

Office of Inspector General

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

*Semiannual Report To Congress*

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## **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). Independent of the agency we oversee, and led by a presidential appointee, the OIG conducts audits and investigations of Corporation programs, including AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, and Senior Corps. The OIG also examines Corporation operations, and State community service programs that receive and distribute the majority of Corporation grant funds. Based on the results of our work, and in addition to its audit reports and criminal and civil referrals based on our investigations, the OIG recommends to the Corporation policies to promote economy and efficiency.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the final six months of Fiscal Year (FY) 2011. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

## **A Message From Acting Inspector General Kenneth Bach**

October 31, 2011

I am pleased to share with you this Semiannual Report to Congress, which details the achievements of the Office of Inspector General (OIG) for the second half of Fiscal Year 2011.

The OIG continued to concentrate on initiatives designed to have a global, positive impact on the efficiency and performance of the Corporation for National and Community Service (Corporation) and its' grantees. Our Audit Section issued 14 reports, including 10 grantee audits that identified more than \$604,000 in questioned costs and more than \$275,000 of funds that could be put to better use. Our Investigative Section opened 23 cases, closed 24 actions, recovered more than \$292,700 and identified more than \$2.5 million in potential recoveries of misused federal funds.



In the current economic climate, the Corporation and its' grantees are simultaneously experiencing diminished resources and increasing public demand for volunteer opportunities and social services. The level of our oversight has not diminished during this period; on the contrary, the number of open investigations has experienced a slight increase. We continue to audit and investigate allegations of improprieties by grantees who have misused the Corporation grant funds entrusted to their care.

For example, our ongoing audits and investigations continue to identify problems with member eligibility. The issues range from instances of missing documentation to substantiate if a criminal background check was conducted and missing documentation to verify the citizenship or legal residency status of members. Our auditors question all grant costs and education awards involving ineligible volunteers. But our larger concern is protecting vulnerable program clients and seeing that the Corporation's volunteer slots are filled by eligible individuals.

We continue to identify issues with member timesheets, including missing documentation, inaccurate or incomplete information and inflated service hours, which allow program participants to obtain education awards and other benefits to which they may not be entitled. Still other grantees are alleged to have violated Corporation and Federal regulations by using volunteers to supplant grantee employees.

I am also concerned that the economic downturn may cause Corporation grantees to experience problems in meeting their required match funds from non-government sources or to close down. This raises issues about the status of unspent grant funds, which may prove hard to recover if the grantee has declared bankruptcy or ceases to exist. I encourage the Corporation to remain highly aware of grantee economic stress.

The Senator Edward M. Kennedy Serve America Act of 2009 had a significant impact on the Corporation, including provisions that expanded the list of prohibited activities for service participants. Following several reported instances of members engaging in prohibited activity, the Corporation quickly responded by developing a proactive "Action Plan." Under this plan, the Corporation has begun quarterly screening of members to identify those who may be performing prohibited activities. If violations are identified, corrective actions are implemented as needed for members and grantees. The agency is also working with its' grantee community to raise awareness of this issue. I fully support the Corporation's concerted effort in this area. We will be reviewing the "Action Plan" and

## *Inspector General's Message*

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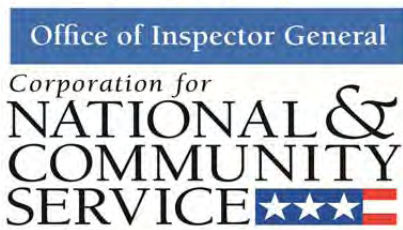
Corporation's progress, provide recommendations as necessary, and report our results in a subsequent Semiannual Report to Congress.

We continue to work with Corporation management to raise awareness of these issues and provide both audit and investigative recommendations as appropriate. Tough times call for tough enforcement, along with more targeted and effective use of our limited resources. But I am proud to report that my staff and I have proven equal to-and focused on-the challenge of protecting the nation's investment in National Service.

A handwritten signature in black ink, consisting of a stylized 'M' with a long, sweeping underline that extends to the left.

## 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.*



## Audit Results

During this reporting period, the OIG Audit Section issued 14 reports, as listed on page 22. Our efforts also included the following reviews designed to improve overall Corporation operations:

- Initiating an audit of National Service Trust Payments to financial and educational institutions;
- Completing a VISTA grant audit of American Recovery and Reinvestment Act of 2009 (ARRA) funding that included recommendations to improve internal Corporation award activities; and
- Initiating an evaluation of the Corporation's oversight and resolution of OMB A-133 Reports.

