

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Semiannual Report to Congress

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Fiscal Year 2010 Semiannual Report No. 2



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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 its audit reports and criminal and civil referrals based on our investigations, the OIG recommends to the Corporation policies to promote economy and efficiency.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the final six months of Fiscal Year (FY) 2010. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

A Message From Acting Inspector General Kenneth Bach

October 29, 2010

I am pleased to share with you our Semiannual Report to Congress, which details the achievements of the Office of Inspector General (OIG) for the period April 1 through September 30, 2010. During this reporting period, the OIG made major strides in realigning and adding to its resources and skill sets in order to meet the oversight challenges of a major expansion of programs now under way at the Corporation for National and Community Service (Corporation).



At the heart of our effort was a series of audits and investigations focusing on the Corporation's new and existing programs and operations. Our goal is to have a more global positive impact on the Corporation and all of its stakeholders by deterring and preventing instances of fraud, waste, and abuse. At the same time we have continued our comprehensive audit and investigative efforts directed at individual Corporation grantees, especially those that have been determined to be higher risk entities.

Our long-term commitment to this oversight focus is detailed in the "Three-Year Work Plan for FYs 2011-2013" that the OIG developed and adopted during this reporting period.

Our Audit Section issued 11 reports, resulting in more than \$451,000 in questioned costs, and the identification of more than \$365,000 in funds that could be put to better use. Of greater value were the numerous recommendations for improvement in Corporation and grantee operations, policies and programs.

Our Investigations Section opened 17 new cases and closed 24 actions, including 16 cases with significant findings, resulting in the recovery of more than \$518,000 in taxpayer dollars and the potential recovery of more than \$2.3 million for reinvestment in national service.

Our investigators and auditors joined forces to safeguard the \$200 million in American Recovery and Investment Act (ARRA) funds invested in expanded AmeriCorps and Volunteers in Service to America (VISTA) programs. During this reporting period, they completed a series of more than 40 site visits and outreach training sessions, reaching an audience of more than 1,000 grantee officials and program participants. Also, our Audit Section conducted a series of financial systems reviews of higher-risk ARRA grantees.

This work produced immediate and wide-ranging benefits, including key reforms enacted at the Corporation's Volunteers in Service to America Member Support Unit (VMSU). An OIG audit had found that the VMSU, the personnel records repository for VISTA members, lacked clear policies and procedures and that its record keeping was inconsistent.

Another OIG audit, which is ongoing, found serious financial and programmatic problems at the service commission of a U.S. Territory that had received ARRA and other grant funds from the Corporation. We immediately advised Corporation management of our preliminary findings and, on September 24, 2010, the Corporation put a manual hold on the grantee's drawdowns of grant funds.

Inspector General's Message

The OIG also became actively engaged in overseeing the new service initiatives authorized under the Edward M. Kennedy Serve America Act of 2009. During this reporting period the Corporation made \$50 million in grants from its new Social Innovation Fund (SIF), under which grantees are charged with developing new service initiatives and best practices for their implementation. Before the SIF awards were made, we proposed to the Corporation that our auditors review the financial systems of grantee candidates and determine their ability to handle Federal funds. Our proposal was accepted and the reviews identified a lack of needed controls that, in some cases, was due to the grantees' lack of prior Federal grant experience. The results were reported to Corporation management.

After questions were raised about the results of the initial SIF awards competition, we also initiated, at the request of the Corporation, a review of the SIF grant award process, focusing on the policies and procedures the Corporation used to evaluate and select grantees.

The Corporation has experienced security issues surrounding its information technology (IT) systems and systems used by Corporation contractors to manage Corporation data. As part of our effort to evaluate and recommend improvements for core Corporation operations, we launched a number of examinations of the agency's IT infrastructure, the capacity and efficiency of which has been identified as a key concern by Corporation management. Projects under way include our Federal Information Security Management Act evaluation, along with reviews of key IT contracts and the circumstances of a security breach that may have compromised the personally identifiable information of AmeriCorps members and applicants.

