

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Semiannual Report To Congress

Table of Contents

ABOUT THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE4

MESSAGE FROM THE INSPECTOR GENERAL.....5

AUDITS AND REVIEWS7

 PENDING AUDITS AND EVALUATIONS..... 8

 SERIOUS DEFICIENCIES IN THE CORPORATION’S PROCUREMENT PRACTICES 8

 PROBLEMS PERSIST IN CORPORATION’S COMPLIANCE WITH IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT (IPERA)..... 11

Risk Assessments of the Corporation Government Charge Card Program.....12

 GRANT MANAGEMENT AND OVERSIGHT 13

Lack of Background Checks Results in Questioned Costs in Grants Awarded to Nevada Volunteers13

Corporation Initiates Extraordinary Criminal History Check Compliance Program, with Overbroad Amnesty...13

Corporation Issues Demand Letter for \$895,000 by Senior Corps Grantee AHR Based on OIG Audit.....16

Reduction in Rate of Significant Findings in Single Audit Reports.....16

 PROPOSED MANAGEMENT DECISIONS 17

Draft Management Decisions with Which the OIG Disagreed.....17

Corporation Revises its Management Decision for the Fixed Amount Grant Program.....17

Corporation Allows Costs Questioned Related to Untimely and Improperly Performed Background Checks.....18

AUDIT OUTREACH ACTIVITY 19

INVESTIGATIONS.....21

INVESTIGATIVE DEMANDS 22

Corporation Retroactively Approved Use of Veterans Initiative Grant for Services to Non-Veterans.....22

Corporation Retroactively Expands Grant Scope After OIG Discovers Unauthorized Activities25

Corporation Ratifies Use of AmeriCorps Members Not Contemplated by Grant Terms27

Program Director Debarred for Misuse of AmeriCorps Funds.....29

Stolen Impounded Government Vehicle Results in Restitution30

Corporation State Director Misuses Government Credit Card and Submits False Travel Vouchers.....30

Allegation of Misuse of VISTA Member Results in Removal of VISTAs.....30

Allegations of Misuse of AmeriCorps Members Result in Administrative Findings.....31

Allegations of Misuse of Program Funds Referred to State Agency.....31

Proactive Vulnerability Assessments at NCCC Campuses Lead to Corrective Action31

NCCC Employees Violated Agency Acquisition Policy to Pay Catering Costs.....32

INFORMATION TECHNOLOGY34

NEED FOR IT MODERNIZATION IS URGENT 34

SUSPENSION AND DEBARMENT37

RECENT ACTIVITY..... 38

Program Director Debarred for Misuse of AmeriCorps Funds.....38

PEER REVIEW39

PEER REVIEW OF FEDERAL LABOR RELATIONS AUTHORITY OFFICE OF INSPECTOR GENERAL 40

REVIEW OF LEGISLATION AND REGULATIONS	41
<i>Grant Provisions Strengthened to Require Grantees to Report Fraud to OIG</i>	<i>42</i>
<i>Corporation Policy Council</i>	<i>42</i>
OBSTACLES ENCOUNTERED BY OIG	44
<i>CEO Promises to Reaffirm Duty to Cooperate with OIG Inquiries after Program Official Threatens to Direct Staff Not to Comply with OIG Information Request</i>	<i>44</i>
<i>Program Staff Told to Discontinue Vetting Grantees' Proposed Responses to OIG Information Requests</i>	<i>44</i>
STATISTICAL AND SUMMARY TABLES.....	46
I. REPORTS WITH QUESTIONED COSTS.....	47
II. REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE	48
III. SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS	49
IV. REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION	50
V. AUDIT REPORTS ISSUED.....	51
AGENCY RESPONSE	52

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) 2013, the Corporation invested \$840 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 . . .

Established along with the Corporation in 1993, the Office of Inspector General (OIG or 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 2014. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.



Deborah J. Jeffrey
Inspector General

Message from the Inspector General

The audits, investigations and related work summarized in this Semiannual Report to Congress for the six months ended September 30, 2014 reflect the Office of Inspector General's (OIG) continuing commitment to strengthening the Corporation for National and Community Service's (Corporation) stewardship of the taxpayers' investment in national service. Our investigators and auditors expect FY 2015 to be even busier.

I remain deeply concerned that the Corporation lacks a comprehensive risk management strategy and internal controls strong enough to safeguard the integrity and prudent use of Federal funds. Despite a strongly expressed commitment to accountability, the Corporation has long understated the gravity of these issues and has not yet committed resources commensurate with the magnitude and urgency of the task at hand. The high-level body charged with overseeing risk management conducted only a single, administrative, meeting in FY 2014. The Office of Accountability and Oversight, which has day-to-day responsibility for internal controls, has shrunk, and its capacities declined. Simply put, the Corporation has not treated risk management and internal controls as the priorities that it asserts them to be. The arrival of a new Chief Operating Officer charged with responsibility in these areas offers an opportunity to reinvigorate the Corporation's internal control program and bring greater rigor and discipline to its risk management. OIG hopes to see meaningful progress.

OIG's work during the past six months illustrates the cost of this inattention. For example, an audit of \$3 million of consulting contracts revealed that the Corporation wasted nearly \$900,000 on five projects that it never used. The responsible staff members were never held accountable for that waste. Program officials violated Federal procurement rules with impunity, and exceeded their legal authority, by directing contractors to deviate from contract terms and failing to inform procurement officers of these unauthorized commitments. In one particularly egregious example, instead of returning to the Treasury unspent funds remaining upon termination of a longitudinal study, program officials diverted the funds to a member satisfaction study that even the contractor acknowledged was of little value. Program officers also relied excessively on the trustworthiness of

contractors, authorizing \$2.4 million in payments for labor charges without any verification or support. Since completing this audit, OIG has found similar problems in major contracts for information technology, as well as in other consulting assignments.

The Corporation concedes that the problems uncovered in our audit exist throughout the \$64-million-per-year procurement function. (Annual procurement spending totals the combined costs of the flagship National Civilian Conservation Corps and the Senior Companion Program.) It has implemented new procedures for the Office of Procurement Services and promised a thorough review of the planning, award and monitoring of procurement projects. Nevertheless, it has declined to review procurements outside our \$3 million sample to determine which of them represent additional unauthorized commitments for which the taxpayers are entitled to repayment.

This report also summarizes the Corporation's reluctance to require major grantees to repay the taxpayers for unauthorized use of AmeriCorps resources. For example, the Corporation allowed a grantee to retain amounts awarded for the purpose of serving veterans and military families, even though the grantee unilaterally redirected those resources to non-veterans. That grantee applied for the veterans grant without proper preparation or planning, made poor decisions in administering the program, and did not inform the Corporation for three years that few veterans wanted its services. Instead of holding the grantee accountable, the Corporation retroactively ratified its decision to spend the money on services to others.

OIG has also experienced instances in which Corporation personnel interfered in our information gathering. In one case, the Corporation's senior executives intervened at my request to protect OIG's unfiltered access to information from grantees. More recently, a senior program official publicly threatened to instruct his staff not to cooperate with OIG inquiries. At my request, the CEO has promised to make clear to agency executives that threats or instructions to frustrate oversight are absolutely unacceptable, especially from a member of the leadership. OIG appreciates this support.

Much remains to be done to improve the Corporation's accountability. My staff and I remain dedicated to this task, and we appreciate the continuing support of the Congress. We look forward to working with the Corporation's leaders towards that vital objective.

Sincerely,



Deborah J. Jeffrey



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. OIG audit reports and reviews are issued to Corporation management for its action or information and are publicly available on the OIG website.

Audits and Reviews

Pending Audits and Evaluations

At the end of the reporting period, the Audit Section had in process an evaluation of the Corporation's National Civilian Conservation Corps program, an audit of the Corporation's FY 2014 compliance with the Improper Payments Elimination and Recovery Act, as amended, the FY 2014 Federal Information Security and Management Act evaluation, the FY 2014 Financial Statement audit and five grantee audits, agreed-upon procedures engagements and evaluations. Below are highlights of particular evaluations and audits completed during this reporting period.

Serious Deficiencies in the Corporation's Procurement Practices

As part of its annual procurement spending of \$64 million, the Corporation regularly engages professional consulting services in such areas as public affairs, operational support, research and strategy. It has procured many of these services through Blanket Purchase Agreements (BPAs), standard contract frameworks that are used to fill repeated needs for supplies or services. BPAs account for about 23 percent of the Corporation's procurement expenditures over the last three years.