The 10 grantee agreed-upon procedures/audits issued during this period, which included Corporation's National Direct grantees, State commissions, and a VISTA grantee, questioned more than \$604,000 in claimed costs and recommended that approximately \$275,000 in funds that can be put to better use. There were 12 audits in process at the end of this reporting period.

The Audit Section implemented AutoAudit 5.6, an electronic auditing software application that will strengthen our documentation capabilities and enhance productivity. All audit and evaluation engagements conducted by OIG auditors are performed, documented, and retained in AutoAudit. Engagement files are now located in one central location that allows auditors to locate and review completed engagements in a more efficient and organized manner. AutoAudit's new functionalities, including electronic routing of workpapers and review comments, hyperlinking audit evidence and workpapers, and electronic approvals, will enhance our efforts to better effectively track audit progress and report findings.

## Significant Audit Activity

### **Audit of Corporation for National and Community Service Grants Awarded to the New York City Office of the Mayor**

The OIG conducted an audit of VISTA and AmeriCorps grants awarded to the New York City Office of the Mayor (NYC Mayor's Office). The audit, which primarily focused on the VISTA award funded under ARRA, questioned about \$100,000 in education awards and living allowance payments. The auditors also identified several areas of concern in the administration of VISTA resources.

The auditors expressed concerns relating to the appearance of undue influence exerted by Corporation senior management and a former member of the Corporation Board of Directors in the review and award process of the VISTA resources to the NYC Mayor's Office.

Upon reviewing the OIG's preliminary draft report, the Corporation proactively and swiftly implemented a pivotal OIG recommendation that Board of Directors bylaws be amended to preclude Board members from influencing operational decisions for grants that are currently under review by Corporation staff. The amended bylaws also include a ban on ex parte communications.

The auditors further found that some VISTA members were underutilized and poorly managed by some of the host site organizations. The audit identified instances in which host site organizations were in violation of VISTA regulations, including engaging VISTA members in direct service, supervisors who had not attended mandatory orientation, and VISTA members engaging in activities that were not compatible with the program's anti-poverty objectives.

We also provided several recommendations that would enhance transparency and the integrity of the Corporation's VISTA and grants review and award process, and called for the creation of a proactive means by which VISTA members can communicate their concerns or report their assignment by sponsors to alleged prohibited services.

### **OIG Evaluation of the 2010 Social Innovation Fund (SIF) Grant Application Review Process (GARP)**

We conducted an evaluation of the Corporation's inaugural SIF grant award process in response to requests from Congress and the Corporation.

The SIF was created in 2009 under the Edward M. Kennedy Serve America Act. The fund, with an initial appropriation of \$50 million, was designed to provide a combination of Federal grants and private capital to address three primary challenges facing the country: Economic opportunity, healthy futures, and youth development and school support. SIF grantees must generate cash matching funds amounting to \$3 for every \$1 in Federal grant money. Eleven grantees were selected for funding in the 2010 competition.

We generally found that the SIF policies and procedures were applied by the Corporation in a fair and objective manner during the GARP process. The Corporation deviated slightly from its existing grant application and review procedures, but we determined these deviations occurred because the SIF program was new and, in management's judgment, warranted slightly different procedures from those used in selecting grantees for more established service programs.

For example, the Corporation engaged a number of experienced external peer reviewers with extensive SIF backgrounds to evaluate the merits of each grant application. This process required each reviewer to fully disclose any conflicts of interest that might have impacted their decision to recommend a particular applicant for a SIF award. However, we found that the Corporation did not have a formal policy to guide staff in evaluating and resolving such conflicts, and we made a recommendation accordingly.

In evaluating each phase of the award process, we determined that final funding decisions were not fully documented, and the Corporation did not have a formal policy setting forth the type or extent of that documentation. We recommended the Corporation develop such a policy to ensure that its award decisions are completely supported through each step of the process. The Corporation generally concurred with our recommendations and, just prior to the end of our review, it issued a policy statement to increase transparency in the GARP process. This statement outlined the roles and responsibilities of reviewers, and established a list of publicly available documents for future grant competitions.

### **Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Guam! Commission**

The OIG's review of the Serve Guam! Commission (Commission) completed a series of three Pacific Rim grantee reviews (also including the American Samoa Special Services Commission and the Commonwealth of Mariana Islands Public School System) that were designed to test the grantees' internal accounting controls and compliance with Federal laws and AmeriCorps requirements. The Guam review focused on recent Corporation grants to the Commission and three of its subgrantees, totaling approximately \$8.6 million. We identified \$71,847 in questioned Federal costs out of \$3.7 million in total costs claimed during the review period. We also questioned more than \$40,000 in education awards.

