

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

**Semiannual Report
to Congress**

October 1, 2007 - March 31, 2008
Fiscal Year 2008 Semiannual Report No. 1



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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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, Learn and Serve America, 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 our 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 first six months of Fiscal Year 2008. It is being transmitted to the Corporation’s Chief Executive Officer, Board of Directors, and Members of Congress.

A Message From Inspector General Gerald Walpin

April 30, 2008

I'm pleased to present the Office of Inspector General's ("OIG") Semiannual Report to Congress and share with you the achievements and challenges my staff and I have experienced during the period October 1, 2007, through March 31, 2008.



There was good news on two major oversight fronts during this reporting period. Our audit of the Corporation for National and Community Service's ("Corporation") 2007 Financial Statements resulted in a clean opinion and, for the first time, found no significant deficiencies or material weaknesses. This result can be attributed to efforts by Corporation management to improve its financial reporting, combined with the diligent work of the OIG Audit Section in ensuring prompt and full disclosure by the Corporation. Also, our Federal Information Security Management Act ("FISMA") Independent Evaluation found significant improvements in the Corporation's information technology security compared to prior OIG evaluations. The enhancements included increased information technology staffing and security awareness training for all system users, as well as improved monitoring and testing of Corporation systems. Our report did recommend, however, that the Corporation improve its oversight of contractors and grantees that store and process information on its behalf.

Overall, our Audit Section issued 13 reports during this period and identified questioned costs totaling \$332,000, as well as \$499,000 in taxpayer funds that could be put to better use. We expect those numbers to increase as a result of our proactive stance in the audit resolution process. Working with Corporation officials, we are seeking to maximize monetary recoveries resulting from audit findings and to identify the parties directly responsible for errors and therefore liable for the reimbursement of misspent funds.

We are also working with the Corporation to expedite the process of audit report resolution and conclusions, which depend on Corporation decisions based on our audit findings. This process has too often dragged on beyond the schedule set forth in Corporation policy. The quicker that the Final Management Decision is made on an OIG audit, the sooner improperly charged funds can be returned to the Corporation for proper use.

Our Investigations Section opened 17 cases and closed 25 actions, resulting in the recovery of more than \$523,000 in Corporation funds, with work continuing towards the potential recovery of an additional \$2.314 million.

In our ongoing effort to put wrongdoers on notice that there is no such thing as a small fraud or offense committed against the public's trust and purse, our investigations led to five successful criminal prosecutions, three indictments in pending cases, and the debarment of four convicted persons from participation in Federal grant programs. Three additional OIG referrals for debarment are awaiting Corporation action.

Our outreach to the prosecutorial community, including the presentation of detailed and compelling referrals, also continued to bear fruit. Overcoming longstanding arguments that our cases tend to involve "low-dollar amounts," we had five cases accepted for prosecution by United States Attorneys and local jurisdictions, and experienced only one declination.

Inspector General's Message

Both our audits and investigations noted troubling problems with member eligibility and the recording and reporting of member service hours. The causes for these problems range from human error and ignorance of regulations to outright fraud. We have expressed our concerns to Corporation management and its grantees, stressing that service hour compilation and reporting is the basis for determining member eligibility for education awards and accrued interest awards. We are working with the Corporation to strengthen oversight, controls, and grantee accountability regarding service hours and member eligibility.

The OIG also has been working with Corporation officials to strengthen the requirement that criminal background checks be conducted prior to deployment for all volunteers who will be serving with children, the disabled, elderly and other vulnerable persons. During this reporting period, the Corporation expanded its background check requirement to cover all Foster Grandparent and Senior Companion volunteers, as well as AmeriCorps members, under a new regulation which effectively supports our audit work. All members or volunteers who were enrolled after November 23, 2007, and who work with vulnerable persons, must undergo pre-service criminal background checks in order to be eligible for service and member benefits. The regulation also covers grant-funded program staff. Grantees which fail to adhere to the rules face sanctions, including refunding to the Corporation the costs of living allowances and education awards given to ineligible members, and stipends and other benefits given to volunteers and grant-supported program staff. In egregious cases of noncompliance, grantees can have their grants suspended or withdrawn.

Our technical staff continues to find ways to help the OIG work smarter and faster. During this reporting period, we began work on a Computer Management System that will assist our investigators in their efforts to bring wrongdoers to justice. Our information technology staff has also assisted its Corporation counterparts in addressing problems with system implementation, shared its expertise on detecting employee travel card fraud, and participated in joint efforts to improve database and system security and user awareness.

