OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE

Interim Report on the Assessment of the Implementation of New Enrollment Procedures

Report Number 04-05
September 5, 2003

Prepared by:

Office of Inspector General
Corporation for National and Community Service
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This report was issued to Corporation management on November 3, 2003. Under the laws and regulations governing audit follow up, the Corporation must make final management decisions on the report's findings and recommendations no later than May 3, 2004, and complete its corrective actions by November 3, 2004. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Office of Inspector General

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Corporation for
NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

September 5, 2003

Mr. James Manning
Acting Chief Executive Officer
Corporation for National and Community Service
1201 New York Avenue, NW
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This interim report presents the results of our assessment of the Corporation for National and Community Service's new enrollment procedures issued by former Chief Executive Officer, Leslie Lenkowsky on January 7, 2003.

Executive Summary

Generally, the new enrollment procedures have been implemented. The Consolidated Appropriations Resolution of 2003 (Pub. L. No. 108-7), the Strengthen AmeriCorps Program Act (42 U.S.C. § 12605), and Corporation organizational changes require the revision of some of the new enrollment procedures. Implementation of these new procedures has made enrollment an integral part of the grants award cycle. The new enrollment procedures allow the Corporation to track the number of slots that can be awarded, and to track the number of enrollees who count against those slots, which is a significant improvement over past practices.

Background

On November 15, 2002, the Corporation paused new AmeriCorps member enrollment. This pause, which was lifted on March 11, 2003, was required because the Corporation had surpassed the number of members that the National Service Trust could support. By law, the Corporation can only approve AmeriCorps positions if sufficient funds are available in the Trust to pay the members' education awards.[1] Some factors that contributed to enrollment exceeding capacity include:

[1] This interpretation of the legal requirements of the National and Community Service Trust Act has since been modified by the Strengthen AmeriCorps Program Act, enacted on July 3, 2003. The Act requires that the Corporation ensure that money be available in the Trust for AmeriCorps enrollees' education awards at the time grants are awarded to AmeriCorps grantees, or at the time service agreements are entered into with NCCC and VISTA volunteers.

- The Corporation did not have effective internal controls to assess the impact of enrollment on the Trust prior to authorizing new national service positions.

- Corporation staff focused on appropriations made available for AmeriCorps grants, and did not consider Trust fund levels when making grant decisions to support new national service positions.

- There was a lack of coordination between senior Corporation officials, AmeriCorps staff, and Trust personnel as to how many new national service positions could be allocated annually to the programs.

Dr. Leslie Lenkowsky, the Corporation's Chief Executive Officer (CEO) from October 17, 2001, to August 15, 2003, announced on January 7, 2003, that the Corporation was implementing a set of procedures for awarding AmeriCorps grants and monitoring AmeriCorps enrollment. The procedures were designed to "have timely reporting and tracking of member enrollments, thereby enhancing our ability to forecast enrollment...." These procedures, included as Appendix 1 to this report, require that the Director of AmeriCorps and the Chief Financial Officer (CFO) implement new procedures in their respective departments. In addition, at its February meeting, the Corporation's Board of Directors, via resolution, directed the CEO "to develop, and submit for its review by March 14, 2003, a comprehensive action plan to strengthen management controls, including appropriate consultations with the Board, relating to the approval of AmeriCorps grants and education awards, and to consult with the Board (or designated committees thereof) on a regular basis regarding progress in implementing the plan."

Objectives, Scope and Methodology

The objectives of this assessment were to determine if the new enrollment procedures were implemented, if the Corporation presented its Comprehensive Action Plan as required by the Board of Directors, and if timely enrollment data is available to Corporation management. Our scope was limited to observations and tests of procedures performed at Corporation headquarters for AmeriCorps*State competitive grants.[2] The AmeriCops*State competitive awards was the first grant application review process to be held after the new procedures were issued and the enrollment pause was lifted. The method used in our assessment was to obtain documentation that the new enrollment procedures were implemented. The new procedures are included in their entirety as Appendix 1.