After auditing a total of 12 individual assignments (task orders) under four consulting BPAs, the Office of Inspector General found appalling waste of taxpayer funds, lax oversight, unauthorized contractual commitments and widespread noncompliance with rules, regulations and sound contracting practices. Among the highlights:

- The Corporation wasted taxpayer funds on deliverables that it did not use, cancelled after incurring substantial costs, or never received.
 - CNCS spent nearly \$900,000 (of the \$3 million in our sample) on five projects that it never used.
 - Responsible staff members were never held accountable for this waste.

- Program officials exceeded their authority and violated Federal procurement requirements with impunity by directing consultants to deviate from contract terms.
 - Procurement officers charged with sole legal authority to enter into, modify and terminate government contracts were kept in the dark.

Audits and Reviews

- Instead of terminating a longitudinal study and returning the unspent funds to the Treasury, program officials diverted the funds to unrelated member satisfaction studies that even the contractor acknowledged were of little value. Since completing this evaluation, OIG has discovered similar problems in IT procurements and in another task order issued under an existing BPA, where the overwhelming majority of the work was performed by an unapproved subcontractor.
- The Corporation abdicated its fiduciary responsibility regarding payments to consultants and other contract monitoring.
 - Program officers relied excessively on the trustworthiness of contractors, approving \$2,427,463 in invoices for labor without any evidence or verification of the hours.
- Procurement officers did not adequately review contractor proposals to protect the government's interests.
 - Contracting officers (COs) did not review the qualifications, eligibility or cost proposals of subcontractors and in one instance delegated the cost review to untrained program staff.
- Chronic documentation problems interfered with transparency and accountability of contractual actions.
 - Contract files lacked basic documents, such as plans for acquisition, monitoring and subcontracting.
 - The procurement files did not document the reasons for critical decisions or identify the persons responsible for changes to the scope and nature of consulting assignments.
 - Poor documentation practices and turnover at the staff and executive levels have created substantial gaps in the Corporation's institutional knowledge regarding consulting engagements.

The Corporation's operational units (grant programs and functional components, such as External Affairs) engaged consultants under existing BPAs with little or no supervision or review at the enterprise level. Many of the problems that OIG detected here are longstanding and have not received sufficient attention or oversight. There has been no meaningful accountability for continuing waste and mismanagement of consulting services procured through BPAs.

Audits and Reviews

During the fieldwork for this evaluation, the Office of Procurement Services (OPS) took prompt steps that address many of the procedural deficiencies that we identified, including suspending the contracting authority of certain staff members and requiring better training of all OPS staff.

OIG's audit report offered 24 recommendations, addressing the procurement cycle from project design through post-contract evaluations of a project's value and effect. Overall, we believe that the operating unit requesting a project should be required to demonstrate that the project is: (1) necessary; (2) better and more cost-effective than alternative means to accomplish the objective (*e.g.*, whether existing studies from another source could serve the same purpose); (3) well designed (particularly important for research projects); (4) likely to produce measurable impact; and (5) subject to planned monitoring. Projects above a pre-determined cost threshold should require approval by the Corporation's senior management.

In addition to remedial actions and recoupment of unauthorized spending in connection with individual task orders, OIG also urged better oversight of the procurement function in three specific ways. First, the Corporation should consider whether procurement is susceptible to significant improper payments within the meaning of the Improper Payments Elimination and Recovery Act (IPERA), as amended. Second, it should conduct periodic random reviews of contract administration files for compliance with documentation requirements and proper oversight of contractor performance. Finally, we urged the Corporation to review recent task orders beyond our sample, to ensure proper documentation and sound contracting practices, provide appropriate oversight of the contractors, promote accountability, prevent future improper payments and recapture any that have already occurred. That review could occur in conjunction with the IPERA assessment.

In response, the Corporation advised that it is undertaking a comprehensive review of the procurement function, acknowledging that the deficiencies found by OIG with respect to consulting services under BPAs are present throughout the procurement function. In its management decision, the Corporation concurred with the vast majority of OIG's recommendations and indicated that it is developing enterprise-wide policies and procedures to address them, as well as initiating actions to recover amounts spent without authority that were identified by OIG. However, the Corporation declined to review other large procurements during the preceding 12 months to determine whether additional sums should be recouped. While OIG questions that decision, we hope that the Corporation's procurement revisions, when completed and implemented, will create a more disciplined procurement process, with stronger oversight.

Problems Persist in Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)

In its Agency Financial Report (AFR) for FY 2013, the Corporation's management stated its determination that the AmeriCorps State and National program is susceptible to improper payments of more than \$10 million per year. Although the Corporation reportedly used a "statistically-based approach" to reach this conclusion, its approach was not sufficient to project either the rate or the amount of improper payments made annually by the AmeriCorps program. The Corporation acknowledged that it had completed only the preliminary stage of the required IPERA analysis and indicated that it would thereafter publish its estimates of the rate and amount of improper payments and the corrective actions undertaken, including actions to recover overpayments.¹ To date, the Corporation has not reported complete information for FY 2013. OIG therefore concluded, and reported to the Office of Management and Budget, that the Corporation had not complied with IPERA, applicable Executive Orders, and the OMB guidance.

In particular, the Corporation did not meet the following requirements in FY 2013:

- Obtaining a statistically valid estimate of the annual amount of improper payments in AmeriCorps and publishing it in the AFR;
- Developing and implementing a plan for reducing those improper payments and reporting the results in the AFR, including annual reduction targets;
- Stating whether the Corporation has the necessary internal controls, human capital, information systems and other infrastructure to reduce improper payments, and, if not, identifying the additional resources that it requires to do so;
- Describing its accountability measures for meeting improper payments reduction targets and establishing and maintaining sufficient internal controls to prevent, detect and promptly recover improper payments; and
- Recapturing the improper payments identified in the IPERA analysis and conducting recapture audits to recover the as-yet-unidentified improper payments.

¹ The Corporation provided its FY 2013 improper payment testing and assessment to OIG in February 2014, two months after the issuance of the FY 2013 AFR. At that time, the Corporation advised OIG that it had not yet decided how to proceed. In light of this uncertainty and the Corporation's clear noncompliance with IPERA in FY 2013, OIG deferred further evaluation of the methodology used in the Corporation's FY 2013 assessment.

Audits and Reviews

We will continue to monitor the status of the Corporation's improper payment assessments. OIG looks forward to working with the Corporation to facilitate a complete and reliable assessment of improper payments, together with effective plans to reduce and recapture the amounts wasted.

For further discussion of improper payments and IPERA compliance, see *Grant Management and Oversight: Corporation Initiates Extraordinary Criminal History Check Compliance Program with Overbroad Amnesty*, below.

Risk Assessments of the Corporation Government Charge Card Program

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) (the Act), which reinforced efforts to prevent waste, fraud and abuse in government-wide charge card programs. This Act requires that all Executive Branch agencies implement safeguards and internal controls for purchase cards (p-cards) and travel cards (t-cards) (collectively referred as "government charge cards"). Under the Act, Office of Management and Budget (OMB) Circular A-123 Appendix B, Improving the Management of Government Charge Card Programs, and OMB Memorandum M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, Inspectors General are required to:

- Conduct periodic (annual) risk assessments of agencies' charge card programs;
- Identify and analyze the risks of illegal, improper, or erroneous purchases and payments; and
- Develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of government charge card transactions.

Based on the limited review and procedures performed, OIG auditors concluded that the Corporation has policies and procedures in place to address the requirements identified in the Act. However, we noted that the Corporation's key controls related to these programs are entirely manual controls and are therefore subject to human error and disruption by competing priorities. OIG recommended that the Corporation adopt additional system controls to assist its government charge card monitoring efforts.

We assessed the overall risk of illegal, improper, and erroneous purchases made through the Corporation's purchase card and travel card program as "low." Although we do not plan to perform a full scope audit/review of the Corporation's government charge card programs in FY

Audits and Reviews

2015, we will continue to monitor the Corporation's internal control environment for its government charge card programs and conduct the required annual risk assessments.

Grant Management and Oversight

Lack of Background Checks Results in Questioned Costs in Grants Awarded to Nevada Volunteers

An audit of the Nevada Commission and three of its 11 subgrantees questioned claimed Federal-share costs of \$141,760, match costs of \$44,673, and education awards of \$20,793. We found that the three subgrantees were generally free of major financial weaknesses. The questioned costs related primarily to deficiencies in the procedures used to conduct criminal history and sex offender background checks, a pervasive compliance finding affecting each of the subgrantees.