To effectively meet its new and expanding challenges, the OIG undertook a realignment project during this period. We first contracted for a management review to determine if our staffing levels and staff skill sets were appropriate to meet our new obligations. Based on its findings, we changed some of the responsibilities of our existing staff and identified a number of human capital needs. Key hires made during this period included a Chief Technology Officer to develop and manage our ever-expanding IT needs, and an Administrative Officer to oversee day-to-day administrative functions, including procurement and budgeting.

We also began the process of establishing a new Analytical/Intelligence Team as part of our expanded oversight efforts. This new team will support our auditors and investigators by conducting trend analyses, research of various public and Federal databases, and will develop data mining expertise of the agency's data systems. Our long-range goal is to develop predictive modeling, using the data contained in the agency's information technology systems, along with a wide variety of public and Federal systems, to identify misuse of Corporation grant funds before the end of the grant award period. This will enable the OIG to respond in a timely manner to safeguard Federal grant funds before those funds have been fully expended.

In addition to the aforementioned grantee site visits and training sessions, the OIG made outreach a top priority during this reporting period. Our staff participated in a number of Corporation employee and grantee training events and also began briefing all new Corporation personnel as part of the agency's orientation program. My staff and I also developed an effective and constructive working relationship with the Corporation's new management team. We further met with key House and Senate staff members to brief them on our work and hear their concerns related to the Corporation and its programs.

I am extremely proud of the accomplishments of my office during this reporting period and I am confident that our realigned and reenergized OIG is more than equal to the task of effective and efficient oversight of taxpayer dollars invested in 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 11 reports, as listed on page 22, which included several reviews designed to improve overall Corporation operations. We also completed a series of proactive projects and audits to provide oversight of the \$200 million appropriated to the Corporation under the American Recovery and Reinvestment Act of 2009 (ARRA). Our efforts included:

- Completing the first segment of our comprehensive audit of Volunteers in Service to America (AmeriCorps*VISTA), which received \$65 million in ARRA funding to support 3,000 additional members.
- Completing fieldwork on 13 accounting system reviews for higher-risk ARRA grantees. The ARRA allocated \$89 million to support 10,000 additional AmeriCorps members.
- Initiating a VISTA grant audit of ARRA funding for a grantee that had the largest number of allocated member slots.

The eight grantee agreed-upon procedures/audits issued during this period, which focused on the Corporation's National Direct grantees, questioned more than \$451,000 in claimed costs and recommended that more than \$365,000 in funds be put to better use. There were 16 audits in process at the end of this reporting period.

At the invitation of the Corporation's Internal Control and Analysis Team, the Audit Section staff presented a series of three internal control training sessions to Corporation managers. The sessions were provided to assist the Corporation's OMB Circular A-123 Internal Control Program. Audit staff also conducted training at the Corporation's National Conference on Volunteering and Service in New York City. 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. We further conducted training at a gathering of Corporation employees who are responsible for conducting grantee monitoring. Our presentation focused on the relationship between OIG audits and the Corporation's other monitoring activities.

Significant Audit Activity

American Samoa Special Services Commission (ASSSC)

On September 23, 2010, the OIG presented a Management Alert to the Corporation on the preliminary results of an agreed-upon procedures review of ASSSC. The OIG, which reviewed procedures of the ASSSC and two of its subgrantees, found a material failure to comply with the grant terms and conditions. The financial and programmatic issues discovered included:

- Accounting system not used
- Inadequate timekeeping
- Poor cash management
- Abuse of travel
- Inadequate controls of purchasing
- Inadequate monitoring of subgrants
- Lack of controls to verify member service requirements
- Lack of a competitive process for sub-awards

Although the agreed-upon procedures review was not completed at the time of the Alert, we anticipated that significant questioned costs would be presented in the final report. We recommended the following actions:

- Immediately place a hold on ASSSC's U.S. Health and Human Services, Division of Payment Management (HHS/PMS) drawdowns; and
- Prepare to terminate the ASSSC grants.

On September 24, 2010, the Corporation requested that HHS/PMS place a manual hold on ASSSC's drawdown accounts. During the next reporting period, the OIG will issue the draft and final reports and will work with the Corporation to ensure that corrective action takes place. We also referred this matter to our Investigations Section.

