

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

**Semiannual Report
to Congress**

April 1, 2006 - September 30, 2006
Fiscal Year 2006 Semiannual Report No. 2



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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OFFICE OF INSPECTOR GENERAL

October 31, 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 April 1, 2006, to September 30, 2006.

During this reporting period the OIG Audit Section issued 22 reports on a wide variety of topics, including audits of State commissions, and National Direct and Senior Corps grantees. We also examined a number of Corporation operations, including procurement, internet use and management controls and hurricane relief mission assignments from the Federal Emergency Management Agency.

Our Investigations Section closed 30 cases, opened 37 new actions and recovered more than \$268,000 in taxpayer funding while identifying an additional \$1.76 million in potential recoveries that can be reinvested in National Service. Major investigations by OIG agents included a Georgia case in which we teamed with Corporation officials to win an important conviction and a Michigan case that led to the strengthening of that State's criminal background check program.

We continued our proactive efforts to improve the OIG's efficiency and effectiveness. Major efforts included the establishment of a Forensic Investigation Lab that has already proven itself an effective tool against computer related crime and a major upgrade of our information technology systems. We also fully implemented a new performance-based employee appraisal system.

We are proud of the varied and innovative efforts undertaken by the OIG during this period to detect and prevent waste, fraud and abuse. All of our work directly supports the Corporation's mission of expanding opportunities for service and maximizing the impact of every Federal tax dollar invested in its programs.

Sincerely,

Robert Shadowens
Deputy Inspector General



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Senior Corps * AmeriCorps * Learn and Serve America



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Executive Summary

Proactive Initiatives

The OIG continued to take a proactive stance by undertaking numerous initiatives to improve its effectiveness and efficiency and to provide the Corporation with timely advisories and information on key issues involving its programs and operations. During this reporting period, the OIG launched its new Forensic Investigation Lab, giving our investigators an important new tool against computer-related crime. We also fully implemented an Employee Performance Management appraisal program that directly links compensation to performance and OIG strategic goals. Our Investigations Section continued to implement our Statutory Law Enforcement Authority, which includes the ability to execute search and arrest warrants and to carry firearms, with extensive agent training and equipment upgrades. Significant improvements were also made to our information technology systems, allowing OIG investigators and auditors to work more effectively and efficiently in their efforts to detect and prevent waste, fraud and abuse of taxpayer dollars.

Audit Section

During this reporting period, the OIG Audit Section conducted audit and other work to improve the operations of the Corporation and issued 22 reports. A summary for each report issued is included in this semiannual report.

Work ongoing during this reporting period includes:

Senior Corps Audits

- Council on Aging of Volusia County, FL
- Kansas Big Brothers/Big Sisters

AmeriCorps Audits

- Florida Commission
- Maryland Commission
- Utah Commission
- Mississippi Commission
- Texas Commission
- Home Instruction for Parents of Preschool Youngsters
- Public Allies, Inc.
- United States Veterans Initiative
- Teach for America (member compliance review)

Corporation Operations

- Audit of the FY 2006 Financial Statements and Trust
- Follow-up Review of AmeriCorps Enrollment Procedures
- Study of Federal Assistance Monitoring Tools
- Fiscal Year 2006 Federal Information System Management Act Independent Evaluation
- Review of Seven Corners Health Benefits Administration Claims Processing Contract

Executive Summary

OMB Circular A-133 Audit Quality Control Reviews

- 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 115 Hotline contacts, opened 37 investigative actions, and closed 30 actions. Seven matters were referred to the U.S. Department of Justice for prosecution. Seventy-five other matters were referred to Corporation management and State commissions for action. Investigators were responsible for recovering \$268,839.10 in Corporation funds and \$74,586.35 in cost avoidance. Based on information presented to the Corporation, management debarred nine individuals from participating in Federal grant and procurement programs. In addition, ongoing OIG investigations have identified \$1.76 million in potential recoveries.

About The Office Of Inspector General

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

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

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

This semiannual report, as required by the Inspector General Act of 1978, details our work for the last 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, 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

Visit our web page:
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 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

Areas for Improvement: During this reporting period Corporation management requested that we identify for them the areas where we thought they could improve. We reviewed all previous audits, reviews, and investigations and identified five areas for management improvement. The areas include corrective actions, training and institutional knowledge, monitoring and grantee accountability, information technology and human capital. In a meeting with senior management, we discussed some of these areas. Our audit plan and special investigative initiatives have been aligned with our findings.

Forensic Investigations: The OIG Investigation Section created and began employing its new Forensic Investigation Lab as a tool against computer-related crime. OIG agents, who have undergone specialized training, utilize Forensic Tool Kit software and a Logicube Imager device to capture mirror images of the information contained on computer hard drives. The data is then mined to reveal financial data, e-mails, images and other documents which may be linked to instances of fraud, waste and abuse. Capturing a mirror image is crucial to maintaining the integrity and admissibility of evidence. The new lab and investigative tools were successfully used in several investigations during this reporting period, including a case that revealed violations of the Corporation's computer access and use policies.

Senior Corps Audits: The Audit Section completed a series of five Senior Corps audits that raised a number of recurring compliance issues for grantees using Corporation funds to operate Foster Grandparent and Retired Senior Volunteer Programs. Of the grantees' claimed costs of more than \$3.6 million, the auditors questioned more than \$417,000, or 11.5 percent of the total. The audits found a lack of administrative oversight and record-keeping, including problems with documentation verifying the eligibility of volunteers and the children they served. We communicated these systemic deficiencies to Corporation officials, who have established work groups to address the issues raised by the reports.

Statutory Law Enforcement Authority: The OIG Investigations Section continued to work on full implementation of the expanded law enforcement authority approved on January 10, 2006, by Attorney General Alberto R. Gonzales. This authority allows OIG Agents to make arrests, seek and execute arrest and search warrants, and carry firearms in the course of their official duties. The OIG sought the authority to lessen its reliance on local police and other officials for backup when its agents are in the field probing allegations of fraud, waste and abuse of Federal funds. During this period, OIG agents underwent extensive physical fitness evaluations and firearms training. Facilities were also upgraded to enhance safety and security.