Corporation Initiates Extraordinary Criminal History Check Compliance Program, with Overbroad Amnesty

The Corporation has begun a much-needed campaign to assess and improve grantees' compliance with criminal history background checking requirements for staff and national service participants. OIG enthusiastically supports that important objective. We agree that a radical solution is warranted, but the broad amnesty awarded to grantees has been structured in a manner that undermines fiscal accountability. Moreover, the Corporation should not use the amnesty as a basis to forgo recovering improper payments totaling tens of millions of dollars; a voluntarily adopted moratorium on cost recovery should not be allowed to interfere with statutory, government-wide IPERA initiatives.

To protect the public from harm, grantee program staff and national service participants have long been required to undergo screening for sex offenses and other serious criminal misconduct before beginning work. Those with access to vulnerable populations—children, the elderly and persons with disabilities—must also undergo a fingerprint check against an FBI database. These requirements were updated and codified in the Edward M. Kennedy Serve America Act of 2009, following which the Corporation adopted its current National Service Criminal History Check (NSCHC) rules. To promote compliance, the Corporation regularly offers training for grantee staff and maintains a dedicated phone line to connect grantees to a Corporation specialist to answer any questions.

Nevertheless, OIG audits and investigations and the Corporation's own monitoring efforts continue to show that many grantees are not complying with criminal history checking

Audits and Reviews

requirements. Violations include failure to perform background checks; incomplete record searches; allowing staff and/or participants to begin service without supervision prior to completing the checks; and failure to maintain proper documentation. In some case, grantees outsourced the background checks to contractors who did not perform them properly. As discussed in greater detail later in this report, OIG auditors discovered that one Social Innovation Fund subrecipient had allowed two employees with disqualifying criminal histories, one of them a sex offender, to work on a Corporation-funded program, placing other participants and the public at risk. Any salary, living allowance, stipend or education award received by an individual who lacks a complete and properly documented criminal history check is an improper payment within the meaning of IPERA, and is subject to recovery by the Corporation.

To address this recurring issue, the Corporation is undertaking an assessment across all programs, requiring grantees and subgrantees to (1) complete mandatory NSCHC training, (2) review the background checks conducted for their current Corporation-funded program staff and national service participants, (3) correct any instances of noncompliance, and (4) report the results to the Corporation. This “assessment period,” is scheduled from October 13, 2014 to November 30, 2014.

As an incentive, the Corporation announced an amnesty, which it describes as a “moratorium on collection,” for the costs associated with self-reported findings of noncompliance. Certain egregious forms of noncompliance—complete failure to check criminal history or discovery of an employee or national service member with a disqualifying criminal background—are not eligible for the moratorium.

Over the objections of OIG, the amnesty also excuses many grantees from financial accountability for past noncompliance discovered independent of the self-assessment. First, although the Corporation agreed to exclude OIG *audit* findings from the amnesty, it did not exclude OIG *investigation* findings, which we also requested. OIG received no explanation for the distinction. More importantly, the amnesty waives costs for violations of NSCHC rules identified by the Corporation in its monitoring. This is entirely gratuitous; there is no self-assessment, self-correction or reporting to incentivize where the problem was discovered by the Corporation (or by OIG), rather than by the grantee’s own internal review. In that case, the grantee and the Corporation are already obliged to ensure appropriate corrective action. The written guidance in effect prior to this amnesty gave fair notice that the Corporation would disallow and recover such costs.

Audits and Reviews

The recovery of improper payments has been identified as a high priority both by Congress and by the Administration. According to the Corporation, improper/incomplete/untimely criminal history checks account for the overwhelming majority of the estimated \$10 million-plus in improper payments in the AmeriCorps program in FY 2013. As of this summer, however, Corporation management could not identify for OIG any actions to recover any of those payments. This new assessment approach may represent an effort to sidestep that obligation.

Similarly, the Corporation has not yet informed OIG how it intends to reconcile the amnesty with its obligation to recapture the improper payments detected in FY 2014; for the year just ended, the Corporation reports that its AmeriCorps Program made improper payments of \$12,392,000 and that two Senior Corps programs each made improper payments of more than \$10 million. Clearly an internal Corporation initiative cannot and should not supersede IPERA's statutory requirements or their government-wide implementation by OMB. Even putting aside statutory obligations, it would be difficult, if not impossible, for the Corporation to justify refusing to recover improper payments that exceed \$30 million. OIG raised these concerns in August when the Corporation first described the proposed amnesty to us. Nevertheless, the Corporation elected to announce the moratorium and begin the self-assessment without resolving its implications for IPERA.

The content of the training is another source of concern. According to the Corporation, the new mandatory training is essentially the same in content as the old voluntary training. We are aware of no evidence that the training reduced the incidence of noncompliance for grantees that chose to participate in the past, so its efficacy is untested and unknown.

In OIG's view, a limited amnesty closely tied to proper training and self-correction can be justified as an extraordinary, one-time-only preventive remedy for a recurring and seemingly otherwise intractable problem. Allowing grantees to retain substantial, independently discovered improper payments does not advance that goal. Moreover, at the conclusion of the assessment period, all grantees should be in full compliance and prepared to remain so. Subsequent noncompliance is inexcusable, and the amnesty should be followed by firm enforcement of the rules, including financial accountability in the form of recoupment. Whether the Corporation will do this remains unknown, subject to a forthcoming NSCHC Compliance and Consequences Policy, whose contents have not been shared with OIG. Such a policy should not be allowed to dilute the strong protections that Congress mandated with respect to background checks. As noted elsewhere in this Semiannual Report, the Corporation seem increasingly reluctant to enforce these important protections. In our view, no amount of programmatic success or compliance with other requirements will excuse a grantee for jeopardizing the safety of the public, including national service members, by performing

Audits and Reviews

inadequate or untimely background checks. This will be all the more true after this extraordinary effort by the Corporation to boost program-wide compliance.

Corporation Issues Demand Letter for \$895,000 by Senior Corps Grantee AHR Based on OIG Audit

OIG's prior audit of Atlantic Human Resources, Inc. (AHR), a New Jersey-based nonprofit, found that pervasive mismanagement by the grantee seriously threatened the integrity of grant funds awarded to AHR and the Senior Corps program. More than \$868,000 in Federal costs and \$567,000 in match costs claimed by AHR during FYs 2008-2011 under grants by Senior Corps' Foster Grandparents Program (FGP) and Retired and Senior Volunteer Program (RSVP) were duplicative, unsubstantiated and/or incurred improperly, in violation of applicable laws, regulations and grant provisions. The Corporation terminated AHR's grants in April 2013, concluding a nearly forty-year relationship with the grantee. It issued a demand letter for \$857,000 in March 2014, with a revised letter for \$895,000 on April 21, 2014. On April 16, 2014, AHR filed for bankruptcy protection with U.S. Bankruptcy Court. The OIG will continue to monitor the Corporation's collection efforts.

Reduction in Rate of Significant Findings in Single Audit Reports

OIG is pleased to note a decrease in the number of grantees whose Single Audit reports² contained significant negative findings. Approximately 21 percent (63 out of 296) of these audit reports issued during FY 2014 disclosed at least one material weakness, significant deficiency or other adverse audit finding that warranted corrective action. For prior periods, the rate of negative findings was approximately 33 percent.

As a means of ensuring timely review, every quarter, OIG furnishes the Corporation with a list of the Single Audit reports pertaining to grantees for which the Corporation is the largest source of Federal funds, identifying those that contain findings of material weaknesses, significant deficiencies or other findings of comparable gravity. OMB Circular A-50, Audit Follow Up, requires that agencies prioritize resolution of these audit issues, to include resolving

² To safeguard the integrity of Federal funds, Federal law requires an annual financial and compliance audit of any entity that expends Federal funds of more than \$500,000 per year. These audits (known as "Single Audits," because they are required by the Single Audit Act, or as "A-133 audits," after the OMB Circular that prescribes the rules for them) are conducted by public accounting firms or state auditors and paid for with Federal award funds.

Audits and Reviews

audit recommendations and taking corrective action, ensuring that resolution actions are consistent with law, regulation and administration policy, and providing written justification of decisions disagreeing with audit recommendations. The Corporation is also required to address questioned costs and collect amounts due to the Corporation. It recently began documenting Single Audit findings in eGrants³ and addressing audit findings and questioned costs with grantees. OIG will continue to identify Corporation grantees with significant adverse audit findings and monitor the Corporation's progress in following up and implementing corrective actions with these high risk grantees.