[2] We note that the General Accounting Office (GAO) is performing an in-depth review of the new enrollment procedures, which includes testing the reliability of enrollment data. The GAO expects to issue its report on January 16, 2004.

Observations and Recommendations

We found that the Director of AmeriCorps and the CFO have implemented the procedures required for their respective departments. AmeriCorps enrollment is being monitored on a biweekly basis, and Corporation management meets regularly to discuss enrollment information. Certain procedures were not implemented by the Corporation because they were rendered moot by the February 2003, enactment of the Consolidated Appropriations Resolution, which limited AmeriCorps program participants to 50,000 approved positions, and the July 2003, enactment of the Strengthen AmeriCorps Program Act. These procedures include AmeriCorps Procedure No. 3, which requires the establishment of a contingency reserve for additional member enrollees, and Chief Financial Officer Procedure No. 4, which requires the CFO to review Trust liability estimates each month based on enrollment. These procedures should be revised because the Strengthen AmeriCorps Program Act establishes the Corporation's obligation point for AmeriCorps members' education awards at grant approval, rather than at member enrollment. Since Congress has established grant approval as the obligation point, these procedures based on enrollment are outdated. Lastly, we found that the Comprehensive Action Plan, due to the Board of Directors on March 14, 2003, has not been presented.

We recommend that:

(1) The new enrollment procedures be updated for legislative and organizational changes that have occurred since the procedures were issued. The update should recognize that the financial statement Trust liability is different than Trust obligations reported to OMB;

(2) The CFO document CFO requirements in written procedures;

(3) The Corporation establish procedures to ensure that the Trust obligations are properly recorded, reported and appear in budgetary documents (refer to AmeriCorps Procedures No. 7); and,

(4) The Comprehensive Action Plan be presented to the Board of Directors.

Sections A and B below outline the procedures used by AmeriCorps and the Office of the Chief Financial Officer to monitor AmeriCorps member awards and enrollment.

A. AmeriCorps Procedures

The assessment found that AmeriCorps implemented the following procedures:

1. Program officer recommendations for Federal obligations in AmeriCorps programs (National and State, NCCC, and VISTA) are accompanied by projections of the total number of AmeriCorps positions (converted to full-time equivalents) that would result if grant awards are made.

2. The Director of AmeriCorps tallies and compares those projections with the number of positions that were agreed upon with the CFO prior to the award process. The number of positions is not to exceed the budgeted level supported by actual appropriations for the year in which awards will be made (see below, CFO items 1 and 2). This tally and comparison occurs before submission to the CEO for approval.

3. The Director of AmeriCorps, CEO, and CFO meet monthly to discuss enrollment. No positions are approved that exceed the amount that is budgeted, justified, and supportable through program and Trust budgets for the program year.

4. The Director of AmeriCorps has developed procedures for earlier reporting of actual enrollment to Corporation headquarters and has clarified the steps that constitute an enrollment. The AmeriCorps Commitment Tracker feature was added to the Web Based Reporting System before the pause was lifted in March 2003. This feature provides the Corporation and AmeriCorps grantees with a snapshot of the slots awarded, commitments and enrollment against those slots, exited members with and without awards, and cancelled commitments. Also, before lifting the enrollment pause, guidance was issued to clarify the enrollment process.

5. The Director of AmeriCorps reports biweekly to the CEO and CFO on the number of approved program slots actually filled, by program (National and State, NCCC, and VISTA) and type of placement (full-time, part-time, reduced part-time).

6. All AmeriCorps grants, with approved enrollment numbers, including continuations, are approved by the CEO, after consultation with the CFO.

