  
Fiscal Year 2014 National Service Trust Fund Financial Statements,  
OIG Report 15-02

We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit the Corporation for National and Community Service's (Corporation) National Service Trust Fund financial statements (Trust financial statements) as of September 30, 2014 and 2013, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards* and applicable Office of Management and Budget guidance.

In its audit, Kearney found that the Trust financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

In connection with the contract, we reviewed Kearney's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with United States generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Trust financial statements.

Kearney is responsible for the attached independent auditor's report, dated November 14, 2014, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with United States generally accepted government auditing standards.

#### Attachment

cc: Asim Mishra, Chief of Staff  
Jeffrey Page, Chief Operating Officer and Acting Chief Financial Officer  
Tom Hanley, Acting Chief Information Officer  
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center  
Douglas Hilton, Director, Office of Accountability and Oversight  
David Zavada, Engagement Partner, Kearney & Company, P.C.

## INDEPENDENT AUDITOR’S REPORT

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

### **Report on the Trust Financial Statements**

We have audited the accompanying financial statements of the Corporation for National and Community Service (the Corporation) National Service Trust Fund (Trust), which comprise the statements of financial position as of September 30, 2014 and 2013, the related statements of operations and changes in net position, the statements of cash flows, and the combined statements of budgetary resources (SBR) (hereinafter referred to as the “Trust financial statements”) for the years then ended, and the related notes to the Trust financial statements.

### ***Management’s Responsibility for the Trust Financial Statements***

Management is responsible for the preparation and fair presentation of the Trust financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on the Trust financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Trust financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Trust financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the Trust financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the Trust financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Trust financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the Trust financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2014 and 2013, and its net cost of operations, changes in net position, cash flows, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the Trust financial statements, the 2004 Executive Order, entitled “National and Community Service Programs” (E.O. 13331), requires a statement of assurance in the Corporation’s Management Representation Letter by the Chief Executive Officer and Chief Financial Officer that its financial statements, including the SBR, are accurate and reliable. The Corporation has interpreted this requirement to include presenting the Trust SBR as a principal financial statement. The Corporation’s Trust SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the Trust financial statements taken as a whole. The information contained in the National Service Trust Fund Status Report – September 2014, *Other Information*, section of the Fiscal Year 2014 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the Trust financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the Trust financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, we have also issued a report, dated November 14, 2014, on our consideration of the Corporation’s internal control over financial reporting and on our tests of the Corporation’s compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters for the year ended September 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting, or on compliance and other matters. That report is an integral part of an audit performed in accordance with *Government*



*Auditing Standards* and OMB Bulletin No. 14-02, and in considering the Corporation's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Kearney &amp; Company".

Alexandria, Virginia  
November 14, 2014



Memorandum

Date: November 14, 2014

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Acting Chief Financial Officer

Subject: Draft Report on the Corporation for National and Community Service's (CNCS) Fiscal Year 2014 (FY 2014) Financial Statements

Thank you for the opportunity to respond to the draft report on the results of your audit of CNCS' FY 2014 Financial Statements. I am pleased that we can report that CNCS maintained its unmodified opinion in FY 2014 and that four management letter findings associated with financial reporting included in the FY 2013 report were closed.

While these accomplishments demonstrate our commitment to continuous improvement, we recognize the need to address ongoing challenges. We are committed to implementing a sound governance and oversight framework to maximize the agency's fiscal stewardship. This reflects CNCS' commitment to continuously improving our operations and maintaining high standards for financial management.



Memorandum

Date: November 14, 2014

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Acting Chief Financial Officer

Subject: Draft Report on Internal Controls over Financial Reporting and Compliance and Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements

Thank you for the opportunity to respond to the draft report on Internal Controls. CNCS concurs with the conditions and recommendations reported in the draft report.

CNCS is committed to establishing a sound governance and oversight framework for effective internal control and Enterprise Risk Management programs necessary to take CNCS's overall risk assessment and internal controls functions to the next level. CNCS is also committed to maintaining a strong and effective Information Assurance Program and protecting sensitive information in our systems. We are dedicated to fulfilling our responsibility to national service participants, grantees, and other stakeholders.



Memorandum

Date: November 14, 2014

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Acting Chief Financial Officer

Subject: Draft Report on the Fiscal Year 2014 (FY 2014) National Service Trust Fund Financial Statements

Thank you for the opportunity to respond to the draft report on the results of your audit of the FY 2014 National Service Trust Fund financial statements. I am pleased that we can report the Corporation for National and Community Service (CNCS) maintained an unmodified opinion.

CNCS is dedicated to continuous improvements and committed to implementing a sound governance and oversight framework to maximize the agency's fiscal stewardship as we embark upon the new fiscal year. This reflects CNCS' commitment to continuously improving our operations.

## Section IV:

# Other Information

## Donations and Contributions

Under CNCS's authorizing legislation, donated funds may be accepted and used in furtherance of the purposes of the national service laws (42 USC 12651g(a)(2)(A)). The law allows CNCS to "solicit, accept, hold, administer, use, and dispose of, in furtherance of the purpose 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 also requires that CNCS report to 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 FY 2014.

CNCS also utilizes Pay.gov, a Treasury program that allows federal agencies to conduct transactions online. Under the Pay.gov program, CNCS collects donations by credit card or direct debit from donors. Pay.gov facilitates the process of collecting gift funds from donors online through a secure website with real-time identification verification and provides the reporting necessary for processing transactions. The following schedules show the Gift Fund balances available, as of September 30, 2014, to fund authorized activities as well as the receipts and expenses paid from the Gift Fund in FY 2014 and 2013, respectively.



## Status of Gift Fund Balance at September 30, 2014

	Fund Balance With Treasury	Obligation & Commitments	Funds Available
Best Buy	\$ 2,275	\$ -	\$ 2,275
Bradley Foundation	2,030	-	2,030
CVS	7,500	-	7,500
Home Depot	119,255	(24,397)	94,858
Land O'Lakes	1,961	-	1,961
Ralph Lauren Polo Foundation	53,580	-	53,580
State Farm Insurance Co.	-	-	-
UPS Foundation	2,026	-	2,026
Walt Disney Company	28,158	(11,570)	16,588
Kellogg Foundation	55,572	(26,415)	29,157
Disaster Relief Fund	16,623	(350)	16,273
Disaster Relief Hurricane	-	-	-
Motorola Foundation	1,070	-	1,070
Shell Oil Co.	3,365	-	3,365
Microsoft	6,315	-	6,315
American Express	25,000	-	25,000
IBEW Union	532	-	532
White House Council	108,007	-	108,007
TSO	-	-	-
Miscellaneous Donations	63,165	(60,102)	3,063
<b>Total</b>	<b>\$ 496,434</b>	<b>\$ (122,834)</b>	<b>\$ 373,600</b>

## Supplemental Information on the Source and Use Of Donations<sup>10</sup>

Donor	Use of Funds	2014		2013	
		Received	Used	Received	Used
Best Buy	Grants for the Martin Luther King Day of Service	\$ 21	\$ 38,259	\$ -	\$ 54,913
Home Depot	Disaster Rebuilding Activities	-	16,007	-	32,971
Land O'Lakes	VISTA Support	50,000	118,830	150,775	41,842
Ralph Lauren Polo Foundation	Support for NCCC program activities	-	1,254	-	660
State Farm Insurance Co.	Learn & Serve America 15th Anniversary	-	111	-	-
Walt Disney Company	Corporation Projects in support of USA Freedom Corp	-	17,745	-	12,656
Shell Oil Co.	Support for the Martin Luther King Day of Service	-	-	-	-
Kellogg Foundation	AmeriCorps volunteer mobilization	-	-	-	-
IBEW Union	CNCS Board of Directors Support	-	-	-	517
Motorola Foundation	National Conference	100	-	475	-
Microsoft	Student Driven Virtual Help Desk	-	-	-	-
American Express	United We Serve	-	-	50,000	42,882
Sponsorship	Sponsorship Programs	19,032	19,032	-	-
<b>Small Individual Donations</b>	<b>Restricted to</b>				
	Disaster Relief	-	-	-	-
	Senior Corps	-	-	-	-
	AmeriCorps (Miscellaneous)	-	-	60	-
	AmeriCorps NCCC	-	-	-	-
	Learn & Serve America	-	-	-	-
	AmeriCorps Vista	-	-	-	3,309
	Service Learning Toolkit Promotion	-	-	-	-
	General/Miscellaneous Support	23,991	36,905	719	684
<b>Total</b>		<b>\$ 93,144</b>	<b>\$ 248,143</b>	<b>\$ 202,029</b>	<b>\$ 190,434</b>

<sup>10</sup> Funds reported as used during the fiscal year in the schedule may be from amounts donated in a previous year(s). In addition, the expenses above only include the amount accrued during the fiscal year and do not reflect amounts that have been obligated but not yet expensed.

# National Service Trust Fund Status Report— September 2014

The National Service Trust Fund (the Trust) was established by the National and Community Service Trust Act of 1993 (The Act), 42 USC 12601, et seq. to provide funds for Segal AmeriCorps Education Awards to eligible participants who complete AmeriCorps service. Funding for the Trust comes from appropriations, interest earned, funds transferred from subtitle C pursuant to 42 USC 1260, and proceeds from the sale or redemption of Trust investments. The Trust is also authorized to accept gifts or bequests; however, to date, no donations have been received by the Trust. Under the Act, funds are available to repay qualified student loans, pay educational expenses at qualified educational institutions, and repay eligible interest expense on student loans.

