

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Semiannual Report To Congress

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About the Corporation for National and Community Service . . .

The Corporation for National and Community Service (Corporation) provides grants and technical assistance to volunteer organizations throughout the United States to strengthen communities, foster civic engagement, and improve the lives of all Americans serving their local communities and the Nation. For Fiscal Year (FY) 2012, the Corporation invested \$752 million in these service organizations: AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, and Senior Corps. The Corporation also distributed a substantial portion of funding through public service commissions in each U.S. state and territory.

And The Office of Inspector General . . .

In 1993, Congress established both the Corporation and the Office of Inspector General (OIG or the Office). The Office was created to promote economy, efficiency and effectiveness in administering the Corporation's programs. The Office also prevents and detects waste, fraud, and abuse within the Corporation or from the entities that receive and distribute Corporation grant funds. OIG is an independent organization, led by a Presidential appointee, which operates separately of the Corporation and submits its reports and recommendations to the Corporation's Chief Executive Officer and to the Congress.

Pursuant to the Inspector General Act of 1978, as amended, this semiannual report summarizes OIG's work for the last six months of FY 2012. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

From the Inspector General

As the newly confirmed Inspector General, I am pleased to present this Semiannual Report to Congress, highlighting the accomplishments of the Office of Inspector General (OIG) of the Corporation for National and Community Service (Corporation) from April 1, 2012 to September 30, 2012. The eight audit reports issued in the past six months identified more than \$3,488,000 in questioned costs. Our investigative staff closed twenty-two cases and recovered more than \$400,000 from investigations that ranged from the embezzlement of Federal grant funds to the misuse of Federal property. I am inspired by the dedication of OIG's staff members, who produced these results despite adverse circumstances. I am equally encouraged by the steady leadership of Deputy Inspector General Ken Bach, who guided the Office for three years during the absence of an Inspector General.

At a time of increasing social needs and diminishing resources, national and community service fills critical gaps for communities struck by natural disasters and for at-risk youth, veterans, military families, seniors, and their communities. To maintain public confidence, programs intended to meet these pressing needs must operate efficiently and remain accountable. Such efficiency and accountability is extremely important as our country faces difficult choices about how to invest of taxpayer dollars. My staff and I are committed to strengthening the Corporation's stewardship. We are also committed to ensuring that the Corporation and those who receive Corporation funds use every available dollar effectively.

Many of our initiatives address issues and processes that cut across the Corporation's programs. For example, our Audit Section is helping the Corporation identify grantees with practices that put public funds at risk. On a quarterly basis, we provide the Corporation with the OMB Circular A-133 audits (issued for grantees that spend more than \$500,000 per year in Federal funds), highlighting those that find serious risk that the grantee will not safeguard or account properly for Federal funds. As recommended, the Corporation has educated grants officers regarding the meaning and significance of such audit findings. The impact of this review should be substantial. One third of the forty-five A-133 audit reports issued for Corporation grantees in FYs 2009-2011 disclosed at least one serious problem and, in two cases, the auditors questioned the grantee's financial viability. We hope that the Corporation will act promptly on this critical information.

Grants account for 75 percent of the Corporation's budget, making audits of high risk grantees a priority. In this period, the OIG questioned costs of \$886,845 from a single grantee, which received funds from multiple Corporation programs. Inadequate financial management, poor or nonexistent record retention, and lack of oversight at service sites resulted in substantial mismanagement of Federal and match funds. Auditors found pervasive noncompliance and internal control deficiencies throughout the organization. In view of the immediate threat to Federal funds, the OIG moved swiftly to prevent further losses by alerting the Corporation and the state commissions to the gravity of the situation. The Corporation prevented further draw downs on its grants and three state commissions either declined to renew or terminated their grants with the organization.

Through early attention, we can also help new programs get off to a good start. This period, we conducted the first audit of a grantee under the Social Innovation Fund (SIF), created in the Edward M. Kennedy Serve America Act of 2009 to promote public and private investments in effective nonprofit organizations to help them expand service in

low-income communities. Many SIF grantees have little or no experience handling Federal funds, placing a premium on monitoring and oversight. This audit questioned costs of over \$361,000 and recommended various improvements to monitoring, including stronger supervision by grantees of their subcontractors. Another audit of a major SIF grantee is now underway.

The results of the past six months reflect our commitment to protecting the nation's investment in national service and illustrate the productivity and capabilities of this office. I look forward to helping the Corporation be an effective and accountable steward of the public's money.


Inspector General

Audits and Reviews

The Office of Inspector General Audit Section reviews the financial, administrative, and programmatic operations of the Corporation for National and Community Service. The Audit Section's responsibilities include supervising the audit of 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 and reviews are issued to Corporation management for its action or information.