Proposed Management Decisions

Draft Management Decisions with Which the OIG Disagreed

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

- Report No. 13-05B, Supplemental Report of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)
- Report No. 13-06, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Edna McConnell Clark Foundation
- Report No. 13-07, Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program (discussed below)

Corporation Revises its Management Decision for the Fixed Amount Grant Program

OIG disagreed with the Corporation's initial draft management decision regarding the fixed amount grant audit report. In response to OIG concerns and following a constructive iterative process, the Corporation revised its position and has:

- Agreed to establish quarterly caps on drawdowns for AmeriCorps grants over \$700,000 and for Senior Corps grantees over \$400,000 and to conduct quarterly drawdown analyses for those grantees;

³ The eGrants system is an interactive web-based tool that incorporates all phases of Corporation grant making: applying, awarding, monitoring, reporting, and close out. Corporation staff are able to track grant-making processes and controls that are built into the system.

Audits and Reviews

- Clearly stated its commitment to review the procedures established at the end of 2014 to assess their effectiveness in managing risk; and
- Modified its drawdown review procedures to require a follow-up drawdown analysis within two months for any grantee found to have drawn more than 20 percent above its allowed amount.

OIG believes that the steps taken by the Corporation represent progress and will be useful in grappling with the risks posed by fixed amount grants. Certain of our recommendations, however, remain unaddressed. These include:

- Identifying better risk indicators;
- Requiring that applicants submit a proposed budget;
- Benchmarking expected enrollment and attrition, to focus additional monitoring on those grantees that are falling short;
- Incorporating financial analyses and the results of frequent drawdown analyses into grant continuation decisions; and
- Establishing criteria for use of fixed grants to enable smaller grantees to participate in national service programs, consistent with the statements of Congressional intent.

Corporation Allows Costs Questioned Related to Untimely and Improperly Performed Background Checks

The Corporation did not sustain questioned costs of \$330,000 (Federal share) and \$228,000 (match) for subgrantees of Social Innovation Fund grantee the Edna McConnell Clark Foundation that failed to conduct proper and timely checks of staff and volunteers' criminal histories. Instead, the Corporation allowed the questioned costs by retroactively approving an Alternative Search Protocol (ASP), covering both untimely checks of the National Sex Offender Public Website and state criminal history checks performed by unapproved contractors.

OIG expressed grave concerns that retroactive, temporary approval of this ASP would set a dangerous precedent by tacitly adopting a "no harm no foul" approach, encourage other grantees to depart from the Corporation's carefully designed procedures and undermine the strict and scrupulous compliance that the Corporation should be seeking to promote. An ASP should not be a means to suspend retroactively the rule that employees be screened for serious sex offenses and violent crimes before they begin work at taxpayer expense. A prolonged delay in that screening poses obvious dangers to the very people that national service is intended to benefit and could easily have resulted in tragedy. Particularly in the case of one subgrantee, the noncompliance was not an isolated lapse. Notably, while accepting the ASP retroactively, the Corporation refused to authorize future use of those procedures, demonstrating that it did

Audits and Reviews

not in fact believe those procedures to be adequate. Given the training and other resources that the Corporation offers to assist grantees in compliance, we see no reason to excuse these subgrantees from the consequences of their noncompliance. Selective enforcement of these rules is unfair to other grantees who have been held accountable in the past.

Audit Outreach Activity

The Audit Section continued its active participation in events designed to keep the grantee community and general public informed about OIG initiatives and other activities. In July, we were pleased to conduct our third web-based session for Senior Corps grantees concerning common audit problems and how to avoid them. The presentation featured the Inspector General in a 60-minute nationwide presentation to Senior Corps grantees and program sites. More than 600 participants viewed our presentation.

The Inspector General and the Assistant Inspector General for Audit also met with grant officers responsible for all of the Corporation's programs, discussing audit issues and enhanced risk management approaches. The Assistant Inspector General for Investigations was also on hand to answer questions.

Our outreach activities were capped off in September with a presentation at the 2014 AmeriCorps State and National Grantee Meeting in Arlington, VA. The large audience for this meeting was comprised of grantees and subgrantees that were awarded AmeriCorps funding in each of the last three grant cycles. The Inspector General kicked-off the presentation by explaining the role of the OIG and accountability at the Corporation. The OIG Assistant Inspector General for Audit conducted a detailed presentation focused on grantee accountability, describing common audit problems and ways to prevent them. The Deputy Assistant Inspector General for Investigations gave an interactive presentation on issues of fraud and other serious misconduct in Corporation programs. The three OIG representatives responded to individual questions after their presentations. The Inspector General also met with the State Directors and other staff of the Office of Field Liaison, responsible for overseeing Senior Corps and VISTA programs throughout the United States. The Inspector General continues her practice of meeting with new staff of the Office of Field Liaison as part of their orientations, and senior OIG staff participate in the orientation of all new Corporation employees, to familiarize them with the role of OIG.

Considering the inherent risk of the Corporation's large grant portfolio, we appreciate the opportunity to attend these meetings and communicate directly with grantees and key

Audits and Reviews

Corporation personnel regarding their experiences and our approach and methodology to enhance the effectiveness of their grant administration.



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

Investigative Demands

The Investigations Section opened nineteen (19) investigations and completed eighteen (18) investigative actions for this reporting period. Management replied to one investigation previously referred to them (2014-010, *Allegation of Misuse of VISTA Member Results in Removal of [VISTAs](#)*).

During FY 2014 the Investigations Section recovered \$429,564.09 and identified more than \$371,000 in cost avoidance; its work led to the debarment of four individuals. Investigators processed 102 Hotline actions, resulting in the initiation of 17 investigations and 50 referrals to management or State Commissions for action. Our investigators also conducted on-site outreach to educate grantees, State Commission personnel and Corporation staff about prevention and detection of fraud, waste and abuse, internal controls, and available reporting channels. The OIG continues its social media messaging and actively pursues other outreach opportunities.

Highlights of selected investigations closed during this period are reported below. The first three cases present particular concerns about the rigorous enforcement of financial accountability for major grantees.

Corporation Retroactively Approved Use of Veterans Initiative Grant for Services to Non-Veterans

An OIG investigation determined that AmeriCorps National Direct grantee WestCare Foundation (WestCare), Las Vegas, NV, improperly directed 13 AmeriCorps members to perform staff functions and/or activities not in accordance with WestCare's Veterans and Military Families grant.⁴ In connection with this unauthorized service, investigators determined that WestCare improperly disbursed \$142,159.74 in living allowances and certified \$61,050 in education awards to individuals not eligible to receive them. WestCare acknowledged the findings, stated that it could not refute them, and offered to refund to the Corporation the entire amount recommended by OIG.

⁴ This is the third in a series of investigations of WestCare programs directed at veterans. The results of the prior investigations can be found at <http://www.cncsoig.gov/news/closed-cases?p=2> (Case ID: 2013-036 and 2013-031).

Investigations

By way of background, in Grant Year 2011, AmeriCorps awarded WestCare a grant of \$512,080 per year to provide peer-to-peer recovery support service to returning veterans and military families at multiple locations in the United States. WestCare, however, had difficulty engaging veterans. Even in the third year of its grant, 13 AmeriCorps members spent long periods of their service providing clerical and administrative support, with their efforts directed to persons other than veterans.

In Cook County, IL, an AmeriCorps member was assigned to support counseling services for veterans incarcerated in the Cook County Jail. She served for approximately 16 months before being allowed access to the units where veterans were housed. Another member waited six months to have such access approved. In the interim, they both provided administrative and clerical support to a counselor who served the institution's general population, with minimal service to veterans. Incarcerated veterans, the intended beneficiaries of the grant, lost nearly two years' worth of AmeriCorps services as a result. WestCare never informed the Corporation of the delays or sought to reassign the members to another facility.

In Milwaukee, WI, WestCare located its AmeriCorps program close to a Veterans Administration (VA) One-Stop Service Center, which offered a much wider range of services. AmeriCorps members told OIG investigators that veterans preferred to obtain their healthcare and related services from the full-service VA facility, with the result that few of them sought assistance from WestCare. In the absence of veterans, the AmeriCorps members were underutilized and unable to fulfill the purpose of their national service.