Employee Performance Management Program: OIG senior managers fully implemented 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 his or her contribution 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 continued to implement a network improvement plan. It will transform the OIG's computer network into a real-time information management system capable of seamlessly collecting, processing and providing data. Phase 1, an upgrade of hardware and software to a level consistent with a modern business environment, was completed during this reporting period. Work on Phase 2 began with the establishment of a Management Information System Team consisting of OIG auditors, investigators and support personnel. It is reviewing and re-thinking all aspects of how the OIG conducts business. The team, which has also reviewed other Federal OIGs' audit and investigative

Proactive Initiatives

programs, will make recommendations to streamline our workflow, reduce duplication and improve our document control process.

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 more than 2,174 hours 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 and firearms training to professional development courses on government standards and other audit procedures. In addition, OIG staff conducted classes for their peers on legal issues, investigative and audit procedures and report writing. By capitalizing on in-house skills, the OIG can offer training that is cost-effective and can be tailored to meet immediate and changing needs.

Coordination With Corporation Management

Cooperative Prosecution Effort: The Assistant Inspector General for Investigations (AIGI) joined with Corporation officials in achieving the conviction of a former Georgia Senior Corps program director who had embezzled more than \$100,000 in taxpayer funds. The AIGI prepared evidence and presentation materials and advised the Federal prosecutor throughout the trial. He also arranged for the expert testimony of several Corporation officials. The former program director was sentenced to 33 months in prison, to be followed by three years of probation, and was ordered to make full restitution to the Corporation.

Criminal Background Checks: The OIG continued to work with Corporation management and other stakeholders on strengthening criminal background check requirements for members who serve with children and other vulnerable persons. An OIG investigation led to the conviction of a former school-based AmeriCorps member and program director in Michigan who had legally changed his name in an effort to conceal a record of prior sex offenses. Moreover, this case resulted in a strengthening of Michigan's criminal background check program.

In the last reporting period the Corporation requested public comment for a Corporation regulation to codify set standards for criminal background checks for participants in the Corporation's grant programs. The Corporation used the public input to draft a proposed rule, and is still waiting for final approval from the Office of Management and Budget to issue it for public comment.

Outreach and Education

Fraud Awareness Briefings: The OIG continues to provide Corporation, grantee and subgrantee employees, and volunteers with information on how to identify, prevent and report waste fraud and abuse of taxpayer-funded resources. Investigators and OIG senior managers regularly provide these multimedia briefings as part of their field assignments and also provide them to meetings and training sessions conducted by Corporation grantees and other national service stakeholders. Topics include the role and mission of the OIG, common types of program fraud, and how to detect and report suspected abuses. During this reporting period, we conducted Fraud Awareness Briefings involving several hundred members, Corporation employees and program staff. This effort included presentations at the National Conference on Volunteering and Service in Seattle, WA.

"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 our new forensic investigative capabilities and on the crucial importance of member file documents and proper record keeping in the audit process. FYI is widely distributed, in print and electronically, to Corporation employees, grantees, volunteers and other stakeholders.

For Your Inspection
 "Mission First, People Always, Integrity Forever"
 Spring 2006
 Volume II, Issue 1
 www.eneisg.gov
 Office Of Inspector General, Corporation For National And Community Service

ODIG Profile

Vincent A. Mulloy, Chief of the ODIG, who serves as the Director of the Inspector General's office. Mulloy is a former attorney and handles legal issues and advice, was appointed in September 2005. He joined the ODIG from the U.S. District Court of the District of Columbia. Mulloy began his federal career after receiving his law degree in 1988 from the University of Arkansas. He joined the Federal agency that handles grants to organizations, providing legal aid to the poor, as a compliance attorney.

Everybody Loses With Timekeeping Abuse

Filing out or verifying a timesheet may be the last thing you think of at the end of a busy workweek. But there is probably no more crucial document when it comes to protecting the finances and integrity of the volunteer programs supported by the Corporation for National and Community Service. The time and attendance records used to log and verify the hours worked by members, employees, or the hours served by volunteer grantee source documents in determining member eligibility for education awards and tracking grantee's financials.



Failure of time sheets by employees, members or their supervisors can contribute to or even result in fraud and criminal penalties. Moreover, Corporation programs that fail to compile and retain accurate timesheets can face serious audit problems, ranging from having some of their costs disallowed by the Corporation to non-renewal or suspension of their grants.

For Your Inspection
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ODIG Profile

Ken Bach, Chief Technology Officer, joined the ODIG in 2005 to oversee and upgrade its information management systems. A former Army and Federal Reserve agent, Bach also serves as the ODIG's chief liaison with the Corporation on information technology issues.

Forensic Sleuths Put The Byte On Crime

Armed with the latest in forensic computer technology, the Office of Inspector General is taking bite out of crime by building cases byte by byte. The ODIG's new Forensic Tool Kit software and Logicube imager allow investigators to capture mirror images of the myriad information contained on computer hard drives. The data can then be mined to reveal financial data, e-mails, images and other documents, which may be linked to instances of fraud, waste and abuse.

Forensic investigations are a must in an era when almost all key data, especially archived material, is now stored electronically instead of on paper in a file drawer. "It absolutely makes our job easier," says ODIG Senior Agent Bob Holland. "Anytime you can find, preserve and safeguard evidence, including data that a suspect may have tried to conceal, it makes your case that much stronger."



Agent Holland Dives Into Data.

