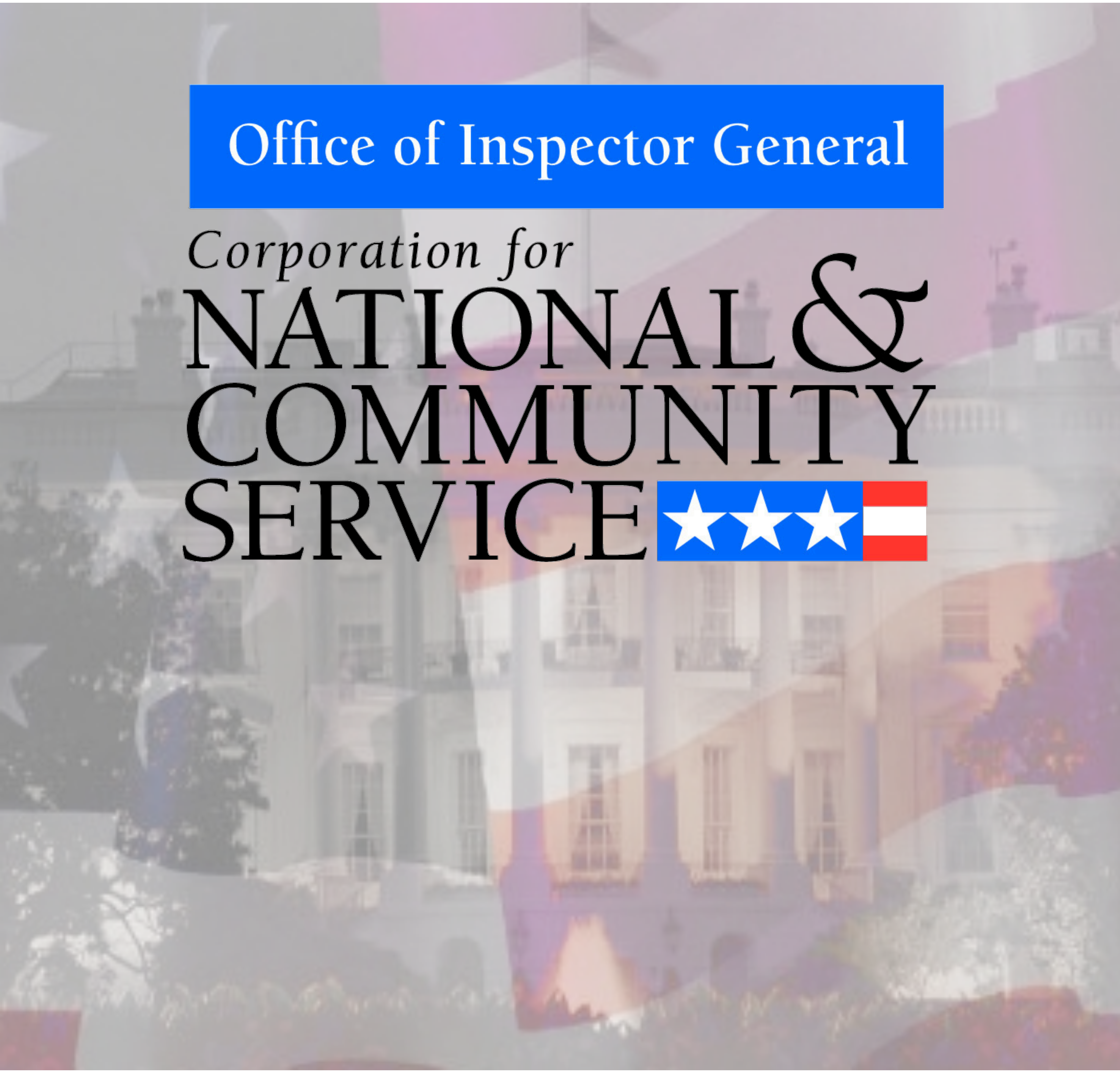

Office of Inspector General

Corporation for National & Community Service

Semiannual Report To Congress

October 1, 2013 - March 31, 2014

Fiscal Year 2014 Semiannual Report No. 1

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About the Corporation for National and Community Service . . .

The Corporation for National and Community Service (Corporation) provides grants and technical assistance to volunteer organizations throughout the United States to strengthen communities, foster civic engagement, and improve the lives of all Americans serving their local communities and the Nation. For Fiscal Year (FY) 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.

