

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

**Semiannual Report  
to Congress**

**October 1, 2005 - March 31, 2006**  
Fiscal Year 2006 Semiannual Report No. 1



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

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## OFFICE OF INSPECTOR GENERAL

April 28, 2006

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, 2005 to March 31, 2006.

This has been a highly productive period for the OIG. Our Audit Section issued 18 reports, compared to the 21 reports completed in all of Fiscal 2005. Reflecting the growing scope of our oversight efforts, the reports included audits of Training and Technical Assistance Cooperative Agreements, State commissions, AmeriCorps National Direct and Senior Corps grantees, as well as examinations of the Corporation's Financial Statements, Alternative Personnel System, and compliance with provisions of the Federal Information Security Management Act.

Our Investigations Section closed 30 cases, opened 21 new actions and recovered more than \$64,000 in taxpayer funding while identifying an additional \$1.63 million in potential recoveries. Investigations by OIG agents also led to the debarment of five individuals and two companies that had betrayed the public's trust.

We continued our proactive efforts to provide Corporation management with timely and ongoing advisories and recommendations on key issues. These initiatives contributed to significant improvements in the Corporation's criminal background check and living allowance regulations for persons performing National Service.

The OIG also worked to improve its efficiency and effectiveness by establishing a Five-Year Strategic Plan and a new, performance-based employee appraisal system. We also began an ambitious program to update and streamline our information systems.

Overall, this report reflects the varied and innovative efforts undertaken by the OIG to complete its mission of detecting and preventing waste, fraud and abuse in Corporation operations and programs, thereby maximizing the impact of every Federal tax dollar invested in National Service.

Sincerely,

Carol Bates  
Acting 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's application for Statutory Law Enforcement Authority was approved by Attorney General Alberto R. Gonzales, arming our investigators with important new tools as they pursue allegations of waste, fraud and abuse. OIG management also established a Five-Year Strategic Plan and a new employee evaluation program that directly links compensation to performance and OIG goals. Our coordination with Corporation management resulted in significant improvements in policies governing criminal background checks and the living allowances that support AmeriCorps members. We also expanded our outreach and education efforts by publishing a booklet titled "Your Guide to the Office of Inspector General."

## Audit Section

During this reporting period, the OIG Audit Section conducted audits and other work to improve the operations of the Corporation and issued 18 reports. A summary for each report issued is included in this semiannual report.

Work ongoing during this reporting period includes:

### Senior Corps Audits

- Agreed-Upon Procedures Applied to the Kansas City Big Brother-Big Sisters Grant
- Kentucky Department of Health and Mental Health Services
- Louisville Metro Community Action Partnership

### AmeriCorps Audits

- Florida Commission
- Maryland Commission
- Utah Commission
- Oklahoma Commission
- New Mexico Commission
- Idaho Commission
- Massachusetts Commission
- New York Commission
- Tennessee Commission
- Arizona Commission
- Education Works

### Corporation Operations

- Audit of the FY 2006 Financial Statements and Trust
- Audit of the Office of Procurement Services
- Review of Internet Policies, Procedures and Usage
- Review of the Purchase and Travel Card Program
- Follow-up Review of AmeriCorps Enrollment Procedures
- Study of Federal Assistance Monitoring Tools

# *Executive Summary*

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## OMB Circular A-133 Audit Quality Control Reviews

- Quality Control Review of the Council of the Great City Schools OMB A-133 Audit Report performed by Raffa CPAs
- Quality Control Review of the Catholic Network of Volunteer Services OMB A-133 Audit Report performed by Cocchiaro & Associates

## **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 64 Hotline contacts, opened 21 investigative actions, and closed 30 actions. Five matters were referred to the U.S. Department of Justice for prosecution. Forty-four other matters were referred to Corporation management and State commissions for action. Investigators were responsible for recovering \$64,820 in Corporation funds and \$46,236 in cost avoidance. Based on information presented to the Corporation, management debarred five individuals and two companies. In addition, ongoing OIG investigations have identified \$1.63 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). 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 subgrant recipients.

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 2006. 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.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!**

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- ◆ You may remain anonymous.

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

**Statutory Law Enforcement Authority:** Attorney General Alberto R. Gonzales on January 10, 2006, approved the OIG's application for Statutory Law Enforcement Authority, a move that allows OIG Agents to make arrests, seek and execute arrest and search warrants, and carry firearms in the course of their official duties. The law enforcement powers are authorized under provisions of the Inspector General Act and the Homeland Security Act. In approving the new powers, Attorney General Gonzales said "there is adequate evidence that your investigations have been significantly hampered and jeopardized due to the lack of such authority."

The OIG sought the authority to lessen its reliance on local police and other officials for backup when OIG agents are in the field probing allegations of fraud, waste and abuse of Federal funds. Also, OIG agents often conduct their work in high-crime areas and must occasionally deal with potentially violent suspects. The OIG has begun implementation of its new powers with training and policies to ensure the safety of all personnel.