B. Chief Financial Officer Procedures

We found that the Chief Financial Officer is taking the following actions to ensure that enrollment does not exceed the number of members that can be supported by the Trust:

1. In developing budget requests for transmittal to the Office of Management and Budget, the CFO uses the proposed number of AmeriCorps positions to be filled as the basis for amounts to be requested for the Trust, using the updated forecasting model, as necessary. An analysis of the Trust model's methodology for projecting Federal obligations and budgetary resource requirements for education awards is included with the Budget submission. Based on Congressional action, the CFO transmits the budgeted number of AmeriCorps positions to the AmeriCorps Director prior to approval of AmeriCorps commitments considered in the grant approval cycle.

2. The CFO and Director of AmeriCorps meet prior to each grant review and approval cycle to determine the appropriate number of education awards and program funds to be considered by the CEO in the approval cycle.

3. A team of AmeriCorps program employees and CFO employees work together to compile biweekly reports of the number of enrollments in AmeriCorps. These reports are given to the CEO, CFO, and AmeriCorps Director. The report shows slots approved and enrollment against those slots, by program and type of placement. Though CFO Procedure No. 3 requires the CFO to establish a threshold for determining when deviations are significant enough to update the assumptions in the Trust model, this requirement may be unnecessary because the Trust model is updated automatically on a quarterly basis.

4. Each month discrepancies in actual enrollment figures between the Web Based Reporting System (the AmeriCorps database) and the System for Programs, Agreements, and National Service Enrollment (SPAN or the Trust database) are reconciled.

5. All AmeriCorps grant awards are subject to review by the CFO. The CFO reviews grant awards before they are presented to the CEO for approval.

The Corporation has made marked progress in implementing the new enrollment procedures. We expect to review the changes made as a result of these recommendations.

Sincerely,

J. Russell George

J. Russell George
Inspector General

MEMORANDUM

FROM: Leslie Lenkowsky
Chief Executive Officer

DATE: January 7, 2003

RE: Summary of New Enrollment Procedures

Today, the 108th Congress is convening and we are optimistic that it will take action that will enable us to end the pause on AmeriCorps enrollments. We will let you know when that occurs.

In order to correct the problems that led to the pause, the Corporation is implementing a set of new procedures for awarding AmeriCorps grants and monitoring AmeriCorps enrollments. A summary of these procedures is attached. Our goal in adopting these new procedures is to ensure we have timely reporting and tracking of member enrollments, thereby enhancing our ability to forecast enrollment and avoid another pause in the future.

Although these procedures will chiefly affect how the Corporation's Washington , D.C. headquarters staff operates, I want to call your attention to one that will directly affect all of the Corporation's AmeriCorps grantees.

One of the new procedures (see AMERICORPS #4) will establish new requirements for timely reporting of actual AmeriCorps enrollments by grantee programs. Once a program year has begun and throughout the year, we must regularly track whether or not the enrollment projections, on which the budget for the National Service Trust is based, are accurate. The Director of AmeriCorps will soon be announcing new enrollment procedures designed to allow us to forecast demand and monitor actual enrollments throughout the program year. These procedures will be effective as soon as we are able to end the pause.

As always, thank you very much for your partnership in our ongoing effort to expand and enhance opportunities to meet vital community needs through national service.

New Procedures

The Chief Executive Officer (CEO) of the Corporation for National and Community Service (Corporation) has directed that the following new procedures will go into effect immediately with regard to the AmeriCorps program:

AMERICORPS

1. All program officer recommendations for Federal obligations in the AmeriCorps program (National and State (N&S), NCCC, and VISTA) shall be accompanied by projections of the number of AmeriCorps positions that would result if the grant awards are made.

2. The Director of AmeriCorps shall tally and compare those projections with the number of positions that were agreed upon with the Chief Financial Officer (CFO) prior to the award process, not to exceed the budgeted level supported by actual appropriations for the year in which awards will be made (see CFO items 1 and 2). This tally and comparison will occur before submission to the CEO for approval.