Office of Inspector General
Corporation for NATIONAL & COMMUNITY SERVICE

Deborah J. Jeffrey
Inspector General

Message from the Inspector General

The management of risk is an essential ingredient of public stewardship and a core responsibility of senior leaders in every Federal agency. Without it, there can be no assurance that agencies pursue their missions in compliance with laws and regulations and with minimum potential for waste, fraud and mismanagement.

Managing risks requires an accurate and comprehensive picture of what they are and where they reside. To prioritize corrective actions, you must understand the significance and potential impact of the risks that you face. And once a risk is identified and assessed, it must be reliably controlled or mitigated by enforced policies, processes and mechanisms (typically referred to as "internal controls"), and not left to hope, trust or individual initiative. Those internal controls must themselves be tested and their effectiveness continuously monitored, with a systematic process in place for their improvement.

No comprehensive risk management strategy

The Corporation for National and Community Service lacks a coherent risk management program to identify the risks inherent in its activities, as well as a global process to measure, monitor and control them. Historically, the Corporation has responded vigorously when problems materialize, but it has been less successful in anticipating or detecting problems and intervening before losses occur, leaving itself no alternative other than to "pay and chase." And, rather than prioritizing its largest risks, CNCS has deferred action on risks and internal control defects that it knows to be serious, in favor of addressing small, easily fixed problems. In FY 2013, for example, the executive-level Financial Integrity Steering Committee chose to respond to relatively minor items identified by the financial statement auditors, while leaving unaddressed known deficiencies in such high-impact areas as grant oversight and procurement.

OIG audits reveal deficiencies arising from poor risk management

Lack of sophisticated risk assessment and meaningful risk management underlies many of the deficiencies exposed in audits and evaluations conducted by the Office of Inspector General:

- Financial Information Security Management Act (FISMA) evaluation: CNCS lacks a formally documented and fully implemented risk management framework, as well as a strategy for continuous monitoring of information security;

- Fixed Amount Grants: CNCS failed to conduct a formal risk assessment before undertaking and expanding use of such grants and inexplicably delayed implementing procedures to monitor or mitigate the risks that it admittedly knew about, leaving gaps in its internal controls that allowed a grantee to go bankrupt while owing the Corporation more than $ 1 million;
- Improper Payments Elimination and Recovery Act (IPERA) evaluation: AmeriCorps, the Corporation's largest program, likely makes improper payments of more than $10 million per year, but CNCS cannot reliably project and quantify the amount and has offered no plan for recovering improperly paid funds;
- Financial Statement Audit for FY 2013: For the fourth year, the outside auditors have advised the CEO and the Board of Directors that the Corporation needs a global, integrated risk management strategy to strengthen inadequate practices for assessing risk, evaluating the effectiveness of internal controls and timely resolving weaknesses; and
- Audits of Senior Corps Grantees Atlantic Human Resources (AHR) and Family Services of Central Massachusetts (FSCM): Failure to detect pervasive financial mismanagement—resulting in overcharges of $895,000 in the case of AHR and $2.25 million in the case of FSCM—occurring over an extended period raises questions about the quality of grant monitoring.

Delay jeopardizes recovery of large improper payments

CNCS has also delayed recovering overpayments from grantees. In the case of Operation Reach, Inc. (ORI), the Corporation postponed action on our audit for more than 14 months, despite $660,000 in unsupported Federal costs and education awards, lack of responsiveness by the grantee and the grantee's precarious financial condition and track record of broken promises. When ORI declared bankruptcy, the Corporation submitted our audit report in support of its sworn claim, inviting questions as to why it had not acted sooner to collect the debt. In the similar case of AHR, the Corporation has known since April 2013 that the grantee could provide no support for its claimed costs, but waited a year before demanding repayment of $895,000. Not surprisingly, the grantee's financial conditions deteriorated further in the interim, dimming prospects for significant recoveries. Given the sums involved, the Corporation should have pursued these debts quickly.

Grant monitoring priorities are based on ill-adapted criteria that distort risk

Though risk-based in theory, the Corporation's grant supervision is deeply flawed. The 18 criteria used to assess risk were developed for traditional cost reimbursement grants, but CNCS applies them indiscriminately to fixed amount grants and grants for technical training and assistance. This one-size-fits-all approach systematically understates and/or ignores risks inherent in those other grants, as we explained in a recent audit report. Even for traditional grants, the Corporation has never validated its risk indicators against outcomes or used outcomes to identify other factors that could sharpen its analysis.

