

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

**Semiannual Report  
to Congress**

**October 1, 2006 - March 31, 2007**  
Fiscal Year 2007 Semiannual Report No. 1



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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## OFFICE OF INSPECTOR GENERAL

April 30, 2007

I am pleased to present our *Semiannual Report to Congress* and share with you the results of the Office of Inspector General's (OIG) audits, investigations and proactive initiatives for the period October 1, 2006, through March 31, 2007.

During this reporting period, the OIG Audit Section issued 12 reports on a wide variety of Corporation operations, programs and grantees which identified more than \$1 million in questioned costs. Our Investigations Section closed 30 cases, opened 37 new actions, referred 10 cases to the U.S. Department of Justice for criminal and/or civil action, and already has recovered more than \$44,000 in taxpayer funding while identifying an additional \$2.59 million in potential recoveries that can be reinvested in national service.

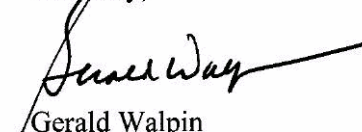
We also continued our proactive efforts to improve the OIG's efficiency and effectiveness by upgrading our information systems and security and fully implementing a new performance-based employee appraisal system.

Upon taking office in January, I launched an outreach effort to the U.S. Department of Justice with the goal of having more of our cases accepted for criminal prosecution by United States Attorneys. In the past, too many of our cases have been declined on the ground that the acts of wrongdoers, most of whom admitted their guilt, involved so-called "low-dollar amounts." I firmly believe that is the wrong message to send. Because the Corporation's operations are primarily community service, relatively small amounts can be involved at each site. Dishonest diversion of funds deprives the needy and damages the reputation of the program. The knowledge that such defalcations are prosecuted deters similar wrongdoing.

Our outreach includes improved presentations of cases referred to United States Attorneys, personal contact with Federal prosecutors, and an effort to educate Justice Department personnel on the Corporation and its programs, the mission of the OIG and the crucial role successful prosecutions play in our efforts to deter additional waste, fraud and abuse.

While proud of our achievements for this period, I am deeply concerned that the OIG may not be able to sustain this level of effort. The proposed OIG Budget for Fiscal Year 2008 will, if unchanged, result in a 20 percent reduction in our resources from the Fiscal Year 2006 level. Such a cut would have its biggest impact on our ability to continue to conduct contracted audits, including even the random audits of AmeriCorps programs mandated by Congress.

Sincerely,



Gerald Walpin  
Inspector General



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Senior Corps ★ AmeriCorps ★ Learn and Serve America



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# Executive Summary

## Proactive Initiatives

The Office of Inspector General (OIG) continued to take a proactive stance by undertaking numerous initiatives to improve its effectiveness and efficiency and to provide the Corporation for National and Community Service (Corporation) with timely advisories and information on key issues involving its programs and operations. During this reporting period, the OIG launched an outreach program to the U.S. Department of Justice in an effort to have more of its cases accepted for Federal criminal prosecution. In an effort to counter arguments by United States Attorneys that many OIG investigations fail to meet their “dollar-amount threshold” for prosecution, the outreach and education effort is based on the premise that there is no such thing as a small fraud. Also during this period, OIG investigators uncovered widespread abuse of the Corporation’s child care benefit programs for volunteers and began developing recommendations to improve controls and oversight. We also fully implemented an Employee Performance Management appraisal program that directly links compensation to performance and OIG strategic goals.

## Audit Section

During this reporting period, the OIG Audit Section conducted audit and other work to improve the operations of the Corporation and issued 12 reports that identified more than \$1 million in questioned costs. At the close of this reporting period we had the following 12 assignments in process.

### Senior Corps Audits

- Council on Aging of Volusia County, FL
- Red Cross of Metro New Jersey

### AmeriCorps Audits

- Mississippi Commission
- Arkansas Commission
- District of Columbia Commission
- Texas Commission
- Kansas Commission
- United States Veterans Initiative, National Direct Grant
- United States Veterans Initiative, Education Award Grant

### Corporation Operations

- Review of Compliance with Homeland Security Presidential Directive 12
- Review of New Grantee Financial Management Surveys
- Review of Seven Corners Health Benefits Administration Claims Processing Contract

## Investigations Section

The OIG Investigations Section continued to investigate allegations of fraud, waste, and abuse of taxpayer dollars in Corporation programs and operations. During this reporting period, the Investigations Section received and processed 54 Hotline contacts, opened 37 investigative actions, and closed 30 actions. Ten matters were referred to the U.S. Department of Justice for prosecution. Thirty-two other matters were referred to Corporation management and State commissions for action.

## *Executive Summary*

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Investigators were responsible for recovering \$44,186.22 in Corporation funds and \$9,450 in cost avoidance. Based on information presented to the Corporation, management debarred six individuals. In addition, ongoing OIG investigations have identified \$2.59 million in potential recoveries.

### **About The Office Of Inspector General**

In 1993, Congress created the Corporation for National and Community Service (Corporation), along with this Office of Inspector General (OIG), in the National and Community Service Trust Act (42 U.S.C. §§ 12501-681 (2004)). Our office is independent of the agency it oversees. Led by a presidential appointee, we conduct audits and investigations of Corporation programs, including AmeriCorps, Volunteers In Service to America (VISTA), the National Civilian Community Corps, Learn and Serve America, and Senior Corps.

The OIG also examines Corporation operations, State community service programs that receive and distribute the majority of Corporation grant funds, and local recipients of subgrants.

Based on the results of our audits, investigations and reviews, the OIG recommends Corporation policies to promote economy and efficiency. We also strive to prevent and detect waste, fraud and abuse of taxpayer dollars that have been invested in National Service.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the first six months of Fiscal Year 2007. It is being transmitted to the Chief Executive Officer of the Corporation, the Corporation's Board of Directors, and Members of Congress. It will also be made available to the public.

All of our work is conducted in strict adherence to the Privacy Act and the Freedom of Information Act. Our efforts are often aided by information supplied via the OIG Hotline (800-452-8210). The Hotline allows Corporation employees, grantees, program beneficiaries, and others to report concerns and suspected fraud.

For more information on the OIG and its work, please visit our Internet website: [www.cncsoig.gov](http://www.cncsoig.gov), or telephone us at (202) 606-9390.

**CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE**

**OFFICE OF INSPECTOR GENERAL**

**Hotline**



**We Want You to  
Report Fraud, Waste  
and Abuse!**

- ◆ All information is confidential.
- ◆ You may remain anonymous.

**1-800-452-8210**

Contact us by e-mail:  
[hotline@cncsoig.gov](mailto:hotline@cncsoig.gov)

Visit our web page:  
[www.cncsoig.gov](http://www.cncsoig.gov)

Or write:

**OIG HOTLINE**

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# Proactive Initiatives

*In its ongoing effort to prevent and detect fraud, waste and abuse in a timely manner, the Office of Inspector General has taken a proactive stance to alert and inform Corporation management and its national service partners of issues and current and potential problems. Our initiatives include analyses and reports by our Audit and Investigations Sections, management advisories and other communications, and outreach to all Corporation stakeholders through our information and education programs. OIG management has also developed a number of initiatives during this reporting period to improve performance and efficiency and to enhance employee job skills.*



## OIG Management Initiatives

**Outreach to the U.S. Department of Justice:** During this reporting period, Inspector General Gerald Walpin launched a concerted effort to increase the number of OIG cases that are accepted by United States Attorneys for prosecution. In the past, many OIG cases, including those in which the targets have confessed their guilt, have been turned down for Federal prosecution due to the low dollar amounts involved in the offenses.