**Five-Year Strategic Plan:** During this reporting period, the OIG issued a Strategic Plan for Fiscal Years 2006 through 2010 that includes three major goals and outlines the objectives, strategies and measures to achieve each goal. The goals include:

1. Ensure that OIG activities support the Corporation's mission by emphasizing examinations of the Corporation's critical programs and operations.
2. Communicate effectively with Congress, the Corporation Board of Directors, Corporation senior management and staff, grantees and subgrantees, the public, and other parties as appropriate.
3. Strengthen the OIG's ability and readiness to have maximum impact on the most significant issues facing the Corporation and its programs.

**Employee Performance Management:** During this reporting period, OIG senior managers developed a new employee appraisal program that directly links compensation to performance and positive results. The new Performance Management Program is a yearlong, continuous, and collaborative process. The "whole" employee is evaluated on what he or she has contributed to achieving the OIG's mission and organizational goals. The performance management cycle, which has 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 embarked on a network improvement plan. The project will transform the OIG's computer network into a Real-time Information Management System capable of seamlessly collecting, processing and providing data. This system will enable OIG managers to better coordinate their efforts and quickly make decisions and implement strategies that will have maximum impact on issues facing the Corporation.

During Phase 1, hardware and software are being upgraded to a level consistent of a modern business environment. Phase 2 consists of merging of our multiple client databases into a single database that will be accessible by all OIG employees. Real-time data will enable managers to access up-to-date information on audits, investigations and the costs associated with these efforts. Phase 2 will also include implementation of an office-wide document management system. The project further seeks to implement an audit resolution program that will be shared with the Corporation and will provide maximum visibility to both OIG and Corporation managers. Progress made on these initiatives will be included in subsequent semiannual reports.

**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. During this reporting period, OIG management and staff completed 1,090 hours

## *Proactive Initiatives*

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of instruction at the Federal Law Enforcement Training Center, Inspector General Auditor Training Institute, Inspector General Criminal Investigator Academy and numerous other vendors. Topics ranged from criminal investigator training and updates on government auditing standards to forensic computer examinations and investigative report writing classes.

In addition, the OIG utilized its in-house talent as employees conducted classes for their peers on legal issues, investigative and audit procedures and report writing. In addition to capitalizing on in-house skills, this program is cost-effective, can be tailored to immediate and changing needs and allows for flexible scheduling.

### **Coordination With Corporation Management**

**Criminal Background Checks:** The OIG continued to work with Corporation management during this reporting period on strengthening criminal background requirements for members and volunteers who serve with children and other vulnerable persons.

We recommended that the Corporation strengthen its provisions and guidance on the meaning of “substantial direct contact with children,” require documentation of program officials’ placement of members found to have a criminal background, expand procedures to include all applicable Federal, State, county and local law enforcement and judicial sources, and require criminal background checks for senior volunteers who work out of sight with beneficiaries on a one-on-one basis.

In October, the Corporation published in the Federal Register notice of its intent to issue a regulation on criminal background checks for Corporation grant programs, and asked for public input on such issues as the most effective screening practices, what databases should be searched, and whether per se disqualification should be required and for what types of findings. The Corporation used the input to draft a proposed rule which it intends to formally publish in the near future.

**E-Mail and Other Records Retention Policies:** As noted in our prior semiannual report, several investigations over the past years have revealed that the Corporation has no established policy for record retention and management, such as an instruction to employees on what should constitute a “record,” or how and where official records should be maintained, as required by 44 U.S.C. §§ 3101-02. These investigations also revealed that the Corporation lacked the ability to retain or retrieve e-mail communications that qualify as a government record, as required by 36 C.F.R. § 1234.24, Standards for Managing Electronic Mail Records. This regulation states that agencies’ policies should account for e-mail 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 recordkeeping system, agencies shall instruct staff on how to copy Federal records from the electronic mail system to a record keeping system.”

The OIG has repeatedly brought this matter to the attention of Corporation management. No policy regarding records management retention has yet been implemented, but the Corporation indicated during this reporting period that it intends to solicit bid proposals from contractors with expertise in records management. The contractor would review records systems, policies, and procedures, recommend revisions and improvements, and identify automated off-the-shelf commercial records management solutions.