Audit of the Volunteers in Service to America Member Support Unit (VMSU)

As a result of this OIG audit, the Corporation implemented significant reforms and new processes for the VMSU, which compiles and retains personnel and other records of VISTA volunteers. Our report to Corporation management, dated June 14, 2010, disclosed that:

(1) the VMSU lacked approved written operating policies and procedures; (2) VISTA member files were missing one or more documents and documentation in the files lacked required signatures; (3) members serving without a required Oath of Service document on file, and; (4) documentation used to establish members' citizenship or permanent resident alien status was missing or insufficient.

As a result of our audit, the Corporation implemented a written Internal Processes & Procedures Document for the VMSU, effective September 1, 2010; and Eligibility Requirements for AmeriCorps VISTA Documentation of U.S. Citizenship/National or Lawful Permanent Resident Alien status, effective July 29, 2010.

The Internal Processes & Procedures Document provides VMSU technicians with 1) written instructions regarding file contents and maintenance, 2) documents the responsibilities of VSMU technicians and state office staff and the required documents and submissions to the VMSU, 3) provides procedures to verify that continuing VISTA members have an oath of service on file, 4) establishes procedures to locate and obtain missing member documents.

The Eligibility Requirements for AmeriCorps VISTA Documentation of U.S. Citizenship/National or Lawful Permanent Resident Alien status instruct Corporation personnel to use/adopt the same citizenship verification standards used by AmeriCorps*State and National. This will promote consistency across all AmeriCorps programs; and ensure that citizenship requirements are met for VISTA members receiving education awards from the Trust.

Pre-award Accounting System Inspection Reviews of Social Innovation Fund (SIF) Grant Applicants

The SIF, a new public-private partnership authorized by the Edward M. Kennedy Serve America Act of 2009, is designed to create new program models for solving social challenges in the areas of economic opportunity, youth development, school support, and healthy futures. In Fiscal Year (FY) 2010, the Corporation awarded an estimated \$50 million in Federal funding to 11 intermediary organizations in amounts up to \$10 million. The intermediary organizations – grant-making institutions – will make subgrants to a portfolio of nonprofit organizations. The funding mechanism calls for every \$1 in Federal funding to be leveraged by \$3 in private funds.

The OIG, recognizing that all new programs can pose a significant risk to the Corporation and the taxpayer funds it grants, approached Corporation management with a proposal that we review grant applicants' accounting systems prior to the actual awarding of any SIF grants. Our proposal was accepted and a team of OIG auditors and audit managers fanned out across the country to conduct nine reviews of applicants that were subsequently awarded SIF grants.

We found that many of the applicants had received no prior Corporation funding and, in some cases, had no experience with Federal grants. Consequently, many of the applicants lacked the accounting and financial systems and procedures needed to properly account for Federal funds.

We issued nine separate letters to Corporation management detailing our findings. Those letters also contained a total of 53 recommendations for strengthening SIF applicants' accounting and financial systems and procedures. Corporation grant officers will conduct site visits of the SIF grantees within the first year of the grant and will determine whether the OIG's recommendations have been implemented.

We believe this proactive initiative helped to detect and prevent potential fraud, waste and abuse involving the SIF program and its grantees. At the same time, this effort gave the OIG valuable insights into a major new Corporation grant program.

Agreed-Upon Procedures of Grants Awarded to Greater Pittsburgh Literacy Council (GPLC)

As a result of applying our procedures, we questioned claimed Federal-share costs of \$225,703, education awards of \$131,022 and accrued interest awards of \$1,674.

The auditors also identified the following pervasive compliance problems:

- One subgrantee's financial management system did not adequately account for and report Federal and match grant costs in accordance with Federal requirements.
- Subgrantees claimed unallowable and unsupported costs.
- Subgrantees had weaknesses in member timekeeping procedures and, in some instances, timesheets did not support member eligibility for education awards.
- Subgrantees did not maintain documentation to demonstrate that criminal history checks were conducted for all members and were in compliance with AmeriCorps provisions.
- Subgrantees did not comply with AmeriCorps citizenship eligibility requirements.
- Subgrantees could not demonstrate that some members received performance evaluations, and none of the end-of-term evaluations met AmeriCorps requirements.
- GPLC and its subgrantees did not follow certain AmeriCorps requirements.