Outdated information technology inhibits efficient risk management

The Corporation collects a wealth of information from its grantees, but its outdated information technology systems do not support the kind of data analytics that other agencies use effectively for early detection of fraud and mismanagement. CNCS cannot readily compare information across the grant portfolio or for subsets of grants or grantees, either for benchmarking or to identify anomalies and outliers, e.g., to calculate the expected rate of member attrition in an AmeriCorps grant or identify grantees whose attrition exceeds a pre-determined level. Although Congress and the Executive Branch both encourage increasing use of technological tools to improve risk management, the Corporation is falling further behind, relying on inefficient and easily disrupted manual processes for its oversight. Recognizing the growing gap between its business needs and its IT infrastructure, CNCS engaged MITRE Corporation for guidance about modernization; the Corporation appears to have embraced the recommendations and has taken the first steps toward implementation. OIG awaits the results.

In sum, considerable work is needed to elevate the Corporation's risk management to a level sufficient to safeguard the integrity and effectiveness of the public's investment in national service. The Corporation made early progress by strengthening the grant award process and establishing an accountability unit more than one year ago, and by educating grantees about the high accountability standards they are expected to meet. To build on those efforts, senior leaders must devote sustained attention to internal risk management, grappling first with the Corporation's most significant risks, and requiring tangible progress in the short term. The dedicated staff of the Office of Inspector General stands ready to support that effort.

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. All OIG audit reports and reviews are issued to Corporation management for its action or information.

Pending Audits and Evaluations

At the end of the reporting period, an evaluation of the Corporation's internal controls to prevent and detect prohibited activities in AmeriCorps and Senior Corps programs, an audit of consultant services, and four grantee audits or agreed-upon procedures engagements were in process. Below are highlights of particular evaluations and audits for this reporting period.

Statutory Audits and Evaluations

Financial Statement Audit, FY 2013: Progress in Removing Repeated Material Weakness in Grant Accruals, but Other Serious Internal Control Issues Persist

The statutory audit of the Corporation's FY 2013 Financial Statements and National Service Trust statements marked the 13th consecutive year of unmodified ("clean") opinions, indicating that the Corporation's financial statements and National Service Trust statements were fairly presented in all material respects, in conformity with generally accepted accounting principles, and that there were no instances of noncompliance with laws and regulations. With the resolution of a recurring material weakness issue in its grant accruals, the audit found no weaknesses or significant deficiencies.

Nevertheless, significant challenges remain for the Corporation to improve its internal controls. For the fourth year in a row, the outside auditors continued to express concerns in their Management Letter regarding the inadequacy of the internal control framework and annual assessment process. Despite early progress towards establishing an accountability structure, the Corporation still lacks an effective risk-based assessment process. In particular, the Corporation does not yet have either the foundational comprehensive policies or the fully functioning governance body necessary to enable the Corporation to properly assess risks, identify controls, evaluate control effectiveness and take timely corrective action to fix control deficiencies. Through our regular participation in the Corporation's internal control governance body and periodic meetings held with the Corporation staff, OIG continues to advocate for increased management attention to resolve these longstanding issues. We have briefed both the CEO and the Corporation's Board of Directors concerning our reservations about the pace of improvement and our recommendations for increased investment in protecting the taxpayers' interests. (Report: http://www.cncsoig.gov/news-entry/14-01) (Report: http://www.cncsoig.gov/news-entry/14-02)

Federal Information Security Management Act (FISMA) Independent Evaluation for FY 2013: Information Security Weaknesses Require Attention

The statutorily required evaluation (Report: http://www.cncsoig.gov/news-entry/14-03) of the Corporation's information security management program found limited assurance that the Corporation's Information Assurance Program (IAP) complies with statutory requirements, applicable guidance from the Office of Management and Budget (OMB) and standards established by the National Institute of Standards and Technology (NIST).

The following areas require management attention:

- Continuous Monitoring Management;
- Identity and Access Management;
- Risk Management;
- Security Training;
- Plans of Action and Milestones (POA&M);
- Remote Access Management; and
- Contingency Planning.