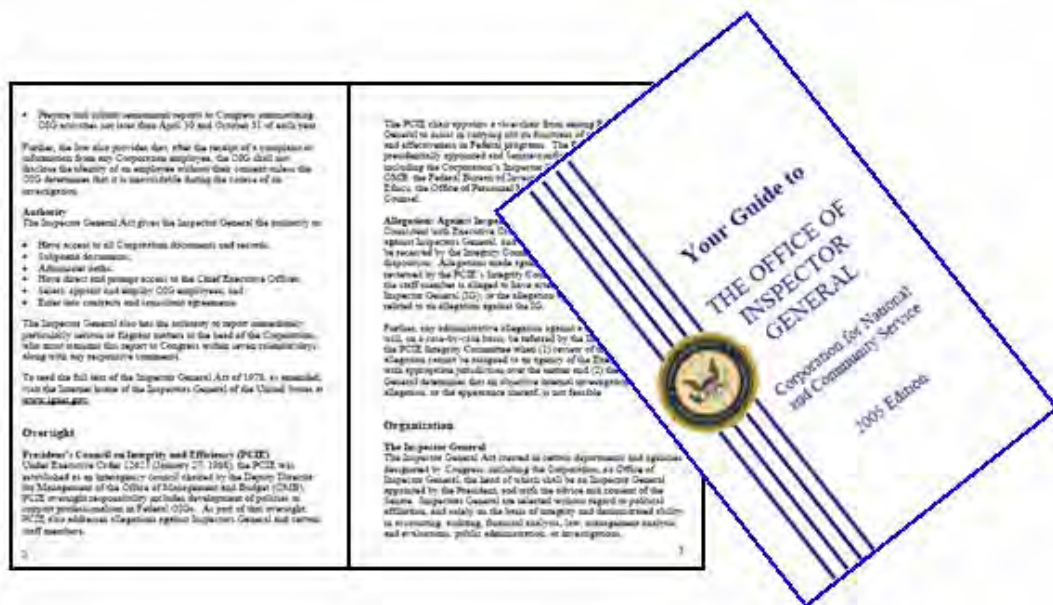
**Living Allowances:** As the result of its audits and investigations, the OIG advised the Corporation in 2004 that programs were paying “lump sum” living allowances to AmeriCorps members who had completed their service terms in less than the usual 12-month format. During this reporting period, the OIG concurred with the OIG that the practice was in violation of AmeriCorps provisions. The Corporation strengthened its guidance to grantees, stressing that living allowances are to be paid to members only while they are in active service.

## 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 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. During this reporting period, we conducted Fraud Awareness Briefings involving several hundred members, Corporation employees and program staff.

**“Your Guide to the Office of Inspector General”:** During this reporting period, we compiled and published this brochure, which takes readers on a step-by-step examination of the role, mission and activities of the OIG. The brochure, written in an easy-to-read format, includes details on the investigative and audit processes. It also gives information to all Corporation stakeholders on how they can assist the OIG in its effort to halt and prevent waste, fraud and abuse of Federal taxpayer dollars invested in national service.

**“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 on abuses of the AmeriCorps Cares and VISTA Cares childcare benefit programs and on the importance of compiling and retaining accurate time and attendance records. 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 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.*





### **Financial Management and Corporation Operations**

#### **Audit Report 06-01, Audit of the Corporation for National and Community Service's Fiscal Year 2005 Financial Statements**

The auditors rendered an unqualified opinion on the 2005 Financial Statements. Although progress on monitoring was noted compared to 2004 audit results, further improvements are required. The Corporation's monitoring of grantee activities was therefore cited as a reportable condition again in 2005. Deficiencies were also observed in personnel practices and payroll processing. The auditors did not consider these reportable conditions to be material weaknesses. Also, the auditors found no instances of noncompliance with laws and regulations that would have a direct and material effect on the financial statements.

#### **Audit Report 06-02, Corporation for National and Community Service's Fiscal Year 2005 Management Letter**

During the Fiscal Year 2005 Financial Statement Audit, the auditors noted certain matters involving the control over financial reporting and other operational matters that were not considered material weaknesses or reportable conditions. The Management Letter discusses these matters and includes recommendations for corrective action. The Corporation agreed with the recommendations and stated that corrective action has been completed on many of the matters.

#### **Audit Report 06-03, Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2005 Budgetary Resources and Obligations**

The Corporation's National Service Trust Schedule of Fiscal 2005 Budgetary Resources and Obligations presented fairly, in all material respects, the budgetary resources and obligations for the year ended September 30, 2005.

#### **Audit Report 06-06, Independent Evaluation of Corporation for National and Community Service Compliance with the Federal Information Security Management Act (FISMA) for Fiscal Year 2005**

The evaluation found three significant deficiencies and made recommendations to improve the Corporation's information security. The Corporation's response to the report includes an aggressive action plan to correct the weaknesses noted.

#### **Report 06-15, Follow-Up Assessment of the Corporation's Alternative Personnel System**

We contracted with Job Performance Systems, Inc. (JPS) to conduct a follow-up review and assessment of the Corporation's Alternative Personnel System (APS). This report is an evaluation of the Corporation's progress in responding to the 13 observations and options for improvement offered in a 2003 assessment of the APS that was conducted for the OIG by Deloitte and Touche.