As a result of issues and findings raised during the agreed-upon procedures, GPLC notified the OIG that its contract with one its largest subgrantees was not being renewed. We are waiting on Corporation management's response to our findings.

Agreed-Upon Procedures of Grants Awarded to The Research Foundation of City University of New York (RFCUNY)

As a result of applying our procedures, we identified three findings which primarily relate to:

- Ineligible members enrolled in the AmeriCorps program,
- Lack of accountability/auditability of match costs under the grant, and
- RFCUNY's lack of understanding of certain grant requirements.

We questioned claimed Federal-share costs of \$5,370, match costs of \$304,582, and education awards of \$174,825. RFCUNY's AmeriCorps program is designed to attract individuals without prior teaching experience to the teaching profession. RFCUNY, however, enrolled individuals who were current charter school teachers. RFCUNY officials stated they thought it was permissible to enroll these individuals because they were uncertified and needed certification to remain teaching at charter schools, and because several enrollees had limited teaching experience.

Audit Section

RFCUNY and Hunter College considered themselves to be joint grantees based on an agreement signed in 1983 between the two entities. As part of the agreement, RFCUNY is responsible for accounting for expenditures, preparing periodic financial reports for project directors and funding agencies, monitoring expenditures, maintaining auditable accounts, and ensuring compliance with its policies and sponsor requirements. Hunter College is responsible for selecting personnel, making technical decisions related to the project, and ensuring compliance with award terms, its own policies, and city and state requirements.

Because the grant agreement between RFCUNY and the Corporation does not identify or assign responsibilities or rights to Hunter College, we identified RFCUNY as the grantee.

We noted that RFCUNY was the subject of an earlier agreed-upon procedures report that contained many of the same findings and issues raised in this report. During the audit resolution process for the earlier report, RFCUNY informed the Corporation that it did not intend to reapply as a grantee for the final year of the grant. In the Corporation's Notice of Final Action, it stated that it would conduct a full financial capacity assessment before awarding any more funds to RFCUNY. To our knowledge, the Corporation did not perform this assessment and RFCUNY continues to receive grant funds. Based on our recurring findings and the lack of adequate corrective action on RFCUNY's management of Federal funds, we recommended that the Corporation not renew this grant with RFCUNY.

Proposed Management Decisions With Which The OIG Disagreed

None.

Investigations Section

The Office of Inspector General Investigations Section is responsible for the detection and investigation of fraud, waste and abuse in Corporation for National and Community Service programs and operations. It carries out these responsibilities by investigating allegations of criminal activity involving the Corporation's employees, contractors, and grant recipients. Criminal investigations are presented to the U.S. Attorney or, in some cases, the local prosecutor for criminal prosecution and monetary recovery, where the facts uncovered so warrant. Some investigative reports are referred to Corporation management for its administrative action.



Investigative Results

During this reporting period, the OIG Investigations Section opened 17 new cases and closed 24 cases, including 16 matters with significant findings. Our efforts resulted in the recovery of more than \$518,000 in taxpayer funds and the potential recovery of more than \$2.3 million from persons and programs found to have engaged in fraud, waste, or abuse of Corporation resources.

Our investigations also resulted in two individuals pleading guilty and being sentenced after misusing Federal Program funds and six other matters that are pending adjudication. Also, based on our referrals to Corporation management, three individuals were debarred from participating in contracts or grants with the Federal government.

Our investigative personnel made significant progress in the development of our new Analytical/Intelligence Team, which will support the audit, investigations and support sections of our office. The team will initially consist of two investigators and the investigative assistant, with plans to hire an analyst in the future. The team is already an active participant in the Interagency Fraud and Risk Data Mining Group, the Grant Fraud Indicators Working Group and the ARRA Investigative Working Group.