Audits and Reviews

Overview

Eight reports and evaluative reviews, listed on page 27, were issued during the past six months. Among these were six agreed-upon procedures¹ of the Corporation's National Direct grantees, State public service commissions, and a VISTA grantee. They identified more than \$3,400,000 in questioned costs and recommended that approximately \$3,100,000 be put to better use.

At the end of the reporting period, an evaluation of the Corporation's internal controls to prevent and detect prohibited activities in AmeriCorps and Senior Corps programs was in process. Also underway were two grantee audits, as well as the legally required audits of the Corporation's financial statements and the National Service Trust.

Below are highlights of particular evaluations and audits.

The Corporation Needs To Make Better Use of OMB Circular A-133 (Single Audit) Reports Concerning its Grantees

OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, requires that state and local governments, tribes and non-profit organizations that spend \$500,000² or more in federal funds undergo an annual organization-wide audit that assesses the reliability of the entity's financial statements, the quality of its internal controls and its compliance with federal grant requirements. These audits are conducted by public accounting firms or by state auditors and are paid for with federal award funds. For a grant-making organization, these audits are intended to be an important tool to ensure that a grantee handles federal funds responsibly and accounts properly for their expenditure. Federal law requires that Federal agencies review audit reports concerning their grantees, follow up on the findings, and take action that may include withholding Federal funds to ensure that grantees correct any defects identified in the audit.

In prior evaluations, OIG determined that the Corporation did not comply with Federal requirements concerning the use of A-133 audit reports, and because it failed to make appropriate use of this important tool, missed opportunities to identify and correct serious problems in grantees' handling of Federal funds.³ In particular, the Corporation did not respond formally (or, in some cases, at all) to adverse audit findings or ensure that grantees completed the necessary corrective actions and did not review A-133 audit reports before closing out a grant to make sure that the Corporation was repaid amounts due for questioned costs. Our most recent evaluation confirmed that many of these prior findings are still outstanding and that our recommendations have not been implemented.

Our review evaluated the manner in which the Corporation used the A-133 audit reports issued for its grantees for FY 2009; in that year, the Corporation awarded and oversaw more than \$780 million in grants to states, tribes, local communities, and non-profit organizations, more than 263 of which were subject to A-133 audits.

In general, we found that the Corporation still does not make timely and effective use of the A-133 audits of its grantees. Each of the 25 A-133 audits in our sample identified at least one

¹ An "agreed-upon procedure review" is essentially a mini-audit limited to particular areas or subjects in which the auditor does not provide a formal opinion but reports on the results and makes recommendations.

² OMB has proposed raising the Single Audit Act threshold from \$500,000 to \$ 1 million. Draft Notice of Intent to Reform Policies Associated with Federal Grants issued to Federal agencies on February 7, 2012.

³ See AICPA, SSAE, AT Section 201.03.

Audits and Reviews

“material weakness,” a defect in the grantee’s internal controls serious enough to cause a material error on the financial statements. In 75 percent of the sample, the grants officers responsible for monitoring these grantees did not record the adverse findings in the Corporation’s records. As a result, the Corporation failed to take any action to address serious problems within its grantees. Grants officers did not follow-up to ensure that the Corporation recovered the amounts due for questioned costs or that the grantees took action to correct critical problems identified by the auditors. In some instances, grants officers failed to intervene promptly to correct these problems or mitigate risk to Federal funds because they did not understand the meaning or gravity of key audit findings reflecting fundamental problems with a grantee’s financial reporting or internal controls (e.g., findings of a “material weakness” or “significant deficiency”). Some of the audit reports were not reviewed by any Corporation employee.

Because the Corporation did not follow up on A-133 audit findings for FY 2009, many of the problems persisted into FY 2010. Half of the grantees for which auditors identified material weaknesses in FY 2010 also had those problems reported in FY 2009. Thus, the Corporation’s failure to act allowed these problems to continue and, in some cases, to worsen.

In at least one case, the Corporation did not share highly critical results of an A-133 audit with State authorities responsible for supervising the grantee. Specifically, the Corporation did not communicate serious and pervasive problems discovered in an A-133 audit of Operation REACH, Inc. (ORI), to three State Commissions that were overseeing grants to that organization. As a result, after the FY 2009 report was issued, additional Corporation funding was provided ORI with grants totaling \$466,461, despite the unresolved material weaknesses identified in the A-133 audit. An OIG audit of ORI, discussed below, determined that ORI was unable to account for the use of those funds, as well as funds previously received.

To safeguard Federal funds and the integrity of Federal programs, we recommended that the Corporation promptly review every A-133 audit report issued for its grantees, communicate with state commissions concerning A-133 audits of their grantees, timely follow up on all questioned costs and adverse audit findings and recover any amounts due the Corporation, ensure that appropriate corrective actions are implemented, and document each of these steps. In addition, we recommended that A-133 reports be reviewed before a grant is closed out, to provide the Corporation with a final opportunity to recover any improperly incurred costs. To improve the Corporation’s use of A-133 audits, we further recommended that grants officers receive periodic training regarding the meaning and significance of key audit findings, as well as appropriate follow-up measures.