In his effort to bring sanctions on all wrongdoers, Mr. Walpin worked with the Investigations Section to improve the presentation of cases that are referred to United States Attorneys. Mr. Walpin also made personal contact with prosecutors in several key cases.

The OIG is further working to educate Federal prosecutors on the role and the work of the OIG, the Corporation's programs and, most importantly, the devastating impact a so-called "low-dollar amount" crime can have on both national and community service and the OIG's ability to deter waste, fraud and abuse of taxpayer dollars. This effort strongly endorses the premise that "there is no such thing as a small fraud."

**Child Care Fraud:** Developing and expanding leads from a single case, OIG investigators uncovered widespread abuses of child care benefits by members of AmeriCorps and VISTA in the State of Michigan. The investigation, which involved an extensive review of both State and Federal child care benefit records, found that 12 members illegally received AmeriCorps Care or VISTA Care benefits while concurrently receiving child care support payments from the State of Michigan. The loss to the U.S. Government is estimated at more than \$120,000. Corporation-supported volunteers are barred from receiving child care benefits from more than one source and are required to sign enrollment documents attesting to their understanding of this regulation.

Working closely with an OIG investigator, the local Assistant United States Attorney agreed to handle one case with a pretrial diversion. The State's attorney agreed to prosecute 11 other members on State welfare fraud charges. During this period, four of those 11 members plead guilty and were awaiting sentencing.

This investigation also disclosed oversight weaknesses in the AmeriCorps Care and VISTA Care programs that could result in additional abuses of the Corporation's child care benefit programs, which are administered by the National Association of Child Care Resources and Referral Agencies (NACCRRRA). During this reporting period the OIG began developing recommendations designed to prevent abuses by precluding the receipt of child care benefits from more than one source. These recommendations will be presented to Corporation management.

**Forensic Investigations:** During this reporting period, the OIG Investigations Section fully employed its new Forensic Investigation Laboratory as a tool against computer-related crime. OIG agents, who have undergone specialized training, utilize forensic software and equipment to capture mirror images of the information contained on computer hard drives. The data is then mined to reveal financial data, e-mails, images and other documents which may be linked to instances of fraud, waste and abuse. Capturing a mirror image of hard-drive data is crucial to maintaining the integrity and admissibility of evidence. During this reporting period, the OIG added new technology to allow for the mirror-imaging of laptop computer hard drives. The lab and investigative tools also played significant roles in several OIG investigations of abuse and misuse of Corporation information systems.

**Statutory Law Enforcement Authority:** During this reporting period, the OIG Investigations Section fully implemented its expanded law enforcement authority. It empowers OIG Agents to make arrests, seek and execute arrest and search warrants, and carry firearms in the course of their official duties. The authority, approved in early 2006 by the Department of Justice, lessens agents' reliance on local police and other officials for backup and makes them more efficient while in the field probing allegations of fraud, waste and abuse of Federal funds. During this period, construction was



## *Proactive Initiatives*

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completed on a new secure storage area for weapons and evidence. Also, specialized equipment was issued to agents, who underwent extensive firearms and safety training.

**Employee Performance Management Program:** During this reporting period, OIG senior managers completed implementation of the OIG's employee appraisal program. Reviews were completed for all employees under the system, which directly links compensation to performance and positive results. The Performance Management Program is a yearlong, continuous, and collaborative process that evaluates the "whole" employee on his or her contribution to achieving the OIG's mission and organizational goals. The performance management cycle, which replaced the old "pass-fail" method of evaluating employees, runs from January 1 through December 31. It includes performance planning, monitoring employee performance, developing employees' knowledge and skills through training, and rating and rewarding performance.

**Technology Upgrades and Enhancements:** Under the leadership of the Chief Technology Officer, the OIG continued to implement a network improvement plan that will transform the OIG's computer network into a Real-time Information Management System capable of seamlessly collecting, processing and providing data. Phase 2 of this program was launched during this reporting period, during which the OIG Management Information System Team (MIST) met with several vendors to evaluate their products.

MIST, which includes OIG investigators, auditors and support personnel, is now in a position to make recommendations regarding the design of a new system. Unfortunately, current and anticipated funding constraints will delay the implementation of this system. MIST is also evaluating other desktop operating systems, specifically Mac OS-X, as an efficient and secure alternative to our current Windows desktop platform.

The OIG also began implementation and testing of a new remote, encrypted, two-factored user access system. It is consistent with the Office of Management and Budget (OMB) requirement, contained in OMB Memorandum 06-016, regarding remote access and encryption. The new system, which will be fully implemented during the next reporting period, provides OIG employees with a safe, secure and easy-to-use method of remotely accessing the OIG network and sensitive documents while working in the field or telecommuting.

**Areas For Improvement:** During the previous reporting period, Corporation management requested that the OIG identify areas of operations and policies that were in need of improvement. We reviewed all previous OIG audits, reviews, and investigations and identified five areas for management improvement, including corrective actions, training and institutional knowledge, monitoring and grantee accountability, information technology and human capital.

During this reporting period, these findings were submitted to the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency for inclusion in the Management Challenges section of the Federal Inspectors General Fiscal Year 2006 "Progress Report to the President." The report, issued in March 2007, showed that all five areas identified as in need of improvement by the OIG aligned with the major management challenges cited by the Federal Inspector General community.

**Staff Training:** The OIG continued to conduct an ambitious and wide-ranging staff training program, with the goal of having each employee complete a minimum of 40 hours of professional development each calendar year. OIG management and staff utilized the Federal Law Enforcement Training Center, Inspector General Auditor Training Institute, Inspector General Criminal Investigator Academy and numerous other training providers. Topics ranged from criminal investigations and firearms training to professional development courses on the latest government standards and other audit procedures. In addition, OIG staff conducted classes for their peers on legal issues, investigative and audit procedures and report writing. By capitalizing on in-house skills, the OIG can offer training that is cost-effective and can be tailored to meet immediate and changing needs.

## Outreach and Education

**Fraud Awareness Briefings:** The OIG continues to provide Corporation, grantee and subgrantee employees, and volunteers with information on how to identify, prevent and report waste fraud and abuse of taxpayer-funded resources. Investigators and OIG senior managers regularly provide these multimedia briefings as part of their field assignments and also provide them to meetings and training sessions conducted by Corporation grantees and other national service stakeholders. Topics include the role and mission of the OIG, common types of program fraud, and how to detect and report suspected abuses. In addition, OIG auditors gave field briefings to grantee officials on audit procedures and requirements, and leading causes of questioned and un-allowed costs. During this reporting period, we conducted Fraud Awareness Briefings and Audit Training Sessions involving several hundred volunteers, Corporation employees and grantee and subgrantee officials.

**“For Your Inspection (FYI)”:** During this reporting period, we published two editions of FYI, our quarterly newsletter that highlights the mission and work of the OIG and offers in-depth information on key issues facing the Corporation and its grantees. During this reporting period, FYI featured articles introducing new Inspector General Gerald Walpin and highlighting his concerted effort to obtain sanctions against all persons who commit fraud against the Corporation and its programs. FYI is widely distributed, in print and electronically, to Corporation employees, grantees, volunteers and other stakeholders.