All of this fine work has been achieved despite increasing budget restraints which I fear could eventually jeopardize continuation of the OIG's excellent record as a steward of taxpayer funds invested in National Service. After years of expanding our oversight activity, including the careful budgeting of two-year money (which is no longer available) to fulfill and enhance our audit and investigative missions, the OIG in Fiscal Year 2008 has had to absorb a 15 percent funding reduction, from \$6.9 million to \$5.828 million.

This cut has greatly impacted our ability to conduct the contracted random audits of grantees that are so essential to our oversight duties and are mandated by Congress. We were able to award contracts for 14 grant audits in FY 2007. Several of these audits, along with reports issued under contracts initiated during the previous fiscal year, resulted during FY 2007 in the questioning of more than \$5 million in claimed grant costs and in more than 180 recommendations to improve program and Corporation operations.

For FY 2008, our reduced financial circumstances allow for only three grant audit contracts.

Our Audit Section is working hard to offset the impact of the shortfall, conducting more staff-produced audits and focusing on key issues and on grantees shown to have the highest risk of financial irregularities. But there is no way totally to offset the loss of large-scale, contract grant audits which play a crucial role in monitoring and improving grantee performance, both through uncovering improprieties at the entity being audited, and through the deterrent effect on all grantees from the knowledge that the OIG engages in random audits and that any grantee might be next.

The outlook for effective and proactive OIG oversight is no brighter for FY 2009. Our carefully considered request to the Office of Management and Budget ("OMB") for \$7.245 million would have allowed for seven contract audits during the coming fiscal year. OMB's initial passback number for OIG was \$6.935 million. While we thought that our performance and plans warranted our request in full, we decided not to appeal. Unfortunately, in negotiating the Corporation's independent appeal from its passback number, OMB reallocated \$423,000 of the amount OMB had initially agreed to

Inspector General's Message

provide to OIG, and used it to increase the Corporation's FY 2009 budget allocation, resulting in OIG's number being whittled down to \$6.512 million by OMB. This amount, if allowed to stand, would again allow for only three contracted grant audits.

When I questioned this action, OMB officials suggested that the OIG ask Corporation officials for the disputed \$423,000. I rejected this suggested course of action of going hat-in-hand to the Corporation as totally inconsistent with the OIG's independence. My staff and I will continue, through this report and discussions with Congressional staff, to inform Congress of – as we are statutorily required to do – the adverse impact of the reduced appropriations on the OIG's ability to perform the duties which Congress has assigned it.

Finally, while guarding our independence, I have actively pursued efforts during this period to interact with Corporation officials and employees in an effort to inform them about our role and work, obtain knowledge of the Corporation's operations and problems, and engender a cooperative atmosphere.

It is imperative that the OIG demonstrate that, while it acts independently of the Corporation, it is motivated to assist the Corporation in its service endeavor. For that purpose, I meet every two weeks separately with the Corporation's Chief Executive Officer and Chief Financial Officer, permitting with each a very candid discussion of my views and recommendations on how the Corporation can more effectively operate and ensure against waste, fraud and abuse, while providing the best service to needy persons and communities. The relationship is excellent: The Corporation has welcomed our input, accepted our recommendations with few exceptions and, as to those, we have frankly discussed our differences without being disagreeable. I applaud the Corporation management in its overall attitude towards the OIG and its recognition that a candid relationship with the OIG is in the Corporation's best interests.

My staff and I also continue to give fraud awareness and audit briefing presentations at Corporation gatherings across the country. The OIG was also an active participant in the Corporation's holiday celebration and charity fund drive, as well as its annual employee recognition event at which, to inform Corporation staff of the individual talents and qualities that exist in the OIG staff, I presented our first annual "Inspector General Award" to Senior Budget Analyst Karen Howard.

I am proud of the very able, conscientious, and dedicated OIG staff with whom I am privileged to serve. I find that morale is magnificent, primarily because they all feel that our office is accomplishing its purpose: to root out the small number of bad apples in the Corporation's operations while helping the vast preponderance of Corporation employees, grantee personnel and volunteers in reaching the goal of best utilizing every penny Congress has appropriated for National Service.

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 13 reports. Of note is the Corporation's Fiscal Year 2007 Financial Statements Audit, which included a clean opinion and no significant deficiencies or material weaknesses. This is the first time the Financial Statements Audit has had such a positive outcome, and the results are due to efforts by Corporation management to improve financial reporting and OIG's Audit Staff, which ensured expeditious and conscientious attention to all issues which arose during the audit. Our Fiscal Year 2007 Federal Information Security Management Act ("FISMA") Independent Evaluation found significant improvement over prior years' studies. We found that the Corporation's Office of Information Technology had hired two information security specialists to overhaul policy, train users and system owners, and perform the required monitoring and testing of the Corporation's systems. We also recommended improved oversight of Corporation contractors and grantees that store and process information on behalf of the agency to ensure that they also meet FISMA system security requirements.