The audit team identified six unaddressed security control deficiencies:

- Lack of a formally documented and fully implemented Information Security Continuous Monitoring (ISCM) strategy;
- Lack of formally documented and fully implemented Risk Management Framework (RMF);
- Lack of a fully implemented, role-based information security training program;
- Improvements needed with POA&M reporting;
- Improvements needed to ensure that contractors comply with the Corporation's IAP requirements; and
- Lack of two-factor authentication to the Corporation's desktops, laptops, and corporate network.

Addressing these security control deficiencies will assist the Corporation's ongoing efforts to assure adequate security over its information resources. Evaluators made nine recommendations to further strengthen the Corporation's IAP.

Grant Management and Oversight

Senior Corps Grantee's Ineffective Financial Management and Poor Volunteer Station Monitoring Caused More than $2.25 Million in Overcharges

A Senior Corps grantee, Family Services of Central Massachusetts, overcharged the Corporation more than 71 percent of the Federal costs for two Retired and Senior Volunteer Program (RSVP) and two Senior Companion Program (SCP) grants over the past four years. These unsubstantiated and/or improperly incurred costs included more than $1.7 million in Federal costs and nearly $560,000 in match costs. (Report: http://www.cncsoig.gov/news-entry/14-05) These deficiencies resulted from the grantee's fundamental weaknesses in its internal controls, including:

- Inconsistencies between grantee's internal financial records (general ledger) and its periodic financial reports to the Federal government;
- Lack of supporting documentation and/or proper approval of claimed costs;
- Unsubstantiated charges for volunteer travel and meals;
- Failure to ensure income-eligibility for means-tested benefits, as well as other missing eligibility documentation, including background checks and volunteers' written assignment plans; and
- Lack of formal processes for monitoring volunteer stations.

Fundamentally, the grantee's financial management practices were inadequate to administer Federal funds. The grantee's financial staff was unfamiliar with basic grant accounting requirements, and the grantee's management did not fulfill its supervisory obligation to ensure that its personnel were adequately trained and their work reviewed for adequacy. The grantee failed to document and support charges for volunteer meals, travel, salaries, fringe benefits, other direct costs, and the majority of the claimed match costs. Moreover, the grantee did not properly conduct or document the mandatory background checks for all employees working on the grants.

To address the severity of the findings, we recommended that the Corporation withhold additional drawdowns and require supporting documentation prior to any further grant disbursements. We also recommended that the grantee improve its grant accounting operations and the related internal controls, by implementing risk-based monitoring plans for volunteer stations, sending accounting personnel to fiscal training and strengthening background checks and volunteers' written assignment plans.

Grantee's Volunteer Recognition Practice Undermines Program Integrity

Our audit of Penquis Community Action Program, which operates grants under the Retired and Senior Volunteer Program (RSVP) and Foster Grandparent Program (FGP), discovered a problematic FGP practice of paying cash "longevity" awards to long-serving FGP volunteers. By adding bonus hours to volunteers' timesheets, the grantee paid stipends for hours that the volunteers did not actually serve. The longevity bonuses ranged from 40 hours ($106) for 5-9 years of service, to 70 hours ($185.50) for more than 20 years of service. During the audit period, Penquis claimed costs for 4,600 longevity hours that volunteers did not actually save. These bonus hours were on top of an already generous policy of paid annual and sick leave.

Mischaracterizing these longevity bonuses as stipends for service undermines the integrity of the timekeeping process. Further, it provides no transparency about recognition expenses and therefore prevents oversight. Nor are cash bonuses permissible as costs of "recognition for [volunteers'] service," which are reimbursable pursuant to 45 CFR § 2252.46(e)(2). FGP's own guidelines on appropriate recognition refer to celebratory events, tokens and public acknowledgements, all of which differ qualitatively from monetary awards.

OIG supports recognition of volunteer service, but recognition practices must maintain the program's integrity. We have urged the Corporation to recover from the grantee all costs related to these unauthorized "longevity awards," stress the importance of volunteer timekeeping integrity and ensure Senior Corps grantees' resources and funds spent on volunteer recognition are utilized in a reasonable and consistent manner.