The team is incorporating the lessons learned – and best practices developed – by these groups, along with key fraud indicators developed by our audit and investigative sections, to enhance our ability to provide relevant and actionable information for use in audits and investigations. During this reporting period, the team supported the Audit Section by developing information on an AmeriCorps grantee and identifying several risk factors that resulted in the grantee being scheduled for an audit. The team also reviewed all OIG audit reports issued between FYs 2005 and 2010. It then indexed the audit findings into our intelligence database so the information can be easily searched and retrieved.

Consisting of an Assistant Inspector General for Investigations, five agents with full Federal Law Enforcement Authority and an investigative assistant, the Investigations Section met the challenge of pursuing wrongdoers in Corporation operations that include thousands of grantees and sub-grantees in all 50 states and U.S. territories. We were assisted in our work by 77 calls, letters and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

Significant Cases And Activity

Corporation Internal Investigations

During this reporting period, we conducted two investigations involving Corporation employees.

In one case, we determined that a Corporation employee had misused his position and government-issued equipment for personal use. The matter was referred to Corporation management and the individual was subsequently suspended for 10 calendar days without pay.

In another case, we determined that an individual was hired after working for a company with which the Corporation had an ongoing contract and that the new employee still had a financial interest with his previous employer. It was determined that the employee's supervisors, who hired the employee based on his knowledge and experience working with his former employer, should have known their action placed the employee in violation Federal ethics rules. This matter was forwarded to Corporation management and the results are pending.

Investigations Section

Significant Cases

A former AmeriCorps executive director in Mississippi falsely enrolled her child care employees in the AmeriCorps program so that Federal program funds could be used to supplement her employees' salaries and provide them with benefits. As a result, the executive director misapplied more than \$99,000 in Federal program funds. The executive director entered into a plea agreement and was subsequently sentenced to two years of probation, 200 hours of community service, fined \$3,000 and ordered to pay restitution of \$99,057.97. The individual was also debarred by the Corporation for three years.

The former director of a Retired Service Volunteer Program in West Virginia embezzled more than \$124,000 from the program, of which \$104,000 was Federal program funds. The individual plead guilty and was subsequently sentenced to five years of probation and ordered to pay restitution of \$124,923.92. The individual was also debarred by the Corporation for three years.

A former VISTA member in Texas admitted to using another individual's identity so she could enroll in a VISTA program for which she was ineligible because she was an undocumented alien. The loss to the Government for living allowances and other benefits illegally received, as well as fraudulently obtained VISTA child care benefits, was more than \$61,000. The individual has pleaded guilty and sentencing is pending.

We initiated an investigation, which is ongoing, of a firm that was contracted by the Corporation to develop the AmeriCorps Portal software system. Based on a hotline complaint, the OIG learned of vulnerability in the software that had exposed the personally identifiable information (PII) of AmeriCorps members and applicants whose information was entered into the Portal. The Corporation contracted with another firm, which issued a report identifying additional software vulnerabilities that exposed the PII of members and applicants. As a result of the vulnerabilities, the Corporation has notified more than 430,000 AmeriCorps members and applicants that their PII may have been compromised.

We continue to face challenges in having our investigations accepted by the Department of Justice for prosecution. During this reporting period, cases were declined for prosecution on grounds ranging from "it lacks jury appeal" to the fact that no one personally benefited from their misapplication of Federal program funds. Other cases, developed with a considerable investment of OIG resources, were declined because they did not meet a U.S. Attorney Office's "dollar threshold."

While we recognize that DOJ, like all Federal agencies, has limited resources, we believe that, in the context of the Corporation's grants and programs, there is no such thing as a small fraud. So-called low-dollar amounts lost to instances of fraud waste and abuse can have a major impact on the Corporation and its stakeholders. For example, a theft of \$18,000 is equal to the taxpayer's investment in an AmeriCorps member who performs a full-year of community service.