# Audit Section

*The Office of Inspector General Audit Section is responsible for reviewing the financial, administrative, and programmatic operations of the Corporation. The Audit Section's responsibilities include auditing the Corporation's annual financial statements, assessing the Corporation's management controls, reviewing the Corporation's operations, and auditing grants, contracts, and cooperative agreements funded by the Corporation.*



## Summary of Audits

*During this reporting period, the OIG Audit Section issued 12 reports on a wide range of topics. Our work included audits of the Corporation's Financial Statements for Fiscal Year 2006, the annual FISMA evaluation, State Commissions, and Senior Corps and National Direct grantees.*

<b>Audit Reports Issued</b>				
<b>October 1, 2007 – March 31, 2007</b>				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
(Dollars in thousands)				
07-01	<i>Audit of the Corporation's Fiscal Year 2006 Financial Statements</i>	\$N/A	\$N/A	\$N/A
07-03	<i>Audit of the Corporation's National Service Trust Schedule of Fiscal 2006 Budgetary Resources and Obligations</i>	0	0	0
07-04	<i>Audit of Grants Awarded to the Utah Commission on Volunteers</i>	99	49	0
07-05	<i>Audit of Grants Awarded to the Maryland Governor's Office on Service and Volunteerism</i>	461	306	162
07-06	<i>Agreed-Upon Procedures Engagement Kansas Big Brothers Big Sisters, Inc.</i>	98	98	0
07-07	<i>Audit of Grants Awarded to Volunteer Florida</i>	442	262	66
07-08	<i>Audit of Grants Awarded to Public Allies, Inc.</i>	73	1	73
07-09	<i>Fiscal Year 2006 FISMA Independent Evaluation</i>	N/A	N/A	N/A
07-10	<i>Audit of Grant Awarded to Home Instruction for Parents of Preschool Youngsters, USA</i>	20	18	29
07-11	<i>Quality Control Review of Cocchiari &amp; Associate's OMB Circular A-133 Audit of Catholic Network of Volunteer Services FY 6/30/2005</i>	N/A	N/A	N/A
07-12	<i>Follow-up Assessment of the AmericCorps Enrollment Procedures</i>	N/A	N/A	N/A
07-13	<i>Agreed-Upon Procedures of Grants Awarded to Teach for America</i>	0	0	138
<b>TOTAL</b>		<b><u>\$1,192</u></b>	<b><u>\$733</u></b>	<b><u>\$469</u></b>

## Financial Management and Corporation Operations

### Audit Report 07-01 – Fiscal Year 2006 Financial Statements Audit

The auditors issued an unqualified opinion on the Financial Statements, noted one noncompliance with laws and regulations and one reportable condition. The Corporation concurred with some, but not all, of the audit results.

# Audit Section

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## **Audit Report 07-03 – Audit of the National Service Trust Schedule of Fiscal Year 2006 Budgetary Resources and Obligations**

The auditors opined that the schedule was fairly presented.

## **Report 07-09 – Federal Information System Management Act (FISMA) Independent Evaluation for Fiscal Year 2006**

The report noted significant improvement over FISMA 2005 compliance. There were no significant findings, but the reviewers did have 15 recommendations for improving the Corporation's security posture.

## **Report 07-12 – Follow-Up Report on the Implementation of New AmeriCorps Enrollment Procedures**

We reviewed the Corporation's corrective actions taken in response to the four recommendations contained in the OIG's Interim Report on the Implementation of New Enrollment Procedures (Report 04-05), issued on November 3, 2003. We found that the recommendations noted in the prior report have been implemented and that policies were adequate to ensure enrollment does not exceed slot availability, and to ensure compliance with the Strengthen AmeriCorps Program Act.

## **Grant Management and Oversight**

The Corporation awards grants to State and local governments, State commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required to expend funds only for allowable costs and provide periodic reports to the Corporation to demonstrate programmatic and financial compliance with the terms of their grant agreements. The Corporation is responsible for ensuring that grantees comply with applicable laws and regulations for the administration of grant awards.

The Audit Section conducts audits of Corporation grantees to assess whether reported costs are allowable under Federal regulations and whether grantees are complying with the terms and conditions of their awards. Our reports on Corporation grants also include recommendations for correcting deficiencies. Typically, the recommendations call for grantees to reimburse questioned costs, establish and implement policies and procedures to prevent future instances of noncompliance, and to improve internal controls. We also make recommendations for more effective Corporation oversight and improvements in grants management operations.

During this reporting period, the OIG issued reports on three State commissions, three AmeriCorps National Direct Grantees and one Senior Corps grantee. The OIG also issued a Quality Control Review report on an OMB A-133 Audit.

## **State Commission Audits**

### **Audit Report 07-04 – Grants Awarded to the Utah Commission on Volunteers**

The Commission claimed costs of \$2,120,532, of which the auditors questioned \$98,966 as unallowable grant costs. The findings result from the Commission's systemic problem with properly monitoring subgrantees' fiscal activities. This same problem was cited in the Corporation's May 2000 Administrative Standards Review of the Commission and the OIG's April 2004 pre-audit survey. Both

reports found that the Commission's monitoring of subgrantee financial management systems needed improvement. We also determined that the Commission's procedures for recording and reporting match and in-kind contributions were inadequate, a determination that was also made in the OIG's 2004 report.

### **Audit Report 07-05 – Grants Awarded to the Maryland Governor's Office on Service and Volunteerism**

Funding authorized for these grants totaled \$8.6 million, with costs claimed totaling approximately \$5.7 million. The audit identified questioned grant costs of \$461,086, match of \$195,327 and education awards of \$162,260. Most of the questioned costs were for unsupported member eligibility and unsupported match. The report also included seven findings and provided recommendations to improve compliance with grant requirements and to improve internal controls.

### **Audit Report 07-07 – Grants Awarded to Volunteer Florida**

The grantees claimed costs of \$11,992,968, of which the auditors questioned \$441,639 as unallowable grant costs and \$65,929 of education awards. The auditors also noted numerous and pervasive instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

## **AmeriCorps National Direct Grant Audits**

### **Audit Report 07-10 – Grants Awarded to Home Instruction for Parents of Preschool Youngsters, USA (HIPPI)**

The audit questioned \$19,960 of claimed costs, including unsupported costs of \$18,395 and \$1,565 for unallowable expenses. The auditors also questioned education awards of \$29,275 for members due to lack of documents to support AmeriCorps member eligibility. The audit report included six findings and four recommendations to improve compliance with grant requirements and to improve internal controls.

### **Audit Report 07-08 - Grants Awarded to Public Allies, Inc.**

The auditors questioned costs of \$72,518, primarily due to member eligibility and compliance issues, such as proof of citizenship and completion of performance evaluations. Also questioned were education awards of \$73,325 due to missing AmeriCorps eligibility documentation. The auditors also noted four findings on internal controls and compliance with grant terms.

### **Report 07-13 - Application of Agreed-Upon Procedures to Grants Awarded to Teach for America**

The agreed-upon procedure testing was limited to tests of compliance with AmeriCorps member laws, regulations and provisions. Education awards of approximately \$138,000 were questioned in most instances for lack of citizenship documentation and lack of required time sheets to support claimed service hours. The agreed-upon procedures noted nine findings on internal controls and compliance with grant terms relating to incomplete or missing member forms, late Web Based Reporting System (WBRS) submissions, and WBRS information not supported by required documentation.