JPS's review and assessment found progress in a number of key areas, including the establishment of the post of Chief Human Capital Officer, the signing of the Office of Personnel Management Interchange Agreement, and improved communications on topics related to the APS and personnel issues in general. The assessment also found a need for continued improvement, including supervisor training on APS procedures and policies. We also evaluated the Corporation's new Management Appraisal System and its proposed Employee Appraisal System, as well as the Equal Employment Opportunity climate. In addition, we identified new areas to evaluate for improvement including Office of Human Capital operations, employee development, and non-monetary rewards.

In its response to our draft report, the Corporation proposed a number of specific actions that we believe will continue to improve the effectiveness of the APS.

## 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 four Training and Technical Assistance Cooperative Agreements, three State commissions and one AmeriCorps subgrantee, three AmeriCorps National Direct Grantees and two Senior Corps grantees.

## State Commission Audits

### **Audit Report 06-04, Agreed-Upon Procedures for Grants Awarded to the Comprehensive Links for After School Enrichment Program (subgrantee to the Puerto Rico Commission)**

The University of Puerto Rico claimed costs of \$339,192, of which the auditors questioned \$11,416 as unallowable costs and \$18,900 of education awards. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

### **Audit Report 06-05, Audit of Subgrants Awarded by the Puerto Rico State Commission on Community Service and Social Action**

The grantees claimed costs of \$1,512,093, of which the auditors questioned \$155,067 as unallowable grant costs and \$64,595 of education awards. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

### **Audit Report 06-25, Audit of Grants Awarded to the Illinois Commission on Volunteerism and Community Service**

For the audit period the Commission claimed costs of \$16,263,960. The auditors questioned \$1,672,068 in grant costs, and \$892,349 in education awards. The auditors also identified \$7,532 in lost interest income, and found instances of noncompliance with Federal regulations and grant requirements, some of which are considered material weaknesses.

### **Audit Report 06-27, Audit of Grants Awarded to the Virginia Governor's Commission on National and Community Service**

Federal costs claimed by the Commission during the audit period totaled \$3,788,137. No questioned costs were identified by the auditors. However, the auditors noted three instances of noncompliance with Federal regulations and grant provisions, none of which are considered material weaknesses.

### **AmeriCorps National Direct Grant Audits**

#### **Audit Report 06-10, Audit of Grants Awarded to YouthBuild USA, Inc. (YouthBuild)**

The auditors questioned costs of \$1,254,919, consisting of \$266,950 in grant costs and \$987,969 in education awards. The questioned grant costs are approximately 2.6 percent of the \$10,367,709 in total costs claimed by YouthBuild. The auditors also noted instances of noncompliance with Federal regulations and grant requirements. In its response to the draft audit report, YouthBuild took issue with some of the auditors' conclusions regarding the adequacy of documentation to support match, and the manner in which match is presented in its financial records. These issues will be resolved with the Corporation during the audit resolution phase.

#### **Audit Report 06-16, Audit of Grants Awarded to City Year, Inc.**

The audit identified questioned costs of \$165,229, including unsupported or inadequately supported costs totaling \$37,590. In addition, the auditors questioned costs, totaling \$66,150, for member education awards because criminal background checks were not conducted on members in a timely manner or the background checks were inadequately documented. The audit report also includes 4 findings and 10 recommendations to improve compliance with grant requirements and to improve internal controls. City Year's response indicated a willingness to work with the Corporation to resolve the findings and recommendations. The grantee changed some policies and procedures in response to the report, but disagreed with some findings. The Corporation agreed to respond to the recommendations when it issues its proposed management decision.

#### **Audit Report 06-28, Audit of Grants Awarded to Habitat for Humanity International**

The audit identified questioned costs of \$31,379, which related primarily to lump-sum payments of living allowances to AmeriCorps members for periods in which they were not serving, unsupported costs, and payments for unemployment insurance. The audit report also included seven findings and eight recommendations to improve compliance with grant requirements and to improve internal controls. Habitat, in its response to our draft report, generally proposed satisfactory corrective actions. The Corporation agreed that, during the audit resolution process, it would verify that Habitat had implemented the recommendations.

### **Training and Technical Assistance Cooperative Agreement Audits**

#### **Audit Report 06-07, Audit of Cooperative Agreements Awarded to CHP International, Inc.**

The audit covered financial transactions, compliance, and internal control testing of CHP's Training and Technical Assistance Cooperative Agreements: 01CAIL0001, 00CAIL0007, and 00CAIL0008. The audit did not result in questioned costs. However, it disclosed issues related to over- or under-claiming of indirect costs and management fees, noncompliance with a provision of the Drug-Free Workplace Act, and lack of written grievance policies and procedures. CHP's response to the draft report indicated that it would adjust the indirect costs and that administrative memoranda addressing the two workplace policies would be issued.