The value of an education award depends on the term of service performed by an AmeriCorps member. For Program Year 2014, completion of a full-time term of service, requiring a minimum of 1,700 hours of service, entitles an AmeriCorps member to an education award of \$5,645. Completion of a part-time term, requiring a minimum of 900 hours of service, entitles an AmeriCorps member to an education award of \$2,822. Reduced part-time terms, which provide awards of \$500 to \$2,150, are also offered. The education award is indexed to the maximum federal Pell grant; therefore these amounts may change each year.

Education awards earned by AmeriCorps members are generally available to be used for seven years from the completion of the service. Payments are made directly to the educational institutions and the loan holders as directed by the members and by the institutions. Trust funds are not used to pay member stipends or other grant costs. Beginning in Program Year 2010, AmeriCorps State and National and Silver Service members who are age 55 or older when they begin service may transfer their education award to a qualified child, grandchild, or foster child. Education awards earned by AmeriCorps members are generally available to be used for seven years from the completion of the service. Payments are made directly to the educational institutions and the loan holders as directed by the members and by the institutions. Trust funds are not used to pay member stipends or other grant costs. Beginning in Program Year 2010, AmeriCorps State and National and Silver Service members who are age 55 or older when they begin service may transfer their education award to a qualified child, grandchild, or foster child.

Table 1 shows the planned activity for the current Program Year and actual enrollments to date against the plan. The table also includes similar data on the prior Program Year for comparative purposes. Member positions (slots) classified as “Certified Not Awarded” have been approved by CNCSS’s Chief Executive Officer for award to grantees for which the final grant award has not been executed. For budgetary purposes these positions are considered commitments in the Trust Fund.

**Table 1. Member Position Award Activity**

AmeriCorps Program	Program Year 2014					Program Year 2013				
	Awarded		Certified Not Awarded	Planned Not Certified	Total	Awarded		Certified Not Awarded	Planned Not Certified	Total
Enrolled	Not Enrolled	Enrolled				Not Enrolled				
State and National	29,622	29,507	4,108	7,872	71,109	62,515	1,360	198	10,947	75,020
VISTA	6,615	–	939	146	7,700	6,077	–	1,296	–	7,373
NCCC	1,073	–	127	–	1,200	1,171	–	29	–	1,200
<b>Total</b>	<b>37,310</b>	<b>29,507</b>	<b>5,174</b>	<b>8,018</b>	<b>80,009</b>	<b>69,763</b>	<b>1,360</b>	<b>1,523</b>	<b>10,947</b>	<b>83,593</b>

The 80,009 Trust positions planned for Program Year 2014 do not include an estimated 1,020 AmeriCorps VISTA members (870 full-time and 150 Summer Associates) electing an end-of-service stipend instead of an education award. Total estimated member positions for Program Year 2014, including AmeriCorps VISTA members electing a stipend, is 81,029. Member enrollment and slot data are periodically adjusted to reflect corrections and slot reconfigurations by grantees; therefore they may change slightly from month to month.

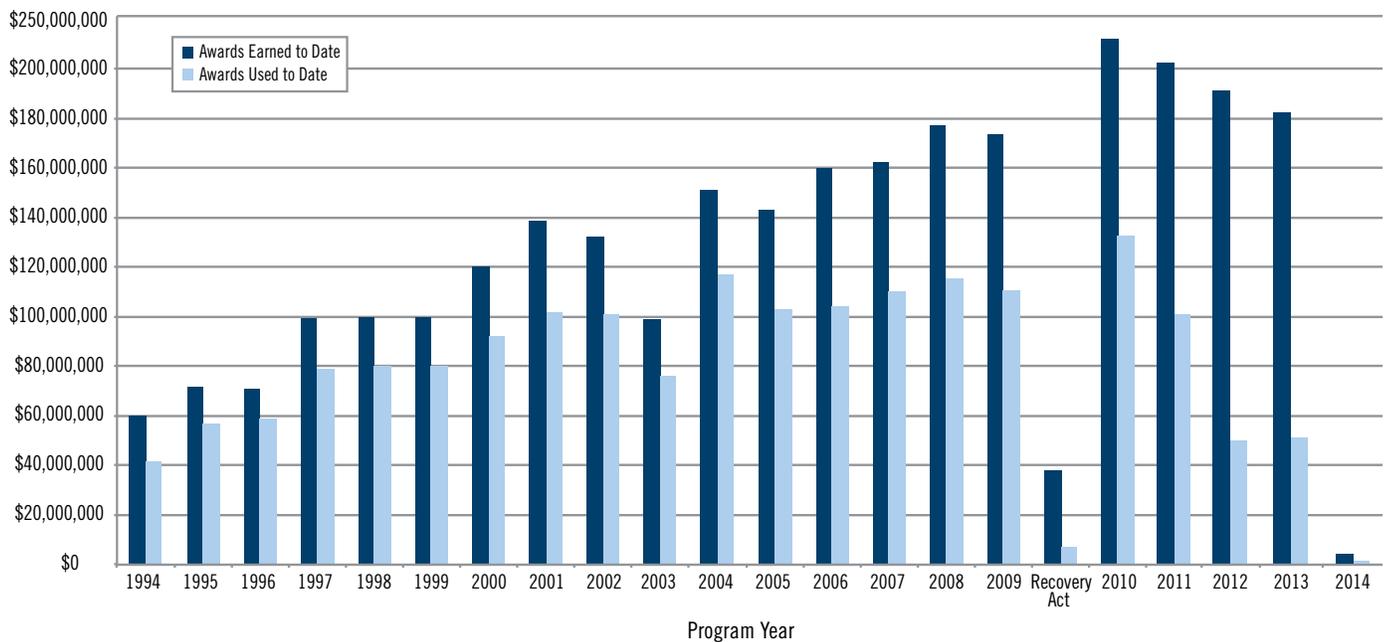
The 83,593 Trust positions for Program Year 2013 do not include an estimated 1,650 AmeriCorps VISTA members (1,329 full-time and 321 Summer Associates) electing an end-of-service stipend instead of an education award. Total estimated member positions for Program Year 2013, including AmeriCorps Vista members electing a stipend, is 85,243.

Of the 6,077 AmeriCorps VISTA member positions in the Trust for 2013, 1,835 positions are for Summer Associates who receive a Trust award of \$1,175. Member enrollment and slot data are periodically adjusted to reflect corrections and slot reconfigurations by grantees; therefore they may change slightly from month to month.

### Trust Awards

Since CNCS's inception in 1993, AmeriCorps members have earned over \$2.9 billion in Segal AmeriCorps Education Awards and used over \$2.0 billion to fund their education and repay student loans. In addition, CNCS has made \$82.2 million in interest forbearance payments. Approximately \$300.8 million in education awards earned have expired without being used. The Trust obligation formula has been adjusted to reflect these expired awards.

**Chart 1. Segal AmeriCorps Education Awards Earned and Used by Program Year**



Not reflected in the Segal AmeriCorps Education Award balances are payments for President's Freedom Scholarships to high school students. CNCS no longer awards these \$500 scholarships from the National Service Trust earned by high school students. Under this program, a Trust scholarship was matched with \$500 from a local sponsor for a total

of \$1,000 to help the student fund a college education. Although the program was discontinued in FY 2007, students have up to seven years to use their scholarship. President's Freedom Scholarships payments to date have totaled \$21.6 million.

## Refilled Positions

CNCS policy allows grantees limited flexibility to refill positions vacated by a member who has served less than 30 percent of his or her service term, provided that the departing member had not earned a pro-rated education award. To prevent over-enrollment, the policy includes “fail safe” triggers

that restrict the overall number of refills to no more than 5 percent of awarded positions and suspends refilling altogether if total AmeriCorps enrollment reaches 97 percent of awarded positions. Table 2 provides information on the number of positions refilled. Recovery Act positions and positions in Program Years 2010 and earlier can no longer be refilled.

**Table 2. Number of Refilled Positions**

	Results to Date						
	Program Year 2009	Program Year 2010	Program Year 2011	Program Year 2012	Program Year 2013	Program Year 2014	Fail-safe Trigger
Number of Refilled Positions	1,385	1,604	1,516	1,381	1,200	25	N/A
Refills as a Percent of Awarded State and National Positions	2.1%	2.0%	2.1%	2.1%	1.9%	0.0%	5%
State and National Enrollment as a Percentage of Awarded State and National Positions	97.3%	99.5%	97.7%	98.8%	97.9%	50.1%	97%

## National Service Trust Fund Accounting

The Statements of Financial Position; Operations and Changes in Net Position; Cash Flows; and Budgetary Resources and accompanying notes have been prepared from the books and records of the CNCS in accordance with generally accepted accounting principles as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs.

As specified in the Act, principal financial statements are the:

- Statement of Financial Position which reports the status of assets, liabilities, and net position of the Trust;
- Statement of Operations and Changes in Net Position which reports revenues and expenses for the year and the changes in net position that occurred during the year.
- Statement of Cash Flows which show how changes in the financial position affect cash according to operating, investing, and financing activity.
- Statement of Budgetary Resources which reports status of budgetary resources.