## Senior Corps Grant Audits

### **Report 07-06 – Application of Agreed-Upon Procedures to Grant Awarded to Kansas Big Brothers Big Sisters, Inc.**

The grantee claimed costs of \$323,231. The auditors questioned \$97,957 of expenditures charged to the grant agreements due to noncompliance with grant terms and conditions. There were also five internal control findings included in the report.

## OMB Circular A-133 Quality Control Review

### **Report 07-11 – Quality Control Review of the Cocchiaro & Associates' OMB Circular A-133 Audit of the Catholic Network of Volunteer Services, for Fiscal Year Ended June 30, 2005**

The report noted two errors with the A-133 audit. The CPA firm agreed that a mistake had been made in the report involving employee timekeeping and noted that the grantee now requires all employees to maintain timesheets, even if they are dedicated to work on one grant.

## Audit Resolution

The Corporation's audit resolution process under Corporation Policy Number 101, Audit Resolution, consists of six steps that culminate in a Management Decision (MD) and completion of a Notice of Final Action on any corrective measures that management deems appropriate.

**Step 1:** The OIG issues a draft report and generally allows 30 days for comment. The OIG issues a final audit report after considering any comments received from the Corporation and the auditee.

**Step 2:** Within six months of the OIG's issuance of a final audit report, the Corporation issues a Proposed Management Decision (PMD), responding to the report's findings and recommendations. The PMD explains any corrective actions and provides a timetable for implementation. It also explains whether management disagrees with any of the report's findings and recommendations.

**Step 3:** Within 30 days of receiving the PMD, the OIG may provide written comments and may initiate additional discussions with Corporation management if the OIG does not concur with the PMD. If the OIG concurs with the PMD, it is considered to be the Management Decision.

**Step 4:** After reviewing any OIG comments, the Chief Financial Officer (CFO) issues a MD.

**Step 5:** When all corrective actions in the MD have been completed, the Corporation issues a Notice of Final Action. Corrective actions should be completed within 12 months of the date the audit report was issued.

**Step 6:** Audits for which Final Action was not completed within 12 months of issuance are included in the OIG's semiannual report. The Corporation then provides comments on the status of these incomplete actions and forwards this information to Congress.

## Proposed Management Decisions

A Proposed Management Decision (PMD) is the Corporation's response to an audit's findings and recommendations, and outlines a plan for corrective action. If the OIG concurs with the PMD, it becomes the management decision. If the OIG disagrees with the PMD, the issues are discussed with the Corporation's Chief Financial Officer, who is the Corporation's designated Audit Follow-Up Official. During this reporting period, the Corporation issued PMDs on the following audit reports:

- 05-17, *Grants Awarded to the Louisiana Serve Commission*
- 05-18, *Agreed-Upon Procedures of Grants Awarded to the Wyoming Commission*
- 06-05, *Audit of Grants Awarded to the Puerto Rico Commission*
- 06-12, *Audit of Grants Awarded to Education Works*
- 06-14, *Audit of Grants Awarded to the New York State Commission*
- 06-16, *Audit of Grants Awarded to City Year, Inc.*
- 06-17, *Audit of City Year Subgrants Awarded through the Massachusetts Commission*
- 06-18, *Audit of City Year Subgrants Awarded through the Michigan Commission*
- 06-19, *Audit of City Year Subgrants Awarded through the Illinois Commission*
- 06-20, *Audit of City Year Subgrants Awarded through the District of Columbia Commission*
- 06-21, *Audit of City Year Subgrants Awarded through the Pennsylvania Commission*
- 06-22, *Audit of City Year Subgrants Awarded through the Texas Commission*
- 06-23, *Audit of Grants Awarded to the Massachusetts Commission*
- 06-25, *Audit of Grants Awarded to the Illinois Commission*
- 06-26, *Audit of Grants Awarded to the New Mexico Commission*
- 06-30, *Audit of Grants Awarded to the Tennessee Commission*
- 06-33, *Audit of Grants Awarded to the Oklahoma Commission*
- 06-36, *Audit of Grants Awarded to Serve Idaho*
- 06-37, *Audit of Grants Awarded to the Arizona Commission*
- 06-40, *Review of the Corporation's Office of Procurement Services*
- 06-42, *Review of the Corporation's Purchase and Travel Card Programs*
- 06-43, *Review of the Corporation FEMA Hurricane Relief Mission Assignment Process*



## *Audit Section*

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- 07-01, *Audit of the Corporation's Fiscal Year 2006 Financial Statements*
- 07-04, *Audit of Grants Awarded to the Utah Commission*
- 07-06, *Agreed-Upon Procedures Engagement Kansas Big Brothers Big Sisters*
- 07-09, *Fiscal Year 2006 FISMA Independent Evaluation*

### **PMDs with Which the OIG Disagreed**

The OIG did not entirely concur with the PMDs for Audit Report 05-17, Audit of Grants Awarded to the Louisiana Serve Commission; 05-18, Agreed-Upon Procedures to Grants Awarded to the Wyoming Commission for National and Community Service; and 06-12, Audit of Grants Awarded to EducationWorks.

In the PMDs for both 05-17 and 05-18, the Corporation proposed allowing as match funds the value of Corporation-produced Public Service Announcements, for which the Corporation had used federal funds to produce, distribute and obtain air time. Giving the grantees credit for the value of these announcements, entirely financed with Corporation funding, effectively increases the grant amount by the Corporation funds attributable to creating the value of the announcements, and cannot be considered as match funds provided by the grantees. It appears that the Commissions failed to supply the match funds included in their budgets and then utilized the value of the PSAs as a substitute for the match funds originally budgeted.

For audit Report 06-12, the Corporation allowed AmeriCorps members to serve as substitute teachers, thereby displacing employees in a school system's pool of substitute teachers. AmeriCorps regulations do not allow AmeriCorps members to displace an employee.

The Corporation's Chief Financial Officer, who also serves as the agency Audit Follow-up Official, issued Management Decisions which affirmed the Corporation positions taken in the PMDs.

### **Notices of Final Action**

A Notice of Final Action is a Corporation management report indicating that it has completed corrective actions. During this reporting period, the OIG received Notices of Final Action on the following audit reports:

- 05-18, *Agreed-Upon Procedures of Grants Awarded to the Wyoming Commission*
- 06-04, *Audit of Grants Awarded to Comprehensive Links for After School Enrichment*
- 06-07, *Audit of Training and Technical Assistance Cooperative Agreements Awarded to CHP International, Inc.*
- 06-08, *Audit of Grants Awarded to the Northwest Regional Educational Laboratory*
- 06-13, *Audit of Cooperative Agreements Awarded to ETR Associates*
- 06-16, *Audit of Grants Awarded to City Year, Inc.*

- 06-17, *Audit of City Year Subgrants Awarded through the Massachusetts Commission*
- 06-18, *Audit of City Year Subgrants Awarded through the Michigan Commission*
- 06-19, *Audit of City Year Subgrants Awarded through the Illinois Commission*
- 06-20, *Audit of City Year Subgrants Awarded through the District of Columbia Commission*
- 06-21, *Audit of City Year Subgrants Awarded through the Pennsylvania Commission*
- 06-22, *Audit of City Year Subgrants Awarded through the Texas Commission*
- 06-27, *Audit of Grants Awarded to Virginia Commission*
- 06-28, *Audit of Grants Awarded to the Habitat for Humanity International (Habitat)*

# Investigations Section

*The Office of Inspector General Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in Corporation programs and operations. The Investigations Section carries out these responsibilities by investigating allegations of criminal activities involving the Corporation's employees, contractors, and grant recipients. Criminal investigations are presented to the U.S. Attorney or, in some cases, the local prosecutor for criminal prosecution and monetary recovery. Some investigative reports are referred to Corporation management for its administrative action or information.*



<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	35
New Cases Opened	37
Cases Closed this Period With Significant Findings	12
Cases Closed this Period With No Significant Findings	18
Total Cases Closed	30
Cases Open at End of Reporting Period	42
<b>Referred*</b>	
Cases Referred for Prosecution	10
Cases Accepted for Prosecution	10
Cases Declined for Prosecution	4
Cases Pending Prosecutorial Review	0
Cases Pending Adjudication	24
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	32
Investigative Recommendations Pending this Reporting Period	7
Investigative Recommendations Pending from Previous Reporting Periods	0
*This includes cases referred for prosecution during the previous reporting period.	