#### **Audit Report 06-08, Audit of Cooperative Agreements Awarded to the Northwest Regional Education Laboratory (NWREL)**

The audit included testing costs claimed and compliance for Grant Numbers 01CAOR0017 and 01CAOR0034. The audit report did not result in questioned costs but noted some separation of duties issues. The report also disclosed that a significant amount of program income is being used to expand program objectives. The use of program income in this manner does not comply with OMB Circular A-110.

## *Audit Section*

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NWREL indicated in its response to the draft audit report that it does not agree with the program income finding. However, it concurred with the remaining recommendations.

### **Audit Report 06-09, Audit of Cooperative Agreements Awarded to Aguirre International, Inc.**

The audit covered financial transactions, compliance, and internal control testing of three Training and Technical Assistance Cooperative Agreements. Although the audit did not identify questioned costs, it disclosed that Aguirre was not always in compliance with the terms of the agreements in that it frequently submitted progress reports after the due dates. The Corporation and Aguirre, in their responses to our draft report, proposed satisfactory corrective actions.

The report also disclosed that the terms of the cooperative agreements provided for management fees to Aguirre, a for-profit company, which Aguirre representatives described to the auditors as profit. The Corporation, in its response to the draft report, advised that it would not provide profit or management fees to for-profit organizations under the Training and Technical Assistance cooperative agreements unless otherwise directed by law.

### **Audit Report 06-13, Audit of Cooperative Agreements Awarded to ETR Associates, Inc.**

The audit covered financial transactions, compliance, and internal control testing of two Training and Technical Assistance cooperative agreements with ETR for the period April 1, 2003, through March 31, 2005. The auditors identified questioned costs of \$47,427, which related to controls over program income. Our audit also disclosed that ETR did not adequately monitor subcontract costs. The Corporation and ETR, in their responses to our draft report, proposed satisfactory corrective actions.

The report also disclosed that cooperative agreements awarded to ETR were funded through various Corporation fund codes provided by several Corporation departments or sections. When the Corporation commingles various funds within a single agreement or contract without restriction, the Corporation could be at risk of expending funds for purposes not intended by the appropriations associated with the funding codes. The Corporation commented that it recognized the need to improve its funding and accounting procedures and developed new procedures that were included in the application instructions for awards for new providers in October 2005.

## **Senior Corps Grant Audits**

### **Audit Report 06-11, Audit of Grants Awarded to the Mid-Willamette Valley Foster Grandparents Program**

The auditors questioned costs of \$7,557, or approximately 1.5 percent of the \$501,896 in costs claimed. The auditors found no instances of noncompliance with Federal laws, applicable regulations and award requirements that were considered to be reportable conditions. In its response to the draft audit report, Mid-Willamette Valley's former host agency, the State of Oregon Department of Human Services, indicated that the questioned costs were adjusted on final financial reports submitted to the Corporation.

### **Audit Report 06-24, Audit of Grants Awarded to the City of Kansas City**

The grantee claimed costs of \$634,667, of which the auditors questioned \$14,044 as unallowable. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. The City of Kansas City agreed with most of the audit findings and presented a preliminary action plan to the Corporation. The final plan will be submitted during the audit resolution period.

### 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 allows 30 days for responses. 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 Office of Inspector General of the following proposed management decisions:

- Audit Report 05-09, *Audit of Grants Awarded to the Hawaii Commission for National and Community Service*
- Audit Report 05-10, *Audit of Grants Awarded to the Nevada Commission for National and Community Service*
- Audit Report 05-13, *Audit of Grants Awarded to the Ohio Community Service Council*
- Audit Report 05-19, *Audit of Grants Awarded to the Notre Dame Mission Volunteer Program through the Maryland Governor's Office on Service and Volunteerism*
- Audit Report 05-20, *Audit of Grants Awarded to the Notre Dame Mission Volunteer Program*
- Audit Report 05-21, *Audit of Grants Awarded to the Iowa Commission on Volunteer Service*
- Audit Report 05-22, *Agreed-Upon Procedures of the Grant Awarded to Haddock AmeriCorps Cadet Program by the Georgia Commission for Service and Volunteerism*
- Audit Report 06-01, *Audit of the Corporation's Fiscal Year 2005 Financial Statements*

## Audit Section

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- Audit Report 06-02, *Audit of the Corporation's Fiscal Year 2005 Financial Statements Management Letter*
- Audit Report 06-03, *Audit of the Corporation's National Service Trust Schedule of Fiscal 2005 Budgetary Resources and Obligations*
- Audit Report 06-06, *Independent Evaluation of the Corporation's Compliance with the Federal Information Security Management Act for Fiscal Year 2005*
- Audit Report 06-07, *Audit of Training and Technical Assistance Cooperative Agreements Awarded to CHP International, Inc.*
- Audit Report 06-09, *Audit of Cooperative Agreements Awarded to Aguirre International, Inc.*
- Audit Report 06-28, *Audit of Grants Awarded to Habitat for Humanity International*

