

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

**Semiannual Report  
to Congress**

**April 1, 2005 - September 30, 2005**  
Fiscal Year 2005 Semiannual Report No. 2



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

**1201 New York Avenue, NW, Suite 830  
Washington, DC 20525  
Telephone (202) 606-9390  
Facsimile (202) 606-9397  
Hotline (800) 452-8210  
Website: [www.cncsig.gov](http://www.cncsig.gov)**



## OFFICE OF INSPECTOR GENERAL

October 31, 2005

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 evaluations for the period April 1 to September 30, 2005.

During this period, the OIG has taken a proactive stance in its effort to detect and prevent waste, fraud and abuse of taxpayer dollars in Corporation programs and operations. Rather than merely wait for our audit, investigative and evaluation reports to be issued, we have given Corporation management early and ongoing advisories and recommendations on key issues. They range from criminal background checks for volunteers and recurring negative audit findings, as reported on by our Evaluation Section, to alleged program fraud and violations of policies.

Accordingly, this report contains a new section titled "Proactive Initiatives." It contains details on such efforts, as well as information on our enhanced education and outreach initiatives.

Our Audit Section issued audit reports on six State commissions and two National Direct grantees, and also began work on the Corporation's Fiscal Year 2005 Financial Statements and the annual evaluation of Corporation computer systems required by the Federal Information Security Management Act. Also during this reporting period, audits commenced on eight additional State commissions, as well as several National Direct grantees, Corporation training and technical assistance providers and Senior Corps grantees.

Our Investigations Sections handled a large and varied caseload during this reporting period, including allegations of government credit card fraud, misapplication of program funds, illegal diversions of education awards and contractor abuses. As a result of these efforts, our investigators recovered more than \$180,000 in taxpayer funds and identified more than \$1.6 million in potential recoveries. Their findings also led to a number of criminal convictions and assisted in Corporation officials' decisions to debar individuals who had betrayed the public's trust.

Overall, this report reflects the varied and innovative efforts undertaken by the OIG as it continues to work with the Corporation to maximize the impact of every Federal tax dollar invested in National Service.

Sincerely,

Carol Bates  
Acting Inspector General



1201 New York Avenue, NW ★ Suite 830, Washington, DC 20525  
202-606-9390 ★ Hotline: 800-452-8210 ★ [www.cnscsig.gov](http://www.cnscsig.gov)

Senior Corps ★ AmeriCorps ★ Learn and Serve America



# Table Of Contents

---

<b>Executive Summary</b> .....	<b>1</b>
Proactive Initiatives .....	1
Audit Section .....	1
Investigations Section.....	1
Evaluation Section.....	2
Fiscal Year 2005 Performance Information .....	2
About The Office Of Inspector General .....	2
<b>Proactive Initiatives</b> .....	<b>5</b>
Evaluation Report .....	7
Management Advisories.....	7
Other Communications .....	8
Outreach and Education .....	8
<b>Audit Section</b> .....	<b>11</b>
Grant Management and Oversight .....	13
State Commission Full-Scope Audits .....	13
AmeriCorps Subgrantee Full-Scope Audits.....	15
AmeriCorps National Direct Grantee Full-Scope Audits .....	16
Audit Resolution .....	16
Proposed Management Decisions .....	17
Notices of Final Action .....	17
<b>Investigations Section</b> .....	<b>21</b>
Summary of Cases.....	23
<b>Review of Legislation and Regulations</b> .....	<b>33</b>
AmeriCorps Program Rules Finalized .....	35
Program Fraud Civil Remedies Act.....	35
<b>Statistical and Summary Tables</b> .....	<b>37</b>
I. Inspector General Act Reporting Requirements.....	39
II. Reports With Questioned Costs .....	40
III. Reports With Recommendations That Funds Be Put To Better Use .....	41
IV. Summary of Audits With Overdue Management Decisions.....	42
V. Reports Described in Prior Semiannual Reports Without Final Action.....	43
<b>Fiscal Year 2005 Performance Information</b> .....	<b>45</b>

# **Executive Summary**

## **Proactive Initiatives**

Led by our Evaluation Section, the OIG has undertaken a number of proactive initiatives during this reporting period to alert and advise Corporation management on issues and potential problems. An Evaluation report mined data from 25 previous OIG grantee audits to identify recurring issues. The report identified inadequate financial controls and member records as the prime reasons for the questioning of nearly \$32 million of costs. The report also offered recommendations to eliminate these recurring issues. The OIG issued management advisories on the need for improved guidance on criminal background checks for volunteers and on National Service Trust and education award issues. Other communications with Corporation management included timely advisories on AmeriCorps Living Allowance issues and irregularities that had been identified in an ongoing subgrantee audit. We also increased our outreach by providing Fraud Awareness Briefings to Corporation employees and stakeholders and launched the publication of "For Your Inspection (FYI)," a quarterly newsletter that highlights the OIG's work and focuses on key fraud issues.

## **Audit Section**

During this reporting period, the OIG Audit Section conducted audits and other work to improve the operations of the Corporation and issued nine reports. A summary for each report issued is included in this semiannual report.

Work started or ongoing during this reporting period includes:

- Fiscal Year 2005 Corporation Financial Statement Audit and related reports
- Fiscal Year 2005 Evaluation required by the Federal Information Security Management Act
- Audits of the Puerto Rico, New York, Massachusetts, Illinois, Florida, Tennessee, Virginia and New Mexico Commissions
- Audits of Youthbuild USA, City Year, Habitat for Humanity and Education Works, all AmeriCorps National Direct grantees
- Follow-up Review of the Corporation's Alternative Personnel System
- Audit of Training and Technical Assistance Cooperative Agreements awarded to Aguirre International, Inc., CHP International, Inc., ETR Associates and the Northwest Regional Educational Laboratory
- Audit of Senior Corps grants awarded to the Louisville Metro Community Action Partnership, Mid-Willamette Valley Foster Grandparents Program, Kansas City Foster Grandparents Program, Kentucky Department of Health and Mental Health Services and Kansas City Big Brothers/Big Sisters Foster Grandparents Program

## **Investigations Section**

The OIG Investigations Section continues 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 33 Hotline contacts, opened 34 investigative actions, and closed 30 actions. Twelve matters were referred to the U.S. Department of Justice for prosecution, and sixteen matters were referred to Corporation management for its action. The OIG's investigators were responsible for recovering \$181,297.41 in Corporation funds. Based on information presented to the Corporation, management debarred two individuals. In addition, ongoing OIG investigations have identified \$1.68 million in potential recoveries.