The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides that financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation the financial statements are presented in accordance with the accounting standards issued by FASAB.

Under Executive Order 13331, National and Community Service Programs, CNCS must prepare a Combined Statement of Budgetary Resources as a principal statement. The accompanying Statements of Budgetary Resources have been prepared in accordance with GAAP, as prescribed by FASAB.

**Corporation for National and Community Service**  
**National Service Trust Statements of Financial Position as of September 30**  
*(dollars in thousands)*

	2014	2013
<b>Assets</b>		
Fund Balance with Treasury (Note 2)	\$ 6,606	\$ 611
Investments, Net (Note 3)	717,304	692,243
Interest Receivable	669	922
Accounts Receivable, Net (Note 4)	229	234
<b>Total Assets</b>	<b>\$ 724,808</b>	<b>\$ 694,010</b>
<b>Liabilities</b>		
Service Award Liability (Note 5)	454,131	464,274
<b>Net Position</b>		
Cumulative Results of Operations (Note 6)	270,677	229,736
<b>Total Liabilities and Net Position</b>	<b>\$ 724,808</b>	<b>\$ 694,010</b>

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

**Corporation for National and Community Service**  
**National Service Trust Statements of Operations and Changes in Net Position**  
**for the Periods Ended September 30** *(dollars in thousands)*

	2014	2013
<b>Revenues</b>		
Appropriations (Note 7)	\$ 207,387	\$ 200,719
Transfer in of Program Funds	5,109	22,849
Interest	2,442	3,133
Other Revenue	3,418	6,054
<b>Total Revenues</b>	<b>\$ 218,356</b>	<b>\$ 232,755</b>
<b>Expenses</b>		
Service Award Expense	177,407	199,568
Write off/Recovery of Receivables	8	27
Total Expenses (Note 8)	\$ 177,415	\$ 199,595
<b>Excess of Revenues Over Expenses</b>	<b>\$ 40,941</b>	<b>\$ 33,160</b>
<b>Net Position</b>		
Excess of Revenues Over Expenses	40,941	33,160
Net Position, Beginning of Year	229,736	196,576
<b>Net Position, End of Year</b>	<b>\$ 270,677</b>	<b>\$ 229,736</b>

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

**Corporation for National and Community Service**  
**National Service Trust Statements of Cash Flows**  
**for the Periods Ended September 30** *(dollars in thousands)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2014</b>	<b>2013</b>
Net of Revenue over Expenses	\$ 40,941	\$ 33,160
Adjustments Affecting Cash Flow:		
Amortization of Premium/Discount on Investments	(613)	1,795
Appropriations Received in Trust	(212,496)	(223,568)
Decrease/(Increase) in Accounts Receivable	5	18
Decrease/(Increase) in Interest Receivable	253	136
Increase/(Decrease) in Trust Liability	(10,143)	17,083
Total Adjustments	(222,994)	(204,536)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(182,053)</b>	<b>(171,376)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Assets	867,395	729,799
Purchase of Securities	(891,843)	(786,331)
<b>Net Cash Provided/(Used) in Investing Activities</b>	<b>(24,448)</b>	<b>(56,532)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Appropriations Received in Trust	212,496	223,568
<b>Net Cash Provided by Financing Activities</b>	<b>212,496</b>	<b>223,568</b>
<b>Net Increase/(Decrease) in Fund Balance with Treasury</b>	<b>5,995</b>	<b>(4,340)</b>
<b>Fund Balance with Treasury, Beginning</b>	<b>611</b>	<b>4,951</b>
<b>Fund Balance with Treasury, Ending</b>	<b>\$ 6,606</b>	<b>\$ 611</b>

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

**Corporation for National and Community Service**  
**National Service Trust Statements of Budgetary Resources**  
**for the Periods Ended September 30** *(dollars in thousands)*

BUDGETARY RESOURCES	2014	2013
Unobligated balance, brought forward, October 1	\$ 96,820	\$ 76,053
<b>Budget authority:</b>		
Appropriations (discretionary and mandatory)	217,545	224,863
<b>Spending authority from offsetting collections:</b>		
Spending Authority from offsetting collections (total)	<u>3,418</u>	<u>6,054</u>
<b>Total budgetary resources</b>	<b><u>\$ 317,783</u></b>	<b><u>\$ 306,970</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
<b>Obligations incurred</b>		
Obligations incurred (total)	<u>218,762</u>	<u>210,150</u>
<b>Unobligated balance</b>		
Apportioned	48,351	46,623
Unobligated balance not available	<u>50,670</u>	<u>50,197</u>
Total unobligated balance, end of year	<u>99,021</u>	<u>96,820</u>
<b>Total budgetary resources</b>	<b><u>\$ 317,783</u></b>	<b><u>\$ 306,970</u></b>

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

(Continued)

**Corporation for National and Community Service**  
**National Service Trust Statements of Budgetary Resources**  
**for the Periods Ended September 30** *(dollars in thousands)*

<b>CHANGE IN OBLIGATED BALANCE</b>	<b>2014</b>	<b>2013</b>
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 592,131	\$ 564,476
Obligations incurred	218,762	210,150
Outlays (gross) (-)	<u>(187,553)</u>	<u>(182,495)</u>
<b>Unpaid Obligations, end of year</b>	<b>\$ 623,340</b>	<b>\$ 592,131</b>
Memorandum entries:		
Obligated balance, start of year	\$ 592,131	\$ 564,476
Obligated balance, end of year	<u>\$ 623,340</u>	<u>\$ 592,131</u>
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 220,964	\$ 230,917
Change in uncollected customer payments from federal sources	<u>(3,418)</u>	<u>(6,054)</u>
<b>Budget authority, net (discretionary and mandatory)</b>	<b>\$ 217,545</b>	<b>\$ 224,863</b>
Outlay, gross (discretionary and mandatory)	187,553	182,495
Actual offsetting collections	<u>(3,418)</u>	<u>(6,054)</u>
<b>Outlays, net (discretionary and mandatory)</b>	<b>\$ 184,134</b>	<b>\$ 176,441</b>
Distributed offsetting receipts	<u>(212,496)</u>	<u>(223,568)</u>
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b>\$ (28,361)</b>	<b>\$ (47,127)</b>

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

## **NOTE 1—Summary of Significant Accounting Policies**

### **A. REPORTING ENTITY**

The National Service Trust Fund (the Trust) was established by the National and Community Service Trust Act of 1993 (The Act), 42 USC 12601, et seq. to provide funds for Segal AmeriCorps Education Awards for eligible participants who complete AmeriCorps service. The activities of the Trust are funded primarily through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, which funds National and Community Service Act programs. Appropriations are provided on a no-year basis for the Trust, a fund within the Corporation used to provide education awards and student loan interest forbearance to eligible participants. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible purposes.

The Trust provides awards for AmeriCorps members serving in approved national service positions under AmeriCorps State and National, AmeriCorps NCCC, and AmeriCorps VISTA. The trust also makes awards to the AmeriCorps Education Award Program, where sponsoring organizations are responsible for providing member subsistence and other costs, and the Corporation provides an education award and a small amount for administrative costs. Programs have up to two years after an award to enroll members in positions.

Funds from the Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and must always be paid directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The Trust may also expend funds for payments under the President's Freedom Scholarship Program as authorized under various Corporation appropriations through fiscal 2007.

### **B. BASIS OF ACCOUNTING**

The Statements of Financial Position; Operations and Changes in Net Position, Cash Flows and Budgetary Resources have been prepared from the books and records of CNCS in accordance with Generally Accepted Accounting Principles (GAAP) as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs.

### **C. FINANCIAL STATEMENT PRESENTATION AND CONSOLIDATION POLICY**

The accompanying financial statements report CNCS's financial position, results of operations, and cash flows, as required by the Government Corporation Control Act (GCCA). As required by GCCA, the principal financial statements of CNCS are the:

- Statement of Financial Position, which reports the status of Corporation assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position, which reports CNCS's revenues and expenses for the year and the changes in net position that occurred during the year; and
- Statement of Cash Flows, which shows how changes in CNCS's financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America (GAAP), as applicable to federal government corporations. The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides that financial statements prepared by certain government corporations in conformity with the accounting standard issued by the Financial Accounting Standards Board (FASB) are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation the financial statements are presented in accordance with the accounting standards issued by FASAB.

In addition, under Executive Order 13331, National and Community Service Programs, CNCS must prepare a Combined Statement of Budgetary Resources as a principal statement. The accompanying Combined Statements of Budgetary Resources have been prepared in accordance with GAAP, as prescribed by FASAB. The Combined Statement of Budgetary Resources presents additional details to include activity that is significant to CNCS.

CNCS's consolidation policy requires the consolidation of all funds administered by CNCS, as delineated in Note 1A – Reporting Entity.

### **D. BUDGETS AND BUDGETARY ACCOUNTING**

The activities of the National Service Trust Fund are primarily funded through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. CNCS's accounting structure reflects both accrual and budgetary accounting transactions.

Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash. Federal budgetary accounting recognizes the obligation of appropriations and other funds upon the establishment of a properly documented legal liability, which, in many cases, is different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds.