The problem may not be limited to this grantee. According to Penquis, other Senior Corps grantees in the region pay similar longevity bonuses. A widespread adoption of this practice – paying an unearned 1-2 weeks of stipend to every volunteer with five or more years of service – is potentially significant financially. These misused Federal funds could have funded more FGP volunteers to tutor children. OIG has urged the Corporation to determine whether other grantees pay similar bonuses and, if so, to instruct them to discontinue the practice and recover the misspent funds.

In addition, we found that more than one-fifth of this grantee's nearly $1.9 million in claimed Federal costs was questionable due to non-compliance with applicable laws, regulations and grant provisions. These issues related to lack of mandatory background checks for volunteers and grantee staff, lack of eligibility documentation for volunteers and inadequate documentation of service agreements between the grantee and volunteer stations. As a result, we recommended that the Corporation disallow and recover costs of nearly $400,000. To improve compliance, we also recommended immediate corrective actions in each of these areas. (Report: http://www.cncsoig.gov/news-entry/14-06)

Noncompliant Criminal History Checks and Improper Fundraising Activity Result in Questioned Costs in Grants Awarded to the Arkansas Commission

As a result of auditing the Commission and three of its twelve subgrantees, we questioned claimed Federal-share costs of $205,790, match costs of $550,551, education awards of $139,352, and accrued interest of $500. Despite the magnitude of the unmet match, we did not question a corresponding amount of Federal cost because the grants were still active, and the time allowed for subgrantees to meet match requirements had not yet expired. We therefore recommended that the Corporation monitor Commission and subgrantee matching requirements on these awards and, at the end of the grant, determine whether match requirements were met.

The majority of the questioned costs resulted from the inadequate criminal history checks performed by certain subgrantees that did not comply with regulatory requirements. We questioned the education awards at one subgrantee because it performed unallowable fundraising activities; because members did not separately record fundraising hours on their timesheets, we questioned all education awards ($109,362) for Program Years 2010 through 2011 and 2011 through 2012. (Report: http://www.cncsoig.gov/news-entry/14-04)

Corporation Disallows $1.4 Million in Costs Claimed by Senior Corps Grantee AHR Based on OIG Audit

OIG's audit of Atlantic Human Resources, Inc. (AHR), a New Jersey-based non-profit, 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 FY 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. (Report: http://www.cncsoig.gov/news-entry/13-05b-1) The Corporation disallowed $857,000 in Federal costs, representing 43 percent of the total Federal costs charged under the grant, and $567,000 in non-Federal costs. The Corporation terminated AHR's grants in April 2013, concluding a nearly forty-year relationship with the grantee.

Corporation Fails to Recover Costs for 14 Months While Grantee's Finances Deteriorate into Bankruptcy

An August 2012 OIG audit report (12-15) concerning AmeriCorps grantee Operation REACH, Inc. (ORI) itemized $886,845 in costs ($559,659 Federal costs, $99,897 education awards, and $227,289 match funds) that were unsupported by required documentation, incurred improperly or expended in violation of applicable laws, regulations and grant terms and conditions. (Report: http://www.cncsoig.gov/news-entry/12-15) Although $121,521 in program income was collected from AmeriCorps service sites, ORI could produce no evidence that the funds were deposited into its accounts or used for the benefit of its AmeriCorps program. Auditors found inadequate financial management, poor or nonexistent record retention and lack of oversight at service sites, all resulting in substantial mismanagement of Federal and match funds. Pervasive noncompliance and internal control deficiencies persisted throughout ORI's Corporation-sponsored programs, despite the grantee's prior assurances to multiple State commissions (Louisiana, Alabama, and Georgia) that the problems were being rectified.

The Corporation has been on notice of these severe deficiencies since October 2011. Because of the substantial ongoing risk to Federal grant funds, OIG alerted the Corporation and State Commissions while the audit was pending and urged them to take immediate actions to prevent further losses. In response, the Corporation placed a hold on ORI's access to additional grant funds, the Louisiana and Alabama State Commissions did not continue the final years of their grants, and the Georgia State Commission, which had initially renewed its grants to ORI, terminated them shortly thereafter in early October 2011.

The Corporation however, failed to take timely action to recover the misused funds and instead allowed the grantee to string it along with assurances and promises of additional information. Contrary to law and Corporation policy, the Corporation rendered no decision on the OIG audit findings within six months and allowed more than one year to pass without completing corrective actions, exceeding the limited extension authorized by OIG. Although, at OIG's urging, it initiated proceedings to debar ORI's Chief Executive Officer, it allowed an interim suspension to lapse with no further action.