Investigation

In 2005, Mulloy joined the U.S. Commission on Civil Rights, a Federal agency that monitors civil rights enforcement and provides advice and reports to Congress. He also oversees legal investigations and rights litigation, including efforts in medical care and justice. In 1995, Mulloy worked in the U.S. Department of Justice, where he investigated and prosecuted cases of racial and ethnic discrimination against state and local governments.

Tenacious Morales Tracks Down His Man

"If you dig a little deeper, you tend to find more skeletons in the closet," says Office of Inspector General Special Agent Jeffrey Morales. His digging resulted in deep trouble for a former Michigan AmeriCorps member and program director who tried to conceal his sex-offender past and outstanding

Each holds a Bachelor of Science degree in criminal investigation from the University of Central Florida and has undergone training at the Federal Law Enforcement Training Center and from other sources in white collar crime and computer forensic investigations. He is a 2000 graduate of the Federal Executive Institute's Leadership Development Academy, which is sponsored by the President's Council on Integrity and Efficiency.



For Your Inspection
 "Mission First, People Always, Integrity Forever"
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 Office Of Inspector General, Corporation For National And Community Service

ODIG Profile

Stuart G. Auerfeld, Audit Manager, joined the ODIG in March 2004. He serves as an audit manager and oversees both ODIG staff and contractor-produced audits of Corporation programs and grantees.

Teamwork Helps Secure Conviction

A former Georgia Senior Corps program director has been convicted of fraud and embezzlement of more than \$100,000 in grants to the Corporation for National and Community Service (Corporation). Robert J. Williams, Assistant Inspector General for Investigations, has worked on the case for several years after receiving an anonymous tip via the ODIG's Fraud Hotline. He traveled to Valdosta to see justice served and, throughout the working trial, set at the



Williams, who had received Corporation Senior Corps grants to operate Foster Grandparent and Related Senior Volunteer Program units, faced a formidable array of ODIG and Corporation attorneys during his trial. They helped to present what

ODIG Profile

Stuart G. Auerfeld, who joined the ODIG in March 2004, serves as an audit manager and oversees both ODIG staff and contractor-produced audits of Corporation programs and grantees.

Documents Are Crucial Factors in Audits

Missing documents affecting the eligibility of AmeriCorps members and other volunteers, too the list of recurring concerns and questioned costs raised in audits conducted by the Office of Inspector General (ODIG).



All officials of programs receiving Federal funds from the Corporation must abide by these basic Service (Corporation) and retain adequate documentation as proof of compliance.

ODIG Profile

Mr. Auerfeld, an avid soccer player, youth coach and fish, lives in Silver Spring, MD, with his wife Cheryl and their three children.

Documents Are Crucial Factors in Audits

Are your AmeriCorps members U.S. citizens or legal Residents? Have they earned a high school diploma or its equivalent? Have they undergone a criminal background check if they serve with children or other vulnerable persons? Do your Senior Corps members meet age and income requirements?

ODIG auditors regularly mine members' files in their evaluations of local and national program performance and compliance. Far too often, those files lack basic integrity documents, leaving the auditors to question costs for living allowances and education awards. These questioned costs must be addressed by grantees and Corporation officials through the audit resolution process.

In some cases, claimed costs are disallowed, meaning the grantee must make a refund to the Corporation. And ODIG audits indicating poor record keeping and financial management can have a negative impact on grantees seeking renewals or additional financial

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.



Summary of Audits

During this reporting period, the OIG Audit Section issued 22 reports on a wide range of topics. Our work included audits of State Commissions, Senior Corps, and National Direct grantees. We also examined a number of Corporation operations, including procurement and FEMA hurricane relief mission assignments.

Audit Annual Performance Statistics			
	Fiscal Year		
	2004	2005	2006
Number of audit reports issued annually	23	21	40
Questioned costs (dollars in thousands)	\$836	\$1,292	\$3,475
Value of recommendations that funds be put to better use (dollars in thousands)	\$0	\$0	\$3,185

Financial Corporation Operations

Management and

Report 06-39 – Study of the Corporation’s Internet Use and Management Controls

The study revealed apparent inappropriate Internet use on networked and non-networked Corporation-owned computers. It concluded that the Corporation should include its Network Rules of Behavior as part of its Policy 375 on Internet use and update both documents. The study provided observations, opportunities for improvement, and suggestions for change.

Audit Report 06-40 – Review of the Corporation’s Office of Procurement Services

Our audit found that Office of Procurement Services (OPS) employees did not consistently adhere to the Federal Acquisition Regulations (FAR) and the Corporation’s procurement policies. In some cases, OPS records were inaccurate, inadequate, or incomplete and FAR compliance could not be assured. Also, we identified several policies and assigned responsibilities that were not current and known by all OPS personnel.

Report 06-42 – Review of the Corporation’s Purchase and Travel Card Programs

Our review found that the Corporation generally has effective procedures and policies in place to identify and address delinquent employee travel and purchase card accounts. However, some policies and procedures need to be updated and improved. We also noted gaps in data and in the timeliness of reports that the Corporation is required to submit to the Office of Management and Budget (OMB).

Data Collection Instrument – Corporation’s Response to OMB Memorandum M-06-16

Audit Section

On June 23, 2006 OMB issued memorandum M-06-16, which tasked executive agencies to ensure procedures are in place to protect Personally Identifiable Information removed or accessed or stored outside the agency location. The OIG was required to assess and report on OMB Memorandum M-06-16 compliance. The reporting was in the form of a Data Collection Instrument developed by the President's Council on Integrity and Efficiency. We observed that the Corporation has developed a plan to integrate appropriate security controls over Personally Identifiable Information.

Audit Report 06-43 – Agreed-Upon Procedures Review of the Corporation's Federal Emergency Management Agency Hurricane Relief Mission Assignments

This effort reviewed the Corporation's policies, procedures, and standard guidance for processing billings and reimbursements for Hurricane Katrina mission assignments. We found that the Corporation did not return unused funds in a timely manner, did not obtain documentation to support requests for reimbursement in a timely manner and did not close out the mission assignments in a timely manner.