On a quarterly basis, OIG agreed to furnish the Corporation with a list of recently issued A-133 reports pertaining to Corporation grantees, identifying those that contain findings of material weaknesses or significant deficiencies, or other adverse findings of comparable gravity. OIG provided the first of these reports in September 2012. Of the 45 audit reports included in that group, five disclosed at least one material weakness in FYs 2010 or 2011 and 11 reflected at least one significant deficiency in FYs 2009, 2010, and 2011. In two cases, the auditors expressed doubts about the continuing financial viability of the organization (known as a “going concern opinion”). OIG recommended that the Corporation consider whether to allow additional drawdowns of their grant funds.

National Service Trust Made Proper Payments to Bona Fide Financial and Educational Institutions, but Should Verify the Funds’ Application to Qualified Student Loans and Compliance with Federal Regulations

Audits and Reviews

The National Service Trust (Trust) provides funds for education awards for the benefit of participants who complete service in AmeriCorps programs. Trust funds may be used to repay qualified student loans and interest and to pay educational expenses at a qualified institution of higher education.

We conducted an audit to determine whether payments from the Trust were: (1) properly reviewed and approved prior to disbursement; (2) accurately recorded in a timely manner; (3) paid to financial and educational institutions legally qualified to receive them; and (4) subject to adequate internal controls.⁴ Our audit sample contained no improper payments; all of the payments that we reviewed were recorded in a timely manner, and were properly reviewed and approved prior to disbursements. We found no evidence to cast doubt on the *bona fides* of the schools or financial institutions that received payments from the Trust.

However, the Corporation's records and processes do not ensure that financial institutions that receive Trust payments in fact have student loans that are eligible to benefit from an education award. Only student loans guaranteed by the Federal government may be repaid with an education award. The Corporation relies solely on a certification by a financial institution payee that it holds such a guaranteed loan and will apply the Trust payment to it. Similarly, the Corporation does not verify that installment payments are made in compliance with the schedule required by Federal regulation 45 C.F.R. § 2528.30(c), *Installment Payments*. Instead, the Corporation relies solely on a certification of compliance from the educational institution receiving the payment. We recommended that the Corporation conduct and document periodic reviews to validate that education awards are paid against a qualified loan and that installment payments are being disbursed in accordance with the regulation.

Multiple and inconsistent listings of financial institutions and schools in the computerized system that records and tracks Trust payments create confusion and may result in the misdirection or delay of payments. The Trust has no established procedures for updating or correcting entries, eliminating duplication, and resolving inconsistencies or determining when, whether, or why a particular institution should be changed to inactive status, or ensuring that the information is uniform throughout the Corporation's information systems. We recommended that the Trust adopt such procedures to minimize erroneous payments and unnecessary delay.

Almost \$900,000 of Questioned Costs Found at Operation REACH, Inc.

An audit of Operation REACH, Inc. (ORI) identified costs of \$886,845 (\$559,659 Federal costs, \$99,897 education awards, and \$227,289 match funds) that were unsupported by required documentation and/or incurred improperly, in violation of applicable laws, regulations and grant terms and conditions. Our audit also disclosed pervasive noncompliance and internal control deficiencies throughout the Corporation's sponsored programs,⁵ many of which persisted despite ORI's prior assurances to multiple State commissions (Louisiana, Alabama, and Georgia) that the problems were being rectified. Issues resulting in significant questioned costs included:

- Unallowable, unallocable, and unsupported costs charged to grants;
- Employee payroll deficiencies;

⁴ This audit was separate from the legally required annual audit of the Trust's financial statements.

⁵ The organization's stated objective is to improve educational success by assisting programs that provide community-based learning opportunities. ORI received funds from AmeriCorps National Direct, AmeriCorps State grants through the service commissions of Louisiana, Alabama and Georgia, Volunteers in Service to America (VISTA) and Learn and Serve America.

Audits and Reviews

- Irregularities in member timekeeping;
- Payments to members for whom ORI failed to complete necessary criminal background checks;
- Unallowable direct service by a VISTA member at a daycare center operated by ORI's CEO; and
- Improper accounting and unsupported program income.

Inadequate financial management, poor or nonexistent record retention, and lack of oversight at service sites resulted in substantial mismanagement of Federal and match funds.