#### **E. ASSET AND LIABILITY VALUATION**

CNCS values its investments at carrying value and discloses fair value. As of September 30, 2014, the carrying amounts of Fund Balance with Treasury, Accounts Receivable, Accrued Interest Receivable, and Liabilities approximate their fair value.

#### **F. FUND BALANCE WITH TREASURY**

CNCS considers Fund Balance with Treasury (FBWT) to represent cash and cash equivalents. FBWT is CNCS's cash accounts with the Department of the Treasury (the Treasury). The Treasury processes cash receipts and disbursements on behalf of CNCS and CNCS's accounting records are reconciled with those of the Treasury on a regular basis. The FBWT maintained in the National Service Trust is restricted to specific purposes, such as paying service awards earned by eligible participants, and is not available for use in the current operations of CNCS.

#### **G. INVESTMENTS AND RELATED RECEIVABLES**

By law, CNCS may invest the funds of the National Service Trust in interest-bearing Treasury securities guaranteed by the United States as to principal and interest. These Treasury securities are referred to as "market-based," since they mirror actual Treasury securities sold on the open market. They consist of Treasury notes, bonds, bills, and one-day certificates.

Since they are expected to be held-to-maturity, CNCS's investments are valued at cost and adjusted for the amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, using the effective interest method. Interest receivable represents amounts earned, but not received on investments held at year-end. Prepaid 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 CNCS. Such interest, if any, is included in the interest receivable balance at year-end.

#### **H. CASH EQUIVALENTS**

For purposes of the statement of cash flows, CNCS considers all interest-bearing Treasury securities guaranteed by the United States to be cash equivalents.

#### **I. ACCOUNTS RECEIVABLE**

Accounts receivable represents amounts due to CNCS primarily related to grantee audit resolution determinations. An allowance for doubtful accounts is established for reporting purposes based on past experience.

#### **J. TRUST SERVICE AWARD LIABILITY**

The Trust Service Award Liability represents education awards that are unpaid earned, or expected to be earned, and eligible student loan interest forbearance costs 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 CNCS' historical experience.

#### **K. ACCOUNTS PAYABLE**

CNCS 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 external entities for goods and services received by CNCS, but not paid for at the end of the fiscal year.

#### **L. NET POSITION**

Net Position represents Net Assets and is comprised of cumulative results of operations. Cumulative results of operations represent the net differences between revenues and expenses from the inception of CNCS.

#### **M. REVENUE RECOGNITION**

Appropriations received for CNCS'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 CNCS in the Trust until used for eligible education service award purposes.

**Transfer in of Program Funds.** Transfers in of program funds are recognized as revenue when funds are transferred from subtitle C pursuant to 42 USC 1260.

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

**Other Revenue.** CNCS's engagements in federal partnerships allow the Trust Fund to be reimbursed for Segal AmeriCorps Education Awards earned by members supporting activities of the partnership. The revenue from these partnerships is recognized as Other revenue when earned.

#### **N. INCOME TAXES**

As a federal entity, CNCS is exempt from all income taxes imposed by any governing body, Federal, State, commonwealth, local, or foreign government.

#### **O. USE OF ESTIMATES**

The preparation of financial statements in accordance with GAAP requires CNCS to make estimates and assumptions about future events. These estimates and assumptions affect the amounts reported in CNCS's financial statements and accompanying notes. CNCS evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that it believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made when facts and circumstances warrant. As future events and their effects cannot be determined with certainty, actual results could differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the liability for service awards, grants payable, and grant advances.

#### **P. COMPARATIVE DATA**

The National Trust Fund financial statements provide comparative information for FY 2014 and 2013.

#### **Q. CONCENTRATION OF RISKS**

Congress annually considers whether to fund CNCS's program and operational activities. Should Congress opt not to enact appropriations to fund them, CNCS would be unable to continue operations of the National Service Trust Fund once funds are exhausted for their intended purpose. Corporation management believes the risk of such an occurrence is remote.

**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 Trust Funds of \$6.6 million in FY 2014 and \$611 thousand in FY 2013 that are considered restricted.

Trust funds are accounts designated by law for receipts earmarked for specific purposes and for the expenditure of these receipts. Funds from

the National Service Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and are made directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The National Service Trust also pays awards under the President's Freedom Scholarship, Summer of Service, and Silver Scholar programs.

**Unexpended Balances as of September 30, 2014** *(dollars in thousands)*

Type	Restricted	Total
FBWT	\$ 6,606	\$ 6,606
Investments and Related Receivables	717,973	717,973
<b>Total</b>	<b>\$ 724,579</b>	<b>\$ 724,579</b>

**Status of Unexpended Balances as of September 30, 2014** *(dollars in thousands)*

Type	Restricted	Total
Unobligated:		
Available	\$ 51,042	\$ 51,042
Unavailable	50,197	50,197
Obligated not yet Disbursed	623,340	623,340
<b>Total</b>	<b>\$ 724,579</b>	<b>\$ 724,579</b>

**Unexpended Balances as of September 30, 2013** *(dollars in thousands)*

Type	Restricted	Total
FBWT	\$ 611	\$ 611
Investments and Related Receivables	693,165	693,165
<b>Total</b>	<b>\$ 693,776</b>	<b>\$ 693,776</b>

**Status of Unexpended Balances as of September 30, 2013** *(dollars in thousands)*

Type	Restricted	Total
Unobligated:		
Available	\$ 51,448	\$ 51,448
Unavailable	50,197	50,197
Obligated not yet Disbursed	592,131	592,131
<b>Total</b>	<b>\$ 693,776</b>	<b>\$ 693,776</b>

**NOTE 3—National Service Trust Investments and Related Receivables**

The composition of National Service Trust Investments and Related receivables at September 30 is as follows:

**Investments and Related Receivables as of September 30** *(dollars in thousands)*

	2014	2013
Investments, Carrying Value	\$ 717,304	\$ 692,243
Interest Receivable	669	922
<b>Total</b>	<b>\$ 717,973</b>	<b>\$ 693,165</b>

**Amortized Cost and Fair Value of Investment Securities as of September 30, 2014** *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 459,781	\$ 596	\$ 460,377
Bills	257,523	37	257,560
<b>Total</b>	<b>\$ 717,304</b>	<b>\$ 633</b>	<b>\$ 717,937</b>

**Amortized Cost and Fair Value of Investment Securities as of September 30, 2013** *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 512,220	\$ 1,560	\$ 513,780
Bills	180,023	11	180,034
<b>Total</b>	<b>\$ 692,243</b>	<b>\$ 1,571</b>	<b>\$ 693,814</b>

At September 30, 2014, the notes held at year-end had an interest rate range of 0.125 percent to 4.25 percent. The bills held at year-end had an interest rate range of 0.250 percent to 0.625 percent. The par values of these notes range from \$18 million to \$148.3 million. The fair value of the bills and notes is based on bid and ask prices quoted by the Treasury as of September 30, 2014 and 2013.

Since fiscal 2003, CNCS has set aside in reserve a portion of the funds in the National Service Trust for use in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. This reserve was originally required by the Strengthen AmeriCorps Program Act, and is now required by section 149(b) of the National and Community Service Act (42 U.S.C. 12606(b)). As of September 30, 2014, \$50.2 million of CNCS's investment account has been set aside for this reserve.

### NOTE 3—Trust Investments and Related Receivables—Continued

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

#### Maturation of Securities Held as of September 30 (dollars in thousands)

Held-to-Maturity Securities	2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 537,761	\$ 538,417	\$ 441,185	\$ 441,710
Due after 1 year up to 5 years	179,543	179,520	251,058	252,104
<b>Total</b>	<b>\$ 717,304</b>	<b>\$ 717,937</b>	<b>\$ 692,243</b>	<b>\$ 693,814</b>

### NOTE 4 – Accounts Receivables, Net

#### Accounts Receivable as of September 30 (dollars in thousands)

	Trust Fund	Total
<b>2014</b>		
Accounts receivable	\$ 274	\$ 274
Less: allowance for loss on receivables	(45)	(45)
<b>Accounts Receivable, Net</b>	<b>\$ 229</b>	<b>\$ 229</b>
<b>2013</b>		
Accounts receivable	\$ 281	\$ 281
Less: allowance for loss on receivables	(47)	(47)
<b>Accounts Receivable, Net</b>	<b>\$ 234</b>	<b>\$ 234</b>

**NOTE 5—Trust Service Award Liability**

GAAP requires the recording of a liability, which is a point in time estimate, for the unpaid earned and expected-to-be-earned education award and interest forbearance costs that are likely to be paid. GAAP estimates are for members who have already completed at least 15 percent of the minimum service requirement and who, therefore, have served enough hours to qualify for at least a partial education award.

The estimate of the Service Award Liability under GAAP includes factors that take into account the effect of members who enroll but do not earn an award and members who earn an award but do not use it within the period of availability. CNCS estimates that up to 87 percent of members earning an award will eventually use it.