When ORI filed for protection in bankruptcy in October 2013—over two years after OIG's management alert and 14 months after issuance of our audit report—the Corporation had not yet issued a debt notice or begun to recover the amounts owed by the grantee. In March 2014, before the bankruptcy court, the Corporation adopted the OIG's audit report as proof of its claim for the improper Federal costs and education awards, inviting questions as to why it had not acted sooner on those findings. According to the United States Trustee overseeing the bankruptcy, ORI's financial condition continued to deteriorate as its CEO temporized and failed to provide accurate information to the bankruptcy court; creditors, including the Corporation, were prejudiced by ongoing dissipation of its assets, including payment of unauthorized compensation to the CEO.

It took the U.S. Trustee less than six months to recognize that ORI and its CEO could not be trusted to supply accurate information or to cooperate with official inquiries. Unlike the Corporation, the Trustee acted promptly on that information, informing the bankruptcy court that ORI "has failed to comply with the [Bankruptcy] Code's requirements of disclosure, transparency, and candor, and has engaged in gross mismanagement of the estate," including by "filing faulty books and records that cannot be relied upon by the [U.S. Trustee] or the Court." ORI was unable to "rehabilitate" its own records or explain discrepancies, made false statements under penalty of perjury about its assets and operations and "engaged in delays and obstructive behavior." The bankruptcy court took the unusual step of dismissing ORI's bankruptcy, concluding that the grantee's egregious conduct forfeited its right to protection from creditors.

The Corporation is now free to pursue recovery on behalf of the taxpayers. It should act with dispatch to formally disallow the costs identified in our audit report and to expedite collection, before the grantee's assets dwindle further. As the bankruptcy proceeding illustrates, allowing ORI still more time to reconstruct its records is an exercise in futility.

This case provides an object lesson in the need for prompt recovery of misspent funds and the potentially high costs of delay. The lack of urgency to recover nearly $900,000 in squandered taxpayer funds and willingness to indulge a grantee's dilatory conduct call into question the Corporation's priorities and its commitment to strong accountability.

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.

Investigative Demands

The Investigations Section opened nine investigations and completed sixteen investigative actions for this reporting period. Management replied to eleven investigations previously referred to them. Highlights of selected investigations closed during this period are reported below.

During this reporting period, the Investigations Section processed a total of 39 Hotline actions. The increased resources available to us for FY 2014 have allowed our investigators to re-start on-site outreach, designed to educate grantees, State Commission personnel and Corporation staff about prevention and detection of fraud, waste and abuse, along with the available reporting channels. OIG continues its social media messaging and actively pursues other outreach opportunities

Significant Cases and Activity

Corporation Pursues Recovery of Funds Based on OIG Investigation

OIG determined that VISTA sponsor VN Teamwork of Houston, TX, intentionally enrolled 17 employees in the VISTA program in order to supplement their salaries and benefits with Federal program funds. This conduct violated the False Claims Act, 31 U.S.C. § 3729 and the VISTA Non-Displacement Employed Workers regulation, 45 CFR § 1216. As a result, VN Teamwork employees received $234,112.02 in Federal program funds to which they were not entitled. The Corporation has issued a notice of debt collection to VN Teamwork to recover $234,112.02 in disallowed costs.

Former School Employee Pleads Guilty to Theft of AmeriCorps Funds

Ms. Welithia Fortune, former Administrative Assistant, Lee County School District, Bishopville, SC, embezzled $31,805.39 in Federal AmeriCorps program funds, by diverting Federal program funds intended for the school district to her personal checking account. Ms. Fortune pled guilty to the theft and was sentenced to six years' incarceration (suspended), five years' probation, and restitution of $31,805.39, plus fees and court costs. She has also been debarred from doing business with the Federal government for a period of three years.

AmeriCorps Grantee Misused AmeriCorps Members in Staff Positions, Improperly Disbursed Living Allowances of $236,355 and Improperly Certified $66,600 in Education Awards

Officials of Volunteer Florida (the Florida Service Commission) alleged to OIG that sub-grantee WestCare was using AmeriCorps members to perform staff administrative functions. OIG's investigation substantiated the allegations, leading to disallowance of $73,839 in costs for living allowances for grant year 2012-2013. No education awards were awarded as a result of the findings.