# *Executive Summary*

---

## **Evaluation Section**

During this reporting period, the Evaluation Section completed a study of OIG Incurred-Cost Audit Reports to identify overall trends in compliance and other issues among audited Corporation AmeriCorps State and National programs. The study found that many questioned costs were related to missing documentation for administrative expenses, staff time distribution, and member eligibility records.

The Evaluations Section also began work on a study that will examine the Corporation's compliance with Executive Order No. 13279, and requirements for non-discrimination and prohibited activities for faith-based programs. This study will include, but is not limited to, activities funded under AmeriCorps State and National, VISTA, NCCC, Senior Corps, and the Learn and Serve program.

## **Fiscal Year 2005 Performance Information**

The final section of this report summarizes the Office of Inspector General's accomplishments and performance measures in support of OIG strategic goals.

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

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

The Office of Inspector General's team of investigators, evaluators, and auditors examine the Corporation's operations. We also examine State and National community service programs that receive and distribute the majority of Corporation funds, as well as local recipients of Federal funds.

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 fraud and abuse of taxpayer dollars that have been invested in Corporation programs.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the final six months of fiscal year 2005. It is being transmitted to the Chief Executive Officer of the Corporation. 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.cnscsig.gov](http://www.cnscsig.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.cncsig.gov](http://www.cncsig.gov)

Or write:

**OIG HOTLINE**  
**Corporation for National and Community Service**  
**1201 New York Avenue NW, Suite 830**  
**Washington, DC 20525**

# Proactive Initiatives

*In its ongoing effort to prevent and detect fraud, waste and abuse in a timely manner, the OIG has taken a proactive stance to alert and inform Corporation management and its national service partners of problems and potential pitfalls. Our initiatives include analysis and reports by our Evaluation Section, management advisories and other communication on current issues, and outreach to all Corporation stakeholders through our information and education programs.*



## Evaluation Report

**Compilation and Analysis of Incurred-Cost Audit Findings (Report 05-01E):** This report, issued in July by the OIG Evaluation Section, identified recurring issues raised in our AmeriCorps audits. The study mined findings and other data from 25 incurred-cost audit reports issued by the OIG between October 1, 2001, and March 31, 2005. The audits covered a total of \$287 million in Federal funds granted by the Corporation to State commissions and other entities. Of that total, the OIG auditors questioned costs of nearly \$32 million, or 11 percent of the granted funds.

As a result of the audit resolution process, the Corporation disallowed \$2.4 million, or 8.8 percent, of the total questioned costs.

Inadequate grantee and subgrantee financial controls and accounting systems, and a lack of supporting documentation, especially in the area of member records that verify members' eligibility for AmeriCorps participation and Education Awards, were among the oft-cited grounds for questioned costs in the 25 audits. Specifically, OIG auditors questioned \$15 million in costs due to missing support documentation related to the fiscal administration of grants. Another \$18 million in living allowances and education awards costs were questioned due to missing eligibility documents.

The report recommended that the Corporation improve its monitoring and management of grants and that it provide additional technical and training assistance to grantees and subgrantees. At an exit conference, Corporation management characterized the report's findings as very valuable and requested that the OIG continue tracking and reporting on recurring audit issues.

## Management Advisories

**Criminal Background Checks:** The OIG has engaged in an ongoing dialogue with Corporation management on the lack of a firm policy and clear guidance for grantees and subgrantees on the issue of criminal background checks for members and volunteers who have substantial direct contact with children, the elderly and the handicapped. Our audits find too many instances in which AmeriCorps members serving youth did not receive criminal background checks.

We recommended that the Corporation strengthen its provisions and guidance in the area of criminal background checks by defining or providing guidance on the meaning of "substantial direct contact," requiring documentation of program officials' approval of enrollment and placement of members found to have a criminal background, expanding checking procedures to include all applicable Federal, State, county and local law enforcement and judicial sources, and requiring criminal background checks for all senior volunteers who work out of sight with program beneficiaries or on a one-on-one basis.

To assist in this effort, the OIG published an article on the dangers of allowing sexual predators and abusers into volunteer programs, as well as a list of training resources. This information is featured on the OIG website ([www.cnscsig.gov](http://www.cnscsig.gov)) and in our "For Your Inspection" newsletter. The Corporation provided links to this information in its electronic AmeriCorps News and is studying ways to improve its criminal background check policies and grant provisions.

**National Service Trust Internal Controls:** The OIG Investigations Section conducted a limited-scope review of the Corporation's controls and verification process for payments to non-education institutions (banks and other commercial lenders) receiving education award payments. The OIG found that the Corporation does not have a Standard Operating Procedure in place for outlining the verification process for payments to non-education institution loan holders. The OIG also determined that delinquent education award accounts were not being processed in accordance with Corporation policy and that the Corporation's National Service Trust Fund Negative Award Balance Report had outstanding balances dating as far back as 1995. The results of the review were provided to the



## Proactive Initiatives

---

Corporation in a management advisory. The final results will be reported in a subsequent semiannual report.

**Copyright Issues:** Following an OIG investigation, we alerted Corporation management to a potential liability due to copyright infringement and possible theft of intellectual property. It involved a Corporation official who had been forwarding to colleagues, via e-mail, a subscription-only newsletter on Federal budget issues. The OIG contacted the newsletter's publisher, who said distribution was limited to paying subscribers. The practice was halted and the official has since left the Corporation.

## Other Communications

**Living Allowances:** Based on audit findings, the OIG advised the Corporation that programs were paying "bonus" or "lump sum" living allowances to AmeriCorps members who had completed their service terms in less than the usual 12-month format. We opined that the practice, revealed in a number of subsequent OIG audits, is in violation of the AmeriCorps provisions. According to those provisions, living allowances are designated to support members while they are in active service and, as such, are not an entitlement. Corporation management has informed the OIG that, starting with Program Year 2005-2006, AmeriCorps grant provisions have been revised to specifically prohibit lump-sum living allowance payments at the beginning or end of a member's service.