Although the following OIG investigations were declined by DOJ for criminal or civil action, during this reporting period, the Corporation ultimately debarred several targets of our investigations:

- Our investigation and audit review of the executive director of a Texas AmeriCorps program determined the individual misapplied over \$900,000 in Federal program funds over a three-year period. The case was declined for criminal prosecution because the suspect did not personally benefit and the case lacked jury appeal. The case was declined by the Civil Division as the suspect did not have the financial assets to make it worth pursuing. The OIG is preparing a recommendation for debarment to Corporation management.
- A former Maryland VISTA program director and her husband conspired to enroll their rental company's employees in VISTA so that Federal funds could be used to supplement the employees' salaries and provide them with benefits. Our investigation disclosed their actions

allowed the employees to fraudulently receive over more than \$37,000 in Federal program funds. The investigation was initially accepted for criminal prosecution but later declined. The Civil Division initially accepted the investigation, but after 18 months had passed, it declined to pursue civil action because the suspects had filed for bankruptcy. The former program director was subsequently debarred by the Corporation for one year.

- A former New York VISTA program director misapplied more than \$330,000 of Federal program funds, resulting in the program being terminated and the VISTA members having to be reassigned to other programs. The investigation was initially accepted for prosecution in September 2005. In March 2010, the suspect signed a Pre-Trial Diversion Agreement in which he agreed to serve one year of probation and perform 250 hours of community service. The suspect was not required to pay restitution on the ground that he no longer had a job or the means to repay the Federal government. The former program director was subsequently debarred by the Corporation for three years.
- A former Georgia AmeriCorps program director used AmeriCorps grant funds to supplement employee salaries, falsely certified service hours to qualify members for education awards and falsely inflated service hours on AmeriCorps members' timesheets, resulting in a loss of more than \$370,000 in Federal program funds. In December 2007, the investigation was declined for criminal prosecution as DOJ felt the case would be better handled as a civil matter. In October 2009, the civil division declined to take action. The individual was subsequently debarred by the Corporation for three years.

Summary Of Cases	
Opened and Closed	
Cases Open at Beginning of Reporting Period	33
New Cases Opened	17
Cases Closed this Period With Significant Findings	16
Cases Closed this Period With No Significant Findings	8
Total Cases Closed	24
Cases Open at End of Reporting Period	26
Referred	
Cases Referred for Prosecution	6
Cases Accepted for Prosecution*	1
Cases Declined for Prosecution*	4
Cases Pending Prosecutorial Review	2
Cases Pending Adjudication	6
Recommendations to Management	
Investigative Recommendations Referred to Management	9
Investigative Recommendations Pending Management Action this Reporting Period	7
Investigative Recommendations Pending Management Action from Previous Reporting Periods	0
*This includes cases referred for prosecution during the previous reporting period.	

Review Of Legislation And Regulations

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



Impact and Rulemaking Related to the Serve America Act

In April 2009, Congress passed and the President signed into law the Edward M. Kennedy Serve America Act. In addition to reauthorizing the Corporation's programs and activities, the Act amended and added certain sections to the Corporation's governing statutes in the National and Community Service Act of 1993 and the Domestic Volunteer Service Act of 1973.

The Serve Act created two new education awards: a \$1,000 Silver Scholarship education award for seniors 55 and older who complete 350 hours of service, and a \$500 Summer of Service education award for school-age youth who complete 100 hours of service during the summer months. The Act's other key changes included:

- Increasing the amount of an education award earned for a full-time term of AmeriCorps service from the static amount of \$4,725, set forth in the original 1993 statute, to an amount fixed to the annual Federal Pell Grant award, currently set at \$5,350.
- Allowing AmeriCorps State and National, and Silver Scholarship participants who are 55 or older to transfer an education award from the participant who earned the award to the participant's child, grandchild or foster child.
- Holding grantees financially responsible for improperly granted education awards caused by their incorrect or erroneous certification that a participant had completed their term of service.
- Limiting the number of a participant's terms of service in which they can earn education awards to no more than the aggregate amount of two full-time awards.

To implement these and other changes brought by the Serve Act, the Corporation earlier this year submitted for public comment proposed amendments to its regulations for the AmeriCorps State and National program and the National Service Trust, the source of funding for education awards.