We concluded that the Commission had mismanaged its AmeriCorps grants. Specifically, the Commission and its subgrantees charged costs that were not recorded in the respective accounting systems and were not allocable to the AmeriCorps program, misidentified consultant fees as living allowance costs, and had member timesheets with numerous discrepancies which were not properly recorded in the Corporation's member recordkeeping system. In addition, we found that one subgrantee did not follow AmeriCorps and Internal Revenue Service (IRS) requirements for withholding and remitting Social Security and Medicare taxes for member living allowance payments. This situation was due to the Commission's misinterpretation of rulings obtained from the Guam Department of Revenue and Taxation and the IRS. As a result, the Commission may be liable for approximately \$110,000 in unpaid taxes.

An additional finding involved at least one AmeriCorps member at a subgrantee site who was assigned to perform personal duties for a Guam official at Government functions. This misuse of a member is a violation of AmeriCorps regulations.

We recommended that the Corporation consider designating the Serve Guam! Commission a high-risk grantee, and possibly place a hold on future grant drawdowns. Our findings and recommendations are under review by the Corporation through the audit resolution process.

### **Agreed-Upon Procedures of Grants Awarded to Colorado Governor's Commission on Community Service (GCCS)**

We questioned claimed Federal-share costs of \$260,021, education awards of \$73,660, accrued interest awards of \$1,694, and administrative fees of \$2,017. GCCS and one subgrantee did not have controls to ensure that claimed Federal and match costs were adequately supported, compliant with applicable regulations, and properly calculated.

GCCS and three subgrantees claimed unallowable and unsupported costs and its financial management systems did not account for costs in accordance with Federal and state requirements. Two subgrantees did not comply with AmeriCorps requirements for member criminal background checks and National Sex Offender Public Registry (NSOPR) searches. Three GCCS subgrantees also did not accurately record all member service hours on timesheets, did not have procedures to verify member activities and timesheet accuracy, and data on their member timesheets did not always support eligibility for education awards.

## **Audit Outreach Activity**

The Audit Section continued its wide-ranging efforts to keep the grantee community informed on OIG audit activities and systemic concerns impacting our mission of preventing and detecting fraud, waste and abuse in Corporation programs. In May 2011, we participated in a four-city tour of Ohio Senior Corps Project Sponsor meetings led by the Corporation's Ohio State Office. This series of meetings, conducted in Dayton, Mansfield, Athens, and Akron, was designed to impart information and elicit feedback from senior executives of organizations that sponsor and promote volunteer activities in each of the three Senior Corps project areas: the Foster Grandparent Program, Senior Companions, and the Retired & Senior Volunteer Program. The OIG apprised the groups of common findings and ongoing issues identified in recent Senior Corps grant audits. Our presentation included a discussion of "red flags" that typically trigger audits and investigations, as well as new compliance requirements for properly conducting criminal background checks on program participants.

In September, we accepted an invitation from the AmeriCorps Program Office to participate in its annual State and National Grantee Meeting in Bethesda, MD. An audit manager presented the timely topic, "Trends and Areas of Concern", to approximately 350 grantees from across the country. We emphasized the most prevalent recent audit findings, and the emerging concerns that auditors and investigators will focus on in future reviews. Attendees proved eager to learn about fraud-related topics such as member service timekeeping discrepancies, missing performance evaluations, and heightened scrutiny of prohibited member activities.

## **Draft Management Decisions With Which The OIG Disagreed**

The OIG did not entirely concur with the Corporation's Draft Management Decisions for the following reports:

- Report No. 10-17, Agreed-Upon Procedures of Corporation Funds Awarded to Greater Pittsburgh Literacy Council;
- Report No. 11-05, Audit of Corporation for National and Community Service Grants Awarded to U.S. Committee for Refugees and Immigrants (USCRI); and



## *Audit Section*

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- Report No. 11-08, Agreed-Upon Procedures of Corporation Funds Awarded to Prevent Child Abuse California and Child Abuse Prevention Council

Regarding Report No. 11-05 cited above, we questioned claimed Federal-share costs of \$35,043 in education awards and accrued interest payments related to members' service under the terms of the grant, but funded outside of the grant by the Corporation's National Service Trust, of \$201,432 and \$8,054, respectively. The Corporation concurred with \$35,043 of questioned claimed Federal-share costs, \$97,985 of questioned education awards, and \$1,605 of questioned accrued interest. The Corporation's stated that, for member hour shortages less than 2.5 percent, USCRI will be required to reimburse the Trust for education award amounts accessed by the members which exceed the pro-rated amount of service actually performed by the members. In these 10 instances, all members served in a full-time capacity. This means that members who served at least 1,657.5 of a full term of service of 1,700 hours were allowed partial education awards at a pro-rated amount.