### 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 Office of Inspector General received the following Notices of Final Action:

- Audit Report 04-19, *Pre-Audit Survey of the New York State Commission on National and Community Service*
- Audit Report 05-01, *Audit of the Corporation's Fiscal Year 2004 Financial Statements*
- Audit Report 05-02, *Audit of the Corporation's Fiscal Year 2004 Financial Statements Management Letter*
- Audit Report 05-04, *Audit of Grants Awarded to the Colorado Governor's Commission on Community Service*
- Audit Report 05-07, *Independent Evaluation of Corporation's Compliance with the Federal Information Security Management Act for Fiscal Year 2004*
- Audit Report 05-09, *Audit of Grants Awarded to the Hawaii Commission for National and Community Service*
- Audit Report 05-11, *Audit of the Corporation's Commuter Benefits Program*
- Audit Report 05-12, *Audit of Grants Awarded to the Educational Service District 112*
- Audit Report 05-13, *Audit of Grants Awarded to the Ohio Community Service Council*
- Audit Report 05-15, *Audit of Grants Awarded to the Nebraska Volunteer Service Commission*
- Audit Report 05-16, *Audit of Grants Awarded to the National Association of Community Health Centers*
- Audit Report 06-03, *Audit of the Corporation's National Service Trust Schedule of Fiscal 2005 Budgetary Resources and Obligations*
- Audit Report 06-09, *Audit of Cooperative Agreements Awarded to Aguirre International, Inc.*



<b>Audit Reports Issued</b>				
<b>October 1, 2005 – March 31, 2006</b>				
Report Number	Issue Date	Report Name	Dollars Questioned	Dollars Unsupported
			(Dollars in thousands)	
06-01	11/14/05	<i>Audit of the Corporation's Fiscal Year 2005 Financial Statements</i>	\$N/A	\$N/A
06-02	12/21/05	<i>Audit of the Corporation's Fiscal Year 2005 Management Letter</i>	0	0
06-03	11/14/05	<i>Audit of the Corporation's National Service Trust Schedule of Fiscal 2005 Budgetary Resources and Obligations</i>	0	0
06-04	1/4/06	<i>Agreed-Upon procedures of Grant Awarded To Comprehensive Links For After School Enrichment</i>	11	9
06-05	2/13/06	<i>Audit of Grants Awarded to Puerto Rico State Commission on Community Service and Social Action Subgrantees</i>	155	150
06-06	10/14/05	<i>Independent Evaluation of the Corporation's Compliance with the Federal Information Security Management Act for Fiscal Year 2005</i>	N/A	N/A
06-07	12/6/05	<i>Audit of Training and Technical Assistance Cooperative Agreements Awarded to CHP International, Inc.</i>	0	0
06-08	2/7/06	<i>Audit of Grants Awarded to the Northwest Regional Educational Laboratory</i>	0	0
06-09	11/25/05	<i>Audit of Cooperative Agreements Awarded to Aguirre International, Inc.</i>	0	0
06-10	2/15/06	<i>Audit of Grants Awarded To YouthBuild USA, Inc.</i>	267	262
06-11	2/10/06	<i>Audit of Grants Awarded to Mid-Willamette Valley Foster Grandparents Program</i>	8	1
06-13	1/5/06	<i>Audit of Cooperative Agreements Awarded to ETR Associates, Inc.</i>	47	0
06-15	1/31/06	<i>Follow-Up Review and Assessment of the Corporation's Alternative Personnel System</i>	0	0
06-16	3/24/06	<i>Audit of Grants Awarded to City Year, Inc.</i>	165	38
06-24	3/20/06	<i>Audit of the Foster GrandParent Grant Awarded to the City of Kansas City</i>	14	11
06-25	2/22/06	<i>Audit of Grants Awarded to the Illinois Commission on Volunteerism and Community Service</i>	1,672	742
06-27	3/31/06	<i>Audit of the Grants Awarded to the Virginia Governor's Commission for National and Community Service</i>	0	0
06-28	2/8/06	<i>Audit of Grants Awarded to Habitat for Humanity International</i>	31	1
<b>TOTAL</b>			<b><u>\$2,371</u> *</b>	<b><u>\$1,214</u></b>
N/A: Not applicable				
*The difference between the total of the column and \$2,371 is due to rounding.				



## 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, 37 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators opened 21 actions and closed 30 investigations. Twenty-eight investigative actions were pending at the end of the period.

### Cases Closed This Period

#### False Claims Violation (01-095)

Corporation management reported that an AmeriCorps grant recipient used Corporation funds for purposes other than support of the grant. The grantee is alleged to have knowingly withdrawn Corporation grant funds in excess of support needs in order to keep the 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. On March 16, 2006, a civil settlement was reached with the grantee in which it agreed to repay \$16,500 of the \$187,000 it misapplied. The grantee also agreed to abstain from accepting any Corporation grant until September 1, 2007.