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 educational expenses at qualified educational institutions. The awards, which are available to use for a period of up to seven years after the benefit has been earned, are paid from the National Service Trust. The National Service Trust also pays forbearance interest on qualified student loans during the period members perform community service, as well as awards under the Presidential Freedom 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 was composed of the following as of September 30:

**Service Award Liability as of September 30** *(dollars in thousands)*

	2014	2013
Education awards	\$ 2,469,053	\$ 2,301,708
Interest forbearance	89,677	79,604
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>
Total estimated service award liability	2,581,257	2,403,839
Less: cumulative awards paid	<u>2,127,126</u>	<u>1,939,565</u>
<b>Total</b>	<b><u>\$ 454,131</u></b>	<b><u>\$ 464,274</u></b>

Since the Corporation's inception in 1994, AmeriCorps members have earned over \$2.9 billion in education awards. The Corporation has made \$2.0 billion in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$82.2 million in interest forbearance payments since the program's inception. Approximately \$300.84 million in education awards earned had expired without being used as of September 30, 2014. The Trust obligation formula has been adjusted to reflect these expired awards. Payments for President's Freedom Scholarships have totaled \$21.7 million.

The net Service Award Liability as of September 30, 2014 decreased by approximately \$10.1 million from the net Service Award Liability as of September 30, 2013. This change was largely due to new member enrollments related to FEMA Corps and an increase in the number of members still serving during the year. Past CNCS appropriations made amounts from the National Service Trust available for \$1,000 scholarships for high school students known as Presidential Freedom Scholarships. To fund each scholarship, a local community or corporate source matched the \$500 portion of the scholarship provided by CNCS. The program was

discontinued in FY 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made through 2014. As of October 1, 2009, the National Service Trust is also available to pay Summer of Service and Silver Scholar educational awards. However, the Silver Scholar program was not funded and no current liability was accrued for those educational awards. The Summer of Service program was only funded in FY 2010.

**NOTE 6—Net Positions**

Net position consists of cumulative results of operations. The cumulative result of operations for the Trust Fund was \$270.7 million in FY 2014 and \$229.7 million in FY 2013, respectively.

CNCS is required to report information regarding its financial position according to three classes of net assets (net position): unrestricted, temporarily restricted, and permanently restricted. CNCS has no permanently restricted assets. The financial of position of the Trust Fund in the amounts of \$270.7 million in FY 2014 and \$229.7 million in FY 2013 is temporarily restricted.

**NOTE 7—Appropriations Received by the National Service Trust**

For FY 2014, the National Service Trust received \$207.4 million under the Consolidated Appropriations Act, 2014 (Public Law 113-76). For FY 2013, the National Service Trust received \$200.7 million under the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6). The acts also authorized CNCS to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. CNCS transferred \$5.1 million and \$22.8 million to the Trust under this provision in FY 2014 and 2013, respectively.

**NOTE 8—Expenses**

Using an appropriate cost accounting methodology, CNCS's expenses have been allocated at the sub-program level among its major programs. Costs for each sub-program are reported on separately:

The National Service Award Expense component consists of CNCS's estimated expense for education awards, based on the increase in its service award liability during the year and interest forbearance costs on qualified student loans during the period members perform community service. No indirect costs have been allocated to the National Service Award expense component.

**Expenses by Sub-Program for the Period Ended September 30, 2014** *(dollars in thousands)*

Type	State/National	AmeriCorps		Total
		NCCC	VISTA	
Service award expense	155,001	3,766	18,640	177,407
<b>Total Expenses</b>	<b>\$ 155,001</b>	<b>\$ 3,766</b>	<b>\$ 18,640</b>	<b>\$ 177,407</b>

**Expenses by Sub-Program for the Period Ended September 30, 2013** *(dollars in thousands)*

Type	State/National	AmeriCorps		Total
		NCCC	VISTA	
Service award expense	171,188	8,484	19,896	199,568
<b>Total Expenses</b>	<b>\$ 171,188</b>	<b>\$ 8,484</b>	<b>\$ 19,896</b>	<b>\$ 199,568</b>

**NOTE 9—Subsequent Events**

CNCS has evaluated subsequent events through November 14, 2014, which is the date these financial statements were available to be issued. As a consequence of its evaluation, CNCS has determined that no subsequent events need to be recognized or disclosed.

**NOTE 10—Undelivered Orders at Fiscal Year-End**

Trust Fund undelivered orders at September 30, 2014 and 2013 were \$169.2 and \$127.9 million, respectively.

**NOTE 11—Apportionment Categories of Incurred Obligations**

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Trust funds on an annual basis. Obligations incurred in the Trust Fund during FY 2014 and 2013 were \$623.3 and \$592.1 million, respectively.

## Other Information

Table 3 shows the most significant factors used to calculate Trust obligations on a historical basis. It is important to note that Program Year refers to positions awarded with a particular fiscal year’s grant funds. Positions are often filled in time periods after the year in which they are

awarded. For example, a grantee may receive a grant in FY 2013 but not fill all positions until FY 2014. All positions related to this grant would be considered Program Year 2013 positions, irrespective of the year in which they are filled.

**Table 3. Factors Affecting the National Service Trust Fund**

	Program Year				
	2010	2011	2012	2013	2014
Member enrollments in the Trust	88,362	79,199	74,525	69,763	37,310
Percent of members who earned an education award	83.6%	84.6%	85.16%	85.4%	68.0%
Percent of earned education awards used	69.6%	62.4%	50.5%	25.7%	15.8%
Weighted average yield to maturity for investments	1.3%	1.25%	1.25%	1.25%	1.25%
<b>Breakout of enrollment by term type:</b>					
Full-time	43%	45%	48%	52%	81%
Part-time	13%	13%	13%	12%	7%
Reduced Part-time	44%	42%	39%	36%	12%

The Program Year data used throughout these tables reflect all enrollments recorded through the reporting period. Prior year enrollment numbers may change slightly from time to time due to corrections or late reporting by grantees. The percentage of members earning an award in Table 3 is calculated by taking the number of members earning an award divided by the total members enrolled, net of members still earning. For example, in Program Year 2013 there were 69,763 members enrolled in the Trust, of which 12,443 are reported as still earning an award and 48,926 as having earned an award. Therefore the percentage of members who earned an education award is calculated by dividing the number of education awards earned (48,926) by the number of enrolled members who are no longer earning an award [69,763 – 12,443 = 57,320]. Thus the percentage of members who earned an award is 48,926/57,320 or 85.36 percent. The percentage of earned education awards used is calculated by taking

the dollar amount of education awards used divided by the total amount earned for the Program Year to date. Term type is based on Program Year enrollments to date. The enrollment and award usage data used to compute these factors can be found in Table 6, at the end of this report.

Tables 4 and 5 present information on the budgetary resources and obligations of the Trust, including the Trust Reserve. The National and Community Service Act of 1990 (NCSA), as amended by the Edward M. Kennedy Serve America Act (PL 111- 13), establishes the specific criteria for estimating and recording obligations in the Trust. Accordingly, CNCS records Trust obligations at the time it awards AmeriCorps State and National grants or at the time AmeriCorps VISTA and NCCC members begin their terms of service.

**Table 4. Corporation for National and Community Service  
National Service Trust Resources Available for Use  
for the Period Ended September 30, 2014** *(dollars in thousands)*

Resources	Recovery Act	Trust Other	Trust FEMA Corps	General Fund	Consolidated
Funds Available at October 1	\$ 1,882	\$ 139	\$ 886	\$ 37,325	\$ 40,232
<b>Resources Available for Use</b>					
Fiscal Year Appropriation Less Interest Collected	-	(83)	3,423	212,496	215,836
Less Unapportioned	-	-	-	(473)	(473)
Deobligation Prior Year Positions (net)	-	-	-	6,391	6,391
Collection of Audit Receivables	-	-	-	79	79
Less: Additions to Trust Reserve	-	-	-	-	-
Total Resources Available for Use	1,882	56	4,309	255,818	262,065
<b>Resources Used</b>					
Education Awards	-	(50)	(4,077)	(201,460)	(205,587)
Interest Forbearance	-	(2)	(147)	(7,977)	(8,126)
Total Resources Used	-	(52)	(4,224)	(209,437)	(213,713)
<b>Net Change in Commitments</b>					
Education Awards	-	-	-	(621)	(621)
Interest Forbearance	-	-	-	(90)	(90)
Net Change in Commitments	-	-	-	(711)	(711)
<b>Resources Available</b>	<b>\$ 1,882</b>	<b>\$ 4</b>	<b>\$ 85</b>	<b>\$ 45,670</b>	<b>\$ 47,641</b>

In accordance with the National and Community Service Act of 1990 and Sec. 149. (42 U.S.C. 12606), the Schedules of Budgetary Activity and Trust Obligations are used to specify amounts deposited to the Trust and present the amounts recorded as an obligation. The amounts are based on an estimate of the net present value of the education benefit discounted for the estimated enrollment, earning and usage rate, and the time value of money. For FY 2014, these factors are the full value of the Segal AmeriCorps Education Award, a 100 percent enrollment rate (which allows for refills), an average earning rate of 87 percent (which ranges from 77 to 86 percent depending on term type), and an average usage rate of 87 percent. Under the Kennedy Serve America Act, awards earned by members over age 55 can be transferred to an eligible beneficiary. Therefore, for budgetary purposes we are projecting that all transferable awards will eventually be used. For program years 2002 and prior, CNCS uses the actual amounts earned, adjusted for amounts used and the time

value of money to determine the obligation. Obligations are periodically adjusted to reflect current earning and usage projections.