**Timesheet and Financial Irregularities:** In August 2005, the OIG alerted the Corporation to indications of irregularities found during our audit of the New York Commission and its YMCA of Greater New York School Success AmeriCorps program. Our audit has disclosed serious time sheet irregularities, such as time reported in the Web-Based Reporting System greater than the sum of the time sheets. We also cited a YMCA program memo that authorized "double hours" for members because their program "had a late start up." We recommended that the Corporation delay new grants to the YMCA pending completion of our audit. That funding has been put on hold.

**E-mail and other Records Retention Issues:** Over the course of several investigations, the OIG determined that the Corporation has no established policy for records retention and management, such as an instruction to employees on what is a "record" or how and where official records should be maintained, as required by 31 U.S.C. § 3101-02. In addition, it became evident that the Corporation lacks the capability to retain or retrieve e-mail communications that qualify as a government record, as required by 36 C.F.R. § 1234.26, Standards for Managing Electronic Mail Records. This regulation states that agencies' policies should account for e-mail records, either by creating an electronic recordkeeping system according to specified criteria, or, "[i]f the electronic mail system is not designed to be a recordkeeping system, agencies shall instruct staff on how to copy Federal records from the electronic mail system to a record keeping system." 36 C.F.R. § 1234.24(b)(2). Also, "[a]gencies that maintain paper files as their recordkeeping systems shall print their electronic mail records and the related transmission and receipt data specified by the agency," 36 C.F.R. Section 1234(d). The OIG has repeatedly brought this matter to the attention of Corporation management over the course of the past two semiannual report periods. We will continue to monitor the situation and will report on any Corporation action in a subsequent semiannual report.

## Outreach and Education

**Fraud Awareness Briefings:** The OIG Investigations Section 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 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. The program also raises the visibility of the OIG among program staff and national service members. During this reporting period, OIG investigators conducted 16 Fraud



# Audit Section

*The Office of Inspector General Audit Section is responsible for reviewing the financial, administrative, and programmatic operations of the Corporation for National and Community Service. 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 individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are issued to Corporation management for its action or information.*



### 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 to 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 related to 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 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 six State commissions, one AmeriCorps subgrantee and two AmeriCorps National Direct grantees.

### State Commission Full-Scope Audits

#### **Audit Report 05-15 - Audit of Corporation for National and Community Service Grants Awarded to the Nebraska Volunteer Service Commission**

Kearney & Company performed an incurred-cost audit of Corporation grants awarded to the Nebraska Volunteer Service Commission (Commission).

For the grants audited, the Commission claimed costs of \$2,984,535, of which the auditors questioned \$60,450 of costs as unallowable. Overall, the auditors questioned approximately 2 percent of claimed costs. The auditors also questioned \$17,875 of matching costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned costs identified in the report, and the effects of any adjustments.

The Commission agreed with the recommendations and has begun taking corrective actions.

#### **Audit Report 05-10 - Audit of Corporation for National and Community Service Grants Awarded to the Nevada Commission for National and Community Service**

Cotton & Company LLP performed an incurred-cost audit of Corporation grants awarded to the Nevada Commission for National and Community Service (Commission).

For the grants audited, the Commission claimed costs of \$3,336,952, of which the auditors questioned \$78,534 as unallowable and \$56,619 of education awards. Overall, the auditors questioned approximately 2.4 percent of claimed costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. In addition, the auditors noted two internal control findings that are considered material weaknesses.

The Commission generally agreed with the audit report's conclusions and it has addressed many of the identified weaknesses. However, it disagreed with the auditors' classification of two internal control findings as material weaknesses, citing its relatively small amount of questioned costs. These

## *Audit Section*

---

comments and the Commission's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

### **Audit Report 05-17 - Audit of Corporation for National and Community Service Grants Awarded to the Louisiana Serve Commission**

Cotton & Company LLP performed an incurred-cost audit of Corporation grants awarded to the Louisiana Serve Commission (Commission).

For the grants audited, the Commission claimed costs of \$5,679,673, of which the auditors questioned \$426,611 as unallowable and \$30,889 of education awards. Overall, the questioned costs amounted to approximately 7.5 percent of claimed costs. The auditors also questioned claimed match costs as unreasonable and noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. In addition, the auditors noted three internal control findings that are considered to be material weaknesses.

The Commission disagreed with the \$4,845,375 of questioned costs for the value of television public service announcements (PSAs) aired in Louisiana that it claimed as administrative match. It believed the Corporation had provided approval to charge this expense as administrative match. We disagree because the Commission did not receive specific approval for the full amount of the claimed cost. Also, the Commission did not include PSA costs in its grant application budget; and the costs are not ordinary and necessary for the operation or the performance of the Federal award, in accordance with OMB Circular A-87. The Commission concedes that questioned labor and consultant costs did not have the required supporting documentation, but believes the costs are allowable. The Commission generally agreed with the remaining auditors' conclusions and it has addressed many of the identified weaknesses.

### **Audit Report 05-21 - Audit of Corporation for National and Community Service Grants Awarded to the Iowa Volunteer Service Commission**

Cotton & Company LLP performed an incurred-cost audit of Corporation grants awarded to the Iowa Volunteer Service Commission (Commission).

For the grants audited, the Commission claimed costs of \$4,242,581, of which the auditors questioned \$82,396 of Federal costs and \$49,214 of education awards. Overall, the costs questioned amounted to approximately 2 percent of claimed costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions and six internal control findings, two of which are considered material weaknesses.

The Commission has made changes to its policies, procedures and practices in response to the findings.

### **Audit Report 05-24 - Audit of Corporation for National and Community Service Grants Awarded to the California Governor's Office on Services and Volunteerism (GO SERV)**

Conrad and Associates, L.L.P. performed an incurred-cost audit of grants awarded to the California Governor's Office on Services and Volunteerism (GO SERV).

For the grants audited, GO SERV claimed costs of \$72,023,330, of which the auditors questioned \$1,041,476 as unallowable and \$414,260 of education awards. Overall, the auditors questioned approximately 1.4 percent of claimed costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions, some of which are considered material weaknesses.

The Commission's response to the draft report acknowledged appreciation for the recommendations made by the auditors to improve certain areas of operations. It also asserted that several of the auditors' conclusions were unfounded. These differences will be resolved with the Corporation during the audit resolution phase.