The OIG studied the proposed rules and recommended certain sections be redrafted to provide greater clarity and eliminate ambiguity so that the grantees and Corporation offices that administer and perform oversight of the AmeriCorps program have a common understanding of the new rules. The OIG also noted certain sections of the Serve Act that have not been addressed at all in the rulemaking process to this point, and recommended that the Corporation implement those in Federal regulation as well. The rules were published as final in the August 20, 2010, edition of the Federal Register and, for the most part, the Corporation noted but declined to implement the OIG's recommendations.

As an example, the Serve Act granted the Corporation new authority to "assess against the national service program a charge for any amount of associated payment or potential payment" against a grantee that had "erroneous[ly] or incorrect[ly]" certified to the Corporation that an AmeriCorps member had completed his or her term of service. Based on prior audit experience and past internal discussions with the Corporation on this issue, the OIG recommended that the Corporation specify in the rule whether the grantee would be charged for the full amount of education award that it had erroneously certified or, charge only a pro-rated amount reflecting either the value of hours that the member was lacking for completion of the term of service, or a pro-rated value term of service. The OIG also suggested that the Corporation set out an evidentiary standard for determining errors on the part of grantees.

Addressing this question in the preamble to the new regulations published in the August 20, 2010, edition of the Federal Register, the Corporation noted the OIG's recommendations, but declined to set out in the regulation how it would determine what amount would be assessed, stating only that it would make the determination and charge on a "case by case" basis.

Review Of Legislation And Regulations

In another example, the new rule states that the charge for the erroneous certification be against “the national service program.” The OIG suggested that the Corporation clarify in the rule whether this phrase meant that the Corporation would hold the grantee responsible for an erroneous certification made by one of its subgrantees. In response, the Corporation declined to modify the rule to address this question, but stated in the preamble that “it reserves that right to collect erroneous payments from the grantee or any other entity with responsibility for the program.”

The Serve Act eliminated the rule that no AmeriCorps participant could receive a federally funded living allowance, healthcare coverage, and child care allowance for more than two terms of service. Under the Act, the only limitation is that a participant not receive more than the “aggregate” amount of two education awards. Given these changes, the OIG sought to have the Corporation clarify in the rules if AmeriCorps members could enroll in subsequent terms of service beyond a second term and receive these benefits even if they had met the “aggregate” value of two education awards. The Corporation did not directly respond to this question in the preamble. Nonetheless, judging from the language of the new rule, and the discussions in the preamble that an “aggregate” value of two full-time education awards could be spread out over four terms of service, it can be deduced that the Corporation has decided to codify by regulation a policy that will permit an individual to serve up to four full-time terms of service with federally subsidized benefits.

The OIG also suggested that the Corporation create regulations for several new sections to national service laws in the Serve Act, such as the new requirement that grantees annually report the amount and source of “other Federal funds” they receive to carry out the AmeriCorps program, or a prohibition on grantees referring serving individuals to federally funded assistance programs. The Corporation did not draft additional sections or respond to these concerns in the preamble to the text of the regulation.

The OIG is an active participant in the Corporation’s Policy Council, furnishing comments on new and updated policies. During this reporting period we worked with the Council and Corporation management to create a new OIG Investigative Finding Policy. It helps to resolve administrative investigative findings in a manner similar to audit resolution.

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	25
5 (a)(4)	Matters referred to prosecutorial authorities	13
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	22
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	8