These severe deficiencies placed Federal funds at such substantial risk that we alerted the Corporation and State Commission representatives during our audit and urged them to take immediate actions to prevent further losses. As a result, the Corporation placed a hold on ORI's access to additional grant funds. The Louisiana and Alabama State Commissions did not renew their grants, and the Georgia State Commission, which had initially renewed its grants to ORI, terminated them shortly thereafter in early October 2011. As a result of our audit, we prevented \$2,703,682 of Georgia State and National Direct grant funds from being further awarded to ORI. ORI no longer receives Federal grant funds from the Corporation.⁶

ORI's audit illustrates vividly the high cost of disregarding adverse findings in an A-133 audit report. For FY 2009, ORI's A-133 auditors identified two material weaknesses in its financial management system and untimely submission of its audit report, plus a significant deficiency in financial reporting. The Corporation failed to take note of these findings or to act to protect Federal funds from waste, fraud or mismanagement. As a result, after the FY 2009 report was issued, additional Corporation funding was provided ORI with grants totaling \$466,461 despite the unresolved material weaknesses identified in the A-133 audit. Nearly half of the costs questioned in our audit were disbursed after issuance of the critical 2009 A-133 audit report. Had the Corporation acted promptly on those findings, improperly incurred costs could have been avoided.

Given the fundamental and pervasive nature of these problems, we recommended that the Corporation recover all questioned costs of \$886,845. We also recommended that the Corporation not award further funds to ORI, which has, in any event, ceased operations.

First Audit of Social Innovation Fund Grantee Questions Costs of \$361,836

An agreed-upon procedures review of AIDS United, a Washington-based non-profit organization dedicated to fighting HIV/AIDS, questioned costs totaling \$400,779. The majority of those costs, \$361,836, related to a grant made to the organization from the Social Innovation Fund (SIF), a new program designed to promote public and private investments in effective nonprofit organizations to expand their service to low-income communities in the areas of economic opportunity, healthy futures, and youth development. This is the first audit conducted by OIG of a SIF grant. The questioned costs stemmed from the grantee's incorrect calculation of indirect costs, and to its use of a cost rate for administrative overhead other than the negotiated rate to which it had agreed to use as part of the grant agreement. The auditors also found that the grantee did not comply with Federal timekeeping requirements, did not properly monitor its subcontractors to ensure that they followed SIF regulations requiring financial reporting of their

⁶ Unexpected budget cuts during FY 2012 precluded OIG's Investigation Section from pursuing allegations that ORI's CEO improperly used Corporation and matching grant funds for personal purchases, family vacations, and his personal business. Given the lack of documentation found by the auditors, substantial forensic resources would have been required to investigate those allegations to conclusion.

Audits and Reviews

program's expenses, and did not have adequate procedures to ensure that cash advances to subgrantees were disbursed in a timely manner.

Our audit also questioned costs of \$33,593 and an education award of \$5,350 incurred under grant awards under the AmeriCorps State and National program, and special awards under the American Recovery and Reinvestment Act of 2009. The unsupported costs fell into two categories. First, certain members were not eligible to participate because the grantee did not conduct and/or document legally required criminal history searches and sex offender registry checks. Second, the auditors questioned costs claimed for unemployment insurance because the grantee: (1) did not demonstrate that state law required its host agencies to maintain such insurance; and (2) required its members to state in writing that they were ineligible for unemployment insurance.

We recommended a number of improvements, including strengthening controls over the grantee's monitoring of its subgrantees, enhancing policies and procedures for administering both the AmeriCorps and SIF grants, and adhering to the grantee's negotiated agreement for claiming indirect costs. We also recommended that the Corporation calculate and recover the appropriate amount of disallowed costs based on the questioned costs reported.

Audit Resolutions

Corporation's Unwillingness to Recover Costs of Unallowable Direct Service by VISTA Members Undermines Accountability

OIG disagrees with the Corporation's refusal to recover costs incurred when sponsors required VISTA members to perform "direct service," in violation of the Domestic Volunteer Service Act program rules limiting member service activities. See *Guidelines for Selection of AmeriCorps*VISTA Sponsors and Projects, Criteria for Selection of AmeriCorps VISTA Sponsors and Projects*, Part II.B.2.b., 60 Fed. Reg. 7173 (Feb. 7, 1995).

The VISTA program provides living allowances and education awards to individuals whose work involves strengthening or enhancing the capability of an anti-poverty organization ("capacity building"), but does not allow them to assist individual members of the public ("direct service"). To obtain the services of a VISTA-supported individual, the sponsoring organization must agree in writing to use those services solely for capacity building and not for direct service.

In 2009, the City of New York's Office of the Mayor obtained the services of 200 VISTA participants and entered into an agreement to devote them solely to capacity building activities. A 2011 audit determined that some of those VISTA participants were nevertheless assigned to provide direct services (e.g., advising clients at a legal aid clinic, mentoring students, and planting trees for a beautification project) in violation of that agreement and VISTA requirements. Our audit therefore recommended that the Corporation recover a pro rata share of the living allowances and education awards from the Office of the Mayor for the time that those individuals spent performing direct services. Report No. 11-11, *Audit of Corporation for National and Community Service Grants Awarded to the New York City Office of the Mayor*. In our view, the sponsor, which accepted limitations on its use of a federally funded resource—the services of VISTA participants—is responsible for the costs that result from its misuse of that resource.