The grantee audits issued during this period, which focused on the Corporation's State Commission partners and National Direct grantees, questioned \$332,000 in claimed costs and recommended that more than \$499,000 in funds be put to better use. There were 14 audits in process at the end of this reporting period.

As part of the OIG's effort to demystify and explain the audit process, Audit Section staff gave training presentations to the staff of a National Direct grantee and at a Corporation conference for grantee employees. We briefed attendees, who are directly responsible for grantee accounting and reporting, on the OIG audit process, as well as common audit findings and problems.

Grant Audits

The Corporation awards AmeriCorps grants to State Commissions that, in turn, issue subgrants to local organizations to support their AmeriCorps programs. It also makes grants to National Direct grantees, which either subgrant funds to organizations to run programs or operate AmeriCorps programs in more than one state. AmeriCorps members serve nonprofits, public agencies and faith-based and other community organizations to meet critical needs. Upon successful completion of their terms of service, members receive an education award to help finance their higher education or to pay off existing student loans.

Our audit findings this period continued to identify issues with the reporting of AmeriCorps member service hours. Of the seven AmeriCorps grant reports issued during this period, five identified problems related to member hours. The correct reporting of member service hours is crucial to program integrity, as this data is used by the Corporation to determine eligibility for post-service education awards, as well as accrued interest awards (interest forbearance on existing student loans). Service hour issues we identified included:

Recording member service hours prior to the signing of the member contract;
Awarding inappropriate hours; and
Timesheets that lack proper approval or do not support the number of hours reported to the Corporation as served on grantees' program completion documents.

Recording Service Hours Prior to Signing the Member Contract

AmeriCorps applicants become members only after signing a contract; therefore, service hours recorded before signing are not eligible to count toward earning an education award. The Corporation has itself mandated in its directives and instructions that an applicant does not become an AmeriCorps member until enrollment is complete, including signing a member contract. In its grant provisions, the Corporation defines an AmeriCorps member as an individual, "Who is enrolled in

an approved national service position...” Furthermore, AmeriCorps Provisions, Member Enrollment Procedures, stipulates, “An individual is enrolled as an AmeriCorps member when all of the following have occurred: i. He or she has *signed* a member contract;...” (emphasis added). In violation of these mandates, our audits found that a number of applicants began to record service hours before becoming AmeriCorps members. When their pre-contract hours were deducted from their service-hour totals, they were found to be ineligible for education awards.

Awarding Inappropriate Hours

We found instances in which members were credited with service hours for inappropriate activity, including duties outside of the scope of the grant, and crediting members with hours in which no service was rendered through a created category of “Holiday Bonus” hours. In some instances, grantees appeared to be unaware of the need to comply with laws, regulations and grant requirements when managing member service hours. Other grantees appeared to have ignored these requirements. Grantees that do not correctly manage service hours jeopardize their members’ eligibility for education awards.

Member Timesheet and Service Hour Shortages

We continued to find instances in which member timesheets were not properly completed and/or did not support the hours that were certified by the grantee to the Corporation. Timesheets must be signed by the member and his or her supervisor to document that the hours were served. AmeriCorps requirements do not specifically address timesheet procedures. It is good business practice to initial changes, make corrections without pencil or whiteout, sign and date documents, and check the accuracy of hours recorded on timesheets. Without procedures to verify member activities or timesheet accuracy, the potential exists that members may receive education awards to which they are not entitled. We also continued to find instances in which the hours certified on member exit forms were not supported by the number of hours recorded on members’ timesheets.

The National and Community Service Trust Act of 1993, as well as Corporation regulations, require a specific number of hours to be served for a member to be eligible for an education award or accrued interest award. AmeriCorps members who serve less than their contractual term of service are eligible for an education award only if they leave their program early due to compelling personal circumstances, as demonstrated by the member. Our audits identified instances where grantees certified pro-rated education awards without documentation of a compelling personal circumstance or the circumstance did not meet the type of circumstance allowed by law or regulation. We questioned all such awards. One of our audits also found a grantee that had intentionally entered service hours on member exit forms that were in excess of the hours actually served and supported by timesheets. These findings were turned over to our Investigative Section for its action.

Hurricane Relief Mission Assignment Costs

Our audit of Corporation payments to Hurricane Relief Mission Assignment grantees found that:

The Corporation submitted costs for reimbursement to the Federal Emergency Management Agency (“FEMA”) without conducting a complete reconciliation of supporting documentation provided to the Corporation by the grantees.