## Summary of Cases

*At the beginning of this reporting period, 35 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators opened 37 investigative actions and closed 30 investigations. Forty-two investigative actions were pending at the end of the period.*

## **Cases Closed This Period With Significant Findings**

### **Theft of Program Funds (02-028)**

Corporation management reported that the executive director of a grantee was diverting Corporation program funds to cover personal expenditures and business expenses that were unrelated to program operations. The investigation found evidence that the executive director and her spouse, who served as the program's chief executive officer, had diverted more than \$100,000 in Corporation funds.

On June 19, 2006, the now-former executive director was found guilty of wire fraud and theft of Federal program funds. Her spouse was acquitted. On September 18, 2006, the former executive director was sentenced and received 33 months of confinement, was ordered to pay restitution in the amount of \$100,536.88, assessed \$600 in court fees, and ordered to serve three years of supervised probation upon her release from prison. Based on information developed by the OIG and presented to the Corporation, management debarred the former executive director, her spouse and their organization from participating in Federal contracts and grants for a period of three years.

### **Violation of Voluntary Service Prohibition (06-039)**

A former employee reported that, following his retirement from Federal service, he worked in the Corporation's Office of Human Capital (OHC) for several months as a contractor, but was never paid for his services. The investigation disclosed that an OHC employee failed to initiate a purchase order for the services provided by the former employee. This resulted in Corporation management having to ratify the transaction months after the services had been rendered. Management acknowledged that a lack of communication between OHC and procurement personnel caused a delay in the ratification and reported that it had provided additional training to the OHC employee on contract requirements.

In connection with the same grant, another Corporation employee failed to comply with Federal Acquisition Regulation (FAR), Part 5, when he failed to publicize a \$15,000 purchase order modification to the existing \$25,000 OHC purchase order. Management disagreed with the OIG finding that the employee failed to comply with FAR, Part 5, stating it believed that the contract modification was within the scope and under the terms of the existing contract.

### **Theft of Program Funds (05-030)**

Corporation management reported that a former VISTA member was employed during his VISTA service, in violation of his terms of service. The investigation found evidence that the VISTA member intentionally deceived program officials by claiming that he was volunteering at a local school when, in fact, he was employed at the school as a teacher. This allowed the VISTA member to receive more than \$20,000 in Federal program funds, including his VISTA stipend, to which he was not entitled. The U.S. Department of Justice accepted this investigation on July 19, 2005, for civil prosecution. On July 26, 2006, a civil agreement was reached with the individual, who agreed to repay \$8,500 of the \$20,395 he wrongfully received. Based on information developed by the OIG and presented to the Corporation, management debarred the individual from participating in Federal contracts and grants for a period of two years.

### **Theft of Government Services (Calling Card) (04-034)**

A Corporation employee reported an allegation that unknown persons were misusing a government-issued calling card. The investigation disclosed evidence that a former AmeriCorps member had obtained the calling card number during her term of service. After leaving the AmeriCorps program, the former member continued to utilize the calling card number to make personal telephone calls. Additionally, the member failed to safeguard the number, which was subsequently used by

unauthorized personnel at various locations throughout the United States. The U.S. Department of Justice accepted this investigation for prosecution. On September 13, 2006, the individual accepted pretrial diversion, received 18 months of probation and agreed to make restitution in the amount of \$1,420.48. Based on information developed by the OIG and presented to the Corporation, management debarred the individual from participating in Federal contracts and grants for a period of one year.

### **Fraudulent Receipt of VISTA Stipend (03-040)**

A Corporation State Office employee reported that a VISTA member left the program but continued to receive her living allowance, allowing her to collect a significant amount of Corporation funds to which she was not entitled. The investigation found that the former member's program failed to verify member attendance and also failed to provide written documentation of member attendance in its biweekly reports. The U.S. Department of Justice accepted this investigation on November 25, 2003.

On July 27, 2006, the former member entered a guilty plea to theft and was sentenced to 12 months of confinement (suspended), fined \$2,500 (suspended all but \$250), 24 months of probation, made to pay \$25 in court costs and required to make restitution in the amount of \$8,164.68. Based on information developed by the OIG and presented to the Corporation, management debarred the individual from participating in Federal contracts and grants for a period of two years.

### **Misuse of Employee Benefits / Violation of Agency Policy (06-057)**

Proactive efforts by the OIG disclosed evidence that a Corporation employee received \$1,740 in commuter benefits when, in fact, the employee was not commuting as required under the Corporation's policy. Based on information developed by the OIG and presented to the Corporation, the employee returned the unauthorized benefits and management took administrative action against the employee.

### **Computer Fraud / Violation of Agency Policy (07-013)**

A Corporation employee reported an allegation that Government contractor employees had attempted to penetrate a Corporation database without authorization. Investigation found evidence that contractor employees violated Corporation policy when they provided their logins and passwords to other employees of their firm without authorization. After obtaining the logins and passwords, two employees, working on the contract, attempted to penetrate the system's servers from a remote location outside the Corporation's firewall. Entry was denied to the servers due to the system's security measures. The U.S. Department of Justice declined prosecution. This matter was resolved administratively through the contract.

### **Violation of Grant Provisions (06-053)**

An allegation was reported to the OIG Hotline that an AmeriCorps program executive director had falsified AmeriCorps members' time sheets. Investigation disclosed that the executive director credited service hours to two members who provided service that was out of the scope of the grant's goals and objectives. There was no evidence that the executive director acted with criminal intent when she certified the members' service hours. Based on information developed by the OIG and presented to the Corporation, management disallowed \$10,651.25 in grant costs.

### **Violation of Agency Policy (07-006)**

The OIG received an allegation that a Corporation employee was using his assigned Government computer for a personal business. The investigation found evidence that the employee had violated agency policy by misusing a Government computer for his real estate business. The employee also downloaded an unapproved program to his Government computer. Based on information developed

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by the OIG and presented to the Corporation, management took administrative action against the employee.

## **Theft of VISTA Healthcare Services (07-005)**

A Corporation employee reported that a former VISTA member fraudulently used her VISTA healthcare benefits after the early termination of her service. Investigation found evidence that due to a Corporation computer error the former member was allowed to receive \$9,455.39 in healthcare services and prescriptions to which she was not entitled. The U.S. Department of Justice declined prosecution. Corporation management declined administrative recovery citing the former member's mental health problems and her inability to make restitution.