A portion of the funds in the Trust is held in reserve and are for use in the event that the estimates used to calculate obligations differ from actual results. The reserve currently totals \$50.2 million (\$46.7 million for the General Fund and \$3.5 million for the Recovery Act Fund). To date, no reserve funds have been used.

FEMA Corps is a new unit of AmeriCorps' National Civilian Community Corps (NCCC) whose members will be devoted solely to FEMA disaster response and recovery efforts. The five-year agreement provides for a full service corps which will compliment and support of FEMA's current disaster workforce.

**Table 5. Corporation for National and Community Service  
National Service Trust Schedule of Trust Obligations  
as of September 30, 2014 (dollars in thousands)**

	Recovery Act	Trust Other	FEMA Corps	General Fund	Consolidated
<b>Assets</b>					
Fund Balance with Treasury	\$ 146	\$ 56	\$ 516	\$ 5,888	\$ 6,606
Investments, Net	11,000	-	8,502	697,802	717,304
Interest Receivable	-	-	-	669	669
Accounts Receivable	-	-	-	229	229
Subtotal	11,146	56	9,018	704,588	724,808
<b>Less:</b>					
Cumulative Trust Reserve	(3,500)	-	-	(46,697)	(50,197)
Receivables Not Available for Obligation	-	-	(2)	(2,444)	(2,446)
Unapportioned	-	-	-	(473)	(473)
Total Resources	7,646	56	9,016	654,974	671,692
<b>Unpaid Obligations</b>					
Education Awards	(5,657)	(50)	(8,768)	(594,213)	(608,688)
Interest Forbearance	(107)	(2)	(163)	(13,496)	(13,768)
President's Freedom Scholarships	-	-	-	(884)	(884)
Total Unpaid Obligations	(5,764)	(52)	(8,931)	(608,593)	(623,340)
<b>Commitments</b>					
Education Awards	-	-	-	(621)	(621)
Interest Forbearance	-	-	-	(90)	(90)
Total Commitments	-	-	-	(711)	(711)
<b>Resources Available</b>	<b>\$ 1,882</b>	<b>\$ 4</b>	<b>\$ 85</b>	<b>\$ 45,670</b>	<b>\$ 47,641</b>

## Enrollment Activity

Table 6 presents cumulative data to date on Trust enrollments, earned and used education awards for Program Years 1994 through 2013, and Recovery Act positions.

**Table 6. Trust Enrollment Activity—Program Years 1994 through 2014**

Program Year	Type	Members Enrolled	Members Earning or Not Exited	Earned an Award	Did Not Earn	Amount Earned	Amount Used
1994 through 2005	Full-time	281,278	0	218,093	63,185	\$1,000,486,719	\$ 796,843,132
	Part-time	123,238	1	79,501	43,736	\$ 180,426,576	\$ 128,586,598
	Reduced Part-time	119,726	0	93,618	26,108	\$ 102,349,573	\$ 79,172,654
	<b>Total</b>	<b>524,242</b>	<b>1</b>	<b>391,212</b>	<b>133,029</b>	<b>\$1,283,262,868</b>	<b>\$1,004,602,384</b>
2006	Full-time	30,389	0	25,167	5,222	\$ 116,957,710	\$ 95,307,655
	Part-time	11,619	0	8,199	3,420	\$ 18,935,740	\$ 13,417,384
	Reduced Part-time	27,255	1	21,001	6,253	\$ 23,833,568	\$ 18,059,881
	<b>Total</b>	<b>69,263</b>	<b>1</b>	<b>54,367</b>	<b>14,895</b>	<b>\$ 159,727,018</b>	<b>\$ 126,784,920</b>
2007	Full-time	30,905	0	26,185	4,720	\$ 121,980,383	\$ 99,098,744
	Part-time	10,137	0	7,366	2,771	\$ 17,027,260	\$ 12,082,338
	Reduced Part-time	26,943	0	21,366	5,577	\$ 24,309,301	\$ 18,072,648
	<b>Total</b>	<b>67,985</b>	<b>0</b>	<b>54,917</b>	<b>13,068</b>	<b>\$ 163,316,944</b>	<b>\$ 129,253,730</b>
2008	Full-time	32,365	0	28,183	4,182	\$ 131,710,067	\$ 104,741,260
	Part-time	10,679	1	8,111	2,567	\$ 18,842,498	\$ 13,114,895
	Reduced Part-time	27,007	1	21,877	5,129	\$ 24,992,292	\$ 18,066,244
	<b>Total</b>	<b>70,051</b>	<b>2</b>	<b>58,171</b>	<b>11,878</b>	<b>\$ 175,544,857</b>	<b>\$ 135,922,399</b>
2009	Full-time	31,037	2	27,327	3,708	\$ 127,707,815	\$ 98,352,984
	Part-time	9,878	3	7,595	2,280	\$ 17,636,065	\$ 11,945,008
	Reduced Part-time	28,867	3	23,306	5,558	\$ 26,486,979	\$ 19,026,510
	<b>Total</b>	<b>69,782</b>	<b>8</b>	<b>58,228</b>	<b>11,546</b>	<b>\$ 171,830,859</b>	<b>\$ 129,324,502</b>
2010	Full-time	37,723	7	33,288	4,428	\$ 175,579,540	\$ 125,439,528
	Part-time	11,426	8	8,780	2,638	\$ 22,947,482	\$ 14,044,216
	Reduced Part-time	39,213	15	31,751	7,447	\$ 38,770,948	\$ 25,689,431
	<b>Total</b>	<b>88,362</b>	<b>30</b>	<b>73,819</b>	<b>14,513</b>	<b>\$ 237,297,970</b>	<b>\$ 165,173,175</b>
2011	Full-time	35,764	12	31,457	4,295	\$ 170,157,676	\$ 108,324,165
	Part-time	10,350	35	8,365	1,950	\$ 22,479,164	\$ 11,819,683
	Reduced Part-time	33,085	31	27,112	5,942	\$ 35,386,938	\$ 22,234,173
	<b>Total</b>	<b>79,199</b>	<b>78</b>	<b>66,934</b>	<b>12,187</b>	<b>\$ 228,023,778</b>	<b>\$ 142,378,021</b>
Recovery Act	Full-time	7,908	0	6,655	1,253	\$ 31,022,831	\$ 22,865,716
	Part-time	1,662	0	1,221	441	\$ 2,818,344	\$ 1,773,061
	Reduced Part-time	4,293	0	3,592	701	\$ 4,186,393	\$ 2,881,622
	<b>Total</b>	<b>13,863</b>	<b>0</b>	<b>11,468</b>	<b>2,395</b>	<b>\$ 38,027,568</b>	<b>\$ 27,520,399</b>

**Table 6. Trust Enrollment Activity—Program Years 1994 through 2014** *(continued)*

Program Year	Type	Members Enrolled	Members Earning or Not Exited	Earned an Award	Did Not Earn	Amount Earned	Amount Used
2012	Full-time	35,803	130	31,461	4,212	\$ 168,737,278	\$ 86,844,508
	Part-time	9,579	228	7,628	1,723	\$ 20,632,684	\$ 8,231,950
	Reduced Part-time	29,143	389	23,737	5,017	\$ 31,435,918	\$ 16,509,681
<b>Total</b>		<b>74,525</b>	<b>747</b>	<b>62,826</b>	<b>10,952</b>	<b>\$ 220,805,880</b>	<b>\$ 111,586,139</b>
2013	Full-time	36,001	3,172	28,525	4,304	\$ 153,564,692	\$ 40,391,882
	Part-time	8,711	2,835	4,438	1,438	\$ 11,959,535	\$ 1,795,968
	Reduced Part-time	25,051	6,436	15,963	2,652	\$ 20,946,364	\$ 5,777,890
<b>Total</b>		<b>69,763</b>	<b>12,443</b>	<b>48,926</b>	<b>8,394</b>	<b>\$ 186,470,591</b>	<b>\$ 47,965,740</b>
2014	Full-time	30,136	28,732	538	866	\$ 2,847,065	\$ 311,996
	Part-time	2,516	2,486	0	30	\$ 0	\$ 0
	Reduced Part-time	4,658	3,014	1,556	88	\$ 1,858,115	\$ 429,655
<b>Total</b>		<b>37,310</b>	<b>34,232</b>	<b>2,094</b>	<b>984</b>	<b>\$ 4,705,180</b>	<b>\$ 741,651</b>
<b>Cumulative To Date</b>		<b><u>1,164,345</u></b>	<b><u>47,542</u></b>	<b><u>882,962</u></b>	<b><u>233,841</u></b>	<b><u>\$2,869,013,513</u></b>	<b><u>\$2,021,253,060</u></b>

## Improper Payments

The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010, requires all federal agencies to:

- Periodically review their programs and activities and identify programs and activities that may be susceptible to significant improper payments
- Take certain specific actions when programs and activities are identified as susceptible to significant improper payments
- Annually report information on their improper payments monitoring and minimization efforts

Office of Management and Budget (OMB) Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, provides guidance to agencies on how to comply with IPIA, as amended.