OIG's follow-on investigation of the WestCare Nevada State AmeriCorps program discovered similar violations. As a sub-recipient of Federal funds from the Nevada Volunteers Commission, WestCare's

AmeriCorps members were to provide services to local veterans and military families. However, the majority performed limited or no such service and were instead assigned clerical, receptionist, patient transportation and janitorial duties. OIG also found that documents were missing from member files and that National Sex Offender Public Website (NSOPW) checks were not properly conducted. Based on the OIG investigation the Nevada Volunteers Commission disallowed $20,088 in reimbursement funds and did not certify education awards.

WestCare also assigned staff and administrative responsibilities to members under its National Direct Grant. OIG identified 13 AmeriCorps members who devoted the majority of their service hours to unallowable activities, in lieu of providing direct service to veterans and their families. Members and site supervisors reported that the limited number of veterans using WestCare services resulted in reduced service opportunities and alternate assignments. Their unallowable activities included administering the AmeriCorps program, landscaping and janitorial services and conducting research. In two instances, members were required to accelerate completion of their service hours in order to accept administrative positions, and the increased hours that they recorded reflected no service to veterans. A WestCare official reported that he had warned WestCare prior to its grant application that the organization was not prepared to fulfill the grant requirements and that AmeriCorps members could not perform the administrative and supervisory functions that were ultimately assigned to them.

As a result of these unallowable activities, the Corporation disbursed living allowances of $137,566 and certified education awards of $61,050 to which members were not entitled. OIG also found one instance in which the grantee failed to conduct a timely check of the NSOPR, resulting in the improper payment of a living allowance of $4,862 and improper certification of an education award of $5,550. The Corporation has not yet acted on these findings.

Corporation Manager Misused Government Credit Card

A management-level Corporation employee misused her Government Travel Card by withdrawing funds from ATMs for her personal use. She also submitted a false voucher by which she obtained reimbursement of for personal travel.

Corporation management suspended the employee for a period of 14 days and required her to repay the travel funds that she was not entitled to receive. She had repaid the advanced ATM withdrawals prior to the investigation. The Corporation also made changes to her administrative responsibilities as a result of this conduct.

VISTAs Assigned to Staff Positions

In an instance of lax oversight, a Corporation employee allowed Still Serving Veterans, Huntsville, AL, a sub-site for the American Legion Auxiliary, to place four VISTA volunteers in staff positions. Under VISTA Assignment Descriptions (VADs) approved by the Corporation, during a three-year period, VISTA volunteers performed unallowable service when they served as a receptionist, office administrator and

IT support coordinators. Applicable regulations prohibit the assignment of VISTA members to perform staff functions. Federal program funds totaling $57,190 were disbursed for these unallowable VISTA services.

Corporation management conducted a further review of the American Legion Auxiliary Call to Service Corps program VADs and found an additional four that suggested unallowable activities. Management reported that corrective action was taken to update and clarify the VADs to ensure that they included no unallowable activities.

Corporation's Manual Verification of Citizenship Unreliable; OIG Recommends Changes

Due to flaws in the Corporation's manual process for verifying the citizenship of AmeriCorps applicants, an undocumented immigrant was able to enroll in a Minnesota Read AmeriCorps program and receive $6,512.83 in Federal funds. The individual enrolled using a fraudulent Social Security number and bogus permanent resident card. Grantee officials learned of the fraud only when the member declined his education award at the conclusion of his term of service, admitting that he was in the country illegally and the documents he provided to enroll were fraudulent.

OIG found that the enrollment information submitted by the grantee was originally rejected based on a check of the Social Security Administration database. The Corporation notified the grantee of the rejection and requested the grantee to obtain the necessary identification documents from the member. Under the Corporation's manual verification process, an employee of the National Service Trust reviewed the scanned/faxed documents and decided to allow enrollment of the member. There was no other verification or inquiry into why this same information had been rejected by the Social Security database.

Personnel of the National Service Trust have neither the expertise nor the resources to evaluate the authenticity of identification documents. They have no other tools to assist them in determining the eligibility of AmeriCorps applicants rejected by the Social Security database.