The Corporation, however, decided not to seek any recovery from the Office of the Mayor because living allowances did not flow through the Mayor's Office but were instead paid directly to individual VISTA participants:

There are no living allowance/stipend costs to 'disallow' and recover because no federal funds were ever awarded. Given the non-grant nature of most VISTA programs, if Corporation staff determines that a sponsor organization has not complied with VISTA requirements, policies dictate we [Corporation] end the project and re-assign the VISTA member.

Corporation's June 20, [2011] Response to Draft Audit Report, adopted as part of Corporation's Final Management Decision by memorandum dated September 26, 2012.

This decision effectively undermines accountability for the VISTA program; the Corporation's policy leaves no meaningful recourse against a sponsor that misuses VISTA personnel. Whether the living stipend was paid directly to the VISTA participant, or was given as a grant to the sponsor to be disbursed to VISTA participants, is a matter of form, rather than substance. The Corporation committed Federal resources in reliance on the sponsor's promises, and the sponsor should be accountable for unallowable costs that were incurred when it breached those promises. Throughout the AmeriCorps program, the Corporation routinely requires a grantee to repay improperly incurred education awards, even though the grantee itself does not receive or handle those funds. Indeed, the Corporation's Final Management Decision in this matter concedes that it could require a VISTA sponsor to repay education awards that it caused the Corporation to issue to ineligible individuals. We see no meaningful distinction between requiring a sponsor to repay education awards given to ineligible individuals and requiring the same sponsor to repay living allowances provided to those same ineligible individuals.

Audit Outreach Activity

The Audit Section continued its active participation in events designed to inform the grantee community and the general public about OIG initiatives and audit-related matters. In April, OIG representatives took part in the Financial and Grants Management Institute in St. Louis, MO, a Corporation-sponsored training attended by hundreds of AmeriCorps grantees and their staffs. An Audit Manager co-presented a workshop on "Avoiding Common Issues and Pitfalls" in preparing for OIG audits.

We were honored to be included in the Corporation's first Internet Virtual Conference, a three-day interactive webinar sponsored by the Senior Corps program office in August, in preparation for the first national competition for Senior Corps grants. This live conference employed the latest technology to convert the OIG conference room into a virtual broadcasting studio. It featured the Inspector General and an Audit Manager in a 60-minute nationwide presentation to Senior Corps grantees and program sites. Using slides and live voice-over narration, the presenters discussed OIG's goal of ensuring responsible and prudent use of Federal funds, preventable problems frequently discovered in audits, fraud indicators that should be taken as warning signs, and examples of recent audits and investigations. Attendance was strong; 646 attendees viewed the live session, with others watching the recorded version. We were very pleased with the number of online questions reflecting participants' desire to comply carefully with applicable rules and regulations. Our responses to those questions were subsequently posted to the Corporation's knowledge center website.

Audits and Reviews

Taking advantage of annual grantee meetings in September in Washington DC, members of OIG spoke with leaders for the Corporation's major components. The Inspector General joined Corporation CEO Wendy Spencer and Chair of the Board of Directors Laysha Ward in addressing the opening plenary session of the Executive Directors of AmeriCorps grantees. Later, she met with the State Directors for Senior Corps and VISTA to share her perspective and hear their observations about issues on which OIG might focus. An OIG Audit Manager made a presentation to intermediaries and subgrantees attending the Social Innovation Fund Grantee Meeting, using a 50-minute slide show tailored to the specialized audit concerns of the SIF group, and answered general questions about recent SIF audits and their findings, the Office of Management and Budget cost principles and other topics. We viewed this as an important opportunity to enhance the effectiveness of their grant administration, particularly because many SIF grantees have little experience with Federal funds and have not previously undergone a Federal audit.

Investigations

The Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in the Corporation's programs and operations. The Section probes allegations of serious—sometimes criminal—misconduct involving the Corporation's employees, contractors and grant recipients that threatens the integrity of the Corporation's service initiatives. Evidence of serious criminal or fraudulent conduct is referred to the appropriate United States Attorney or, in some instances, to a local district attorney for criminal or civil prosecution and monetary recovery. Other investigative results are referred to Corporation management for information or administrative action.

Investigations

Overview

In the last six months, the Investigations Section opened ten new cases and closed 22 cases, ten of which resulted in findings of serious misconduct, recoveries of more than \$400,000, and avoidance of over \$2.3 million of awards of additional grant costs to irresponsible organizations. The Corporation issued four debt letters totaling \$188,758, demanding repayment for misapplication of program funds, and debarred six persons from participating in federal grants and contracts for their fraudulent conduct. This caps off a year in which OIG investigations recovered more than 2.8 million dollars in taxpayer funds, and identified the potential recovery of more than 4 million dollars from a program found to have engaged in fraud, waste, or abuse of Corporation resources.