**I. Risk Assessment.** *Briefly describe the risk assessment(s) performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on statutory thresholds) identified by the agency risk assessments or required by OMB to be included (OMB may determine, on a case-by-case basis, that certain programs that do not meet the thresholds requirements may still be subject to the annual reporting requirements). Any programs that had been previously identified in the former Section 57 of OMB Circular No. A11 shall continue to report improper payment estimates, unless OMB has granted relief from reporting requirements (as discussed in OMB Circular No. A-123, Appendix C). Highlight any changes to the risk assessment methodology or results that occurred since the last report.*

CNCS conducted its assessments of the risks of improper payments within its programs using a multi-step approach that began with an examination of the levels of payments made 1) by CNCS directly to its employees, non-federal vendors, and to individuals serving in the Volunteers in Service to America (VISTA) and National Civilian Community Corps (NCCC) programs, and 2) by recipients of CNCS's grants and cooperative agreements in each of its grant programs (as described in the Catalog of Federal Domestic Assistance).

In FY 2013, CNCS conducted a risk assessment of its largest grant program, AmeriCorps State and National cost-reimbursement grants, and determined that it was susceptible to significant levels of improper payments. In FY 2014, CNCS designed and carried out a statistical sampling approach for the AmeriCorps State and National grant program, as described below. Concerning its remaining grant programs that exceed \$20 million in annual awards,<sup>11</sup> CNCS used the same sampling approach to make improper payment risk assessments in FY 2014.<sup>12</sup> As described in its FY 2013 Agency Financial Report, CNCS determined that in order to meet the overall purposes of improper payment testing, it would assess its grant programs by applying the criteria for disallowing costs in federal grants.

Based on its FY 2013 and 2014 assessments, CNCS has concluded that costs are charged in overwhelming conformance with government-wide cost principles by grantees within its AmeriCorps State and National, Foster Grand Parents, Senior Companions, RSVP, and Social Innovation Fund programs. In conducting its improper payment assessments, CNCS assessed transactions related to a unique statutory requirement imposing a criminal history check (CHC) on CNCS grantees (see section 189D to the National and Community Service Act of 1990) to protect the individuals who are served by CNCS grant funded programs. This provision specifies that a person who is registered or required to be registered as a sex offender or who was convicted of murder may not work or serve in a position funded in anyway by CNCS (a covered position).<sup>13</sup> It also states that if an individual refuses to consent to a CHC or makes a false statement in connection with a CHC, that person is ineligible to serve. Payments related to ineligible individuals are improper under IPERA. Historically, CNCS has treated certain types of noncompliance with regulations related to how grantees complete and document the CHC of individuals in covered positions as a basis to recover certain costs associated with a grant. These grant costs have been disallowed even though the individuals involved had not been registered or required to be registered on a sex offender registry or convicted of murder or were otherwise eligible to serve. These disallowed costs, however, may not be improper payments under IPERA, because the payments were made to individuals who were in fact eligible to serve in covered positions. CNCS has not made a determination as to whether disallowed costs recovered due to noncompliance with its regulations related to how grantees complete and document their criminal history checks are improper payments under IPERA.

<sup>11</sup> These include the Foster Grandparents Program, the RSVP Program, the Senior Companion Program, and the Social Innovation Fund.

<sup>12</sup> CNCS had initially decided that it would conduct full statistical analyses of these programs. CNCS used the initial partial results of the full samples in order to make initial risk assessments in FY 2014.

<sup>13</sup> The statute uses the term "covered" position to include any position ". . . in which the individuals receive a living allowance, stipend, national service educational award, or salary through a program receiving assistance under the national service laws, shall, subject to regulations and requirements established by the Corporation, conduct criminal history checks for such individuals." 42 USC .12645g(a). CNCS refers to these positions as covered positions.

CNCS's analysis of the results of its FY 2013 and 2014 improper payment testing show –conclusively – that the inclusion of disallowed costs that would be recovered due to noncompliance with CHC regulations (rather than the actual results of the CHCs) significantly affects CNCS's IPERA results. It is only when potential recoveries due to CHC procedural and documentation requirements are counted as improper payments that any of the CNCS's programs appear to be at risk of having significant levels of improper payments. CNCS views this result to be an unintended anomaly of its efforts to protect vulnerable populations served by CNCS programs. Recovering costs associated with CHC noncompliance helps achieve the programmatic aspects of those protections, but treating those recoveries as improper payments obscures the actual fiscal and program management performance of its grantees, and therefore misrepresents CNCS's fiscal oversight and monitoring of its grantees. Notwithstanding this unintended anomaly, based upon CNCS's practices at the time and the results of its FY 2014 improper payment testing, CNCS has identified the Foster Grandparents Program and RSVP as susceptible to significant levels of improper payments only if transactions related to noncompliance with CHC procedural and documentation requirements are included. However, if these CHC-related disallowed costs are not included, none of CNCS's grant programs are at risk of having significant levels of improper payments. Moreover, the CHC-related disallowed costs included in the estimate of improper payments for the AmeriCorps program (reported below) is entirely comprised of noncompliance with CHCs for grantee staff, and not AmeriCorps members. Grantee staff are in covered positions, but generally are not in contact with vulnerable populations.

Relying upon its annual review of internal controls under Federal Managers' Financial Integrity Act, the results of the annual independent audit of CNCS's financial statements under the Government Corporation Control Act, and other sources CNCS has determined that its payments to employees, non-federal vendors and VISTA and NCCC participants are not at risk having significant levels of improper payments.<sup>14</sup>

**II. Statistical Sampling.** *Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Please highlight any changes to the statistical*

*sampling process that have occurred since the last report.*

In FY 2014, CNCS developed a systematic methodology by which it would test a randomly selected sample of payments made by AmeriCorps State and National grantees to determine whether they were improperly charged to CNCS grant funds, and therefore would be considered improper payments. Generally, Federal grantees report the costs they have charged to their grants in summary Federal Financial Reports (FFRs) filed once every six months. Because these reports contain only summary amounts (including the amount of Federal funds expended), CNCS does not have a full universe of actual payments by its grantees from which to draw a random sample. However, the data provided on the FFRs does give CNCS an appropriate universe of the total dollars charged by its grantees to CNCS funding. Therefore, CNCS's improper payment statistical sampling process involved making random selections of dollar values within total amounts reported by its grantees on FFRs, and then requesting detailed listings of the transactions that were summarized on the selected FFRs. This allowed CNCS to trace the randomly selected dollar amounts to specific transactions recorded in the grantee's accounting systems. Once those transactions were identified, CNCS directed the grantee (or subgrantee) to provide documentation to support why and how that transaction was charged to the CNCS grant and then evaluated the transaction to determine whether it was appropriately charged. The results of CNCS's evaluation of the individual transactions were then extrapolated to the universe of all CNCS funding reported on grantees' FFRs to estimate the amount of improper payments.

**III. Corrective Actions.** *Any agency that has programs or activities that are susceptible to significant improper payments shall describe the corrective action plans for:*

- a. Reducing the estimated improper payment rate and amount for each type of root cause identified. Agencies shall report root causes information (including error rate and error amount) based on the following three categories: Administrative and Documentation errors; Authentication and Medical Necessity errors; and Verification errors.<sup>15</sup> This discussion must include the corrective action(s), planned or taken, most likely to significantly reduce

<sup>14</sup> Under the IPFA, as amended, Federal government programs which have gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays) have significant levels of improper payments.

<sup>15</sup> Administrative and Documentation errors are errors caused by the absence of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly by a relevant Federal agency, State agency, or third party who is not the beneficiary. Authentication and Medical Necessity errors are errors caused by being unable to authenticate eligibility criteria through third-party databases or other resources because no databases or other resources exist, or providing a service that was not medically necessary given the patient's condition. Verification errors are errors caused by the failure or inability to verify recipient information including earnings, income, assets, or work status even though verifying information does exist in third-party databases or other resources, or they are errors due to beneficiaries failing to report correct information to an agency.

future improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories of the three categories listed above, if available.

- b. *Grant-making agencies with risk-susceptible grant programs shall briefly discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Discussion shall include the status of projects and results of any reviews.*

Independent of its FY 2013 and 2014 improper payment testing, CNCS staff, CNCS grantees and OIG auditors have encountered grantee confusion and non-compliance related to CNCS's procedural and documentation requirements for CHCs during monitoring activities and audits. To bring its grantees into compliance with the full scope of the CHC requirements, CNCS has instituted a National Service Criminal History Check Assessment Period that began in mid-October 2014 and will run through November 30, 2014. During this period, all CNCS grantees and sub-grantees must review the files of all individuals currently serving in covered positions to identify any non-compliance with CNCS's CHC requirements. Program staff are also required to undergo CHC compliance training during the assessment period.

This CHC assessment period is a unique opportunity for grantees to conduct a thorough review of their records and compliance policies and correct instances of CHC non-compliance. This comprehensive effort will address the root causes of noncompliance with CHC requirements within each grant program.

Comprehensive information on the National Service Criminal History Check Assessment Period can be found at <https://www.nationalserviceresources.gov/national-service-criminal-history-check-resources> under the heading "NSCHC Assessment Reference Materials."