The OIG disagrees with the Corporation's decision to allow partial education awards for members who did not meet the required minimum service hours to receive an education award. We believe that USCRI excessively certified education awards for members who did not perform the required minimum service hours. Additionally, USCRI was not using timesheets properly, and allowed members to input their own service hours into the Corporation's former Web Based Reporting System. Therefore, we believe that the 10 members' education awards should be disallowed in their entirety and not allowed at a pro-rated amount.

## 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. It carries out these responsibilities by investigating allegations of criminal activity 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, where the facts uncovered so warrant. Some investigative reports are referred to Corporation management for its administrative action.*



## Investigative Results

During this reporting period, the OIG Investigations Section opened 23 new cases and closed 24, including 17 actions with significant findings. Our efforts resulted in the recovery of more than \$292,700 in taxpayer funds and the potential recovery of more than \$2.5 million from persons and programs found to have engaged in fraud, waste, or abuse of Corporation resources.

Our investigations also resulted in the successful prosecutions of five targets who misused Federal grant funds for personal gain. All five plead guilty when confronted with the evidence developed by our Special Agents.

One individual was sentenced to one year of confinement, followed by three years of probation, and ordered to pay restitution of more than \$85,000. Another individual was sentenced to six weekends in jail, home confinement for nine months, five years of probation and was ordered to pay restitution of more than \$62,000.

Consisting of an Acting Assistant Inspector General for Investigations, seven Special Agents with full Federal Law Enforcement Authority and an investigative assistant, the Investigations Section met the challenge of pursuing wrongdoers in Corporation operations that include thousands of grantees and sub-grantees in all 50 states and U.S. territories. We were assisted in our work by 29 calls, letters and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

## Significant Cases And Activity

### Corporation Internal Investigations

#### *Employee Travel Card Use*

During this reporting period, we conducted a proactive review of Corporation employees' use of the Government travel card. We reviewed the transactions of all employees who were more than 60 days delinquent on their travel card accounts. As a result, we initiated separate investigations into three Corporation employees who were found to have also misused their travel cards by using them for personal expenses while not on official travel. Two of the employees resigned and the third was suspended without pay for 45 days. We also made recommendations to the Corporation that it review the transactions of all employees' accounts delinquent more than 60 days and determine if their travel cards were used to make unauthorized purchases. We further recommended the Corporation take steps to ensure employees who agree to a repayment plan on their past-due travel card debts are actually making the payments. Another recommendation, which has already been implemented by the Corporation, was to designate a Corporation employee responsible for conducting the reviews of employees' travel card transactions.

#### *IT Pornography Review*

We conducted a proactive review of the Corporation's internal controls to prevent employees from accessing child pornography websites. We also sought to determine if any Corporation employees had accessed such websites via the Corporation's information technology resources. We coordinated with several law enforcement experts. They provided search information unique to child pornography which we then provided to the Corporation's Office of Information Technology (OIT) for use in updating its internet use monitoring systems. We did not uncover any instances of Corporation employees accessing child pornography sites. But we did identify a systemic weakness in the reporting by the OIT to the Corporation's Office of Human Capital (OHC) of incidents of employees accessing adult pornography websites with Corporation computers. Based on our recommendation, the Corporation enhanced its reporting procedures between OIT and OHC to ensure appropriate action is taken on employees who access prohibited adult pornography, as well as internet gambling

# *Investigations Section*

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sites. We also recommended that OIT update its website blocking capabilities and bar all known pornographic and gambling sites. We believe that blocking these sites would be a proactive step in protecting the Corporation from risks, including compromise of its technology systems, legal issues, possible financial loss, and damage to the agency's reputation.

## ***Portal Breach Review***

Also during this period, we completed our review of the Corporation's development and implementation of the My AmeriCorps Portal (Portal), which is used by persons seeking to join the program and by grantees to input data on their members. The review was initiated after we were alerted by an individual that he had gained access to the Portal, and potentially sensitive information, via a simple Google search. An extensive review disclosed that, between March 25, 2008, and August 2, 2010, the Portal had five distinct vulnerabilities that could have allowed users to exceed their privilege levels and potentially view data that they were not authorized to access or view. Our review was unable to determine if the contractor which developed the Portal, or other vendors, provided a substandard product. We were also unable to determine whether the flaws were the result of the Corporation's lack of personnel, expertise, or software to determine if the Portal's systems had been incorrectly developed and coded. As a result of this review, we recommended that the Corporation:

- Review the Security Assessment Report and Code Review Report provided by its contractor and ensure the identified Portal vulnerabilities have been corrected;
- See to it that, on future similar projects, software is tested for code errors and vulnerabilities before a system is deployed. If the Corporation lacks the needed expertise, it should use a qualified contractor; and
- Ensure proper computer program patch management procedures are in place and adhered to.