## **Violation of Agency Policy (07-031)**

The OIG received an allegation that a Corporation employee was using a Government computer to access prohibited websites. The investigation found evidence that the employee violated agency policy when the employee used her assigned login and password to allow a non-Corporation employee, her juvenile son, access to her Government computer. That individual then accessed prohibited sites without the employee's knowledge. Based on information developed by the OIG and presented to the Corporation, management took administrative action against the employee.

## **Violation of Grant Provisions and Nepotism (06-040)**

A Corporation employee reported an allegation that members at a VISTA site were performing service outside the scope of the grant, and that several of the members were related to the executive director in violation of the grant's nepotism provision. The investigation disclosed that the executive director violated the grant's nepotism provision when she enrolled three relatives and two members of her immediate family in the VISTA program. There was no evidence that the members had not performed VISTA service as required. Investigation also disclosed that another member had been incarcerated for a period of 30 days, during which period he continued to receive his VISTA living allowance payments. Based on information developed by the OIG and presented to the Corporation, management terminated the members and did not renew the grant.

## **Highlighted Ongoing Investigative Activity**

### **False Statements / Theft of Program Funds (07-004)**

A State commission reported an allegation that AmeriCorps members had falsified the service hours claimed on their time sheets and that program officials had forged signatures to partnership agreements with the sites where the members allegedly served. Investigation found evidence that program officials and AmeriCorps members submitted fraudulent partnership agreements, claiming members were serving at the partner sites. Partner site officials denied signing the agreements and reported that AmeriCorps members had not served as reported. This allowed the members to receive living allowances and earn education awards to which they were not entitled. Loss to the Government is \$53,431. The U.S. Department of Justice accepted this investigation on March 2, 2007, and is pursuing civil recovery.

### **Misuse of Position (07-007)**

Corporation management reported an allegation that a Corporation employee was suspected of fraudulently enrolling individuals in a Corporation VISTA program, thus allowing the individuals to receive a living allowance and benefits without performing the required service. Investigation found evidence that the employee acted outside the scope of her authority by enrolling and assigning individuals in a Corporation program without the grantee's authorization. The investigation also showed that the employee allowed one member to serve for a period of time at the Corporation state office. This service could have allowed the member access to documents and personal identification

data on fellow members enrolled in that State. There was no evidence that the members did not serve. On January 23, 2007, the results of the investigation were provided to Corporation management. Management's response is pending.

### **False Statements / Theft (07-012)**

A program director reported that an AmeriCorps member had claimed fraudulent service hours. Investigation found evidence that the member had falsified her time sheets when she claimed service hours she had not performed. Loss to the Government is \$7,375. The U.S. Department of Justice accepted this investigation on March 2, 2007, and is pursuing civil recovery.

### **Theft of Program Funds (07-017)**

Corporation management reported that a project director of a Senior Corps program misapplied Corporation program funds. Investigation found evidence that the project director embezzled more than \$25,000 in Federal program funds through unauthorized salary payments and credit card purchases and payments. OIG Subpoenas have been issued for financial records. The investigation is continuing.

### **Misapplication of Program Funds (07-018)**

Corporation management reported that a director of a Senior Corps program misapplied Corporation program funds. Investigation found evidence that the project director improperly reimbursed the program's volunteers a total of \$7,775.10 for service-related mileage costs they had not incurred. The investigation is continuing.

### **Child Care Fraud (07-022)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received \$10,230 in AmeriCorps\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on January 25, 2007, by the local States Attorney General's Office.

### **Child Care Fraud (07-023)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps\*VISTA member fraudulently received \$3,593 in VISTA\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received VISTA\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on January 25, 2007, by the local States Attorney General's Office. On March 19, 2007, the former member entered a guilty plea and is pending sentencing.

### **Child Care Fraud (07-024)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps\*VISTA member fraudulently received \$4,840 in VISTA\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received VISTA\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on January 25, 2007, by the local States Attorney General's Office. On March 19, 2007, the former member entered a guilty plea and is pending sentencing.

### **Child Care Fraud (07-025)**



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Proactive efforts by the OIG disclosed evidence that a former AmeriCorps\*VISTA member fraudulently received \$3,535 in VISTA\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received VISTA\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on January 25, 2007, by the local States Attorney General's Office.

### **Child Care Fraud (07-026)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received \$35,202.72 in AmeriCorps\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on January 25, 2007, by the local States Attorney General's Office.

### **Misapplication of Program Funds (07-027)**

An allegation was reported to the OIG Hotline that an executive director of a Senior Corps program misapplied program funds. Investigation disclosed evidence that the former executive director inflated program costs allowing her to divert more than \$55,000 in program funds for her personal use and for non-grant expenditures. The investigation is continuing jointly with local law enforcement personnel.

### **False Statements / Theft (07-029)**

A program director reported that two AmeriCorps members had claimed fraudulent service hours on their time sheets. Investigation found evidence that the two members had falsified their time sheets when they claimed service hours that had not performed. Loss to the Government is \$12,852.96. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter is pending referral to Corporation management for recovery under the Civil Remedies Act.

### **Misapplication of Program Funds / False Statements (07-030)**

An allegation was reported to the OIG Hotline that an executive director of an AmeriCorps program was submitting fraudulent service hour data for its members. Investigation disclosed evidence that the executive director was supplementing his employees' salaries with AmeriCorps grant funds and was falsely certifying his employees' eligibility for education awards. The executive director also fraudulently inflated AmeriCorps members' service hours and gave members credit for service hours performed outside the scope of the grant. Loss to the Corporation is more than \$130,000. The investigation is continuing.

### **False Statements / Theft (05-048)**

The OIG investigated an allegation that a former AmeriCorps member, who later served as the program director, failed to disclose on his application that he had a criminal conviction. The investigation found evidence that the individual was allowed to serve in a school tutoring program after he omitted his previous name and falsified his personal information forms by claiming that he had never been convicted of a criminal offense. The investigation disclosed that the individual was a habitual sex offender and had legally changed his name after being released from prison. This deception, if known, would have disqualified him from serving with children as a member or as the program director. This deception also allowed the individual to fraudulently receive more than \$106,000 in Federal program funds to which he was not entitled. The U.S. Department of Justice accepted this investigation for criminal prosecution.

Upon a guilty plea, the former program director was sentenced on December 14, 2006, and received four months of confinement, was ordered to pay restitution in the amount of \$25,591.79; assessed

\$300 in court fees, ordered to serve three years of supervised probation upon release and forfeited an education award in the amount of \$4,725. The OIG forwarded a recommendation to consider debarment to Corporation management.

### **Misapplication of Program Funds (06-021)**

A State commission reported an allegation that an AmeriCorps site supervisor was withholding members' living allowances. The investigation found evidence that the site supervisor had enrolled her day care center employees in the AmeriCorps program to supplement their salaries with program funds. Loss to the Corporation is in excess of \$100,000. The U.S. Department of Justice accepted this investigation on May 17, 2006, for criminal prosecution.

### **Misapplication of Program Funds (06-029)**

Corporation management reported that a director of a Senior Corps program misapplied Corporation program funds. Investigation found evidence that the director wrongfully paid volunteer stipends to volunteers after he had placed them on administrative leave, claiming that he was unable to find service assignments for the volunteers. In addition, the director falsified his wife's time sheets (she was enrolled as a volunteer), allowing her to receive funds to which she was not entitled. Loss to the Corporation is more than \$250,000. The U.S. Department of Justice accepted this investigation on January 12, 2007, for civil recovery and, on March 13, 2007, for criminal prosecution.