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 seven State commissions, seven AmeriCorps National Direct Grantees and two Senior Corps grantees. The OIG also issued a Quality Control Review report on an OMB A-133 Audit.

State Commission Audits

Audit Report 06-14 – Grants Awarded to the New York State Office of National and Community Service

The Commission claimed costs of \$34,453,824, of which the auditors questioned \$289,560 as unallowable grant costs and \$307,125 of education awards. The majority of the questioned costs occurred at one subgrantee, the YMCA of Greater New York. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

Audit Report 06-23 – Grants Awarded to the Massachusetts Service Alliance

Funding authorized for these grants totaled about \$21.5 million, with costs claimed totaling about \$10.1 million from April 1, 2002, through March 31, 2005. The audit identified questioned grant costs totaling \$35,993. Most of these costs were questioned because documentation was lacking to show that criminal background checks had been completed for members who had contact with children or because living allowance costs were not supported by payroll registers. The auditors also questioned

non-grant costs of \$25,096 with regard to education awards. The report includes six findings with recommendations to improve compliance with grant requirements and to improve internal controls.

Audit Report 06-30 – Grants Awarded to the Tennessee Commission on National and Community Service

Funding authorized for these grants totaled \$7.9 million, with costs claimed totaling about \$4.5 million. The audit identified questioned costs totaling \$22,661, most of which were attributed to Promise Fellows Grant costs claimed for living allowances of members who served less than the required 12 months. The auditors also questioned non-grant costs of \$9,310 for members who did not serve sufficient hours to earn education awards. The report includes five findings and six recommendations to improve compliance with grant requirements and to improve internal controls.

Audit Report 06-26 – Grants Awarded to the New Mexico Commission for Community Volunteerism

Federal costs claimed by the Commission during the audit period totaled \$3,453,178. The auditors questioned \$111,833 of grant costs and related education awards of \$54,398. The auditors also identified four issues of noncompliance with Federal laws and grant provisions, and two internal control matters, one of which is considered a material weakness.

Audit Report 06-36 – Grants Awarded to Serve Idaho, Governor’s Commission on Service and Volunteerism

The audit covered the latest two years of performance through December 31, 2005, for five grants initially awarded during the period January 1, 2002, to January 1, 2005. Funding authorized for these grants totaled \$1.8 million, with costs claimed totaling about \$1.5 million. The audit identified questioned costs totaling \$17,910, most of which were attributed to unsupported living allowances and related fringe benefits, and costs claimed in the wrong grant period. The report also includes four findings and related recommendations to improve compliance with grant requirements and to improve internal controls.

Audit Report 06-33 – Grants Awarded to the Oklahoma Community Service Commission

Federal costs claimed during the audit period totaled \$3,848,152. Of this amount, the auditors questioned \$4,703 of grant costs and \$372,686 in match costs. Some of the questioned match was claimed in excess of the minimum match required. The auditors also identified five issues of noncompliance with Federal laws and grant provisions and three internal control matters.

Audit Report 06-37 – Grants Awarded to the Arizona Governor’s Commission on Service and Volunteerism

The audit identified questioned costs of \$9,507 out of the \$1,962,389 claimed, and related education awards of \$4,795. Most of the questioned costs were related to unapproved budget category changes, unmet match for living allowances, and hours recorded on timesheets that did not support eligibility for an education award. The report also includes four findings and related recommendations to improve compliance with grant requirements and to improve internal controls.

AmeriCorps National Direct Grant Audits

Audit Report 06-12 – Grants Awarded to Education Works

Education Works claimed costs of \$5,266,112, of which the auditors questioned \$100,600 as unallowable grant costs and a \$2,195 education award. Costs questioned include \$87,250 of costs for the New Jersey Substitute Teacher Corps, which provided substitute teachers to the Trenton

Audit Section

School District and duplicated the District's own paid substitute teacher program. Other questioned costs include improper salary allocations. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions.

Audit Report 06-17 through 06-22 – Grants Awarded to City Year through State Commissions

- 06-17 City Year Grants awarded by the Massachusetts Service Alliance
- 06-18 City Year Grants awarded by the Michigan Commission
- 06-19 City Year Grants awarded by the Illinois Commission
- 06-20 City Year Grants awarded by the District of Columbia Commission
- 06-21 City Year Grants awarded by PennSERVE the Governor's Office of Citizen Service
- 06-22 City Year Grants awarded by the Texas Commission on Volunteerism & Community Service

The total costs questioned in these six audits totaled \$212,351. Most of the questioned costs are related to a lack of criminal background checks for members prior to their serving with children.

Senior Corps Grant Audits

Audit Report 06-29 – Foster Grandparents and Retired and Senior Volunteer Program Grants Awarded to the Louisville Metro Community Action Partnership (Louisville)

During the audit period, Louisville claimed \$765,447 in grant costs for the Foster Grandparent Program, and \$290,530 for the Retired and Senior Volunteer Program. Of these amounts, the auditors questioned costs of \$16,171 and \$5,441, respectively. The auditors also identified four internal control reportable conditions and four issues of noncompliance with Federal laws and grant provisions. None of these issues are considered material weaknesses.

Audit Report 06-31 – Grants Awarded to the Kentucky Department for Mental Health and Mental Retardation Services

Federal costs claimed by the Department during the audit period totaled \$1,118,639. Of this amount, the auditors questioned \$276,238 of Federal costs. The auditors also identified eight instances of noncompliance with Federal laws and grant provisions, all of which are considered material weaknesses.