Also during this period, our investigations resulted in four criminal sentences for individuals convicted of financial misconduct. Specifically, the United States District Court for the District of Columbia sentenced the former Executive Director of the American Samoa Special Services Commission to 14 months in prison, and ordered her to pay \$325,000 in restitution for her theft of Corporation grant funds. Also, the United States District Court for the District of Puerto Rico sentenced three VISTA members to six months' probation for defrauding the VISTA program by attending school full-time during their VISTA year of service. Both sentences resulted from investigations by this office and were previously reported.

The Investigation Section is staffed by two investigators and the Assistant Inspector General for Investigations. We were also assisted by 95 calls, letters and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

Highlights of our activities appear below.

Criminal Actions

Idaho Foster Grandparent Program Employees Sentenced and Ordered to Repay Embezzled Funds

Two employees of the Idaho Foster Grandparent Program each pled guilty to one count of fraud under 18 U.S.C. § 666 for misusing the grantee's credit card, charging a total of \$62,763.54 for their personal benefit. One of the individuals was sentenced to nine months' home detention and ordered to report for confinement during that period for six consecutive weekends, plus five years' probation, and was ordered to pay restitution of \$48,861.47. The other individual was sentenced to 90-days' home detention and five years' probation, and was ordered to pay \$13,902.07 in restitution. The Corporation debarred both for a period of three years.

Topeka Senior Companion Program Manager Sentenced and Ordered to Repay Embezzled Funds

A joint investigation with the Topeka Police Department disclosed that a Senior Companion Program manager defrauded the program of Federal funds by submitting requests for funds purportedly to be paid to Senior Corps volunteers for stipends and other legitimate expenses. She then used a program-issued debit card to withdraw the money from the grantee's account, obtaining cash from ATMs in the greater Topeka area and at various casinos in Kansas and Oklahoma. The program manager also fraudulently increased her pay, without the approval of the grantee's Board of Directors, and issued and cashed checks without authorization. In all, she diverted \$28,433.66 dollars in Federal program funds for her personal use.

Upon prosecution by the United States Attorney's Office, for the District of Kansas, she pled guilty to one count of Program Fraud and was sentenced to six months of home detention, plus

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three years of supervised probation, and was ordered to make full restitution. The Corporation debarred her for a period of two years.

Kentucky AmeriCorps Member Sentenced and Ordered to Pay Restitution for Stealing Program Funds

A joint investigation with the Kentucky State Police disclosed that an AmeriCorps member embezzled \$4,250 in grant funds when she stole, forged and negotiated grantee checks for personal use. Upon prosecution by the Attorney General's Office for the Commonwealth of Kentucky, the member was sentenced to three years confinement, suspended, plus three years' supervised probation. She was also ordered to make restitution. The Corporation debarred her for a period of three years.

Maryland NCCC Member Sentenced for Sexual Assault

A joint investigation with the U.S. Department of Veterans Administration OIG determined that an AmeriCorps member assigned to the National Civilian Community Corps (NCCC) campus at Perry Point, Maryland sexually assaulted another NCCC AmeriCorps member. Following prosecution by the Maryland Attorney General's Office, the former member pled guilty to a count each for burglary and assault, and to two sex offense counts, and was sentenced to six years' incarceration, with three years' suspended, and was placed on supervised probation for three years upon release. He will also be required to register as a sex offender.

Michigan Employee Charged with Embezzling Grant Funds

The Michigan Attorney General's Public Integrity Unit brought two charges of felony embezzlement against an employee of the state's Department of Human Services. The embezzlement was discovered as a result of a routine agreed-upon procedures review of the Michigan service commission, which is funded by the Corporation. The employee allegedly misused three state procurement cards, making purchases of \$4,400 for her personal benefit. An OIG audit found that the Commission was unable to provide supporting documentation for certain of the purchase card expenses, and further inquiry discovered repeated misuse of the cards over a period of nearly two years. The Commission reports that it has revised its internal control procedures to mitigate these risks. OIG continues to review the matter.

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Administrative Actions

Debarments

Texas VISTA Supervisor Debarred for Violating Nepotism Policy

The OIG received information that a VISTA Supervisor violated the Corporation's VISTA nepotism policy when she knowingly allowed her biological sister and her biological daughter to serve in the VISTA program under her supervision. The VISTA supervisor misled Corporation employees causing the Corporation to disburse \$7,774.29 in federal funds to the two ineligible VISTA members. The Corporation has requested that the grantee repay the disallowed costs and debarred the supervisor for a two-year period.

Atlanta VISTA Member Debarred for Falsifying Childcare Enrollment

OIG investigators determined that a VISTA member fraudulently received childcare benefits by falsifying her monthly daycare invoices and attendance logs. These fraudulent submissions improperly enabled a family member to receive \$1,065 in childcare benefit payments. The former VISTA member admitted to falsifying the monthly daycare invoices and attendance logs. The Corporation declined to issue a debt letter to recover the funds, but debarred the former VISTA member for a period of one year.