### **Audit Report 05-18 - Agreed-Upon Procedures Review of Corporation for National and Community Service Grants Awarded to the Wyoming Commission for National and Community Service**

Cotton & Company LLP performed an agreed-upon procedures review of Corporation National Direct Grants awarded to the Wyoming Commission for National and Community Service (Commission).

For the grants in Program Years 2001-2002, 2002-2003 and 2003-2004, the Commission claimed costs of \$638,162, of which the auditors questioned \$216,868 as unallowable and unsupported, and \$14,478 of education awards. Overall, the auditors questioned approximately 34 percent of claimed costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

The Commission was dissolved in 2004 and replaced by a nonprofit organization. Although former Commission officials disagreed with the auditor's questioned match costs for television public service announcements, it generally agreed with the report's remaining conclusions. The State has also launched an internal audit of the Northern Arapahoe Housing Development Organization, a commission subgrantee, and is attempting to collect documentation for the \$128,252 in costs questioned for lack of support. These comments and any additional supporting documentation will be reviewed by the Corporation as part of the audit resolution process.

## **AmeriCorps Subgrantee Full-Scope Audit**

### **Audit Report 05-22 - Agreed-Upon Procedures Review of Corporation for National and Community Service Grant Awarded to Haddock AmeriCorps Cadet Program by the Georgia Commission for Service and Volunteerism**

Cotton & Company LLP performed an agreed-upon procedures review of AmeriCorps Subgrant No. 00ASFGA0112601 awarded to the Haddock AmeriCorps Cadet Program (Haddock) by the Georgia Commission for Service and Volunteerism (Commission).

The Commission awarded a \$134,886 subgrant to Haddock on August 30, 2000. The grant budget stipulated subgrantee matching of \$93,635 and total program costs of \$228,521. Haddock received \$124,350 in Corporation funds from the Commission for Program Year 2000-2001, purportedly as reimbursement for incurred costs claimed in its Periodic Expense Reports. Of the \$124,350 in Federal share costs claimed by Haddock, the auditors questioned \$121,476. Costs questioned are those for which documentation shows that recorded costs were incurred in violation of laws, regulations or specific award conditions. The auditors also questioned \$40,950 in education awards paid to Haddock members who did not meet award eligibility requirements.

The Commission agreed with the findings resulting from this review. Haddock program officials were unresponsive to the OIG's draft report. The Commission intends to seek a resolution of this matter directly with Haddock officials.

## **AmeriCorps National Direct Grantee Full-Scope Audits**

### **Audit Report 05-19 - Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program Through the Maryland Governor's Office on Service and Volunteerism**

Cotton & Company LLP performed an incurred-cost audit of grants awarded to the Notre Dame Mission Volunteer Program (NDMV) through the Maryland Governor's Office on Service and Volunteerism.

For the grants audited in Program Years 2001-2002 and 2002-2003, NDMV claimed costs of \$599,795, of which the auditors questioned \$8,228 as unallowable and \$49,613 of education awards. Overall, the auditors questioned approximately 1 percent of claimed costs.

Although NDMV officials stated that the Summary of Results is an unfair presentation, arguing the report does not reflect NDMV's consistent effort to comply with AmeriCorps Provisions, they generally agreed with the remaining conclusions and have addressed many of the identified weaknesses. Their comments and NDMV's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

### **Audit Report 05-20 - Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program**

Cotton & Company LLP performed an incurred-cost audit of Corporation National Direct Grants awarded to the Notre Dame Mission Volunteer Program (NDMV).

For the grants audited in Program Years 2001-2002, 2002-2003 and 2003-2004, NDMV claimed costs of \$4,994,479, of which the auditors questioned \$44,389 as unallowable and \$55,338 of education awards. Overall, the auditors questioned approximately 1 percent of claimed costs.

Although NDMV disagreed with the auditor's recommendation to refund project income on its Promise Fellows grant, it generally agreed with the remaining auditors' conclusions and it has addressed many of the identified weaknesses. These comments and NDMV's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

## **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. Within 30 days, 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.

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

Step 5: When all corrective actions in the MD have been completed, the Corporation issues a Notice of Final Action. A Notice of Final Action must be issued 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 is a Corporation report that responds to an OIG audit's findings and recommendations, and outlines a plan for corrective action. During this reporting period, the Corporation notified the OIG of the following proposed management decisions:

- Audit Report 04-22, *Audit of Corporation for National and Community Service Grants Awarded to the Rhode Island Service Alliance*
- Audit Report 05-04, *Audit of Corporation for National and Community Service Grants Awarded to the Colorado Governor's Commission on Community Service*
- Audit Report 05-06, *Agreed-Upon Procedures to the United Planning Organization*
- Audit Report 05-08, *Audit of Corporation for National and Community Service Grants Awarded to the Vermont Commission on National and Community Service*
- Audit Report 05-12, *Audit of Corporation for National and Community Service Grants Awarded to the Educational Service District (ESD) 112*
- Audit Report 05-15, *Audit of Corporation for National and Community Service Grants Awarded to the Nebraska Volunteer Service Commission*
- Audit Report 05-16, *Audit of the Corporation for National and Community Service Grant Awarded to the National Association of Community Health Centers*

### 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 the following Notices of Final Action:

- Audit Report 04-07, *Pre-Audit Survey of the Louisiana Serve Commission*
- Audit Report 04-13, *Audit of Corporation for National and Community Service's Gift Fund*
- Audit Report 04-14, *Audit of Grants Awarded to the South Carolina Commission on National and Community Service*
- Audit Report 04-21, *Pre-Audit Survey of the North Dakota State Commission on National and Community Service*



## *Audit Section*

---

- *Audit Report 04-22, Audit of Grants Awarded to the Rhode Island Service Alliance*
- *Audit Report 04-23, Audit of Costs Incurred under the Corporation's Training and Technical Assistance Cooperative Agreement with America's Service Commissions*
- *Audit Report 05-06, Agreed-Upon Procedures to the United Planning Organization*
- *Audit Report 05-08, Audit of Corporation for National and Community Service Grants Awarded to the Vermont Commission on National and Community Service*