The Corporation reimbursed one grantee in excess of expenses claimed for mission assignment deployments to Texas, Mississippi, and Louisiana.

The Corporation allowed grantees to charge salaries and living allowances without seeking prior approval from FEMA as required, and without obtaining time sheets to support the costs.

The Corporation’s policy for reviewing and approving mission assignment costs was not implemented.

Overall, we found the Corporation reimbursed sampled grantees \$78,076 more than was documented, \$96,368 more than was requested for reimbursement, and \$331,789 in salary costs not included in grantee budgets or supported by time and activity reports.

Proposed Management Decisions With Which The OIG Disagreed

The OIG did not entirely concur with the Corporation's audit resolution actions for the following reports:

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

The Corporation's Audit Resolution Policy does not require the OIG to comment or take action on a Notice of Final Action ("NFA"). However, we did not agree with information provided in the NFA for this report. In its Management Decision, the Corporation suspended a member's education award based on the audit finding that the member did not serve the required number of hours to earn the education award. In the NFA, the Corporation lifted the suspension because it received documentation that the member returned to service and made up for the shortage of hours. The member was a part-time member and, thus, in accordance with the National and Community Service Trust Act, had to complete the service hours during a period of not more than 2 years or a period of not more than 3 years if the member was enrolled in school during the service. The member exited the program in August 2003 and served the additional hours in September 2006, which is outside of the service periods allowed by the Act.

06-39 - Study of the Corporation's Internet Use and Management Controls

The Corporation issued a NFA, dated January 4, 2008 and a follow-up NFA on March 18, 2008. Neither the January nor March documents meets the definition of final action in the Corporation's Audit Resolution Policy.

The March 18 NFA memo states that, "NCCC [National Civilian Community Corps] issued a policy (attached) which governs computer usage at NCCC Campuses and which include[s] provisions (Section I.2.a) for adhering to Corporation information security policies as specified in CIO-2007-01 Information Security Program and Policies." The policy attached to the March 18 memo does not have a policy number or an effective date, nor is it signed as approved by a Corporation official. As of the end of this reporting period, the policy was still in draft form and not issued.

The Corporation's Audit Resolution Policy states that "Final action occurs when all corrective actions reported as necessary in the MD [Management Decision] have been completed and verified by the responsible management official. The ARM [Audit Resolution Manager] writes a statement of final action, which must include documentation that the corrective actions were taken. The purpose of a statement of final action is to inform the Audit Follow-up Official and management that corrective action is complete. The ARM sends a copy to the IG and places a copy in the official audit file." Because the policy has not been issued, the OIG is listing it as awaiting final action in the audit statistics portion of this report.

07-08 - Audit of Grants Awarded to Public Allies Inc.

The Corporation's Audit Resolution Policy 101 does not require the OIG to take action or comment on a Final Management Decision ("FMD"). Because we did not consider this decision to meet the definition of an FMD, the OIG does not consider it to be "final" and has continued to list this audit as awaiting a Management Decision. The document, purported to be the Corporation's FMD, includes notification that, "the Corporation will conduct its own review of the circumstances and determine the validity of the hours outside of the audit resolution process. If that review shows that Public Allies improperly certified those members as having successfully completed their terms of service, the Corporation will evaluate whether (and to what extent) it will establish debts under the guidance currently being finalized."

Policy 101 defines a management decision as the Corporation's report of its decisions as to the proper resolution of an audit's findings and recommendations. The word "resolution" by itself means "the act of resolving or determining" (Random House College Dictionary, Rev. ed 1968, p. 1123).

Although, in view of that definition, the addition of the word “final” might be considered redundant, it certainly emphasizes that it is “conclusive or decisive: a final decision” (*id.* at 494).

Given that the Corporation has advised that it will continue “its own review of circumstances” and only then “determine the validity of the hours,” followed by the Corporation then making its decision of the amount of debt it will establish in connection with this work, it is readily apparent that no “final” decision has been furnished to the OIG.

07-14 - Report on Agreed-Upon Procedures to Grants Awarded to the Mississippi Commission for Volunteer Service

We disagreed with one item in this Proposed Management Decision (“PMD”). The Corporation disallowed the service hours credited to a member while the member performed National Guard duty and charged the grantee for \$4,386, the amount of the unearned education award used by the member. The Corporation also established a potential debt for the \$339 portion of the education award not yet used by the member. The OIG concurs with the decision to allow the member, who thought she had completed the program, to use the full education award. The OIG does not concur with establishing a potential debt because there is no mechanism in place to track when or if the member accesses the remaining \$339. Furthermore, the Corporation should not bear the burden of tracking this open item which clearly results from grantee error. The OIG contends that the \$339 should immediately be charged to the grantee, with notice that it is being held liable for this amount, subject to the grantee’s right to obtain reimbursement of the \$339 amount if, after the period of time has expired for the member to use the award (approximately August 2013), the member has not obtained that amount from the National Service Trust.