3. The Director of AmeriCorps shall report monthly to the CEO and CFO. No positions will be approved that exceed the amount budgeted, justified, and supportable through program and trust budgets for the program year, plus a contingency reserve based on a conservative estimate of fill-rates.

4. The Director of AmeriCorps will develop procedures for earlier reporting of actual enrollments to Corporation headquarters and will clarify for grantees the steps that constitute an enrollment (and thereby a Federal obligation) before lifting the AmeriCorps enrollment pause.

5. The Director of AmeriCorps shall report bi-weekly to the CEO and CFO on the number of approved program slots actually filled, specifying by program (NCCC, N&S, VISTA) and type of placement (full-time, part-time, reduced part-time). In the event enrollment differs from projected figures, the Director of AmeriCorps may request changes in approved slots during program year, subject to approval of the CEO, but in no case to exceed the number of positions supportable through appropriations for AmeriCorps grants and the Trust.

6. All AmeriCorps grants (with approved enrollment numbers), including continuations, shall be subject to approval by the CEO, after consultation with the CFO.

7. The CEO will establish new procedures to ensure that the Corporation properly records National Service Trust Fund "obligations," i.e., the maximum legal liability of the Trust Fund. These obligations shall be reported on a quarterly basis in financial reports to the United States Treasury and appear in all relevant budgetary documents produced by the Corporation.

CHIEF FINANCIAL OFFICER

1. In developing budget requests for transmittal to Office of Management and Budget (OMB), the CFO shall use the proposed number of AmeriCorps positions to be filled as the basis for amounts to be requested for the Trust, using the updated forecasting model, revised as necessary (and with a contingency reserve for unanticipated developments). An analysis of the Trust model's methodology for projecting Federal obligations and budgetary resource requirements for Education Awards will accompany the Budget submission. Based on Congressional action, the CFO will transmit the budgeted number of AmeriCorps positions to the AmeriCorps Director prior to approval of any AmeriCorps commitments considered by the CEO in the approval cycle.

2. The CFO and Director of AmeriCorps will meet prior to each grant review and approval cycle and determine the appropriate number of Education Awards and program funds to be considered by the CEO in the approval cycle.

3. The Director of the National Service Trust shall monitor the number of enrollments in AmeriCorps throughout the program year, reporting bi-weekly to the CEO, CFO, and AmeriCorps Director, disaggregating by program and type of placement. The Director of the Trust shall also continuously monitor other factors relevant to the model for forecasting Trust liabilities (such as award usage and interest rates) and report regularly to the CFO, highlighting any deviations from assumptions in the model. The CFO shall establish a threshold for determining when deviations are significant enough to warrant updating of forecasts.

4. Each month, the CFO shall use actual enrollment data (and data for other relevant parameters, such as award usage rates and interest rates) to re-estimate the model for forecasting Trust liabilities. The CFO shall notify the CEO and AmeriCorps Director immediately if such re-estimate indicates a need to change enrollment targets (up or down) for the program year in order to ensure that obligations do not exceed available appropriations. The CEO will take appropriate action within one week of such notification and report any such action to Congress, the Corporation's Board, and OMB.

5. The CFO and Director of AmeriCorps will meet at least monthly to reconcile any discrepancies in actual enrollment figures between WBRS (the AmeriCorps data base) and SPANS (the Trust data base.)

6. All AmeriCorps grant awards shall be subject to review by the CFO.

Effective January 7, 2003

Corporation for
NATIONAL &
COMMUNITY
SERVICE

October 31, 2003

Mr. J. Russell George
Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. ~~George~~ Russell:

Thank you for providing us with an opportunity to comment on the Interim Report on the Assessment of the Implementation of New Enrollment Procedures (Report Number 03-17).

I want to express our appreciation for your thorough assessment of our procedures. We feel we have made great strides to improving enrollment procedures for the National Service Trust. We have reviewed the report and do not have any comments at this time.

Again, thank you to you and your staff.

Sincerely,

James F. Manning
Acting Chief Executive Officer

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