OMB Circular A-133 Quality Control Review

Report 06-34 – Quality Control Review of the Raffa, P.C., Certified Public Accountants, OMB Circular A-133 audit of the Council of the Great City Schools for the Fiscal Year Ended June 30, 2005

Raffa's audit documentation for testing did not meet generally accepted government auditing standards (GAGAS) or the requirements in the OMB Circular A-133 and its related supplements for five of the compliance areas. The CPA firm disagreed with the OIG, stating that copies of documentation are not required to be included in the audit work papers. We noted in the final report that we did not recommend that copies of documentation be kept in the files. The findings are due to the fact that work papers did not adequately document the work performed and were used as a basis for Raffa's conclusions.

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. The Corporation and auditee are given 30 days to comment. The OIG issues a final report after considering any comments received from the Corporation and the auditee.

Step 2: The Corporation issues a Proposed Management Decision (PMD), which explains any corrective actions and provides a timetable for implementation.

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.

Management Decisions

A management decision is the Corporation's response 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 management decisions:

- Audit Report 05-24, *Grants Awarded to the (California) Governor's Office on Service and Volunteerism (GO SERV)*
- Report 06-04, *Agreed-Upon Procedures of Grant Awarded To Comprehensive Links For After School Enrichment*
- Audit Report 06-08, *Grants Awarded to the Northwest Regional Educational Laboratory*
- Audit Report 06-10, *Grants Awarded To YouthBuild USA, Inc.*
- Audit Report 06-11, *Grants Awarded to Mid-Willamette Valley Foster Grandparents Program*
- Audit Report 06-13, *Cooperative Agreements Awarded To ETR Associates, Inc.*
- Report 06-15, *Follow-Up Review of the Corporation's Alternative Personnel System*
- Audit Report 06-27, *Corporation Grants Awarded to the Virginia Governor's Commission for National and Community Service*

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 05-10, *Grants Awarded to the Nevada Commission for National and Community Service*
- Audit Report 05-19, *Grants Awarded to the Notre Dame Mission Volunteer Program Through the Maryland Governor's Office on Service and Volunteerism*
- Audit Report 05-20, *Grants Awarded to the Notre Dame Mission Volunteer Program*
- Audit Report 05-21, *Grants Awarded to the Iowa Volunteer Service Commission*
- Report 05-22, *Agreed-Upon Procedures of Grant Awarded to the Haddock AmeriCorps Cadet Program by the Georgia Commission for Service and Volunteerism*
- Audit Report 05-24, *Grants Awarded to the (California) Governor's Office on Service and Volunteerism (GO SERV)*
- Audit Report 06-11, *Grants Awarded to Mid-Willamette Valley Foster Grandparents Program*

Audit Reports Issued				
April 1, 2006 – September 30, 2006				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
(Dollars in thousands)				
06-12	<i>Grants Awarded to Education Works</i>	\$101	\$0	\$2
06-14	<i>Grants Awarded to the New York State Commission</i>	290	247	307
06-17	<i>Subgrants to City Year, Inc. Through the Massachusetts Service Alliance</i>	9	2	5
06-18	<i>Subgrants to City Year, Inc. Through the State of Michigan Department of Career Development</i>	79	3	43
06-19	<i>Subgrants to City Year, Inc. Through the Illinois Commission</i>	82	0	57
06-20	<i>Subgrants to City Year, Inc. Through The District Of Columbia Commission</i>	25	25	0
06-21	<i>Subgrants to City Year, Inc. Through PennSERVE, the Governor's Office of Citizen Service</i>	16	3	5
06-22	<i>Subgrants to City Year, Inc. Through the Texas Commission</i>	1	0	0
06-23	<i>Grants Awarded to the Massachusetts Service Alliance</i>	36	2	25
06-26	<i>Grants Awarded to the New Mexico Commission</i>	112	0	54
06-29	<i>Grants Awarded to Louisville Metro Community Action Partnership Foster Grandparent Program Retired and Senior Volunteer Program</i>	22	21	0
06-30	<i>Grants Awarded to the Tennessee Commission</i>	23	0	9
06-31	<i>Grant Awarded to Kentucky Department for Mental Health and Mental Retardation Services</i>	276	0	0
06-33	<i>Grants Awarded to the Oklahoma Commission</i>	5	0	0
06-34	<i>Quality Control Review of Raffa, P.C., OMB Circular A-133 Audit of the Council of the Great City Schools, Fiscal Year Ended June 30,2005</i>	0	0	0
06-36	<i>Grants Awarded to Serve Idaho, Governor's Commission</i>	18	0	0
06-37	<i>Grants Awarded to Arizona Governor's Commission</i>	10	2	5
06-39	<i>Study of Corporation's Internet Use & Management Controls</i>	0	0	0
06-40	<i>Audit of Corporation's Office of Procurement Services</i>	0	0	0
06-42	<i>Review of Corporation's Purchase & Travel Card Programs</i>	0	0	0
06-43	<i>Agreed-Upon Procedures Review of the Corporation's FEMA Hurricane Relief Mission Assignment Process</i>	0	0	2,490
---	<i>Data Collection Instrument/Response to OMB M- 06-16, Protection of Sensitive Agency Information</i>	0	0	0
TOTAL		<u>\$1,103</u> *	<u>\$305</u>	<u>\$3,001</u> *
*The difference between the total of the columns 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, 28 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators opened 37 investigative actions and closed 30 investigations. Thirty-five actions were pending at the end of the period.

Summary Of Cases	
Opened and Closed	
Cases Open at Beginning of Reporting Period	28
New Cases Opened	37
Cases Closed this Period With Significant Findings	12
Cases Closed this Period With No Significant Findings	18
Total Cases Closed	30
Cases Open at End of Reporting Period	35
Referred	
Cases Referred for Prosecution	7
Cases Accepted for Prosecution	6
Cases Declined for Prosecution	2
Cases Pending Prosecutorial Review	1
Cases Pending Adjudication	18
Recommendations to Management	
Investigative Recommendations Referred to Management	24
Investigative Recommendations Pending this Reporting Period	4
Investigative Recommendations Pending from Previous Reporting Periods	0

Cases

False

Corporation

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 for criminal prosecution. The individual accepted a plea agreement and received three months of probation and forfeited his education award in the amount of \$2,362.50.