In Nevada, WestCare used member time and program resources to perform administrative functions. In at least one instance, an AmeriCorps member (ultimately hired by WestCare as Director of its AmeriCorps program in Nevada), spent the first five months of his service performing cleaning, landscaping, and furniture moving at a WestCare veteran's center undergoing renovations.

WestCare also had a pattern of using AmeriCorps members to perform staff and supervisory functions, instead of direct services to veterans. One member served in WestCare's research department, performing the same tasks as its paid staff, and another served as an "events coordinator." In some instances, WestCare induced members to accelerate completion of their service hours so that they could be hired as paid staff and still receive education awards. In these cases, the members recorded unusually high service hours—as much as 158 hours per two-week pay period—but acknowledged that this time did not reflect direct service to veterans. In some cases, these individuals began to function as program staff even while nominally serving as AmeriCorps members.

Investigations

It bears noting that these problems persisted throughout the third year of the grant; they reflect more than simply a slow start-up. WestCare was fundamentally unprepared to provide the veterans' services promised in its grant application to the Corporation. It selected sites without first ascertaining that they contained a population of veterans in need of services and without establishing the relationships necessary to develop a clientele. Members expressed frustration that they had few opportunities to assist veterans. WestCare leaders did not move quickly to reallocate resources or to engage the Corporation in discussions about how it should proceed.

WestCare was forthright with OIG investigators about the problems that it encountered in operating within the grant parameters. One WestCare supervisor noted that, prior to the grant application, he had cautioned WestCare officials that the organization was not prepared to handle the requirements of a Veterans and Military Families grant, but his warning was disregarded. For their part, WestCare officials expressed dissatisfaction with the support provided by the Corporation. Had there been site visits, technical assistance, monitoring and better guidance early in the grant, they asserted, the deficiencies discovered by OIG could have been corrected. Even taking this with an appropriate grain of salt, the Corporation's monitoring did not provide adequate insight into the scope of the problems at WestCare.

The Corporation disagreed with certain OIG findings and disallowed only \$50,557 in grant funds and \$20,064 in education awards. Although the grant was part of the Corporation's Veterans and Military Families initiative, and was so listed in an appendix to the Chief Executive Officer's April 24, 2013, testimony before the Senate Committee on Veterans' Affairs, the Corporation retroactively approved WestCare's directing 12,141.5 national service hours to non-veterans, blandly characterizing it as "an expanded range of service activities." This is equivalent to **seven full-time AmeriCorps member service years**, redirected in a manner that fundamentally changed the purpose of the members' service. The grant provisions expressly require a grantee to obtain advance written approval for changes to the objectives or goals of the grant. Acknowledging that WestCare never requested such approval, the Corporation spontaneously determined that it would have approved the use of this Veterans' initiative grant to support substantial service to non-veterans had WestCare done so.

OIG finds the Corporation's decision troubling. It essentially rewards a grantee for inadequate planning in its grant application and then failing to consult with the Corporation about what to do when problems manifested. Approving the hours even though the grantee did not comply with program requirements can only encourage more noncompliance.

Investigations

That the Corporation took this action on a grant intended to benefit veterans increases OIG's concern. It is undisputed that most of the members whose hours OIG questioned provided little or no service to veterans. Allowing that diversion of resources conflicts with the core purpose of the grant—assisting veterans and military families. If WestCare was unable to serve veterans at particular sites, the members could have been transferred to locations with greater need for such services. Or, failing that, the grant funds could have been reallocated to another grantee that would have used them to assist veterans.

By contrast, the Florida and Nevada service commissions were far less indulgent of WestCare's unauthorized use of AmeriCorps members in the inquiries that they conducted in cooperation with OIG investigators only months earlier. Both commissions held WestCare fully accountable. In Florida, this resulted in (1) disallowing \$73,838.94 of the \$105,593.64 in claimed costs, (2) recommending that WestCare, rather than the taxpayers, be held responsible for members' education awards, and (3) declining to fund the grant's remaining years. In Nevada, members reported that WestCare did not have a functioning process to identify veterans in need of service at the beginning of the grant. Nevada disallowed costs of \$20,088 because the members performed administrative and staff functions for several months, until they took the initiative to locate veterans in need of their services.

America owes a special debt of gratitude and assistance to the veterans and their families who have sacrificed much over the past 13 years. Earmarking certain AmeriCorps grants for their benefit is a small down payment on that obligation. Condoning years of the unauthorized diversion of those resources to another purpose is a breach of faith.

Corporation Retroactively Expands Grant Scope After OIG Discovers Unauthorized Activities

Following a Hotline complaint, OIG investigators determined that, from 2007 until 2014, officials of YouthBuild USA (YouthBuild), a National Direct grantee, improperly assigned 74 AmeriCorps members to serve as teacher's aides in locations throughout the United States, although assisting in classroom instruction was not authorized service under the terms of the

Investigations

grant. As of June 2014, YouthBuild had disbursed \$649,606.96 in living allowance payments for those unauthorized activities and certified \$212,815 in related education awards.⁵

YouthBuild's grant provided in essence that students working towards a high school diploma or GED would participate in AmeriCorps half-time; assisting in their communities with housing construction, renovation, and energy efficiency projects. The grant narrative identifies the primary service activity as the construction and rehabilitation of homes in low-income areas, to include wheel-chair ramp installation and weatherization. Other members might be assigned to refurbish computers or provide technology skills to community non-profit organizations, and a small number of members would provide healthcare services to low-income individuals. The grant identified as secondary service activities removing graffiti from public buildings, offering meals in shelters or reading to school children.

Individuals who had obtained a diploma or GED could serve full-time, either (1) by leading or working on a construction team; or (2) in volunteer generation, *i.e.*, recruiting, training and overseeing community volunteers and developing partnerships with area businesses and non-profits. Although nothing in the grant contemplated that full-time AmeriCorps members would participate in the classroom instruction of the part-time members, YouthBuild repeatedly and throughout the United States, assigned full-time members to serve as teaching assistants.

Teaching assistance forms a part of many AmeriCorps grants, but it was not included in YouthBuild's grant. The applicable standard AmeriCorps grant provisions expressly require prior written approval from the AmeriCorps Program Office for any changes to the program scope, objectives or goals. Nevertheless, YouthBuild officials unilaterally modified the scope of the grant to create a new primary service goal for members to serve as full-time teaching aides, with such duties as tutoring, grading assignments, assisting in applications for financial aid and college admission, and, in some instances, teaching under the supervision of the assigned teacher. Neither the Corporation's program officer nor its grants officer was aware that YouthBuild was assigning members to such duties. Each of them told investigators that they regarded these activities as outside the scope of the grant.

Corporation management nevertheless ratified the grantee's actions and declined to disallow the charges, on the ground that having AmeriCorps members serve as teaching aides was

⁵ This figure does not include education awards certified for members serving at the time of our investigation.

Investigations

“consistent with the program design and overall goals of the YouthBuild AmeriCorps program.”⁶ Ratifying changes under such an imprecise and subjective standard encourages grantees to present AmeriCorps with a *fait accompli* rather than secure permission before acting. The grant provisions require advance approval because that transparency allows the Corporation to make informed choices about the allocation of resources. Moreover, it is far easier to decline to fund an activity in advance than to recover costs expended on unauthorized activities; not only is recovery dependent on the grantee’s ability to repay, but Corporation personnel are reluctant to impose hardship on non-profit grantees, and some of them view disallowance of costs as inherently punitive.

OIG also has serious concerns about this decision on the merits. In reaching its decision, the Corporation apparently did not obtain information regarding how YouthBuild selected the individuals it assigned as teaching aides, or what training or supervision it provided to ensure their effectiveness in an academic setting or in guiding college and financial aid applications. Moreover, we see nothing to demonstrate how the Corporation and the grantee determined that this was a better use of resources than assigning the members to construction teams as originally envisioned, or whether the change had any effect on the performance measures for that construction activity.

Corporation Ratifies Use of AmeriCorps Members Not Contemplated by Grant Terms

OIG’s Hotline received an anonymous complaint regarding a number of irregularities in the operation of City Year Orlando (CYO), Orlando, FL. The allegations ranged from grantee officials allowing alteration of timesheets to enable members to receive education awards to use of AmeriCorps members to fill staff positions and perform staff duties. The OIG found no evidence that member timesheets were altered or falsified but did find other irregularities in the program’s operations.