## **Significant Cases**

### ***Grant Billing Abuse***

We identified an AmeriCorps program in California that was operating five grants. During the grant years between 2004 and 2007, the program officials assigned several AmeriCorps members to one AmeriCorps program while billing another grant for their service, resulting in a loss of more than \$258,000 in Federal program funds. We also determined that program officials awarded pro-rated education awards to 18 ineligible former AmeriCorps members who had cited unallowable compelling personal circumstances for their early departures from service. This resulted in a loss to the Government of more than \$65,000. As a result of our investigation, California Volunteers recovered more than \$258,000 from the grantee. The Corporation also issued a demand for payment letter to the grantee for more than \$38,000 and placed more than \$18,000 into a potential debt category to cover the education awards.

### ***FGP Embezzlement***

We found that the program coordinator of a Foster Grandparent Program (FGP) in Georgia embezzled more than \$85,000 in Federal program funds from June 2005 through August 2008. As a result of our investigation, the individual plead guilty and was sentenced to one year in prison, followed by three years of probation, and was ordered to pay full restitution. The individual was also debarred from participation in all Federal government contracts and grants for three years.

### ***Idaho FGP Embezzlers***

Our Special Agents found that two officials of a FGP in Idaho collectively embezzled over \$69,000 in Federal program funds by issuing themselves additional payroll checks and bonuses and using the program's credit card to make personal purchases. The two individuals plead guilty. One was

sentenced to six weekends in prison, home detention for nine months followed by five years of probation, and was ordered to pay restitution of more than \$62,000. The second individual was sentenced to home detention for 90 days, followed by five years of probation, and ordered to pay restitution of more than \$13,000. This matter has been referred to the Corporation's Suspension and Debarment Official to consider debarring the two individuals.

### ***Credit Card Embezzler***

A former manager of a Senior Companion Program in Kansas was found to have embezzled more than \$28,000 of Federal program funds by using the program's debit card to withdraw cash for her personal use. The individual plead guilty and was sentenced to home detention for six months, followed by three years on probation and was ordered to pay restitution of more than \$28,000. This matter has been referred to the Corporation's Suspension and Debarment Official to consider debarring the individual.

### **Investigative Recommendations Pending from Previous Reporting Periods**

#### ***Missing Funds Case***

We found an executive director of an AmeriCorps program, which was awarded more than \$2 million in Federal program funds through both State and National grants during the period September 2005 and October 2008, could not account for more than \$950,000 of those funds. This matter was referred to the Department of Justice (DOJ) on January 22, 2010. The Criminal Division declined prosecution due to the insufficiency of evidence and the availability of civil or administrative alternatives. The DOJ Civil Division declined to take action based on the fact the neither the executive director nor the organization had assets sufficient to satisfy a judgment at any level. On January 4, 2011, we referred this matter to the Corporation for administrative action and are awaiting its action.

#### ***Criminal Background, Sex Offender Checks***

In another action, we found that program officials at an AmeriCorps program in Georgia failed to provide proper eligibility forms and National Sex Offender Public Website or State criminal registry checks prior to enrolling and deploying their AmeriCorps members. The questioned costs for education awards given to these ineligible members totaled more than \$59,000. On January 24, 2011, we referred this matter to the Corporation and are awaiting its action.

## **Management Decision With Which the OIG Disagreed**

### ***False Financial Reporting by Grantee***

Our investigation found that executive director of an AmeriCorps program in Rhode Island submitted false monthly financial reports to the Serve Rhode Island commission in order to receive illicit reimbursement of program expenses for member health insurance. AmeriCorps programs are required by Corporation rules to provide members with health insurance coverage. The Rhode Island program agreed to pay the monthly insurance premiums for such coverage from its federally required local matching share of funds. The commission reported, and the OIG confirmed, that the AmeriCorps program's monthly financial reports to the commission falsely claimed it had paid more than \$17,500 from its local matching share of funds for the member health insurance premiums.

The now-former executive director admitted that the premiums were never paid from June 2009 to April 2010, and that the entries she certified in the monthly financial reports to the commission were false. She also admitted that the program had been unable to raise any of the required \$46,588 in local matching funds it had indicated in the program's grant application. As a result of this false

# Investigations Section

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reporting, the program drew down more than \$135,000 in Recovery Act grant funds to which it was not entitled.