#### Collusive Bidding (05-010)

Corporation management reported that a government contractor had engaged in collusive bidding. Investigation disclosed evidence that the 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. This investigation was coordinated with the Federal Bureau of Investigation, which declined jurisdiction. The Treasury Inspector General for Tax Administration conducted a joint investigation with our agency. This matter was referred to the U.S. Department of Justice, which declined prosecution. Based on information developed by the OIG and presented to the Corporation, management debarred the three individuals and their two companies from participating in Federal contracts and grants for a period of three years.

#### Alleged Hatch Act Violation (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. The U.S. Office of Special Counsel concluded its investigation and reported to the OIG that the matter was resolved administratively.

#### Theft of Program Funds (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 by the OIG and presented to the Corporation, management debarred the former program director from participating in Federal contracts and grants for a period of 12 months.

# *Investigations Section*

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## **Violation of Government's Ethics Regulation (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 were provided to Corporation management for appropriate action. Corporation management reported to the OIG that the individuals involved received ethics training and counseling.

## **Child Care Fraud (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 was referred to the U.S. Department of Justice for civil prosecution. The individual agreed to make full restitution in the amount of \$7,612.30, in lieu of prosecution. 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 two years.

## **Theft of Program Funds (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 declined to prosecute this matter in favor of local prosecution. The local prosecutor accepted this matter for criminal prosecution. The individual was found guilty and sentenced to 12 months confinement, which was suspended. She was ordered to serve 12 months' supervised probation, required to serve 50 hours of community service, to make full restitution to the grantee, and was assessed \$187 in court fees. Based on the 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 12 months.

## **Trust Internal Controls (05-028)**

A limited-scope review was conducted of the Corporation's controls and verification process for payments to non-educational 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 such payments.

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. Corporation management reported that, as a result of the OIG review, it established a new policy outlining procedures for handling debt collection. Management also reported that it was in the process of collecting \$34,921.85 of the uncollected debt. The Corporation Trust Office is also establishing a system for the verification of non-educational institution lenders.

## **Violation of Program Policy/Regulations (06-005)**

An allegation was reported to the OIG Hotline that a VISTA project was allowing its members to work and attend college in violation of VISTA policy and regulations. The investigation disclosed that a supervisor authorized a member to hold employment while enrolled in the VISTA program, in violation

of Title 42 United States Code Section 4954. In addition, two other VISTA members attended college in excess of the allowable program limits. Based on information developed by the OIG and presented to the Corporation, management disallowed the members' education awards. Corporation management informed the OIG that it did not have the legal authority to administratively recoup the \$51,228.63 in living allowances the members had received from either the former VISTA members or the program sponsor.

### **False Statement (06-006)**

Corporation management reported that a VISTA member and site supervisor falsified the member's period of service form so that the member could depart the program early to report to another AmeriCorps program. This action would have allowed the VISTA member to earn an education award without fulfilling his service obligation. Based on the OIG investigation, Corporation management disallowed the member's education award.

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

*(The results of these ongoing investigations will be reported in subsequent semiannual reports.)*

### **Theft of Program Funds (06-0014)**

An allegation was reported to the OIG Hotline that a VISTA project executive director enrolled employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found that the executive director and project director conspired to supplement two full-time and one part-time employee's salaries with VISTA program funds. Corporation management has terminated the members' service. This matter was referred to the U.S. Department of Justice on March 23, 2006, for a prosecutorial decision.

### **False Statement (06-0013)**

Corporation management reported that a former AmeriCorps member submitted a fraudulent education award voucher to the Corporation. The investigation found the individual had forged the bank representative's signature on his award voucher in an attempt to have the funds deposited directly into his bank account for his personal use. The U.S. Department of Justice accepted this investigation on January 31, 2006, and is pursuing criminal prosecution.

### **Forgery/Theft (06-011)**

Corporation management reported that an unknown person intercepted, forged and cashed two education award checks mailed to an educational institution. The OIG identified a suspect and notified the U.S. Secret Service, which assumed responsibility as the lead investigative agency.

### **Misapplication of Program Funds (06-020)**

An allegation was reported to the OIG Hotline that a new Corporation grantee was misapplying Federal program funds. The caller alleged that grantee management was utilizing program funds to pay for trips and related expenses for friends of grantee board members. The caller also alleged that the program had no accounting system or policies in place and that management was shifting funds between the Corporation program and other non-Federal program accounts.

### **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

## *Investigations Section*

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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 \$106,000 in Federal program funds to which he was not entitled. The U.S. Department of Justice accepted this investigation on August 31, 2005, and is pursuing criminal prosecution.