CYO’s grant placed AmeriCorps members in six underperforming Orlando schools, to provide interventions targeting at-risk students and to provide general (“whole-school” or “whole-class”) support. Members were assigned 8-12 struggling students to tutor in academics, mentor in behavior management, and encourage in attendance. The grant listed targeted

⁶ The Corporation disallowed costs for a single AmeriCorps member whose primary service activities involved clerical and administrative functions that should have been performed by grantee staff.

Investigations

intervention activities in each of these areas, such as greeting assigned students upon arrival, helping them to resolve any barriers to attendance, assisting them with homework, calling families in the event of absences, and the like. In addition to tutoring and mentoring interactions with assigned students, members were to conduct certain activities to improve the overall school climate (*e.g.*, anti-bullying rallies and school beautification projects), as well as supporting classroom behavior and focus. CYO is a subgrantee of Volunteer Florida, the Florida State service commission.

The OIG investigation determined that certain AmeriCorps members were required to provide general supervision of students outside grant parameters. For example, while the attendance interventions in the grant narrative and position descriptions focused on the assigned at-risk students, members were required to devote 45 minutes daily to supervise arrival and dismissal of all students, regulate vehicular traffic, and direct school buses. Multiple members complained that they were required to remain on school premises for an additional one or two hours even if they had no activities to perform and were instructed to count this unproductive time as service hours. At particular schools, members were required to chaperone a school prom, wear the school's mascot uniform, sit in a dunk tank during a school event, patrol hallways for days at a time during standardized testing, attend sporting events as spectators, provide childcare services to parents attending orientation and regularly substitute for faculty in after-school programs by "watching" the children, so that teachers and staff could attend required meetings. Members at one school were required to attend a Halloween Horror Night event by Universal Studios, a sponsor of CYO's program at that school, and to greet paying park attendees, receiving service hours in return for this free labor.

Members complained that these extra duties were wasteful, unproductive, and interfered with their attention to individual at-risk students. A majority of the members interviewed by OIG investigators stated that they did not intend to renew their service terms because of their dissatisfaction with these extra duties.

In addition, the investigation determined that, in part because CYO failed to hire all the program managers promised in its grant application, AmeriCorps members were required to assume their professional administrative duties. While Team Leaders at three of the schools were assigned to classrooms and spent the majority of their time tutoring and mentoring, their counterparts at the other three schools were not assigned to classrooms and spent little, if any time, with students. Instead, they devoted the majority of their time to administrative duties in the CYO office and in meetings, functions that the program managers performed at the other schools. The program manager who was made responsible for two schools indicated that constraints on his time meant that his two Team Leaders were often required to perform

Investigations

program management tasks. Investigators also found that, during the previous year, one Team Leader quickly ceased providing services to at-risk students in order to spend all of her time on administrative and management tasks.

The Corporation interpreted the “whole-school” concept liberally, adopting the view of the Florida commission that these activities were “integral” and “consistent with” the program design and overall goals, and therefore allowable. In OIG’s view, even if some of the activities were arguably permissible under a generous reading of the grant, others are not so defensible. The “whole-school” concept is not a wholesale invitation to treat dedicated AmeriCorps members as cheap labor, to be deployed at the school’s convenience, on the theory that their mere presence provides a role model. However heavily the grantee and the Corporation rely on “whole-school” and “role model” concepts to justify the assorted tasks assigned to AmeriCorps members, these were evidently not the basis on which those members were recruited and trained. Members made clear to investigators that they felt misused and taken advantage of.

Moreover, it is difficult to understand why the Corporation condoned a practice that requires AmeriCorps members to remain on school premises with nothing to do and allows this wasted time to be mischaracterized as service hours, at taxpayer expense. The same is true of their required activities for Universal Studios. Neither the Corporation nor the Commission confronts these issues squarely in their respective responses to the investigative findings. Finally, where, as here, the grantee fails to hire the promised number of professional staff, and a staff member acknowledges that his double workload caused him to transfer responsibilities to AmeriCorps members, those members were clearly performing staff functions and displacing employees, in violation of applicable regulations.

Program Director Debarred for Misuse of AmeriCorps Funds

Mr. Richard Parks, the former Salt Lake County Resource and Development Division’s AmeriCorps Program Director, Salt Lake, UT, pled guilty to Wire Fraud and Theft of Federal Funds in Federal court and was sentenced to 36 months’ probation and required to make restitution in the amount of \$13,907. Mr. Parks misused more than \$95,000 in Federal program funds when he enrolled ineligible individuals and falsified member time sheets to include fictitious service hours. OIG investigators worked on this matter with the Federal Bureau of Investigation, Salt Lake, UT. Based on the conviction, the Corporation’s Suspension and Debarment Official debarred Mr. Parks from doing business with the Federal Government for a period of three years.

Investigations

Stolen Impounded Government Vehicle Results in Restitution

Mr. Adam Edwards, former NCCC AmeriCorps member, Vicksburg, MS, violated 18 U.S.C. § 641, “Public money, property or records” when he (1) stole and converted to his personal use a General Services Administration (GSA) vehicle valued at \$12,300, (2) used without authority a GSA Fleet Service Card to purchase fuel for the stolen GSA vehicle, and (3) shipped personal parcels using the Corporation’s UPS account. Mr. Edwards’ actions resulted in the loss of \$12,412.63 in Federal funds.

The OIG investigation disclosed that Mr. Edwards misappropriated an NCCC vehicle, which he drove to the Houston, TX, area to visit with friends. The vehicle was subsequently towed for illegal parking. After unsuccessful attempts to retrieve the vehicle, Mr. Edwards returned to the NCCC campus and failed to notify anyone of the impoundment. As a result, the vehicle went unclaimed and was sold by the towing company. Based on the OIG investigation, Mr. Edwards entered into a settlement agreement with the Corporation. He will forfeit his two education awards totaling \$10,275 and repay the Corporation \$2,137.63 to cover the Government’s losses.

Corporation State Director Misuses Government Credit Card and Submits False Travel Vouchers

Ms. Rochelle Barry, former Georgia State Director for the Corporation, knowingly defrauded the Federal Government by submitting false and inflated travel claims. She also misused her Government travel card, including making personal purchases on the account.

After being questioned by investigators, Ms. Barry resigned her position to forestall administrative action. The Corporation issued a debt collection letter to Ms. Barry for reimbursement, and she has repaid the outstanding obligation.

Allegation of Misuse of VISTA Member Results in Removal of VISTAs

The OIG received a Hotline allegation concerning the misuse of an AmeriCorps VISTA member at the Big Brothers Big Sisters of Will and Grundy Counties (BBBS), Joliet, IL. The complainant alleged that the VISTA member was on numerous occasions forced to perform staff duties, as well as fill in for an absent staff member. The OIG referred this matter to Corporation management for review and resolution.

Investigations

Management reported that BBBS officials did not agree that the VISTA member was directed to perform administrative duties for a majority of her VISTA service, but did confirm the VISTA member was occasionally asked to fill in when a staff member was absent. However, the VISTA member was still expected to fulfill her VISTA service during this period. The VISTA member confirmed she was still required to perform her VISTA duties but the staff position was the receptionist and BBBS officials expected her to perform the clerical duties. Corporation management informed the OIG that all the VISTAs were removed from BBBS.

Allegations of Misuse of AmeriCorps Members Result in Administrative Findings

The OIG, along with an AmeriCorps program officer from Volunteer Mississippi, the State service commission (Commission), conducted an investigation of an anonymous complaint that Climb Community Development Corporation (CCDC), Gulfport, MS, officials, (1) credited AmeriCorps members with service hours for non-authorized activities (i.e., attending church, mowing and landscaping), and (2) used AmeriCorps members to operate the grantee's non-profit café/catering business. While these allegations were not substantiated, OIG and Commission personnel noted administrative discrepancies during their review, ranging from missing documentation to an erroneous education award. Program officials corrected the error, resulting in a cost savings to the government. Commission personnel are resolving the administrative compliance findings with the grantee.

Allegations of Misuse of Program Funds Referred to State Agency

The President of the Board of Directors of RSVP Colorado West, Inc., Montrose, CO, notified OIG of the discovery that a former executive director diverted \$11,000 of agency funds to her personal use. After determining that the organization had not drawn down any Corporation funds during the period in question, OIG investigators referred this matter to the State of Colorado Department of Human Service, Fraud Division. The misused funds appear to have come from the Colorado State Department of Human Service program and/or local donations.