Tables

II. Audit List

April 1, 2010-September 30, 2010				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
(Dollars in thousands)				
10-10	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grant Awarded to Health Federation of Philadelphia</i>	\$4	\$0	\$0
10-11	<i>Agreed-Upon Procedures for Corporation for National and Community Service Grant Awarded to the Research Foundation of the City University of New York</i>	\$5	\$0	\$175
10-12	<i>Agreed-Upon Procedures Review of Corporation for National and Community Service Grant Awarded to American National Red Cross</i>	\$79	\$0	\$16
10-13	<i>Agreed-Upon Procedures Review of Corporation for National and Community Service Grant Awarded to Lower Mississippi Delta Service Corps</i>	\$0	\$0	\$0
10-14	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Missouri Community Service Commission</i>	\$15	\$5	\$6
10-15	<i>Agreed-Upon Procedures Review of Corporation for National and Community Service Professional Corps Grant Awarded to Health Literacy Foundation</i>	\$71	\$56	\$25
10-16	<i>Audit of the Volunteers in Service to America Member Support Unit (VMSU)</i>	\$0	\$0	\$0
10-17	<i>Agreed-Upon Procedures Review of Corporation for National and Community Service Grants Awarded to Greater Pittsburgh Literacy Council</i>	\$226	\$0	\$133
10-18	<i>Audit of An American Reinvestment and Recovery Act Grant Awarded to the Neighborhood Reinvestment Corporation</i>	\$5	\$0	\$0
10-19	<i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to Points of Light Foundation</i>	\$46	\$12	\$10
10-20	<i>Social Innovation Fund (SIF) Pre-Award Reviews</i>	\$0	\$0	\$0
TOTAL		\$451	\$73	\$365

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 the reporting period	4	\$237	\$193
B. Reports issued during the reporting period	<u>8</u>	<u>\$452</u>	<u>\$73</u>
C. Total Reports (A + B)	12	\$689	\$266
D. Reports for which a management decision was made during the reporting period	6	\$312	\$249
I. Value of disallowed costs		\$95	\$67
II. Value of costs not disallowed		<u>\$217</u>	<u>\$182</u>
E. Reports for which no management decision had been made at the end of the reporting period (C minus D)	<u>6</u>	<u>\$377</u>	<u>\$17</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	0	\$0	\$0

IV. Reports With Recommendations That Funds Be Put To Better Use

Report Category	Number	Dollar Value
		<i>(Dollars in thousands)</i>
A. Reports for which no management decision had been made by the commencement of the reporting period	4	\$97
B. Reports issued during the reporting period	7	\$365
C. Total Reports (A+B)	11	\$462
D. Reports for which a management decision was made during the reporting period	6	\$122
i. Value of recommendations agreed to by management		\$33
ii. Value of recommendations not agreed to by management		\$89
E. Reports for which no management decision had been made by the end of the reporting period	5	\$340
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	0	\$0

V. Summary Of Audits With Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (09/30/10)
<i>(Dollars in thousands)</i>				
		None		
	Total	<u>\$0</u>		

VI. Reports Described In Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due
None			

VII. Peer Reviews

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

RRB-OIG's peer review also included several observations, all of which have since been addressed by our Investigations Section.

Our Investigations Section's next peer review is scheduled for the first quarter of 2012 and is to be conducted by Department of Commerce OIG.

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

The Audit Section's next peer review will be conducted in FY 2013. The reviewing OIG has not yet been selected.

Fiscal Year 2010 Performance Information

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



Quantitative Audit Performance Information						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of reports issued	21	40	20	23	19	19
Number of reports issued linked to improving Corporation management (<i>OIG Goal One</i>)	3	12	7	7	7	5*
Number of recommendations linked to improving Corporation management (<i>OIG Goal One</i>)	40	139	24	22	51	13
Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>)	18	30	16	16	12	15*
Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>)	142	179	164	194	126	199
Total number of audit recommendations	169	316	182	216	176	212
Percent of recommendations accepted by the Corporation	99%	100%	92%	93%	86%	96%
*OIG Audit Report 10-19 is included in both categories.						

Strategic Goals

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

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

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

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

Performance Information

Investigations Performance Information					
Fiscal Year	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Investigative actions opened	58	62	41	40	39
Investigative actions resolved and closed	60	55	51	43	46
Average monthly caseload	38	44	38	32	32
Investigative matters resolved without opening a separate investigative action	40	54	68	40	45
Referrals for prosecution	12	16	8	3	9
Investigative recoveries	\$268,839	\$838,569	\$947,540	\$1,317,227	\$634,803
Cost avoidance	\$74,586	\$418,900	\$81,731	\$300,000	\$1,218,178
Administrative or management actions taken	20	35	29	16	20

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