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

Corporation management reported that a former VISTA member was employed during his VISTA service. The investigation found evidence that the 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, and is pursuing civil prosecution.

### **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 January 28, 2005, and is pursuing civil prosecution.

### **Personal Use of a Government Travel Charge Card (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 accepted this investigation on June 24, 2005, and is pursuing prosecution.

### **Theft of VISTA Checks (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. 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. In March 2006, U.S. Postal Investigators obtained a confession from the employee and are pursuing prosecution.

### **Fraudulent Receipt of Education Awards (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 U.S. Department of Justice accepted this investigation on February 27, 2006, and is pursuing prosecution.



### **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 on June 7, 2005, and is pursuing 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.

### **Theft of Program Funds (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 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 accepted this matter for criminal prosecution on December 19, 2003.

### **Theft of Program Funds (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 accepted this investigation on March 11, 2003, and is pursuing criminal prosecution.

### **VISTA Stipend Checks Theft (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 as the former program director 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 for criminal prosecution. The individual plead guilty and was sentenced to five years' probation and ordered to make restitution to the Corporation in the amount of \$5,943.72. Based on the information developed during its investigation, the OIG 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.

### **Fraudulent Receipt of VISTA Stipend (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 accepted this investigation on November 25, 2003, and is pursuing criminal prosecution.

## *Investigations Section*

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### **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. A joint investigation was conducted 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. The individual entered a guilty plea on November 14, 2005, and sentencing is 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. The U.S. Department of Justice accepted this investigation on September 22, 2005, and is pursuing criminal prosecution.

### **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' timesheets 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 U.S. Department of Justice accepted this investigation on February 27, 2006, and is pursuing prosecution.

### **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 prosecution.

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	37
New Cases Opened	21
Cases Closed this Period With Significant Findings	18
Cases Closed this Period With No Significant Findings	12
Total Cases Closed	30
Cases Open at End of Reporting Period	28
<b>Referred</b>	
Cases Referred for Prosecution	5
Cases Accepted for Prosecution	5*
Cases Declined for Prosecution	2*
Cases Pending Prosecutorial Review	0
Cases Pending Adjudication	18
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	22
Investigative Recommendations Pending this Reporting Period	0
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.*





## **Program Fraud Civil Remedies Act**

In a prior reporting period, the Office of Inspector General (OIG) had recommended to the Corporation that it promulgate regulations to implement the Program Fraud Civil Remedies Act (PFCRA) 31 U.S.C. §§ 3801-3812. 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.

On February 1, 2006, the Corporation published for public comment in the Federal Register a draft regulation that would implement the provisions of the PFCRA. The draft regulation is substantially similar to the model regulation issued in 1986 by a President's Council on Integrity and Efficiency (PCIE) interagency task force and promulgated since that time by numerous Federal agencies overseen by Inspectors General affiliated with the PCIE. The period for public comment on this draft regulation expired on April, 3, 2006. The OIG will continue to monitor the progress toward implementation of the final rule and will report the results 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	31
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	41
5 (a)(4)	Matters referred to prosecutorial authorities	29
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	38
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	39
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	40
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	10	\$2,292 *	\$573
B. Reports issued during the reporting period	<u>9</u>	<u>2,371</u>	<u>1,214</u>
C. Total Reports (A + B)	19	4,663	1,787
D. Reports for which a management decision was made during the reporting period	8	638	223
I. Value of disallowed costs		261	66
II. Value of costs not disallowed	—	<u>377</u>	<u>157</u>
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>11</u>	<u>\$4,025</u>	<u>\$1,564</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	3	\$1,685 **	\$352
*The questioned cost was reduced because it was found that one AmeriCorp member was counted twice in Audit Report No. 05-20, Audit of Grants Awarded to the Notre Dame Mission Volunteer Program			
** The Corporation extended the resolution period due to disruptions caused by the 2005 hurricanes for Audit Report 05-21, Audit of the Louisiana Commission, with questioned cost of \$426,611.			

**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	1	\$183
C. Reports for which a management decision was made during the reporting period		
i. Value of recommendations agreed to by management	1	\$183
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 March 31, 2006</b>
05-18	Agreed-Upon Procedures of the Wyoming Commission	\$216,868	03/02/06	<i>A Proposed Management Decision has not been provided to the OIG</i>
05-21	Audit of the Louisiana Commission <sup>1</sup>	426,611	01/07/06	<i>A Proposed Management Decision has not been provided to the OIG</i>
05-24	Audit of the California Governor's Office on Service and Volunteerism (GO SERV)	1,041,476	03/22/06	<i>A Proposed Management Decision has not been provided to the OIG</i>
	<b>Total</b>	<b><u>\$1,684,955</u></b>		
<sup>1</sup> The Corporation extended the resolution period due to disruptions caused by the 2005 hurricanes.				

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

Report Number	Title	Date Issued	Final Action Due
<i>None</i>			





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