#### IV. Improper Payment Reporting.

- a. *The table that follows (Table 1) is required for each agency that has programs or activities that are susceptible to significant improper payments. Agencies must include the following information:*
  - i. *All risk-susceptible programs must be listed in this table whether or not an error measurement is being reported;*
  - ii. *Where no measurement is provided, the agency should indicate the date by which a measurement is expected;*
  - iii. *If the Current Year (CY) is the baseline measurement year, and there is no Previous Year (PY) information to report, indicate by either note or by "n/a" in the PY column;*
  - iv. *If any of the dollar amount(s) included in the estimate correspond to newly established measurement components in addition to previously established measurement components, separate the two amounts to the extent possible;*
  - v. *Agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable if approved by OMB. Agencies should include future year outlay and improper payment estimates for CY+1, +2 and +3 (future year outlay estimates should match the outlay estimates for those years as reported in the most recent President's Budget).*
- b. *Agencies should include the gross estimate of the annual amount of improper payments (i.e., overpayments plus underpayments) and should list the total overpayments and underpayments that make up the current year amount. In addition, agencies are allowed to calculate and report a second estimate that is a net total of both over and under payments (i.e., overpayments minus underpayments). The net estimate is an additional option only, and cannot be used as a substitute for the gross estimate. Agencies may include the net estimate in Table 1 or in a separate table.*

**Table 1. Improper Payment Reduction Outlook**

(in thousands)

Program or Activity	PY Outlays	PY IP %	PY IP \$	CY Outlays	CY IP %	CY IP \$	CY Over payment \$	CY Under payment \$	CY+1 Est. Outlays	CY+1 IP %	CY+1 IP \$	CY+2 Est. Outlays	CY+2 IP %	CY+2 IP \$	CY+3 Est. Outlays	CY+3 IP %	CY+3 IP \$
AmeriCorps State and National	\$344,389	n/a	n/a	\$303,511	4.98%	\$12,392 <sup>16</sup>	\$12,392	0	\$325,600	2.70%	\$8,791	\$325,593	2.50%	\$8,140	\$325,593.00	2.25%	\$7,325.84

**Table 2. Payment Recapture Audit Reporting**

Program or Activity	Type of Payment (contract, grant, benefit, loan, or other)	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported (CY)	Amount Identified for Recovery (CY)	Amount Recovered (CY)	% of Amount Recovered out of Amount Identified (CY)	Amount Outstanding (CY)	% of Amount Outstanding out of Amount Identified (CY)	Amount Determined Not to be Collectable (CY)	% of Amount Determined Not to be Collectable out of Amount Identified (CY)	Amounts Identified for Recovery (PYs)	Amounts Recovered (PYs)	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)	Cumulative Amounts Outstanding (CY+PYs)	Cumulative Amounts Determined Not to be Collectable (CY+PYs)
AmeriCorps State and National	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<sup>16</sup> This figure includes costs that potentially could be disallowed as a means of enforcing the procedural and documentation requirements of CNCS's CHC regulations. As discussed above, those potential recoveries are not payments to ineligible individuals, and as a result are not improper payments. Excluding the CHC-related potential recoveries, the AmeriCorps program would have a current year improper payment rate of 2.26% and an estimated improper payment amount of \$5.63 million.

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## V. Recapture of Improper Payments Reporting.

- a. An agency shall discuss payment recapture audit (or recovery auditing) efforts, if applicable. The discussion should describe: the agency's payment recapture audit program; the actions and methods used by the agency to recoup overpayments; a justification of any overpayments that have been determined not to be collectable; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture auditing program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as the justification for doing so (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective). Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2014.

As discussed above, CNCS has initiated a National Service Criminal History Check Assessment Period that will run through November 30, 2014. CNCS has advised its grantees and subgrantees that the Assessment Period is a unique opportunity for them to conduct a thorough review of their records and compliance policies and correct instances of non-compliance without penalty. Any findings of noncompliance during this period will not result in disallowed costs, with the following exceptions:

- If an individual refused to undergo the required CHC background check (or self-certify, when applicable),
- If an individual gave a false statement when the program inquired about his or her criminal history,
- If a component of the CHC was incomplete or failed to clear and the individual was in fact registered or required to be registered on a state sex offender registry, or had been convicted of murder, and
- If a program has not initiated any CHC background checks on at least one individual who is actively working or serving in a covered position as of the start date of the assessment period.

CNCS expects that as a result of the Assessment Period, its grantees and subgrantees will address the root causes that are leading to CHC noncompliance. As discussed above, CNCS's improper payment testing conclusively shows that absent CHC procedural and documentation gaps that historically have been treated as a basis for disallowed costs, CNCS would have no programs subject to improper payment reporting. CNCS expects that its improper payment testing in FY 2015 will validate this conclusion.

- b. Complete the tables below (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell): If an agency has a payment recapture audit program in place, then the agency is required to establish annual targets to drive their annual performance. The targets shall be based on the rate of recovery. Agencies are expected to report CY amounts and rates, as well as recovery rate targets for three years (CY+1, +2 and +3), as follows:

Not Applicable

- c. In addition, agencies shall report the following information on their payment recapture audit programs, if applicable:
- i. An aging schedule of the amount of overpayments identified through the payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recovered). Typically, the aging of an overpayment begins at the time the overpayment is detected—please indicate with a note whenever that is not the case. For example: Not Applicable
  - ii. A summary of how cumulative amounts recovered (CY + PYs) have been disposed of (if any of this information is not available indicate by either note or by "n/a" in the relevant column or cell).

Not Applicable

- d. As applicable, agencies should also report on improper payments identified and recovered through sources other than payment recapture audits. For example, agencies could report on improper payments identified through: statistical samples conducted under IPIA; agency post-payment reviews or audits; Office of Inspector General reviews; Single Audit reports; self-reported overpayments; or reports from the public. Specific information on additional required reporting for contracts was included in Section 7 of OMB memorandum M-11-04, issued in November 2010. Reporting this information is required for FY 2011 reporting and beyond. Agencies should use this chart to report this information. The information from Section 7 of OMB memorandum M-11-04 mentioned above may be included in the table or in narrative format below the table. If previous year (PY) information is not available, indicate by either note or by "n/a" in the relevant column or cell.

Not Applicable

**VI. Accountability.** Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recovering improper payments. Specifically, they should be held accountable for meeting applicable

improper payments reduction targets and establishing and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made, and promptly detects and recovers any improper payments that are made.

As discussed above, CNCS has initiated a National Service Criminal History Check Assessment Period that runs through November 30, 2014. During this period all grantees and subgrantees must review the files of all individuals currently serving in covered positions that are not compliant with CNCS CHC requirements. In addition, grantee and subgrantee staff are also required to undergo training in how to conduct and document CHC checks. After the assessment period, CNCS will issue formal guidance related to the consequences for future non-compliance with its CHC requirements. That future guidance will describe how grantees and subgrantees will be held accountable for future CHC noncompliance, and will describe how CNCS's staff will be held accountable for monitoring grantee and subgrantee CHC compliance.

**VII. Agency information systems and other infrastructure.**

- a. Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.
- b. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

CNCS's believes that its existing internal controls, human capital, and information systems are sufficient to ensure that its grantees and subgrantees will adequately complete and document CHCs.

**VIII. Barriers.** *Describe any statutory or regulatory barriers, which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.*

Not applicable

**IX. Additional Comments.** *Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPERA implementation.*

As is suggested in OMB Circular A-123, Appendix A, CNCS will be examining the use of the statistical model designed for improper payment testing within the AmeriCorps State and National cost reimbursement grant programs as part of its ongoing internal controls efforts. Specifically, CNCS is considering using a statistical sample of transactions charged to its grants as a component of an overall risk-based approach to monitoring its grant portfolio. Upon validation that this is a cost-effective approach, CNCS will further consider using a statistically based approach to assessing grantee-maintained documentation that supports the granting of Segal AmeriCorps Education Awards out of the National Service Trust.

## Freeze the Footprint

Consistent with Section 3 of the OMB Memorandum-12-12, Promoting Efficient Spending to Support Agency Operations and OMB Management Procedures Memorandum 2013-02, the “Freeze the Footprint” policy implementation guidance, CNCS is providing the following information:

Freeze the Footprint Baseline Comparison			
	FY 2012 Baseline	FY 2013	Change (FY 2012 Baseline-2013)
Square Footage (SF in Thousands) communities	193.3 <sup>17</sup>	193	(.3)

Reporting on O&M Costs Owned and Direct Lease Building			
	FY 2012 Reported Cost	FY 2013	Change (FY 2012 Baseline-2013)
Operation and Maintenance Costs (\$ in Millions)	\$4.3	\$4.8	\$ .5

While CNCS experienced an overall decline in rental square footage (RSF) between FY 2012 and FY 2013, additional costs were incurred related to renovation of facilities. CNCS headquarters currently has 111,159 rentable square foot of space with 99,395 usable square footage (USF) of space. CNCS has reduced its USF from 99,395 to 72,971.

CNCS’s headquarters lease expired October 2014. In accordance with the Executive Order of “Freeze the Footprint”, CNCS met with GSA to establish existing and future space requirements. The requirements ensure alignment with existing and future space needs and staffing levels. Plans include reducing offices, cubicles, and special space/support areas, as well as promoting more teleworking, alternate work schedules, and hoteling as needed while still meeting the required utilization rate that is acceptable to OMB. It is understood that changes are necessary to consolidate organizations and correct current adjacency deficiencies. CNCS is incorporating a new furniture procurement to include adjustments to the furnishing standards.

<sup>17</sup> Freeze the Footprint Baseline Comparison is for space under GSA’s jurisdiction. CNCS holds Occupancy Agreements that are owned and leased through GSA (Field Offices & Headquarters).



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