## Audit Section

Audit Reports Issued				
April 1, 2005 - September 30, 2005				
Report Number	Issue Date	Report Name	Dollars Questioned	Dollars Unsupported
			<i>(Dollars in thousands)</i>	
05-10	5/19/05	<i>Audit of Corporation for National and Community Servic Grants Awarded to the Nevada Commission for National and Community Service</i>	\$79	\$0
05-15	4/11/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the Nebraska Volunteer Service Commission</i>	62	1
05-17	7/7/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the Louisiana Serve Commission</i>	427	3
05-18	9/2/05	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Wyoming Commission for National and Community Service</i>	217	167
05-19	8/12/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program Through the Maryland Governor's Office on Service and Volunteerism</i>	8	0
05-20	8/2/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the Notre Dame Mission Volunteer Program</i>	44	5
05-21	7/11/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the Iowa Volunteer Service Commission</i>	82	1
05-22	7/14/05	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grant Awarded to the Haddock AmeriCorporps Cadet Program by the Georgia Commission for Service and Volunteerism</i>	121	37
05-24	9/22/05	<i>Audit of Corporation for National and Community Service Grants Awarded to the California Governor's Office on Service and Volunteerism (GO SERV)</i>	1,041	181
TOTAL			<u>\$2,081</u>	<u>\$395</u>

# Investigations Section

*The Office of Inspector General Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in Corporation for National and Community Service 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.*



## Summary of Cases

At the beginning of this reporting period, 33 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators opened 34 investigative actions and closed 30 investigations. Thirty-seven investigative actions were pending at the end of the period.

### Cases Closed This Period

#### **Embezzlement of AmeriCorps Funds (OIG Report of Investigation 03-009)**

Corporation management reported that a former program director and his wife, the program's former administrative assistant, embezzled AmeriCorps funds. Evidence showed that the former director embezzled a significant amount of program funds. Evidence also showed that the former director utilized AmeriCorps members to perform services outside the scope of the grant at his private businesses and organizations. AmeriCorps members also improperly received credit toward their education awards for this service. After 10 months of reviewing this case for criminal prosecution, the U.S. Department of Justice declined prosecution, citing that it did not seem worthwhile to devote the resources necessary to present an indictment because there was a fairly strong potential for trial. It recommended civil recovery. The department's Civil Section also declined, after spending five additional months of reviewing this case, citing that the cost to recover the loss of more than \$40,000 in Federal funds was not justified. Based on the information developed by the OIG and presented to the Corporation, management debarred the two former program officials from participating in Federal contracts and grants for a period of 24 months. In addition, the OIG Audit Section conducted a review of the grantee's expenditures and identified questioned program costs. The results of this investigation were reported to Corporation management for administrative recovery.

#### **Fraudulent Receipt of Education Award (OIG Report of Investigation 04-009)**

Corporation management reported allegations that a former AmeriCorps member obtained and misused his education award by using fraudulent documentation. The investigation determined that the member prepared a fraudulent document that allowed him to use his education award to purchase an automobile. The U.S. Department of Justice accepted this investigation and pursued criminal prosecution. The individual was found guilty of theft and sentenced to one year of confinement, one year of supervised probation, ordered to make restitution in the amount of \$2,362.50, and assessed \$25 in court fees. Based on the information developed by the OIG and presented to the Corporation, management debarred the former member from participating in Federal contracts and grants for a period of 12 months.

#### **Fraudulent Receipt of Education Award (OIG Report of Investigation 04-035)**

Corporation management reported allegations that a former AmeriCorps member obtained an education award by using fraudulent documentation. The investigation determined that the member prepared a fraudulent voucher that allowed her to use her education award to pay off an automobile loan and receive the cash balance from her bank for personal use. Additionally, the member attempted to use a second education award to make payments on her delinquent mortgage. A Corporation employee questioned the authority of the second award document, contacted the former member's financial institution, and discovered that a bank loan officer had certified the education award voucher so that the former member could pay her delinquent mortgage payments with the funds. The U.S. Department of Justice accepted this investigation and pursued criminal prosecution. The individual was found guilty of theft and sentenced to three years of supervised probation, ordered to make restitution in the amount of \$4,725, and assessed \$50 in court fees. Based on the information developed by the OIG and presented to the Corporation, management debarred the former member from participating in Federal contracts and grants for a period of 12 months.

# *Investigations Section*

---

## **Release of Procurement Information / Ethics Violation (OIG Report of Investigation 05-011)**

Information developed under OIG Report of Investigation 05-010 (see below) revealed that a Corporation employee released protected procurement information to a contactor conducting business with the Corporation. Additionally, the employee violated the Corporation's Ethics Policy by seeking employment with the same contractor. Based on the results of the OIG investigation, the employee resigned prior to administrative action by Corporation management. This matter was reported to the U.S. Office of Government Ethics. The U.S. Department of Justice declined prosecution, citing that there was no apparent loss to the Government and the fact that the employee had already resigned from Federal employment.

## **Personal Use of a Government Travel Charge Card / False Statements (OIG Report of Investigation 04-029)**

Corporation management reported that a Corporation employee misused her Government Travel Charge Card. The investigation disclosed evidence that the employee misused her card to obtain cash advances and services that she was not authorized to receive. The employee also violated Corporation policy by failing to make payments on her account, resulting in a delinquency. In addition, the employee rendered two false statements under oath to OIG investigators in connection with the unauthorized Travel Charge Card use. Eight months after accepting this matter for criminal prosecution, the U.S. Department of Justice declined prosecution, citing the low dollar loss of approximately \$6,000 did not meet its prosecution threshold. Corporation management took administrative action by suspending the employee for a period of 12 days.

## **Conflict of Interest (OIG Report of Investigation 05-006)**

Based on information developed during a separate investigation, the OIG found evidence that a Corporation employee continued working with a grantee, an organization with which she was affiliated prior to her employment with the Corporation, creating the appearance of favoritism. The results of the investigation were presented to Corporation management. The employee received a letter of reprimand and attended additional ethics training.

## **Workers Compensation Program Review (OIG Report of Investigation 05-018)**

A review was conducted of the Corporation's Workers Compensation Program to detect possible fraud, waste, or abuse. The review of open compensation claims found no evidence or indicators of fraud that would warrant additional investigation.

## **Communicating a Threat (OIG Report of Investigation 05-020)**

Corporation management reported an allegation that a Corporation employee had made verbal threats to her co-worker. The investigation disclosed evidence that the employee communicated a threat when she threatened to shoot another employee. The Department of Justice declined prosecution in lieu of administrative action. Based on the results of this investigation, Corporation management terminated the employee.