We referred this matter to the U.S. Department of Justice, which declined to prosecute based on the low-dollar amount and the fact the Corporation had administrative remedies at its disposal.

The OIG referred this matter to the Corporation as actionable under the Corporation's Program Fraud Civil Remedies Act regulation, as well as its debarment and suspension regulation. After having received no notification of action taken for nearly a year, the OIG resubmitted the referral to the Corporation on May 26, 2011, this time suggesting that the Corporation act to hold the program accountable pursuant to its Anti-Fraud Policy.

The Corporation responded and informed the OIG that the Corporation would take no action against the program because: 1) the monthly financial report submitted by the program to the State commission "does not implement a general Federal or Corporation specific requirement" and was therefore not "material" to whether Federal matching funds should be paid; 2) the local match requirement is evaluated by the Corporation only "at the end of the grantee's performance" and the Corporation "would not have relied upon" the monthly financial reports in considering whether the program should be paid matching funds; and 3) according to the Corporation, the State commission informed the Corporation it would not have denied the drawdown of Federal funds based on the false monthly financial report because "the amount requested . . . was supported by appropriate actual expenditures," and, that while the reported payment of insurance premiums was "high," the reported payment of staff salaries which "was correspondingly low."

The OIG disagrees with the Corporation's decision to take no action against the program or the former executive director and finds its' reasoning for justifying this decision is inconsistent with both law and fact. We believe that the Corporation's failure to take action sends the wrong message to its' grant programs as to how seriously it takes its' responsibility for ensuring the proper use of Federal funds.

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	34
New Cases Opened	23
Cases Closed this Period With Significant Findings	17
Cases Closed this Period With No Significant Findings	7
Total Cases Closed	24
Cases Open at End of Reporting Period	33
<b>Referred</b>	
Cases Referred for Prosecution	3
Cases Accepted for Prosecution	0
Cases Declined for Prosecution	4*
Cases Pending Prosecutorial Review	2*
Cases Pending Adjudication	4
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	14
Investigative Recommendations Pending this Reporting Period	10
Investigative Recommendations Pending from Previous Reporting Periods	2
* 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 OIG reviews legislation and regulations to determine its impact on the cost and efficiency of the Corporation's administration of its programs and operations. It also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud, waste and abuse. The OIG draws on its experience in audits and investigations as the basis for its recommendations.*



## **Criminal Background Checks**

On July 6, 2011, the Corporation published in the Federal Register for public comment proposed revisions to its' current criminal background check rules for Corporation grantees. The proposed changes make several amendments to the original rule issued in 2009 at 45 C.F.R § 2540, and are intended to implement sections of the Serve America Act of 2009 (SAA), which went into effect on April 21, 2011. Those sections require that individuals over the age of 18 who will have "recurring access to vulnerable populations" undergo not only the current name-based statewide criminal history check and check of the sex offender registry, but a FBI fingerprint-based check as well. "Vulnerable populations" are defined by the SAA as individuals 60 years or older, children 17 years of age or younger, and those with disabilities. "Recurring access" is defined by the rules as an "ability on more than one occasion to approach, observe, or communicate with an individual, through physical proximity or other means."

The OIG reviewed the proposed rule prior to its publication in the Federal Register and provided the Corporation with several comments and suggestions for revisions in the draft preamble and regulation based on our reading of the SAA. We took issue with guidance in the proposed preamble and draft regulation which addressed what documentation a grantee must maintain to demonstrate that a check had been performed. Specifically, we cited preamble language which stated that "it is not necessary to retain the actual documents produced as a result of conducting the statewide or FBI criminal registry search," and "it is sufficient to retain a summary of the results . . ." There is no such limitation or directive in the SAA, and so we submitted that, absent an overriding state law, there did not appear to be any reason why grantees ought not to maintain the actual records of the FBI or state criminal registry checks as proof of the validity of the checks, and suggested that the guidance be removed from the preamble.

The Corporation also gave guidance in the draft preamble that, when access to vulnerable populations by Corporation-funded individuals rises from merely "episodic," which the rule exempts from an FBI check, to "unexpectedly regular and frequent," then the program "may want to take additional precautionary measures." We suggested that if access changed from "episodic" to "regular and frequent," the Corporation direct that checks must be performed.

The Corporation declined to act on our suggested comments, and published the proposed rule in the state we had reviewed it. Publication of the rule as final is anticipated in the next several months.