07-15 - Report on Agreed-Upon Procedures to Grants Awarded to the Kansas Volunteer Service Commission

The OIG disagreed with two items in the Proposed Management Decision (“PMD”). First, it allowed one member to perform service hours after our audit found the member had served less than the amount required to earn an education award. The member, who served in a full-time position from September 2004 through August 2005, was allowed by the grantee (and the Corporation, which accepted these additional hours during audit resolution), to return to the program and serve the needed additional hours in April 2006. The National and Community Service Trust Act (“Act”) defines full-time service as, “[a]n individual performing full-time national service shall agree to participate in the program sponsoring the position for not less than 9 months and not more than 1 year.” The additional hours served were beyond the service period and not provided for by the Act. It is up to the grantee to ensure that its members’ records are correct before the member exits from the program.

The Corporation’s PMD also suspended the education award for a member whose files did not contain proof of citizenship and who did not provide required documentation during audit resolution. This member, however, accessed part of the education award. The OIG agrees with the decision that the entire amount of the education award should be invalidated, but disagrees with the Corporation’s position not to seek to make the National Service Trust fund whole by obtaining refund from the grantee for the portion of the Education Award already disbursed.¹

Disclosure of Government Contractor Audit Findings

No contract audits as described in Sec 845, H.R. 4986 National Defense Authorization Act for Fiscal Year 2008 were issued during the covered period.

¹ On 4/25/08 the Corporation issued its Notice of Final Action. This action will be reflected in the next Semiannual Report.

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 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 17 new cases and closed 25 cases, including 16 matters with significant findings. Our efforts resulted in the recovery of more than \$523,000 in taxpayer funds and the potential recovery of more than \$2.3 million from persons and programs found to have engaged in waste, fraud or abuse of Corporation resources. We also saved taxpayers an additional \$81,730 in future cost avoidance as a result of our investigations.

Our investigations also resulted in the successful criminal prosecution of five persons and 17 criminal proceedings that are pending trial. Based on information developed through our investigations and successful prosecutions, Corporation management debarred four persons from participating in Federal procurement and non-procurement programs for periods of up to three years.

In an effort to prevent future instances of fraud, waste and abuse, the Investigations Section made several recommendations to Corporation management that are designed to improve program operations and oversight.

Proactive prevention is also the goal of our Fraud Awareness Program. OIG investigators regularly make multimedia training presentations to Corporation employees, program officials and members. In addition, investigators conduct unannounced visits to program sites during their official travel. These visits assist Corporation management in determining if grantees are adhering to goals and objectives, and offer grantees the opportunity to give feedback on how effectively Corporation management is supporting their programs.

The Investigations Section was assisted in its work by 39 calls and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

Significant Cases And Activity

Lack of Program Oversight by Board of Directors, City Administrators and Oversight Committees

The OIG has identified a pattern of failure on the part of members of grantee boards of directors, local government administrators, and program executive directors to exercise their responsibilities and ensure that the proper checks and balances are in place to protect Federal program funds. In many cases, oversight agencies' only excuse for wrongdoing committed on their watch is that they trusted the individual(s) involved in fraud, waste and abuse to properly manage their program(s) and safeguard Federal funds. In this environment of unscrutinized trust, a number of program directors were able to embezzle funds, misuse program members, and redirect Federal funds to support non-Federal activities and other grantee expenses.

One investigation disclosed that a VISTA supervisor, employed by a city in New Hampshire, falsified member timesheets, to record members as still enrolled even after they had left the program. After receiving the departed members' living allowance checks, the supervisor forged the members' names to cash the checks and used more than \$21,000 in Federal funds to support his gambling addiction.

Another case disclosed that a VISTA project director fraudulently drew down his VISTA project director's salary at the full authorized rate of 75 percent of his salary while knowing he was only devoting 30 percent of his time directly to the VISTA program. This allowed the director to receive \$64,615 in Federal program funds to which he was not entitled.

Both of these criminal acts could have been prevented if oversight boards and agencies had conducted periodic reviews of their programs to ensure that the proper checks and balances were in place and being followed.

Investigations Section

Misuse of Program Participants (Displacement)

We continued to find instances in which program officials misuse members and other program participants, including the use of members to supplant employees, thereby using program funds to supplement staff salaries and/or allow them to eliminate all or part of the staff compensation previously paid from non-Federal funds. Other cases involved the fraudulent enrollment of program employees as AmeriCorps/VISTA members, who were then certified by program officials for living allowances and education awards to which they were not entitled.