## **Theft of Federal Education Award Funds (OIG Report of Investigation 05-022)**

Corporation management reported that an unknown person(s) stole a U.S Government education award Treasury check that had been mailed to an educational institution. Investigation disclosed that the check was mistakenly received and cashed by an institution with a similar name. Based on the results of the investigation, Corporation management administratively recouped the funds.

### **Network Database Access Controls and Oversight (OIG Report of Investigation 05-027)**

A review was conducted of the Corporation's network database access controls and oversight. The OIG found that, although the Corporation's Office of Information Technology had a system in place to identify personnel who were leaving the Corporation and to terminate the employee's e-mail, intranet, and web-based applications, it had no system in place to report when employees left the Corporation so that their access to the Corporation's Web-Based Reporting System could be terminated. The Corporation's Web-Based Reporting System contains personal and/or fiscal data on its members and grantees. Based on the results of the OIG review, Corporation management took immediate action to resolve the issue.

### **Personal Use of a Government Travel Charge Card (OIG Report of Investigation 05-045)**

Corporation management reported an allegation that a Corporation employee misused his Government Travel Charge Card. The investigation disclosed evidence that the employee misused his card to obtain cash advances and services that he was not authorized to receive. The employee also violated Corporation policy by failing to make payments on his account, resulting in a delinquency. This matter was referred to the U.S. Department of Justice which declined prosecution in lieu of administrative action by the Corporation, citing the low dollar loss of \$629.41 did not meet its prosecution threshold. Based on the results of the OIG investigation, Corporation management did not renew the employee's term of employment.

### **Misuse of Position (OIG Report of Investigation 05-050)**

An allegation was reported via the OIG Hotline that a Corporation employee misused her position when she attempted to influence a State Representative to convince a grantee to relinquish its grant. The investigation found no evidence to substantiate the allegation.

### **False Statements – Travel Card Application (OIG Report of Investigation 05-056)**

Corporation management reported that, during in-processing, a Corporation employee submitted a Social Security Number and date of birth on his Government Travel Charge Card application that did not belong to him. The investigation disclosed evidence that the employee entered his spouse's Social Security Number and date of birth in an attempt to hide the fact that he had misused his Government Travel Charge Card at his former agency, and had an outstanding balance. Based on the results of the OIG investigation, the employee resigned prior to administrative action by management.

## **Cases Open at End of Period**

### **False Statements / Theft (OIG Report of Investigation 05-048)**

The OIG is investigating 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 sexual 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 program director. This deception also allowed the individual to fraudulently receive more than \$48,000 in Federal program funds to which he was not entitled. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

# *Investigations Section*

---

## **Collusive Bidding (OIG Report of Investigation 05-010)**

Corporation management reported that a government contractor had engaged in collusive bidding. Investigation disclosed evidence that the government contractor engaged in collusive bidding when she conspired with another government contractor, a firm partly owned by her father and another individual. The contractor submitted bids and represented both firms regarding contracts for AmeriCorps training. Further investigation disclosed evidence that the contractor's father is a government employee with another Federal agency. The other individual is an active duty U.S. Army service member. Management has temporarily suspended all three individuals from contracting with the Corporation. This investigation was coordinated with the Federal Bureau of Investigation, which declined jurisdiction. The Treasury Inspector General for Tax Administration has initiated a joint investigation with our agency. This matter has been referred to the U.S. Department of Justice for a prosecutorial decision. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

## **Theft of Program Funds (OIG Report of Investigation 05-030)**

Corporation management reported that a former VISTA member was employed during his VISTA 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 and is pursuing civil prosecution. The final results will be reported in a subsequent semiannual report.

## **Theft of Program Funds (OIG Report of Investigation 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 has accepted this investigation and is pursuing civil prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

## **Personal Use of a Government Travel Charge Card (OIG Report of Investigation 05-008)**

Corporation management reported that a Corporation employee had misused her Government Travel Charge Card. The investigation disclosed evidence that the employee misused her card to obtain cash advances and services that she was not authorized to receive. The employee also violated Corporation policy by failing to make payments on her account, resulting in a delinquency. Based on the results of the OIG investigation, the employee resigned prior to administrative action by management. The U.S. Department of Justice has accepted this investigation and is pursuing prosecution. The final results will be reported in a subsequent semiannual report.

## **Theft of VISTA Checks (OIG Report of Investigation 04-017)**

Corporation management reported that an unknown person intercepted, forged and cashed two AmeriCorps\*VISTA stipend checks from the U.S. Postal Service. The investigation disclosed that a postal employee cashed both checks. 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. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Fraudulent Receipt of Education Awards (OIG Report of Investigation 04-039)**

A State commission reported allegations that a program coordinator, with the approval of the program director, fraudulently enrolled staff employees in the AmeriCorps program, falsified their service hours, and qualified them for education awards. The investigation confirmed the allegations and disclosed that several of the employees had received and used their education awards. Furthermore, the OIG discovered evidence that the program coordinator also inflated other AmeriCorps members' service hours to allow them to earn education awards. This matter was referred to the U.S. Department of Justice on December 16, 2004, for a prosecutorial decision. The final results will be reported in a subsequent semiannual report.

### **Alleged Hatch Act Violation (OIG Report of Investigation 04-041)**

A Corporation employee reported that two Corporation managers may have violated the Hatch Act (5 U.S.C. § 7321-26) when they sent e-mails to other Corporation employees regarding a fundraising event in Washington, DC, to support the re-election of a State senator. The OIG coordinated this matter with the Corporation's Office of General Counsel, which reported that both employees sent retractions to their e-mails. This matter was reported to the U.S. Office of Special Counsel for investigation. Its investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Theft of Government Services (Calling Card) (OIG Report of Investigation 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 and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **False Claims Violation (OIG Report of Investigation 01-095)**

Corporation management reported that an AmeriCorps grant recipient used Corporation funds for purposes other than support of the grant. The recipient is alleged to have knowingly withdrawn Corporation grant funds in excess of support needs in order to keep his program operating. The U.S. Department of Justice initially accepted this case for criminal prosecution on November 26, 2001. On February 28, 2002, the matter was transferred to its Civil Section for civil recovery under the False Claims Act. The final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 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. The final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 02-007)**

A State commission reported an allegation that a program executive director and a chief financial officer misapplied program funds for their personal use. The investigation found evidence supporting



## *Investigations Section*

---

this allegation. Initially, the Federal Bureau of Investigation was the lead investigative agency but, due to other commitments, 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 has accepted this matter for criminal prosecution. The final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 02-028)**

Corporation management reported that the executive director of a grant recipient 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 had diverted a significant amount of Corporation funds. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The final results will be reported in a subsequent semiannual report.