Forgery / Theft (06-011)

Corporation management reported that an unknown person intercepted, forged and cashed three 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. The

Closed This Period

Statement (06-013)

management reported that a former

Investigations Section

U.S. Secret Service located the individual, who admitted to stealing the checks totaling \$4,043.75. This matter was declined for prosecution by the U.S. Department of Justice and the funds were administratively recouped.

Misapplication of Program Funds (06-020)

An allegation was reported to the OIG Hotline that a new Corporation grantee had misapplied Federal program funds. The caller alleged that grantee management had utilized 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. Based on information obtained by the OIG, Corporation management determined that the costs were allowable and that the grantee had appropriate checks and balances in place to safeguard grant funds.

Misuse 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 for criminal prosecution. The individual agreed to a pretrial diversion and was ordered to make restitution in the amount of \$2,689.99.

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. Based on the OIG investigation, the Corporation recovered \$51,982 from the grantee. This matter was referred to the U.S. Department of Justice for criminal prosecution. The program coordinator was indicted, but attempts to locate her have been unsuccessful. An arrest warrant has been issued. The Department of Justice declined to prosecute the program director.

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. A joint investigation was conducted with the Federal Bureau of Investigation, which 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 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 three years.

Database Security / Vulnerability and Internal Controls (06-041)

A follow-up review was conducted on the Corporation's security controls on employee access to a government information system. The review focused on the recommendations identified under OIG report number 05-057, issued in July 2005, and those corrective actions reported to the OIG at that time by management. The OIG found that several of the reported corrective actions had not been implemented by management. The OIG discovered that former employees continued to have active

access to the database. This condition could allow former employees' access to sensitive data, including personal identifying information on current and former members. Our 2005 report also found users were not required to periodically change their passwords, as well as other potential system vulnerabilities. Management had reported that a new system addressing several of these issues was anticipated to be implemented in the fall of 2005. As of September 2006, it had not been implemented.

As a result of this report, Corporation management admitted that it had failed to implement some of the corrective actions it reported to the OIG in July 2005. Management also reported that it would be integrating the database with another database early in fiscal year 2007, an action which would address the password security issues.

Questionable Personnel Practices (06-026)

The OIG initiated an investigation to determine if Corporation management violated any personnel regulations or policies when it authorized an employee to relocate from Washington, DC, to another state for personal convenience. Additionally, after the employee relocated, management divided the employee's job description and hired another employee for the Washington, DC, location. The investigation found that the relocated employee informed management about another employment offer, but agreed to remain with the Corporation if she would be allowed to relocate at no cost to the government. The OIG found no evidence that Corporation management violated any criminal laws or personnel regulations or policies and also found that there was a valid requirement for the hiring action.

Misuse of a Government Travel Charge Card (06-033)

Proactive efforts by the OIG disclosed that a Corporation employee misused his Government Travel Charge Card. The investigation disclosed evidence that the employee misused his Travel Charge Card to obtain \$323.46 in cash advances that he was not authorized to receive. Based on the information developed and presented to the Corporation, management issued the employee a letter of reprimand.

Misuse of a Government Travel Charge Card (06-035)

Proactive efforts by the OIG disclosed that a Corporation employee misused his Government Travel Charge Card. The investigation disclosed evidence that the employee misused his Travel Charge Card to obtain \$1,514.06 in cash advances that he was not authorized to receive. The U.S. Department of Justice declined prosecution. Based on the information developed and presented to the Corporation, management issued the employee a letter of reprimand.

Allegation of Education Award Fraud (05-040)

An allegation was reported to the OIG Hotline that a grantee had committed timesheet fraud. The investigation found evidence that grantee officials had concurrently enrolled four of their employees in AmeriCorps program, thereby allowing them to receive a total of \$18,900 in education awards to which they were not entitled. The information was supplied to Corporation management for action it might deem appropriate.

Enrollment of Ineligible Members (05-034)

A State commission employee reported that an AmeriCorps grantee had had enrolled non-U.S. citizens. The investigation found that the program could not provide proof of citizenship or legal residency for one member, who had received \$11,896.36 in unauthorized program funds. We also found no evidence of required criminal background checks for two members, who had received a total of \$9,897.16 in unauthorized program funds. The information was supplied to Corporation management for its action.

Cases Open at End of Period

Violation of Voluntary Service Prohibition (06-039)

A former employee reported that, following his retirement from Federal service, he worked in the Corporation's Office of Human Capital (OHC) for several months as a contractor, but was never paid for his services. The investigation disclosed evidence that Corporation employees violated the voluntary services prohibition of the Antideficiency Act, which prohibits an officer or employee of the government from accepting the voluntary services of an individual, or employing unauthorized personnel services. The OIG discovered that an OHC employee failed to initiate a \$20,000 purchase order for services to be provided by the former employee. This resulted in Corporation management having to ratify the transaction after services were rendered. Additionally, another Corporation employee failed to comply with Federal Acquisition Regulation, Part 5, when he failed to publicize a \$15,000 purchase order modification to the existing \$25,000 OHC purchase order.

Theft of Program Funds (02-028)

Corporation management reported that the executive director of a grantee was diverting Corporation program funds to cover personal expenditures and business expenses that were unrelated to program operations. The investigation found evidence that the executive director and her spouse, the program's chief executive officer, had diverted a significant amount of Corporation funds. The U.S. Department of Justice accepted this investigation on March 11, 2003, for criminal prosecution.

On June 19, 2006, the former executive director was found guilty of wire fraud and theft of Federal program funds. Her spouse was acquitted. On September 18, 2006, the former executive director was sentenced to 33 months of confinement, was ordered to pay restitution in the amount of \$100,536.88, assessed \$600 in court fees, and ordered to serve three years of supervised probation upon her release from prison. The OIG forwarded a recommendation for debarment of the former executive director to Corporation management.