One investigation disclosed that a VISTA project director violated the Corporation's non-displacement provision when he assigned three VISTA members to staff positions as receptionists and another member as a janitor and maintenance person, all duties that directly benefited the grantee. The project director also enrolled another individual, who was retiring, into the VISTA program so she could continue working as a city court clerk. Additionally, the project director allowed another member to serve from his residence, in another state, without supervision so that the member could attend college part-time. That member was required to travel to the VISTA site only one day a week for service. We also found that the project director paid the member to conduct research projects for the director's benefit while receiving service credit as a VISTA member. These actions resulted in a loss to the government of more than \$57,000.

Our limited proactive review of a National Direct grantee showed that AmeriCorps members were being misused to fill employee positions, fill in for employees on leave, and perform service outside the scope of the grant. This investigation identified the misuse of more than \$103,000 in grant funds and \$33,000 in education awards that were improperly awarded.

Fraudulent / Unallowable Service Hours

A number of cases during this reporting period involved program officials who inflated service hours for their AmeriCorps members and reported this fraudulent data to the Corporation, thereby falsely certifying their members for education awards and living allowances. Members who successfully complete 1,700 hours of community service during their one-year terms can receive education awards of \$4,725 from the Corporation's taxpayer funded National Service Trust. Timely intervention by the OIG in these cases resulted in sizeable recoveries of taxpayer funds and, in several cases, prevented losses due to Program Fraud and False Claims.

For example, a university grantee awarded its 20 AmeriCorps members \$94,500 in unearned education awards. We found that program officials failed to verify the type of service and hours being recorded by its members. Investigation disclosed that, although the grantee participants served at different public school locations throughout the State, the members' timesheets were all identical. The OIG questioned the grantee's procedures and documentation used to certify the members' education awards. We found that members were required to meet each month at the grantee's university site for training. At that time the members all prepared timesheets based on an average of all the hours they had served and with no notation of the type of service hours performed. The OIG investigation showed that numerous unqualified service hours were used toward the members' totals, making them ineligible for education awards.

Corporation management requested an OIG investigation after it declined to support an OIG audit finding that an AmeriCorps grantee improperly awarded an education award to a member. The investigation showed that the grantee improperly approved the education award, valued at \$4,725, for its member by incorrectly counting service hours the member had not properly earned. The grantee has agreed to repay the education award.

Other Investigations

An OIG investigation disclosed that a Corporation employee violated the Corporation's ethics policy when he received special favors from a prohibited source as a direct benefit due to his position as a Government employee. Additionally, the individual falsified his commuter benefit certifications in

order to receive \$1,200 in Metrochecks, which he sold to several individuals for cash. The employee, who was arrested by OIG agents, has resigned from Federal employment and is being prosecuted by the local U.S. Attorney's office.

A faith-based sub-grantee violated VISTA program policy when its site supervisor solicited funds from its members, namely a portion of their living allowances, to pay the program's cost share. As a result of our investigation, the grantee reimbursed the members and terminated the sub-grantee.

Summary Of Cases	
Opened and Closed	
Cases Open at Beginning of Reporting Period	42
New Cases Opened	17
Cases Closed this Period With Significant Findings	16
Cases Closed this Period With No Significant Findings	9
Total Cases Closed	25
Cases Open at End of Reporting Period	34
Referred	
Cases Referred for Prosecution	4
Cases Accepted for Prosecution*	5
Cases Declined for Prosecution*	1
Cases Pending Prosecutorial Review	0
Cases Pending Adjudication	17
Recommendations to Management	
Investigative Recommendations Referred to Management	30
Investigative Recommendations Pending Management Action this Reporting Period	14
Investigative Recommendations Pending Management Action from Previous Reporting Periods	6
*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 their impact on the economy and efficiency of the Corporation's administration of its programs and operations. It also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud, waste and abuse in Corporation programs and operations. The OIG draws on its experience in audits and investigations as the basis for its recommendations.



Criminal Background Checks

Based on the results of its investigations and audits, the OIG recommended in past reporting periods that the Corporation strengthen and expand its criminal background check requirements for volunteers and program officials who have contact with children, the disabled, the elderly, and other vulnerable persons. After considering comments provided by the OIG and the general public on several prior draft versions, the Corporation published as final in the Federal Register the National Service Criminal History Checks Regulation in August of 2007, and, on November 23, 2007, the regulation went into the effect.