Proactive Vulnerability Assessments at NCCC Campuses Lead to Corrective Action

As part of its fraud prevention efforts, the OIG assessed the vulnerabilities of the Pacific, Southwestern and Southern National Civilian Community Corps (NCCC) campuses in the areas of supply and equipment management, fleet operations, debit card usage and cash management. The OIG found a number of procedures that were inadequate, outdated, or not being followed by NCCC staff and NCCC AmeriCorps members. Examples include:

Investigations

- Neither the campuses nor NCCC headquarters could produce a copy of the specific procedures to be used in conducting and documenting the required quarterly audits of debit cards, resulting in an *ad hoc* process without program-wide comparability;
- Contrary to written procedures, NCCC staff allowed members to use their NCCC-issued debit cards for food purchases while not on a deployment (spike);
- Investigators noted substantial discrepancies between General Services Administration (GSA) vehicle logs and the vehicles' mileage, preventing individual accountability and creating a risk of misuse of those vehicles; and
- One campus was unable to validate costs and expenditures related to travel and operations, allegedly because external hard drives crashed, without backup.

Investigators advised NCCC program management of these and other findings and observations. NCCC management responded that it was addressing the findings and recommendations by updating its policies and had implemented new procedures.

NCCC Employees Violated Agency Acquisition Policy to Pay Catering Costs

An OIG investigation determined that two NCCC employees violated the Corporation's acquisition policy, as well as an NCCC policy on debit card use, by improperly directing an NCCC team leader to use a Government-issued debit card to pay a caterer \$5,621.97 for a banquet celebrating completion of national service. According to NCCC management, it had terminated the use of debit cards for banquet expenses prior to OIG's investigation, and now requires an approved contract to cover banquet costs, reducing expenses.

Investigations

Summary Of Cases					
Fiscal Year	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Investigative actions opened	39	42	22	43	28
Investigative actions resolved and closed	46	35	42	36	34
Average monthly caseload	32	34	26	23	17
Investigative matters resolved without opening a separate investigative action	45	39	51	67	64
Referrals for prosecution	9	8	4	7	0
Investigative recoveries ²	\$634,803	\$447,854	\$2,846,203	\$590,943	\$429,554
Cost avoidance ³	\$1,218,178	\$1,666,294	\$2,321,521	\$1,078,316	\$371,048
Administrative or management action taken	20	14	17	23	18
<p>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.</p> <p>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.</p>					



Information Technology

Need for IT Modernization Is Urgent

The adequacy of the Corporation's Information Technology (IT) infrastructure has been a longstanding concern of OIG, and we were pleased that the Corporation engaged MITRE Corporation (MITRE) to conduct an independent evaluation of the Corporation's agency-wide IT strategy and the sufficiency of its modernization plans. MITRE's 102 page report, rendered this spring, confirms that the existing legacy IT systems cannot support the current or future needs of the Corporations programs and do not provide reliable information to inform management's key decisions. Among the highlights:

- There is a substantial and widening gap between the services that the Office of Information Technology (OIT) can currently provide and the increasing business needs of CNCS's expanding mission, greater regulatory and reporting demands and faster operational tempo;
- Current IT assets do not support evidence-based decision-making by CNCS management;
- The IT system does not reliably produce consistent and valid information; assembling basic information requires staff to spend considerable time looking for, compiling and validating information from many sources;
- The IT systems cannot provide data analytics, a basic and increasingly important management tool for comparing performance, identifying patterns and trends, and minimizing fraud and waste;

Information Technology

- CNCS spends 28 percent less per employee on IT than other federal agencies and 42 percent less than financial institutions;
- 98 percent of OIT's budget goes for Operations and Maintenance, which MITRE describes as "keeping the lights on," leaving little or no funding to improve or meet new needs;
- The customized and outsourced IT solutions chosen by CNCS in the past are unduly complicated and expensive and inhibit the Corporation from changing vendors; and
- OIT's proposed modernization plans may make marginal improvements to IT services but will not align IT assets with the Corporation's business and management needs, which is necessary to operate efficiently and meet mission requirements.

We are told that MITRE conducted a detailed briefing for the Corporation's executive leadership that accurately reflected the severity of the deficiencies identified by MITRE. Although OIG was promised the same briefing, we were in fact invited to a separate briefing for program heads, which offered a far more benign summary of MITRE's findings. MITRE's reviewers later told OIG that they compiled the benign version at the request of the Corporation's Chief Information Officer. OIG obtained an accurate picture of MITRE's findings only because we, unlike most Corporation senior staff, obtained and reviewed a copy of the report itself. We notified the Corporation of our concerns but received no explanation.

In the wake of the MITRE report, the Corporation determined to proceed with a modernization of its IT systems and entered into a five-year \$30 million Blanket Purchase Agreement with Planned Systems International for that purpose. The first call was a task order for \$4.7 million awarded on September 29, 2014, for program planning, next generation platform engineering and IT Modernization Phase 1 project implementation. It was awarded as a time and materials contract, which require particularly careful oversight to avoid unnecessary charges.

Neither the solicitation nor the contract included sufficient information security clauses to ensure protection of the Agency's information. These clauses have been promulgated by OMB and NIST and have been referenced in the Federal Acquisition Regulation⁷, to ensure that all new IT initiatives are developed with due regard for the growing threats to government-held information. OIG has identified information security as an area in which the Corporation remains significantly deficient, as our forthcoming audit under the Federal Information Security

⁷ FAR Section 7.103 "Agency Head Responsibilities"

Information Technology

Management Act (FISMA) will show. We have shared our concerns with the Corporation's Chief Operating Officer, who advises that the Corporation is considering whether the new contract represents the best approach to IT modernization.

OIG continues to believe that the lack of adequate information technology impedes efforts to operate the Corporation efficiently. Marginal adjustments to the Corporation's legacy systems will not yield the necessary gains. Instead, the modernization effort should align IT systems with sound business processes, incorporate enterprise risk management principles and support sophisticated analytics, and address the Corporation's future needs, in a secure environment. IT modernization should be part of an integrated effort improve the operation and management of national service for the next 10-15 years. This is a substantial undertaking and will require investment of time, attention, resources and leadership by Corporation executives.



Suspension and Debarment

Suspension and debarment are remedies intended to protect the Federal Government from doing business with individuals or entities whose conduct has shown that they cannot be trusted to conduct business reliably, in compliance with the law, rules and regulations and with integrity. When the Office of Inspector General discovers serious misconduct that casts doubt on the present responsibility of a grantee, grantee staff or other party, it recommends that the Corporation impose debarment to prevent future harm to Federal programs and operations. If the Corporation begins suspension or debarment proceedings, the respondent has an opportunity to demonstrate that it should not be excluded from transactions with the government.

Information Technology

Recent Activity

During this reporting period, the Corporation debarred one individual at OIG's recommendation. The debarment arose from a criminal conviction for fraudulent misdirection of Federal grant funds.

Program Director Debarred for Misuse of AmeriCorps Funds

Mr. Richard Parks, the former Salt Lake County Resource and Development Division's AmeriCorps Program Director, Salt Lake, UT, pled guilty to Wire Fraud and Theft of Federal Funds in Federal court; he was sentenced to 36 months' probation and required to make restitution in the amount of \$13,907. Working with the Federal Bureau of Investigation, Salt Lake, UT, OIG investigators discovered that Mr. Parks misused more than \$95,000 in Federal program funds when he enrolled ineligible individuals and falsified member time sheets for non-service hours.

Based on the conviction, the Corporation's Suspension and Debarment Official debarred Mr. Parks from doing business with the Federal Government for a period of three years.



Peer Review

Offices of Inspector General (OIG) are required to include in their semiannual reports to Congress the results of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG. The specific statutory requirements for this reporting is contained in Section 989C of Public Law 111-203, which amended Section 5 of the Inspector General Act of 1978.

Information Technology

Peer Review of Federal Labor Relations Authority Office of Inspector General

During this reporting period, we conducted a quality control review of the audit operations of the Office of Inspector General, Federal Labor Relations Authority (FLRA). External peer reviews are conducted within the OIG community to evaluate the audit organization's system of internal quality control and to ensure that it complies with generally accepted government auditing standards (the GAO Yellow Book).

As part of the peer review, we evaluated the FLRA OIG's staff qualifications, their independence, training, monitoring of contracts with Independent Public Accounting firms (IPAs) and quality control procedures. Our modified peer review found the policies and procedures for the audit function were current and relevant, and its IPA monitoring procedures were adequate. The results of this peer review can be found at <http://www.flra.gov/OIG>.