### **VISTA Stipend Checks Theft (OIG Report of Investigation 03-016)**

Corporation management reported that an unknown person intercepted, forged, and cashed the AmeriCorps\*VISTA stipend checks of a former VISTA member over a six-month period. A suspect was identified and the information was provided to the Federal Bureau of Investigation, which has assumed responsibility as the lead investigative agency. The U.S. Department of Justice accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

A Corporation State Office employee reported that an AmeriCorps\*VISTA member left the program but continued to receive her stipend, 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 has accepted this investigation and is pursuing criminal prosecution. The final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 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. A joint investigation has been initiated with the Federal Bureau of Investigation, which is serving as the lead investigative agency, and local law enforcement authorities. The U.S. Department of Justice accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 04-042)**

Corporation management reported that a program director misapplied Corporation program funds. The investigation found evidence that the program director fraudulently charged personal expenditures to the Corporation's grant. The U.S. Department of Justice accepted this investigation and pursued civil prosecution. The individual agreed to a plea agreement and paid \$5,946.42 in restitution, interest, and civil penalties. Based on the information developed during its investigation, the OIG has forwarded a recommendation for debarment to the Corporation to preclude the former program director from participating in Federal contracts and grants for a period of time. The final results will be reported in a subsequent semiannual report.

### **Violation of Government's Ethics Regulation (OIG Report of Investigation 05-036)**

The OIG received an anonymous report that a Corporation employee had received and personally benefited from hotel program awards points he received for arranging Corporation-funded training events. The OIG found evidence that several Corporation employees used their official government positions to receive hotel program awards points to which they were not entitled, and which they used for personal gain. The U.S. Department of Justice declined prosecution in lieu of administrative action, citing that there was no dollar loss to the government. The results of the investigation will be provided to Corporation management for appropriate action. The final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 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. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Child Care Fraud (OIG Report of Investigation 05-047)**

A Corporation grant recipient reported that a former AmeriCorps member had fraudulently received AmeriCorps\*Care child care benefits. The investigation found evidence that, after the member enrolled in the AmeriCorps\*Care child care program, the member also enrolled in her State's child care subsidy program. This allowed the former member to receive thousands of dollars in AmeriCorps\*Care benefits to which she was not entitled. This matter has been referred to the U.S. Department of Justice for a prosecutorial decision. The final results will be reported in a subsequent semiannual report.

### **Allegation of Education Award Fraud (OIG Report of Investigation 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. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 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 has accepted this investigation and is pursuing civil prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Theft of Program Funds (OIG Report of Investigation 05-055)**

Corporation management reported that a program director misapplied Corporation program funds. The investigation found evidence that the program director fraudulently used the grantee's charge card for her personal use and charged the costs to the Corporation's grant. The U.S. Department of Justice has declined to prosecute this matter in favor of local prosecution. The local prosecutor has accepted this matter for criminal prosecution. The final results will be reported in a subsequent semiannual report.

## *Investigations Section*

---

### **Trust Internal Controls (OIG Report of Investigation 05-028)**

A limited scope review was conducted of the Corporation's controls and verification process for payments to non-education institutions (banks and other commercial lenders) receiving education award payments. The OIG found that the Corporation does not have a Standard Operating Procedure in place for outlining the verification process for payments to non-education institution loan holders.

The OIG also discovered that delinquent education award accounts were not being processed in accordance with Corporation policy. A review of the National Service Trust Fund Negative Award Balance Report showed the Corporation had outstanding balances dating as far back as 1995. The results of the review were provided to Corporation management. The final results will be reported in a subsequent semiannual report.

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	33
New Cases Opened	34
Cases Closed this Period With Significant Findings	11
Cases Closed this Period With No Significant Findings	19
Total Cases Closed	30
Cases Open at End of Reporting Period	37
<b>Referred</b>	
Cases Referred for Prosecution	12
Cases Accepted for Prosecution	10*
Cases Declined for Prosecution	7*
Cases Pending Prosecutorial Review	2
Cases Pending Adjudication	17*
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	16
Investigative Recommendations Pending this Reporting Period	4
Investigative Recommendations Pending from Previous Reporting Periods	0
* This includes cases referred for prosecution during the previous reporting period.	

# 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 and abuse in Corporation programs and operations. The Office of Inspector General draws on its experience in audits and investigations as the basis for its recommendations.*



## **AmeriCorps Program Rules Finalized**

On July 8, 2005, the Corporation published as final in the Federal Register its amendments to the regulations governing the AmeriCorps program. The amendments clarify the grant selection process, authorize AmeriCorps participants to recruit and to raise funds from non-Federal sources, and set a maximum childcare subsidy payment. Through implementation of sustainability criteria for grant selection and renewal, the amendments also attempt to maximize the impact of Federal funds by requiring grant recipients to obtain additional non-Federal matching funds. The OIG reviewed the amendments and found that they are consistent with the National Community Service Trust Act and will have no adverse effect on the Corporation's ability to prevent fraud and abuse. The amendments also have the potential for more economic and efficient use of Federal funds in that they require AmeriCorps program grantees to obtain additional non-Federal matching funds.

## **Program Fraud Civil Remedies Act**

In the last reporting period, the OIG recommended to the Corporation that it promulgate regulations to implement the Program Fraud Civil Remedies Act (PFCRA). The Act, enacted in 1986, provides agencies with an administrative means to recoup low-dollar amount frauds of Federal funds that were unlawfully obtained by persons through false claims or false statements. The Corporation had indicated to the OIG in the prior reporting period that it was studying its responsibilities under the Act. On May 16, 2005, the Corporation formally indicated in the Federal Register its intent to publish rules implementing PFCRA in the upcoming year. In August, the Corporation circulated, for internal comment, a draft of the PFCRA regulation that is substantially similar to rules previously issued by other Federal agencies. The OIG reviewed the draft and recommended certain revisions, several of which were adopted. The OIG will continue to monitor the Corporation's actions in promulgating PFCRA rules and report its progress in a subsequent semiannual report.