### **Child Care Fraud / Violation of Program Policy (06-030)**

Corporation management reported that a former VISTA member had fraudulently received VISTA\*Care child care subsidies. Investigation disclosed evidence that a former VISTA member fraudulently enrolled in the VISTA\*Care program while receiving State child care subsidies during the same period. Further investigation disclosed that the former member was employed while enrolled in the VISTA program, a violation of VISTA policy. Loss to the Corporation is \$20,683.76. The U.S. Department of Justice accepted this investigation on February 27, 2007, for criminal prosecution.

### **Child Care Fraud (06-045)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received \$15,861 in AmeriCorps\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on November 22, 2006, by the local States Attorney General's Office. On March 19, 2007, the former member entered a guilty plead and is pending sentencing.

### **Child Care Fraud (06-046)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received \$1,100 in AmeriCorps\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps\*Care program funds while receiving State child care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on November 22, 2006, by the local States Attorney General's Office.

### **Child Care Fraud (06-047)**

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received \$3,593 in AmeriCorps\*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps\*Care program funds while receiving State child

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care subsidies during the same period. This investigation did not meet the local U.S. Attorney's Office's monetary threshold for prosecution. This matter was accepted for criminal prosecution on November 22, 2006, by the local States Attorney General's Office.

### **Theft of Program Funds (06-051)**

Corporation management reported to the OIG that a VISTA member alleged that she was required to reimburse part of her living allowance to her site supervisor. Investigation disclosed evidence that the executive director and former site supervisor fraudulently documented two members' service when, in fact, the members were employed by the program. The two employees also received VISTA living allowances to which they were not entitled. Loss to the Corporation is \$66,988.99. The U.S. Department of Justice accepted this investigation on August 29, 2006, for criminal prosecution. The OIG forwarded a recommendation to consider debarment to Corporation management.

### **Theft of Program Funds (06-014)**

An allegation was reported to the OIG Hotline that a VISTA program executive director enrolled employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found that the executive director and program director conspired to supplement the salaries of two full-time employees and one part-time employee of the grantee with VISTA funds. Corporation management has terminated the members' service. Loss to the Corporation is \$53,380.92. The U.S. Department of Justice accepted this investigation on April 20, 2006, and is pursuing civil recovery.

### **Theft of Program Funds (05-007)**

A State commission reported an allegation to Corporation management that an AmeriCorps grant recipient had misapplied Corporation program funds. The investigation found evidence that the AmeriCorps program's director conspired with her cousin to defraud the U.S. Government when they prepared and submitted a fraudulent rental agreement in order to divert Corporation funds to cover the grantee's share of program operating costs. The U.S. Department of Justice accepted this investigation on February 24, 2007, for criminal prosecution. The OIG forwarded a recommendation to consider debarment to Corporation management.

### **Theft of VISTA Checks (04-017)**

Corporation management reported that an unknown person intercepted, forged and cashed two AmeriCorps\*VISTA stipend checks totaling \$1,248.76 from the U.S. Postal Service. The investigation disclosed that a postal employee cashed both checks. In February 2004, the OIG contacted the local U.S. Postal Inspection Service for assistance. Based on the information developed by the OIG, the U.S. Postal Inspection Service identified a postal employee as a suspect and also identified additional non-Corporation checks that had been similarly diverted by that individual. In March 2006, U.S. Postal Investigators obtained a confession from the employee and the individual was subsequently terminated. The U.S. Department of Justice accepted this investigation on January 17, 2007, for criminal prosecution.

### **Theft of Program Funds (01-005)**

The OIG investigated an allegation that a Senior Corps grantee used Corporation funds for purposes other than support of the grant. The grantee acknowledged receiving more than \$300,000 in Corporation program funds, which it used for purposes other than support of the grant. The U.S. Department of Justice initially accepted this case for criminal prosecution on November 26, 2001. On September 4, 2002, the matter was transferred to its Civil Section for civil recovery under the False Claims Act. In March 2007, the Assistant United State's Attorney handling this matter reported that

she was negotiating an agreement with the defense counsel to suspend the statute of limitations period. The OIG forwarded a recommendation to consider debarment to Corporation management.

### **Theft of Program Funds (02-007)**

A State commission reported an allegation that a program executive director and a chief financial officer misapplied \$233,212.07 in program funds to cover non-program expenditures and bonuses. The investigation found evidence supporting this allegation. Initially, the Federal Bureau of Investigation was the lead investigative agency but, due to other commitments, it was unable to pursue this matter fully. The U.S. Department of Justice has declined to prosecute this matter in favor of local prosecution. The local prosecutor accepted this matter on December 19, 2003, for criminal prosecution.

### **Theft of Program Funds (05-023)**

A State commission employee reported that a former AmeriCorps grant recipient had informed her that, during a post-program audit, it was discovered that the grantee's former program director had embezzled AmeriCorps program funds. Loss to the Corporation is in excess of \$177,000. A joint investigation was conducted with the Federal Bureau of Investigation, which served as the lead investigative agency, and the Internal Revenue Service. The U.S. Department of Justice accepted this investigation for prosecution. The individual entered a guilty plea on November 14, 2005, and sentencing is still pending.

### **Theft of Program Funds (05-041)**

An allegation was reported to the OIG Hotline that a VISTA project director enrolled her employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found evidence that the project director conspired with her husband to fraudulently enroll their private business employees in the VISTA program to supplement their salaries and benefits with Federal program funds. Loss to the Government is \$37,933.75. The U.S. Department of Justice accepted this investigation on September 22, 2005, and is pursuing civil recovery.

### **Allegation of Education Award Fraud (05-049)**

An OIG program review disclosed that an AmeriCorps grant recipient had falsified its members' education award certifications. The investigation found evidence that the members' time sheets contained unauthorized service hours and did not match the total hours certified by program officials to the Corporation to establish the members' education award eligibility. Loss to the Government is more than \$250,000. The U.S. Department of Justice accepted this investigation February 27, 2006, and is pursuing civil recovery.

### **Theft of Program Funds (05-054)**

Corporation management reported an allegation that a grant recipient had misapplied Corporation program funds. The investigation found evidence that the grantee's executive director diverted Corporation funds to cover non-grant expenditures and operating costs. The U.S. Department of Justice accepted this investigation on September 27, 2005, and is pursuing civil recovery.

# Review of Legislation and Regulations

*Section 4(a) of the Inspector General Act directs the Office of Inspector General to review and make recommendations about existing and proposed legislation and regulations relating to the Corporation's programs and operations. The Office of Inspector General reviews legislation and regulations to determine their impact on the economy and efficiency of the Corporation's administration of its programs and operations. It also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud, waste and abuse in Corporation programs and operations. The Office of Inspector General draws on its experience in audits and investigations in making its recommendations.*



## **Criminal Background Checks**

Based on the results of its investigations and audits, the Office of Inspector General has recommended that the Corporation strengthen and expand its criminal background check requirements for volunteers and program officials who have contact with children, the elderly and other vulnerable persons.

On October 26, 2006, the Corporation issued for public comment in the Federal Register a proposed regulation that would require grantees in the AmeriCorps, Senior Companion, and Foster Grandparent programs to conduct criminal history checks on all incoming participants and grantee staff in those programs. Specifically, the draft rule requires a grantee to search the National Sex Offender Registry (NSOR) maintained by the U.S. Department of Justice, and the criminal registry of the state in which the program operates (and if different, the state in which an applicant resides), for all applicants and grantee staff who would have recurring access to children, the disabled, and persons 60 and older.