# 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	15
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	25
5 (a)(4)	Matters referred to prosecutorial authorities	14
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	23
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	24
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	25
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	7 & 13

# Tables

## II. Audit List

April 1, 2011-September 30, 2011				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
			(Dollars in thousands)	
11-08	<i>Agreed-Upon Procedures for Corporation Grants Awarded to the Child Abuse Prevention Council of Sacramento, Inc. &amp; Prevent Child Abuse California</i>	\$13	\$5	\$24
11-09	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Connecticut Commission on Community Service</i>	\$21	\$20	\$0
11-10	<i>Audit of Financial Management Systems of American Recovery and Reinvestment Act Grantees</i>	\$9	\$0	\$0
11-11	<i>Audit of Corporation for National and Community Service Grants Awarded to the New York City Office of the Mayor (NYC Mayor's Office)</i>	\$67	\$0	\$33
11-12	<i>Audit of National Civilian Community Corps (NCCC) Leases</i>	\$0	\$0	\$0
11-13	<i>Audit of the Volunteers in Service to America (VISTA) Budget Formulation and Execution Processes</i>	\$0	\$0	\$0
11-14	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Virginia Office on Volunteerism and Community Service</i>	\$53	\$15	\$70
11-15	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Commonwealth of Northern Mariana Islands Public School System</i>	\$68	\$37	\$14
11-16	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Guam! Commission</i>	\$72	\$37	\$40
11-17	<i>OIG Evaluation of the 2010 Social Innovation Fund Grant Application Review Process</i>	\$0	\$0	\$0
11-18	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Alabama Governor's Office of Faith-Based and Community Initiatives</i>	\$3	\$0	\$5
11-19	<i>Evaluation of Corporation Grants Awarded to George B. Thomas Sr. Learning Academy (GBTLA)</i>	\$0	\$0	\$0
11-20	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Colorado Governor's Commission on Community Service</i>	\$262	\$107	\$75
11-21	<i>Audit of Corporation for National and Community Service Grants Awarded to the Town of West Seneca &amp; Western New York AmeriCorps</i>	\$36	\$0	\$13
TOTAL		\$604	\$221	\$275 *

\*Total is rounded up by \$1.

**III. Reports With Questioned Costs**

<b>Federal Costs</b>			
<b>Report Category</b>	<b>Number</b>	<b>Questioned</b>	<b>Unsupported</b>
		(Dollars in thousands)	
A. Reports for which no management decision had been made by the commencement of the reporting period	4	\$581	\$45
B. Reports issued during the reporting period	<u>10</u>	<u>\$604</u>	<u>\$221</u>
C. Total Reports (A + B)	14	\$1,185	\$266
D. Reports for which a management decision was made during the reporting period	3	\$273	\$5
I. Value of disallowed costs		\$161	\$0
II. Value of costs not disallowed		<u>\$112</u>	<u>\$5</u>
E. Reports for which no management decision had been made at the end of the reporting period (C minus D)	<u>11</u>	<u>\$912</u>	<u>\$261</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	1	\$10	\$0

**IV. 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	4	\$439
B.	Reports issued during the reporting period	8	\$275
C.	Total Reports (A+B)	12	\$714
D.	Reports for which a management decision was made during the reporting period	3	\$367
	i. Value of recommendations agreed to by management		\$164
	ii. Value of recommendations not agreed to by management		\$203
E.	Reports for which no management decision had been made by the end of the reporting period	9	\$347
F.	Reports with recommendations that funds be put to better use for which no management decision or proposed management decision was made within six months of issuance	1	\$18

**V. Summary Of Audits With Overdue Management Decisions**

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (09/30/11)
		<i>(Dollars in thousands)</i>		
11-07	Agreed-Upon Procedures for Corporation Grants Awarded to Serve Alaska	\$10,430	9/13/2011	The OIG had not received the management decision.
	<b>Total</b>	<u>\$10,430</u>		

**VI. Reports Described In Prior Semiannual Reports Without Final Action**

Report Number	Title	Date Issued	Final Action Due
None			

## VII. Peer Reviews

During this reporting period, the OIG Investigations Section conducted a peer review of the Investigations Section of the Office of Inspector General, United States Agency for International Development (OIG-USAID). Our review was conducted in conformity with the Council of Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Investigations, the CIGIE Quality Assessment Review guidelines, and the Attorney General's Guidelines for Offices of Inspectors General with Statutory Law Enforcement Authority, as applicable.

In our opinion, the system of internal safeguards and management procedures for the investigative function of the OIG-USAID, in effect during our April 2011 review, is in compliance with the quality standards established by CIGIE and the Attorney General guidelines. These safeguards and procedures provide reasonable assurance of conforming with professional standards in the conduct of its investigations.