Fraudulent Receipt of VISTA Stipend (03-040)

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

On July 27, 2006, the former member entered a guilty plea to theft and was sentenced to 12 months of confinement (suspended), fined \$2,500 (suspended all but \$250), 24 months of probation, made to pay \$25 in court costs and required to make restitution in the amount of \$8,164.68. The OIG forwarded a recommendation for debarment to Corporation management.

Misapplication of Program Funds (06-021)

A State commission reported an allegation that an AmeriCorps site supervisor was withholding members' living allowances. The investigation found evidence that the site supervisor had enrolled day care center employees in the AmeriCorps program to supplement their salary with program funds. Our investigation indicates the loss to the Corporation may be in excess of \$100,000. This matter was accepted by the Department of Justice on May 17, 2006, for criminal prosecution.

Misapplication of Program Funds (06-029)

Corporation management reported that a director of a Senior Corps program misapplied Corporation program funds. Investigation found evidence that the project director wrongfully paid volunteer

stipend payments after he had placed the volunteers on administrative leave, claiming that he was unable to find them volunteer assignments. In addition, the director falsified his and wife's time sheets, allowing them to receive payments to which they were not entitled. Loss to the Corporation is approximately \$250,000. This matter is being referred to the U.S. Department of Justice for civil recovery. The investigation is ongoing.

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

Corporation management reported that a VISTA member had fraudulently received VISTA*Care child care subsidies. Investigation disclosed evidence that a former VISTA member fraudulently enrolled in the VISTA*Care program while receiving State child care subsidies during the same period. Further investigation also disclosed that the former member had a position of employment while enrolled in the VISTA program a violation of VISTA policy. Loss to the Corporation is in excess of \$20,000. This matter was referred to the U.S. Department of Justice on August 8, 2006, for prosecution.

Child Care Fraud (06-045)

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received AmeriCorps*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps*Care program while receiving State child care subsidies during the same period. The U.S. Department of Justice declined prosecution. This matter was accepted for prosecution by the local States Attorney General's Office, for criminal prosecution.

Child Care Fraud (06-046)

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received AmeriCorps*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps*Care program while receiving State child care subsidies during the same period. The U.S. Department of Justice declined prosecution. This matter was accepted for prosecution by the local States Attorney General's Office, for criminal prosecution.

Child Care Fraud (06-047)

Proactive efforts by the OIG disclosed evidence that a former AmeriCorps member fraudulently received AmeriCorps*Care child care subsidies. Investigation disclosed evidence that the former member fraudulently received AmeriCorps*Care program while receiving State child care subsidies during the same period. The U.S. Department of Justice declined prosecution. This matter was accepted for prosecution by the local States Attorney General's Office, for criminal prosecution.

Theft of Program Funds (06-051)

Corporation management informed the OIG that a VISTA member alleged that she was required to reimburse her site supervisor part of her living allowance. Investigation disclosed evidence that the site supervisor fraudulently documented the member's enrollment when, in fact, the member was working directly for the subgrantee and/or enrolled in drug rehabilitation while being paid her VISTA living allowance. Loss to the Corporation is in excess of \$65,000. This matter was accepted by the Department of Justice on August 29, 2006, for prosecution.

Theft of Program Funds (06-014)

An allegation was reported to the OIG Hotline that a VISTA program executive director enrolled employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found that the executive director and program director conspired to supplement two full-time and one part-time employees' salaries with VISTA program funds. Corporation management has terminated the members' service. Loss to the Corporation is in excess of \$50,000. The U.S. Department of Justice accepted this investigation on April 20, 2006, and is pursuing civil prosecution.

Investigations Section

False Statements / Theft (05-048)

The OIG investigated an allegation that a former AmeriCorps member, who later served as the program director, failed to disclose on his application that he had a criminal conviction. The investigation found evidence that the individual was allowed to serve in a school tutoring program after he omitted his previous name and falsified his personal information forms by claiming that he had never been convicted of a criminal offense. The investigation disclosed that the individual was a habitual sex offender and had legally changed his name after being released from prison. This deception, if known, would have disqualified him from serving with children as a member or program director. This deception also allowed the individual to fraudulently receive more than \$106,000 in Federal program funds to which he was not entitled. The U.S. Department of Justice accepted this investigation for criminal prosecution. On April 4, 2006, the individual entered a guilty plea. Sentencing is pending.

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 VISTA member intentionally deceived program officials by claiming that he was volunteering at a local school when, in fact, he was employed at the school as a teacher. This allowed the VISTA member to receive more than \$20,000 in Federal program funds, including his VISTA stipend, to which he was not entitled. The U.S. Department of Justice accepted this investigation on July 19, 2005, for civil prosecution. On July 26, 2006, a civil agreement was reached with the individual, who agreed to repay \$8,500 of the \$20,395 he wrongfully received. The OIG forwarded a recommendation for debarment to the Corporation management.

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 for civil 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 the individual was subsequently terminated. This matter was referred to the U.S. Department of Justice on June 20, 2006, for a prosecutorial decision.

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

A Corporation employee reported an allegation that unknown persons were misusing a government-issued calling card. The investigation disclosed evidence that a former AmeriCorps member had obtained the calling card number during her term of service. After leaving the AmeriCorps program, the former member continued to utilize the calling card number to make personal telephone calls. Additionally, the member failed to safeguard the number, which was subsequently used by unauthorized personnel at various locations throughout the United States. The U.S. Department of Justice accepted this investigation for prosecution. On September 13, 2006, the individual accepted pretrial diversion, received 18 months of probation and agreed to make restitution in the amount of \$1,420.48. The OIG forwarded a recommendation for debarment to Corporation management.

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. There were no new developments during this reporting period.

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 on December 19, 2003, for criminal prosecution.