After this date, grantees in the AmeriCorps, Senior Companion, and Foster Grandparent programs must check their State's criminal registry and the National Sex Offender Public Registry ("NSOPR") maintained by the U.S. Department of Justice, for any listings of applicants who enroll as program volunteers or are hired as grant-funded employees who would have "recurring access" to children, the disabled, and persons age 60 and older. For grant-funded staff and program volunteers involved in these programs prior to November 23, 2007, grantees must check only the NSOPR.

Under the regulation, any individuals found to be on the NSOPR, or who refuse to consent to a State criminal registry check, are deemed "unsuitable" for a Corporation-funded position. If an individual is found on a State criminal registry, and not the NSOPR, that individual's eligibility is left for the program to decide, but the regulation requires that grantee program officials document consideration of the background check results prior to selection.

The Corporation will take appropriate action against any grantee found to have violated this regulation, which can include denial of reimbursement of grant costs, suspending access to grant funds, and restricting or denying eligibility for future grants.

The Corporation has responsibility to apply this requirement for the volunteer programs it directly administers: Volunteers in Service to America ("VISTA") and the National Civilian Community Corps ("NCCC").

Proposed Reauthorization Bill For The Corporation

In the prior reporting period, the OIG submitted comments to Congress concerning certain sections of the Corporation's proposed reauthorization bill, titled the Generations Invigorating Volunteerism and Education Act, or the GIVE Act, which had been introduced in the House of Representatives in June 2007. The OIG, based on its analysis of the legislation, identified several weaknesses and communicated its concerns to the applicable House Committee members and their staffs. We also suggested several amendments that the OIG believes would strengthen its ability to deter fraud, waste, and abuse.

On March 6, 2008, the House considered and voted on the GIVE Act and, although a strong majority voted for the bill, the measure failed based on the then prevailing House procedural rule which required a two-thirds affirmative vote for passage. We will continue monitoring and report on any subsequent Congressional action.

Rulemaking

On November 19, 2007, the Corporations published for public comment proposed amendments to the current AmeriCorps regulations with the stated intent to streamline and improve grant operations for AmeriCorps grantees. The comment period closed January 18, 2008, and the Corporation is presently considering the merits of the submitted comments before submitting a new draft for approval from the Office of Management and Budget. Before its publication, the OIG had internally reviewed and provided comment to the Corporation on those particular amendments that, in the

Review Of Legislation And Regulations

OIG's view, would weaken an OIG auditor's ability to identify lack of compliance with Corporation rules. We also called attention to several matters that appeared to conflict with current law. The rule ultimately issued for public comment was amended to meet all but one of our concerns, that being, the ramifications of broadening eligibility for AmeriCorps members who failed to complete their first term. The Corporation and the OIG are engaged in an ongoing discussion of that matter.

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	17
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	28
5 (a)(4)	Matters referred to prosecutorial authorities	15
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	24
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	25
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	26
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	27
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	9

Tables

II. Audit List

October 1, 2007-March 31, 2008				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
(Dollars in thousands)				
08-01	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2007 Financial Statements</i>	\$0	\$0	\$0
08-02	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2007 National Service Trust Schedules</i>	N/A	N/A	N/A
08-03	<i>Agreed-Upon Procedures ("AUP") Review of Grants Awarded to the Georgia Commission for Service and Volunteerism</i>	\$57	\$0	\$43
08-04	<i>AUP Review of the Education Award Program Grant Awarded to United States Veterans Initiative</i>	\$42	\$0	\$98
08-05	<i>Audit of the Allowability of Hurricane Relief Mission Assignment Costs Claimed by Corporation Grantees</i>	\$0	\$0	\$96
08-06	<i>Fiscal Year 2007 FISMA Independent Evaluation</i>	N/A	N/A	N/A
08-07	<i>AUP Review of Grants Awarded to the American Red Cross of Metro New Jersey</i>	\$10	\$0	\$0
08-08	<i>AUP Review of Grants Awarded to ServeDC</i>	\$71	\$0	\$52
08-09	<i>Follow-up Review of Corporation Policy and Controls for Refilling Vacated AmeriCorps Member Positions/Slots</i>	\$0	\$0	\$0
08-10	<i>AUP Review of Grants Awarded to the North Dakota Workforce Development Council – State Commission on National and Community Service</i>	\$9	\$0	\$0
08-13	<i>AUP Review of Grants Awarded to the West Virginia Commission for National and Community Service</i>	\$29	\$0	\$0
08-14	<i>AUP Review of Grants Awarded to ServeMinnesota</i>	\$57	\$23	\$10
08-15	<i>AUP Review of Grants Awarded to the Montana Office of Community Service</i>	\$58	\$24	\$199
TOTAL		<u>\$332</u>	<u>\$48</u>	<u>\$499</u>

Inspector General Act [5(a)(6)]