Our Investigations Section's most recent Peer Review Report was issued on August 18, 2009, by the Railroad Retirement Board OIG (RRB-OIG). It stated: "The system of internal safeguards and management procedures for the investigative function of the CNCS OIG in effect for the year ended May 2009, is in full compliance with the quality standards of the PCIE and the Attorney General Guidelines. The safeguards and procedures provide reasonable assurance that the CNCS OIG is conforming to professional standards in the conduct of its investigations." The section's next peer review is scheduled for the first quarter of FY 2012 and is to be conducted by the Department of Commerce OIG.

The Audit Section's most recent Peer Review Report was issued on March 19, 2010, by the Nuclear Regulatory Commission OIG. It stated: "In our opinion, the system for quality control for the audit organization of CNCS OIG in effect for the year ended September 30, 2009, has been suitably designed and complied with to provide CNCS OIG with reasonable assurance of performing and reporting and conforming to professional standards in all material aspects. Federal audit organizations can receive a rating of pass; pass with deficiencies, or fail. CNCS OIG has received a peer review rating of pass." The Section's next peer review will be conducted in FY 2013 by the Smithsonian Institution OIG.

## VIII. Plain Writing Act

During this reporting period, the OIG completed implementation of the Plain Writing Act of 2010, which was signed into law by President Obama on October 13, 2010. The Director of Communications, who is coordinating our efforts, including annual training for all OIG employees, has been designated as our representative to the Plain Language Action and Information Network working group. In addition, we created a Plain Writing page on our website ([www.cncsoig.gov](http://www.cncsoig.gov)) that includes links to training materials. All OIG documents and reports, including information available on our website, are reviewed for clarity, conciseness, organization, and overall readability.

# Fiscal Year 2011 Performance Information

*The section summarizes the Office of Inspector General's accomplishments and performance measures in support of OIG strategic goals and provides a comparison to previous reporting periods.*





Quantitative Audit Performance Information						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of reports issued	40	20	23	19	19	21
Number of reports issued linked to improving Corporation management ( <i>OIG Goal One</i> )	12	7	7	7	5	8
Number of recommendations linked to improving Corporation management ( <i>OIG Goal One</i> )	139	24	22	51	13	26
Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal One</i> )	30	16	16	12	15	13
Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal One</i> )	179	164	194	126	199	187
Total number of audit recommendations	316	182	216	176	212	213
Percent of recommendations accepted by the Corporation	100%	92%	93%	86%	96%	83%

**Strategic Goals**

The Office of Inspector General's strategic goals, adopted for FYs 2010-2015, are designed to promote economy, efficiency and effectiveness, and to prevent and detect fraud, waste and abuse in Corporation programs and operations. The general purpose of these goals is to improve the Corporation's ability to meet its responsibilities and performance goals. To achieve its strategic goals, the OIG must possess the strategic vision, leadership, and resources required for effective and proactive oversight.

**Goal One:** Reduce program vulnerabilities, strengthen program integrity and Corporation efforts to efficiently manage its programs and implement effective internal controls. We will do this by providing timely and independent information to the agency's Board of Directors, Chief Executive Officer, senior management, and Congress regarding Corporation programs and operations.

**Goal Two:** Look ahead, anticipate change, stay flexible, and be prepared to meet new challenges.

**Goal Three:** Make public the results of our reviews, to the extent allowable by law and privacy considerations, through a robust OIG website and social media tools; and look for ways to operate in an environmentally conscious or "green" manner.

## Performance Information

<b>Investigations Performance Information</b>					
<b>Fiscal Year</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>
Investigative actions opened	62	41	40	39	42
Investigative actions resolved and closed	55	51	43	46	35
Average monthly caseload	44	38	32	32	34
Investigative matters resolved without opening a separate investigative action	54	68	40	45	39
Referrals for prosecution	16	8	3	9	8
Investigative recoveries <sup>2</sup>	\$838,569	\$947,540	\$1,317,227	\$634,803	\$447,854
Cost avoidance <sup>3</sup>	\$418,900	\$81,731	\$300,000	\$1,218,178	\$1,666,294
Administrative or management action taken	35	29	16	20	14

<sup>2</sup> Includes money received by the Corporation or other government agencies as a result of OIG investigations, including joint investigations with another OIG, Federal, or State investigative element.

<sup>3</sup> When OIG investigative action identifies a systemic practice that has subsequently been stopped or modified due to some type of OIG investigative interdiction, any clear and unmistakable savings to the Corporation are reported as cost avoidance.

**CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE**

**OFFICE OF INSPECTOR GENERAL**

**Hotline**



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