Grant Terminations/Relinquishments

Florida Retired Senior Volunteer Program Relinquishes Grant

A Florida Retired Senior Volunteer Program (RSVP) relinquished its grant following an OIG investigation that determined that the program failed to maintain records that accurately showed the number and identity of current volunteers, their assignments and locations. Although the grantee mismanaged the program, investigation did not find a loss of Federal funds.

Demands and Recoveries

Oklahoma Foster Grandparent Program Owes \$1.3 Million for Failing to Meet Program Requirements and Misuse of Program Funds

Our investigators substantiated an employee's allegation that the Executive Director of a Foster Grandparents Program (FGP) in Oklahoma misused program funds by using them to pay employees for work unrelated to the grant. In response to a subpoena, the grantee acknowledged that it was unable to locate records regarding its use of Federal funds. The Corporation accordingly disallowed \$1,133,297.76 paid to the grantee and issued a letter demanding repayment.

Prevention

Review of Information Technology Inventory Accountability Leads to Improved Controls

Following up on a finding in the audit of the Corporations' FY 2011 financial statement, investigators reviewed the methods used by the Corporation to safeguard its Information Technology (IT) property and equipment, in order to identify vulnerabilities. The Corporation has updated its Computer Property Management policy to require tighter control of IT inventory and is developing new processes for tracking IT assets and inventorying them on a quarterly basis.

Applicant Who Used Multiple Identities Prevented from Re-Enrolling in VISTA Program

Based on a report from a Corporation employee, our investigation determined that a single individual used multiple names and Social Security Numbers to enroll in VISTA programs in New Jersey, Nebraska, and Utah in 2010 and 2011. This dishonest conduct did not cause any loss of Federal funds because the individual never served more than a few weeks at any of the VISTA sites. For this reason, no criminal prosecution was initiated. However, the Corporation is monitoring VISTA applications to prevent future efforts by this individual to re-enroll in the program.

Investigations

Summary Of Cases	
Opened and Closed	
Cases Open at Beginning of Reporting Period	25
New Cases Opened	10
Cases Closed this Period With Significant Findings	10
Cases Closed this Period With No Significant Findings	12
Total Cases Closed	22
Cases Open at End of Reporting Period	13
Referred	
Cases Referred for Prosecution	2
Cases Accepted for Prosecution	1
Cases Declined for Prosecution	2*
Cases Pending Prosecutorial Review	0
Cases Pending Adjudication	4*
Recommendations to Management	
Investigative Recommendations Referred to Management	8
Investigative Recommendations Pending this Reporting Period	1
Investigative Recommendations Pending from Previous Reporting Periods	4
* This includes cases referred for prosecution during the previous reporting period.	

Investigations

Fiscal Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Investigative actions opened	41	40	39	42	22
Investigative actions resolved and closed	51	43	46	35	42
Average monthly caseload	38	32	32	34	26
Investigative matters resolved without opening a separate investigative action	68	40	45	39	51
Referrals for prosecution	8	3	9	8	4
Investigative recoveries ²	\$947,540	\$1,317,227	\$634,803	\$447,854	\$2,846,203
Cost avoidance ³	\$81,731	\$300,000	\$1,218,178	\$1,666,294	\$2,321,521
Administrative or management action taken	29	16	20	14	17

² 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.

³ 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.

Review of Legislation and Regulations

Section 4(a) of the Inspector General Act directs the Office of Inspector General to review and make recommendations about existing and proposed legislation and regulations relating to the Corporation's programs and operations. The Office of Inspector General reviews legislation and regulations to determine their impact on the economy and efficiency of the Corporation's administration of its programs and operations. It also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud and abuse in Corporation programs and operations. The Office of Inspector General draws on its experience in audits and investigations as the basis for its recommendations.

Review of Legislation and Regulations

Corporation Policy Council

The OIG continued its active participation in the Corporation's Policy Council, which is charged with developing and amending internal policies covering all agency operations. During this period, we commented on a number of proposed policies, including the Corporation's policies on Audit Resolution, Grant Funds Hold for Late Reporting, OIG Investigation Findings, and the procedures on VISTA Verification of Compelling Personal Circumstances.

As a result of findings reported in the OIG report *Evaluation of the Corporation's OMB Circular A-133 Reports Monitoring Process*, the Corporation revised its policy on audit resolution. After issuance of the policy in draft, the Corporation accepted all of our comments and suggested changes to its Audit Resolution policy. Most notably, the revised policy designates those Corporation officials who will have specific responsibilities in the audit resolution process, and assigns the Inspector General the role of primary designated National Single Audit Coordinator for the Corporation. As set forth in the revised policy, OIG will provide the Corporation quarterly summaries of OMB Circular A-133 audit reports of Corporation grantees that contain significant audit findings, such as going-concern issues, material weaknesses, and questioned costs, that warrant corrective action by the Corporation. As required by OMB Circular A-50, *Audit Follow-up*, we expect resolution will be made by the Corporation within six months after receipt of the report.