Theft of Program Funds (05-023)

A State commission employee reported that a former AmeriCorps grant recipient had informed her that, during a post-program audit, it was discovered that the grantee's former program director had embezzled AmeriCorps program funds. Loss to the Corporation is in excess of \$150,000. A joint investigation was conducted with the Federal Bureau of Investigation, which served as the lead investigative agency, and local law enforcement authorities. The U.S. Department of Justice accepted this investigation for prosecution. 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 civil 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' 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 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.

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) recommended to the Corporation that it promulgate regulations to implement the Program Fraud Civil Remedies Act (PFCRA). This Act, enacted in 1986, provides Federal agencies with an administrative means to recoup Federal funds of less than \$150,000 that were unlawfully obtained by persons through false claims or false statements. During this reporting period the Corporation published for public comment a draft regulation to implement the PFCRA. The comment period expired in April, and the Corporation is currently waiting for approval from the Office of Management and Budget to issue the PFCRA rule in its final form. The OIG will continue to monitor the progress toward implementation of the final rule.

E-Mail And Other Records Retention Policies

As noted in the two previous semiannual reports, 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 31 U.S.C. § 3101-02. Several investigations 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. § 1234.26, 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."

In April 2006, the Corporation solicited proposals from consultants with expertise in Federal records management for a contract to review the Corporation's current record systems, draft a model record retention policy for the Corporation, and to provide a report to the Corporation on possible commercial off-the-shelf solutions for the management and retention of electronic mail. In July, the Corporation indicated to OIG that it anticipated making a final award for a contract in August. In September, the Corporation indicated that proposals were still being evaluated, and that it would inform OIG when an award was made. The OIG will continue to monitor this issue.

Statistical and Summary Tables

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



I. Inspector General Act Reporting Requirements

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

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	23
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs, unsupported costs and the dollar value of recommendations that funds be put to better use	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	11	\$4,025	\$1,564
B. Reports issued during the reporting period	<u>16</u>	<u>1,103</u>	<u>305</u>
C. Total Reports (A + B)	27	5,128	1,869
D. Reports for which a management decision was made during the reporting period	5	1,375	453
I. Value of disallowed costs		474	82
II. Value of costs not disallowed	—	<u>901</u>	<u>371</u>
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>22</u>	<u>\$3,753</u>	<u>\$1,416</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	6	\$2,650	\$1,112

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	11	\$3,001
C. Reports for which a management decision was made during the reporting period	0	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	11	\$3,001
E. Reports for which no management decision was made within six months of issuance	0	\$0

IV. Summary of Audits With Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (09/30/06)
05-17	<i>Audit of Louisiana Commission</i>	\$426,611	01/07/06	<i>Proposed Management Decision (PMD) was under review by OIG.</i>
05-18	<i>Agreed-Upon Procedures-Wyoming</i>	216,868	03/02/06	<i>The PMD was under review by OIG.</i>
06-05	<i>Audit of Puerto Rico Commission</i>	155,067	08/13/06	<i>OIG was in discussion with Corporation Office of Grants Management (OGM) concerning PMD.</i>
06-25	<i>Audit of Illinois Commission</i>	1,672,068	08/22/06	<i>A PMD had not been provided to OIG.</i>
06-24	<i>Audit of Kansas City FGP</i>	14,004	09/20/06	<i>A PMD had not been provided to OIG.</i>
06-16	<i>Audit of City Year National Direct</i>	165,229	09/24/06	<i>OIG was in discussion with OGM concerning PMD.</i>
	Total	<u>\$2,649,847</u>		

V. Reports Described in Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due
05-17	<i>Audit of Louisiana Serve Commission¹</i>	07/07/05	07/07/06
05-18	<i>Agreed-Upon Procedures of the Wyoming Commission for National and Community Service</i>	09/02/05	09/02/06

¹The Corporation extended the resolution period due to disruptions caused by the 2005 hurricanes.

Fiscal Year 2006 Performance Information

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



Strategic Goals

The Office of Inspector General operates independently from the Corporation and seeks to achieve a separate, but related, set of strategic goals. The OIG's strategic goals are designed to promote economy, efficiency, and effectiveness, and to prevent and detect fraud, waste and abuse, and mismanagement in Corporation programs and operations. The general purpose of these goals is to improve the Corporation's ability to meet its responsibilities and achieve its mission.

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

Goal Two: Communicate effectively with the Corporation Board of Directors, senior management and staff, grantees and sub-grantees, the public, Congress, and other parties as appropriate.

Goal Three: Strengthen the OIG's ability and readiness to have maximum impact on the most significant issues facing the Corporation and its programs.

Performance Information

Quantitative Audit Performance Measures					
	<u>FISCAL YEAR</u>				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Number of reports issued	28	19	23	21	40
Number of reports issued linked to improving Corporation management (<i>OIG Goal One</i>)	6	5	6	3	12
Number of recommendations linked to improving Corporation management (<i>OIG Goal One</i>)	33	56	45	40	139
Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>)	28	19	22	18	30
Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>)	181	140	139	142	179
Total number of audit recommendations	181	140	139	169	316
Percent of recommendations accepted by the Corporation	93%	93%	99%	99%	100%

Performance Information

Investigations Performance Information					
Fiscal Year	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Investigative actions opened	40	42	42	57	58
Investigative actions resolved and closed	40	30	38	53	60
Average monthly caseload	24	26	28	37	38
Investigative matters resolved without opening a separate investigative action	37	42	59	45	40
Referrals for prosecution	10	9	8	20	12
Investigative recoveries	\$1,206,057	\$123,988	\$36,952	\$234,691	\$268,839
Cost avoidance ¹	\$0	\$158,038	\$5,106	\$2,363	\$74,586
Administrative or management actions taken	25	23	8	24	20

¹ Cost avoidance was not calculated until FY 2003. Cost avoidance includes those predictable costs that were not incurred due to OIG investigative intervention.

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