Individuals found to be on the NSOR are to be deemed “unsuitable” for a Corporation-funded position; the eligibility of individuals found on the state criminal registry is left for the program to decide, but the regulation requires that the program document that they considered the background check result prior to selection.

“Children” are defined under the rule as “individuals 17 years of age or younger” and “recurring access” is defined as “the ability on more than one occasion to approach, observe, or communicate with an individual, through physical proximity or other means, including but not limited to, electronic or telephonic communication.”

The comment period on the proposed rule ended on December 26, 2006. The Corporation is currently reviewing more than 70 comments from interested persons and will make revisions as it deems appropriate before submitting the regulation to OMB as a final rule. The OIG will continue to monitor this rule-making process.

## **Program Fraud Civil Remedies Act**

In a prior reporting period, the Office of Inspector General recommended to the Corporation that it promulgate regulations to implement the Program Fraud Civil Remedies Act (PFCRA). This Act, enacted in 1986, provides Federal agencies with an administrative means to recoup Federal funds of less than \$150,000 that were unlawfully obtained by persons through false claims or false statements.

In a prior reporting period, the Corporation published for public comment in the Federal Register a draft regulation to implement the PFCRA. On November 20, 2006, the Corporation published as final its version of this regulation in the Federal Register. The rule will be codified in 45 C.F.R. § 2554.

Significant features of the rule are that it designates the Inspector General as the “investigator” and the Corporation General Counsel as “the reviewing official” or the prosecutor in administrative actions for false claims or statements resulting in damages of less than \$150,000. It also holds liable such a persons who “knows or has reason to know” that his/her claim or statement submitted to the Corporation is false, for up to \$5,000 per claim or statement, and double damages that result there from.

The rule further provides for trial-type proceedings before an administrative law judge and a minimum due process for the accused, including reasonable notice and opportunity to be heard, rights to discovery and cross examinations in an administrative hearing setting, and rights of appeal from any adverse judgments to the Corporation’s Chief Executive Officer and the Federal courts.

## **E-Mail And Other Records Retention Policies**

As noted by the Office of Inspector General in the three previous semiannual reports, the Corporation has no established policy for record retention and management, such as instruction to employees on what should constitute a "record," or how and where official records should be maintained, as required by 31 U.S.C. §3101-02. Moreover, several OIG investigations during this period revealed that the Corporation lacks the ability to retrieve e-mail communications that qualify as a government record, as required by 36 C.F.R. §1234.24, Standards for Managing Electronic Records. This regulation states that agencies should account for email records, either by creating an electronic record-keeping system according to specified criteria, or, "[i]f the electronic mail system is not designed to be a record-keeping system, agencies must instruct staff on how to copy Federal records from the electronic mail system to a recordkeeping system."

In April 2006, the Corporation solicited proposals from consultants with expertise in Federal records management for a contract to review its current record-keeping systems, draft a model record retention policy for the Corporation, and provide a report on possible commercial off-the-shelf solutions for management and retention of electronic mail. In October 2006 the Corporation awarded a contract for this endeavor to Zimmermann and Associates. The contract is ongoing and is in the staff interview and systems analysis stage. The OIG will continue monitoring this issue.

# Statistical and Summary Tables

*The statistical and summary tables in this section are submitted in compliance with the requirements enumerated in the Inspector General Act.*





## I. Inspector General Act Reporting Requirements

This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages in the report where they are addressed.

<b>Section</b>	<b>Requirement</b>	<b>Page</b>
4 (a)(2)	Review of legislation and regulations	33
5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
5 (a)(2)	Recommendations with respect to significant problems, abuses and deficiencies found in the administration of Corporation programs and operations	Throughout
5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	43
5 (a)(4)	Matters referred to prosecutorial authorities	21
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs, unsupported costs and the dollar value of recommendations that funds be put to better use	13
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	40
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	41
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	42
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	18

## Performance Information

### II. Reports With Questioned Costs

Report Category	Number	Questioned	Unsupported
		(Dollars in thousands)	
A. Reports for which no management decision had been made by the commencement of the reporting period	22	\$3,753	\$1,416
B. Reports issued during the reporting period	<u>6</u>	<u>1,192</u>	<u>733</u>
C. Total Reports (A + B)	28	4,945	2,149
D. Reports for which a management decision was made during the reporting period	11	1,220	339
I. Value of disallowed costs		281	229
II. Value of costs not disallowed	—	<u>939</u>	<u>110</u>
E. Reports for which no management decision had been made or for which OIG is reviewing the management decision at the end of the reporting period (C minus D) *	<u>17</u>	<u>\$3,725</u>	<u>\$1,810</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	3	\$312	\$32
* Proposed Management Decisions under OIG review	10	\$2,418	\$1,192

**III. Reports With Recommendations That Funds Be Put To Better Use**

Report Category	Number	Dollar Value
		<i>(Dollars in thousands)</i>
A. Reports for which no management decision had been made by the commencement of the reporting period	11	\$3,001
B. Reports issued during the reporting period	5	\$469
C. Reports for which a management decision was made during the reporting period	6	\$2,601
i. Value of recommendations agreed to by management		\$2,492
ii. Value of recommendations not agreed to by management		\$109
D. Reports for which no management decision had been made by the end of the reporting period or for which the OIG is reviewing the management decision at the end of the reporting period *	10	\$870
E. Reports with recommendations that funds be put to better use for which no management decision or proposed management decision was made within six months of issuance	0	\$0
* Proposed Management Decisions Under OIG review	5	\$401

## Performance Information

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### IV. Summary of Audits With Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (03/31/07)
06-24	<i>Audit of Kansas City Foster Grandparent Program</i>	14,004	09/20/06	<i>In October 2006 the Corporation stated it would revise its Proposed Management Decision</i>
06-29	<i>Audit of Louisville Metro Community Action Partnership</i>	21,612	11/27/06	<i>A Proposed Management Decision has not been provided to the OIG</i>
06-31	<i>Audit of Kentucky Department for Mental Health and Mental Retardation Services FGP</i>	276,238	01/18/07	<i>A Proposed Management Decision has not been provided to the OIG</i>
	<b>Total</b>	<u>\$311,854</u>		

**V. Reports Described in Prior Semiannual Reports Without Final Action**

Report Number	Title	Date Issued	Final Action Due
05-17	<i>Audit of Louisiana Serve Commission<sup>1</sup></i>	07/07/05	07/07/06
06-15	<i>Follow-Up Review and Assessment of the Corporation's Alternative Personnel System</i>	01/31/06	01/31/07
06-05	<i>Audit of Grants Awarded to the Puerto Rico State Commission on Community Service and Social Action</i>	02/13/06	02/13/07
06-10	<i>Audit of Grants Awarded to YouthBuild USA, Inc.</i>	02/15/06	02/15/07
06-25	<i>Audit of Grants Awarded to the Illinois Commission on Volunteerism and Community Service</i>	02/22/06	02/22/07
06-24	<i>Audit of Senior Corps Grants Awarded to the City of Kansas City</i>	03/20/06	03/20/07
<sup>1</sup> The Corporation extended the resolution period due to disruptions caused by the 2005 hurricanes.			

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