Also during this reporting period, the Corporation issued new procedures for the VISTA program to verify the validity of a release from VISTA service under a so-called "compelling personal circumstances" justification. A release under such circumstances permits a VISTA member a pro-rated amount of the education award earned through a full year of service. The issuance of the new verification procedures responds to recommendations made in our report, *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances*, which found wide-spread noncompliance with the requirements for a release, including invalid justifications, lack of supporting documentation of medical circumstances, and other monitoring control discrepancies.

The Corporation also accepted all our suggested changes and comments to its policies titled Grant Funds Hold for Late Reporting, and OIG Investigation Findings.

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.

Statistical and Summary of Tables

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.

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	26
5 (a)(4)	Matters referred to prosecutorial authorities	17
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and unsupported costs.	23
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	10

Tables

II. Reports with Questioned Costs

Report Category	Number	Federal Costs	
		Questioned	Unsupported
(Dollars in thousands)			
A. Reports for which no management decision had been made by the commencement of the reporting period	11	\$880	\$242
B. Reports issued during the reporting period	<u>1</u>	<u>\$3,488</u>	<u>\$2,690</u>
C. Total Reports (A + B)	12	\$4,368	\$2,932
D. Reports for which a management decision was made during the reporting period	3	\$199	\$51
i. Value of disallowed costs		\$109	\$39
ii. Value of costs not disallowed		<u>\$90</u>	<u>\$12</u>
E. Reports for which no management decision had been made at the end of the reporting period (C minus D)	<u>9</u>	<u>\$4,168</u>	<u>\$2,880</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	5	\$298	\$107

III. Reports with Recommendations That Funds Be Put To Better Use

	Report Category	Number*	Dollar Value*
			<i>(Dollars in thousands)</i>
A.	Reports for which no management decision had been made by the commencement of the reporting period	9	\$658
B.	Reports issued during the reporting period	<u>5</u>	<u>\$3,109</u>
C.	Total Reports (A + B)	14	3767*
D.	Reports for which a management decision was made during the reporting period	4	\$121
	i. Value of recommendations agreed to by management		\$33
	ii. Value of recommendations not agreed to by management		\$88
E.	Reports for which no management decision had been made by the end of the reporting period	10	\$3,646
F.	Reports for which no management decision was made within six months of issuance	3	\$417
* Minor Adjustments due to rounding.			

Tables

IV. Summary of Audits with Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (09/30/11)
		<i>(Dollars in thousands)</i>		
11-20	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Colorado Governor's Commission on Community Service</i>	\$262,038	10/17/2011	The Corporation issued a Draft Management Decision September 24, 2012.
11-21	<i>Audit of the Town of West Seneca aka WNY AmeriCorps aka The Service Corroborative of WNY</i>	\$35,903	1/25/2012	The Corporation issued a Draft Management Decision September 21, 2012.
12-04	<i>Audit of Earned Education Awards Resulting from Compelling Personal Circumstances</i>	\$0	12/30/2011	The Corporation has not issued a Draft Management Decision for this report.
	Total	<u>\$297,941</u>		

V. Reports Described in Prior Semiannual Reports without Final Action

Report Number	Title	Date Issued	Final Action Due
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>	7/25/2011	7/25/2012

Tables

VI. Audit Reports Issued

April 1, 2012-September 30, 2012					
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use	
		(Dollars in thousands)			
12-08	<i>Audit of National Service Trust Payments to Financial and Education Institutions</i>	\$0	\$0	\$0	
12-09	<i>Evaluation of the Corporation's OMB Circular A-133 Reports Monitoring Process</i>	\$0	\$0	\$0	
12-11	<i>Agreed-Upon Procedures for Corporation Grants Awarded to The New Teacher Project</i>	\$3	\$2	\$99	
12-12	<i>Agreed-Upon Procedures for Corporation Grants Awarded to AIDS United</i>	\$395	\$7	\$5	
12-13	<i>Agreed-Upon Procedures for Corporation Grants Awarded to Oregon Volunteers</i>	\$392	\$64	\$169	
12-14	<i>Agreed-Upon Procedures for Corporation Grants Awarded to Michigan Community Service Commission</i>	\$244	\$223	\$33	
12-15	<i>Audit of Corporation Grants Awarded to Operation REACH, Inc.</i>	\$560	\$499	\$2,804	
12-16	<i>Agreed-Upon Procedures for Corporation Grants Awarded to New Jersey Commission on National and Community Service</i>	\$1,895	\$1,895	\$0	
	TOTAL	<u>\$3,488</u>	<u>\$2,690</u>	<u>\$3,110</u>	