III. Reports With Questioned Costs

Federal Costs			
Report Category	Number	Questioned	Unsupported
(Dollars in thousands)			
A. Reports for which no management decision had been made by the commencement of this reporting period	11	\$4,797	\$3,943
B. Reports issued during the reporting period	<u>8</u>	<u>\$332</u>	<u>\$48</u>
C. Total Reports (A + B)	19	\$5,128	\$3,991
D. Reports for which a management decision was made during the reporting period	3	\$54	\$35
I. Value of disallowed costs		\$44	\$25
II. Value of costs not disallowed		<u>\$10</u>	<u>\$10</u>
E. Reports for which no management decision had been made at the end of the reporting period	<u>16</u>	<u>\$5,074</u>	<u>\$3,956</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	8	\$4,743	\$3,908

Inspector General Act [5(a)(8)]

Tables

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 this reporting period	6	<u>\$397</u>
B. Reports issued during the reporting period	<u>6</u>	<u>\$499</u>
C. Total Reports	12	\$896
D. Reports for which a management decision was made during the reporting period	1	\$5
i. Value of recommendations agreed to by management		\$5
ii. Value of recommendations not agreed to by management		\$0
E. Reports for which no management decision had been made by the end of the reporting period	11	\$891
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	5	\$392

Inspector General Act [5(a)(9)]

V. Summary of Audits With Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (03/31/08)
<i>(Dollars in thousands)</i>				
06-05	Audit of Grants Awarded to Puerto Rico State Commission on Community Service and Social Action Subgrantees	\$155	08/13/06	The Corporation accepted the OIG non-concurrence with the PMD and agreed to review additional documentation before submitting the Final MD
06-31	Audit of Kentucky Department for Mental Health and Mental Retardation Services FGP	\$276	01/18/07	A Proposed Management Decision has not been provided to the OIG
07-08	Audit of Grants Awarded to Public Allies	\$73	07/19/07	The OIG did not agree that the Corporation's Management Decision, dated 2/10/08, is final (Note 1)
07-18	Agreed-Upon Procedures For Grants Awarded to the OneStar (Texas) National Service Commission, Inc	\$3,525	12/28/07	A Proposed Management Decision has not been provided to the OIG
07-15	Agreed-Upon Procedures for Grants Awarded to the Kansas Volunteer Commission	\$18	01/16/08	The OIG did not concur with the Proposed Management Decision (Note 2)
07-14	Agreed-Upon Procedures for Grants Awarded to the Mississippi Commission for Volunteer Service	\$36	01/27/08	The OIG did not concur with the Proposed Management Decision
07-17	Agreed-Upon Procedures Review of Senior Corps Grants Awarded to Council on Aging of Volusia County, FL	\$156	02/27/08	A Proposed Management Decision has not been provided to the OIG
07-21	Audit of Grant Awarded to United States Veterans Initiative, Inc	\$503	03/10/08	A Proposed Management Decision has not been provided to the OIG
Total		<u>\$4,743</u>		

Note 1. In its Final Management Decision the Corporation stated that it would conduct a review "...outside of the audit resolution process". We do not agree that this meets the definition of a Final Management Decision. On 4/25/08 the Corporation issued its Notice of Final Action. This action will be reflected in the next Semiannual Report.

Note 2. In its 4/25/08 Final Management Decision, the Corporation agreed to change one item to meet OIG's objection to the Corporation's Proposed Management Decision. This action will be reflected in the next Semiannual Report.

Inspector General Act [5(a)(10)]

Tables

VI. Reports Described In Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due
06-05	Audit of Grants Awarded to the Puerto Rico State Commission on Community Service and Social Action	02/13/06	02/13/07
06-31	Audit of Kentucky Department for Mental Health and Mental Retardation Services Foster Grandparent Program	07/18/06	07/18/07
06-39	Study of Corporation for National and Community Service's Internet Use and Management Controls*	8/1/2006	8/1/2007
06-43	Agreed-Upon Procedures Review of the Corporation's FEMA Hurricane Relief Mission Assignment Process	09/25/06	09/25/07
07-05	Audit of Grants Awarded to the Maryland Governor's Office on Service and Volunteerism	10/04/06	10/04/07
07-06	Agreed-Upon Procedures Engagement Kansas Big Brothers Big Sisters, Inc.	10/12/06	10/12/07
07-10	Audit of Grant Awarded to Home Instruction for Parents of Preschool Youngsters (HIPPI), USA	11/22/06	11/02/07
07-08	Audit of Grants Awarded to Public Allies, Inc. (see Note 1 on table V)	01/19/07	01/19/08

* See Page 9 for information on this Final Action.

Inspector General Act [5(a)(3)]

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