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.

Legislation and Regulations

Grant Provisions Strengthened to Require Grantees to Report Fraud to OIG

In June the Corporation added a section to the terms and conditions of AmeriCorps grant award which requires AmeriCorps grantees to immediately contact the OIG when they first suspect fraud, waste, and abuse in their program. As noted in our FY 2013 Semiannual Report No. 2. (April 1 to Sept. 30, 2013) the grant award, otherwise known as the AmeriCorps Provisions, had historically required grantees to notify OIG of waste, fraud, abuse, criminal misconduct, loss of Federal funds or property. This section has disappeared over the last decade and was replaced by a section merely encouraging grantees to contact the OIG for undefined criminal violations.

The OIG commends the Corporation for adding the grantee reporting requirement back into the AmeriCorps Provisions. Timely reporting by grantee personnel will enable OIG to investigate dishonesty, fraud, and other misconduct that threatens the integrity of Corporation grants and to ensure that evidence is properly preserved and available in the event of prosecution.

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 operations. Based on our audit experience and familiarity with the Corporation's operations and internal controls, the OIG suggested revisions to proposed Corporation policies to strengthen the internal controls and to ensure that Federal funding is appropriately spent.

During this reporting period, the OIG reviewed and provided recommended revisions, of which the Corporation accepted and incorporated, for the following finalized policies:

- Capital Planning and Investment Control (CPIC)
- Communicating with Applicants, Potential Applicants, and Current Grantees during the Grant Application Review Process (GARP)
- Education Award Extensions
- Application Deadlines and Late Submissions
- Change of Duty Station
- Financial Disclosure

Also during this reporting period, the OIG provided comments to the Corporation for the following policy, which is pending revision:

- Structured Systems Development Life-Cycle Methodology

Legislation and Regulations

Finally, the OIG recommended revisions to the “CNCS Integrity Framework” document during this reporting period; however, the Corporation did not incorporate majority of the comments nor provide its reasons as to why these comments were not incorporated.

Obstacles Encountered by OIG

During the past six months, OIG has encountered interference or attempted interference with our independence and information-gathering. We appreciate the commitment of the Corporation's leadership to resolve these issues.

CEO Promises to Reaffirm Duty to Cooperate with OIG Inquiries after Program Official Threatens to Direct Staff Not to Comply with OIG Information Request

In September, the IG was invited to speak with members of the Office of Field Liaison (OFL), the program officers for Senior Corps and VISTA. Rather than continuing her past practice of asking questions orally about the attendees' observations and experiences, the IG asked them to complete a survey, to inform OIG's risk assessment and audit planning. The Director of OFL objected and threatened to instruct his staff not to comply with the survey. The IG reminded him that Federal employees are obligated to respond to OIG information requests. Although most of the participants completed the survey, the Director's remarks appear to have biased the results; the survey responses are more benign in certain respects than the views expressed earlier that day by the same group.

CEO Wendy Spencer has promised to make clear to Corporation leaders that, while she disapproved of the unanticipated use of a survey in that forum, all Federal employees are legally obligated to cooperate with OIG information requests and that she expects all of them to do so and to ensure that staff under their supervision do likewise. OIG has asked her to emphasize that it is never permissible for anyone at the Corporation, especially anyone in a leadership role, to direct, or threaten to direct, Corporation or grantee personnel to refuse to cooperate with such inquiries (barring a Fifth amendment privilege). We have also requested that she advise the Director that, whatever the circumstances, his statement was unacceptable. To dispel any uncertainty on this score, OIG has again requested that she issue a statement about cooperation with OIG inquiries in the near future.

Program Staff Told to Discontinue Vetting Grantees' Proposed Responses to OIG Information Requests

Certain AmeriCorps State and National (ASN) grantees informed OIG auditors that they had been instructed not to provide requested information and documents directly to OIG. Instead, they were directed to submit their proposed responses to the AmeriCorps Program Office for

Obstacles

review and comment before furnishing any response to OIG. Grantees explained that this requirement prevented them from responding timely to particular requests. The requirement was memorialized in a “protocol” adopted at the direction of a senior AmeriCorps official, with the knowledge of the Corporation’s Office of General Counsel.

This practice gives rise to an unacceptable risk that Corporation employees may filter, influence, slant or edit information furnished to OIG or the manner in which it is presented. It delayed OIG’s fieldwork and may inhibit grantees from responding candidly or completely. A non-partisan, independent watchdog must have complete, unfiltered and timely access to all information and documents relating to that IG’s oversight activities. Corporation staff should not take it upon themselves to advise grantees how to respond to OIG inquiries, other than to be truthful, forthcoming, thorough and prompt and to direct any questions to OIG.⁸

Only when the IG involved the CEO and COO of the Corporation was this “protocol” eventually discontinued. We appreciate their support in protecting OIG work from any form of interference.

⁸ OIG has no objection to grantees voluntarily providing the program office with copies of the material after submission to the OIG.



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.

Tables

I. 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	7	\$5,534	\$3,025
B. Reports issued during the reporting period	2	\$223	\$0
C. Total Reports (A + B)	<u>9</u>	<u>\$5,757</u>	<u>\$3,025</u>
D. Reports for which a management decision was made during the reporting period	0	\$0	\$0
I. Value of disallowed costs		\$0	\$0
II. Value of costs not disallowed		\$0	\$0
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>9</u>	<u>\$5,757</u>	<u>\$3,025</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	6	\$3,795	\$2,811

Tables

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

Report Category	Number	Dollar Value (In thousands)
A. Reports for which no management decision had been made by the commencement of the reporting period	4	\$3,440
B. Reports issued during the reporting period	1	\$21
C. Total Reports (A + B)	<u>5</u>	<u>3,461</u>
D. Reports for which a management decision was made during the reporting period	0	\$0
i. Value of recommendations agreed to by management		\$0
ii. Value of recommendations not agreed to by management		\$0
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>5</u>	<u>\$3,461</u>
F. Reports for which no management decision was made within six months of issuance	4	\$3,440

Tables

III. Summary of Audits with Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period
		(Dollars in thousands)		(09/30/14)
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	\$0	5/9/2012	The Corporation has not issued a Draft Management Decision for this report.
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Oregon Volunteers	\$392	2/15/2013	The Corporation has not issued a Draft Management Decision for this.
12-15	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Operations Reach, Inc.	\$560	2/28/2013	The Corporation issued a Draft Management Decision for this report.
12-16	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the New Jersey Commission	\$1,895	3/27/2013	The Corporation issued a Draft Management Decision for this report on 7/8/2014.
13-05B	Supplemental Report of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)	\$0	11/12/2013	The Corporation issued a Draft Management Decision for this report on 2/25/2014.
13-06	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Edna McConnell Clark Foundation	\$348	12/6/2013	The OIG responded to the Draft Management Decision for this report on 6/30/2014.
14-04	Agreed-Upon Procedures for Corporation Grants Awarded to the Arkansas Service Commission	\$206	5/14/2014	The Corporation issued a Draft Management Decision for this report on 9/12/2014.
14-06	Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program	\$394	8/4/2014	The Corporation has not issued a Draft Management Decision for this report.
	Total	\$3,795		

Tables

IV. Reports Described in Prior Semiannual Reports without Final Action

Report Number	Title	Date Issued	Final Action Due*
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/9/2011	11/9/2012
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Oregon Volunteers	8/15/2012	12/15/2013
12-15	Audit of Corporation for National & Community Service Grants Awarded to Operations Reach, Inc.	8/28/2012	11/28/2013
12-16	Agreed-Upon Procedures for Grants Awarded to New Jersey Commission on National and Community Service	9/27/2012	12/15/2013
13-05B	Supplemental Report of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)	5/9/2013	5/9/2014
13-06	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Edna McConnell Clark Foundation	6/6/2013	6/6/2014
13-07	Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program	9/30/2013	9/30/2014
<p>*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the issuance of the final report and corrective actions must be completed within one year.</p>			

Tables

V. *Audit Reports Issued*

October 1, 2013-March 31, 2014				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
			(Dollars in thousands)	
14-08	<i>Agreed-Upon Procedures for Corporation Grants Awarded to Nevada Volunteers</i>	\$141,760	\$0	\$20,793
14-09	<i>Audit of Blanket Purchase Agreements for Professional Consulting Services</i>	\$81,331	\$0	\$0
	TOTAL	<u>\$223,091</u>	<u>\$0</u>	<u>\$20,793</u>

Agency Response