# 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.

Section	Requirement	Page
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	31
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 and recommendations that funds be put to better use	19
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	None this period



# Tables

## II. Reports With Questioned Costs

Report Category	Number	Federal Costs	
		Questioned	Unsupported
(Dollars in thousands)			
A. Reports for which no management decision had been made by the commencement of the reporting period	7	\$672	\$325 *
B. Reports issued during the reporting period	<u>9</u>	<u>2,081</u>	<u>396</u>
C. Total Reports (A + B)	16	2,753	721
D. Reports for which a management decision was made during the reporting period	6		
I. Value of disallowed costs		243	42
II. Value of costs not disallowed	—	<u>210</u>	<u>106</u>
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>10</u>	<u>\$2,300</u>	<u>\$573</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	2	\$280	\$179
* The \$1 difference between this beginning balance and the ending balance on the FY 2005 Semiannual Report No.1 is due to rounding			

**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	0	\$0
B. Reports issued during the reporting period	0	\$0
C. Reports for which a management decision was made during the reporting period	0	
i. Value of recommendations agreed to by management	0	\$0
ii. Value of recommendations not agreed to by management	0	\$0
D. Reports for which no management decision had been made by the end of the reporting period	0	\$0
E. Reports for which no management decision was made within six months of issuance	0	\$0
<p>*The Audit Section predominately performed cost-incurred and compliance audits that resulted in questioned costs and noncompliance findings. These types of audits typically do not lead to recommendations that funds be put to better use.</p>		

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

<b>Report Number</b>	<b>Title</b>	<b>Federal Dollars Questioned</b>	<b>Mgmt. Decision Due*</b>	<b>Status as of September 30, 2005</b>
05-09	<i>Audit of Corporation Grants Awarded to the Hawaii Commission for National and Community Service</i>	\$101	08/03/05	<i>A Proposed Management Decision has not been provided to the OIG</i>
05-13	<i>Audit of Corporation Grants Awarded to the Ohio Community Service Council</i>	179	08/24/05	<i>A Proposed Management Decision has not been provided to the OIG</i>
	<b>Total</b>	<b><u>\$280</u></b>		
<p>*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the issuance of the final audit report and corrective actions must be completed within one year.</p>				

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

<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Final Action Due*</b>
04-19	<i>Pre-Audit Survey of Corporation for National and Community Service grants awarded to the New York State Office of National and Community Service</i>	09/28/04	09/28/05
<p>*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the issuance of the final report and corrective actions must be completed within one year.</p>			

# Fiscal Year 2005 Performance Information

*The section summarizes the Office of Inspector General's accomplishments and performance measures in support of OIG strategic goals.*



### **Strategic Goals**

As part of the Office of Inspector General's ongoing effort to carry out its mission, the OIG has established the following goals:

#### **Strategic Goal One:**

Ensure that OIG activities support the Corporation's mission by emphasizing critical programs and operations of the Corporation.

#### **Strategic Goal Two:**

Communicate effectively with the Corporation Board of Directors and Corporation senior management and staff, with Corporation grantees and subgrantees, with the public, with the Congress, and with other parties as appropriate.

#### **Strategic Goal Three:**

Strengthen the OIG's ability and readiness to have maximum impact on the most significant issues.

On the following pages, performance information is provided and linked with our strategic goals.

# Audit Performance Information

<b>Quantitative Audit Performance Measures</b>		
	<u>FISCAL YEAR</u>	
	<u>2004</u>	<u>2005</u>
Number of reports issued	23	21
Number of reports issued linked to improving Corporation management ( <i>OIG Goal One</i> )	6	3
Number of recommendations linked to improving Corporation management ( <i>OIG Goal One</i> )	45	40
Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal Two</i> )	22	18
Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal One</i> )		
to Corporation	46	71
to Grantees	93	71
to Contractors	0	0
Number of reports issued linked to carrying out the intent of the Government Performance and Results Act (GPRA) ( <i>OIG Goal One</i> )	1	0
Number of recommendations linked to carrying out the intent of the Government Performance and Results Act GPRA ( <i>OIG Goal One</i> )	15	0
Total number of audit recommendations	139	169
Percent of recommendations accepted by the Corporation	99%	99%

## Audit Performance Information

<b>Audit Performance Statistics</b>			
	<u>Fiscal Year</u>		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Number of audit reports*	19	23	21
Number of testimonies	1	0	0
Number of reports requested by Congress	4	4	5
Questioned costs ( <i>dollars in thousands</i> )	\$3,585	\$836	\$1,292
Value of recommendations that funds be put to better use ( <i>dollars in thousands</i> )**	\$119	\$0	\$0
Cost per audit hour			
OIG staff	\$53	\$58	\$54
Contracted services	\$85	\$83	\$75
Timeliness (average length of time to complete an audit)*	202 days	151 days	225 days
<p>*In accordance with Strategic Goal One, which is to improve the quality and delivery of OIG services, reports, and other work products, the OIG monitors the number of audit reports issued annually and the time required to complete each audit.</p> <p>**The Audit Section predominately performed cost-incurred and compliance audits that resulted in questioned costs and noncompliance findings. These types of audits typically do not lead to recommendations that funds be put to better use.</p>			



## Investigations Performance Information

Investigations Performance Information					
Fiscal Year	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Investigative actions opened	95 <sup>1</sup>	40	42	42	57
Investigative actions resolved and closed	95	40	30	38	53
Average monthly caseload	35	24	26	28	37
Investigative matters resolved without opening a separate investigative action	29	37	42	59	45
Referrals for prosecution	16	10	9	8	20
Investigative recoveries	\$55,961	\$1,206,057	\$123,988	\$36,952	\$234,691
Cost avoidance <sup>2</sup>	\$0	\$0	\$158,038	\$5,106	\$2,363
Administrative or management actions taken	8	25	23	8	24

<sup>1</sup> Of the 95 investigative actions opened during FY 2001, 45 were opened as a direct result of a proactive OIG review of Corporation employees' use of the Government Travel Charge Card.

<sup>2</sup> Cost avoidance was not calculated until FY 2003. Cost avoidance includes those predictable costs that were not incurred due to OIG investigative intervention.