OIG recommended that Corporation management adopt a more rigorous and reliable process for verifying the eligibility of any applicant whose citizenship is not verified during the initial review by the Social Security Administration. Rather than relying solely on employees' ability to identify fraudulent identification documents, the Corporation should obtain third-party validation through a verification database (e.g., Clear or Lexis-Nexis), in order to confirm that the information submitted matches the individual enrolling in the program. Neither the United States Attorney's Office nor the Department of Homeland Security chose to act on the information provided by OIG about this particular individual.

Proactive Efforts Result in Corrective Actions

In coordination with Volunteer Louisiana (the Louisiana State Commission), OIG completed a proactive review of the Project Homecoming AmeriCorps program (Project Homecoming) conducted by The

Presbytery of South Louisiana, sub-recipient of a grant awarded by Volunteer Louisiana. The review revealed that Project Homecoming officials failed to conduct timely criminal background and National Sex Offender Public Website (NSOPW) checks, resulting in the improper disbursement of more than $127,000 in living allowances and $55,000 in education awards certified for ineligible individuals. The review identified additional concerns regarding the documentation of program costs in Project Homecoming's fiscal system.

Volunteer Louisiana concluded that the necessary criminal history checks were conducted late because of Hurricane Isaac. Project Homecoming provided documentation concerning the questioned costs and instituted additional procedures to ensure that the noncompliance found by OIG would not recur.

Investigation of Guam AmeriCorps Grantee Highlights Risks of Enrolling Employees

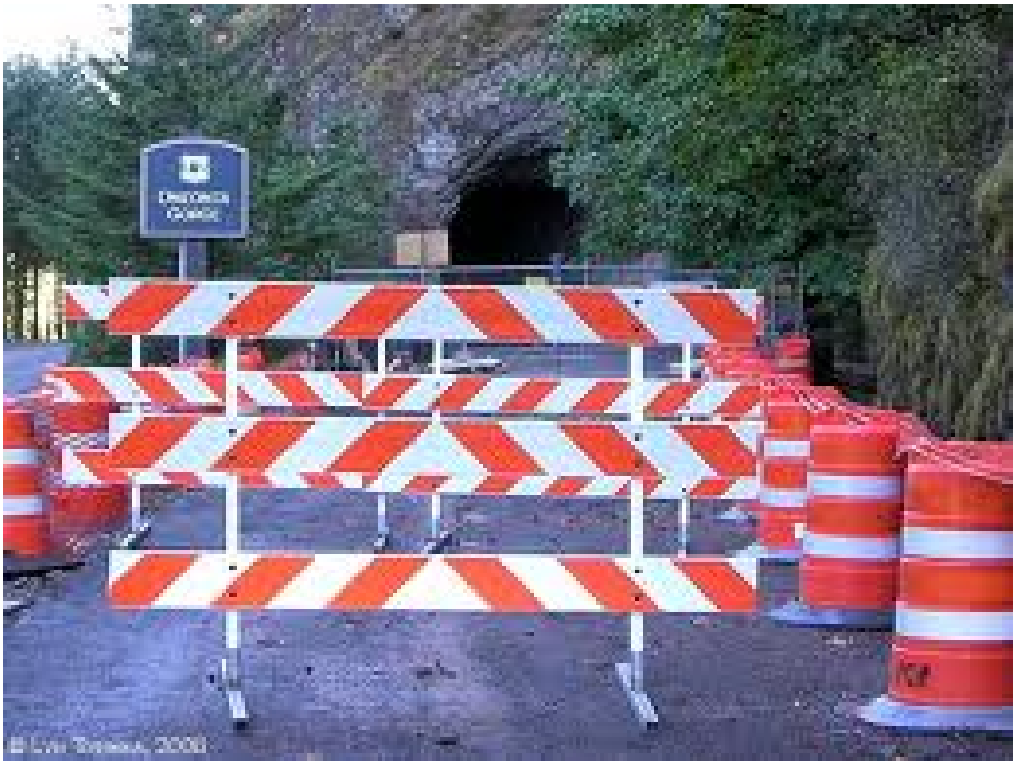
Following up on allegations that a sub-grantee of the Serve Guam! Commission (Commission) enrolled employees as AmeriCorps members and supplemented their salaries with Federal funds, OIG enlisted the on-site assistance of the Guam office of the Federal Bureau of Investigation. Their inquiry confirmed that seven grantee employees were enrolled as part-time AmeriCorps members, but the FBI could not find evidence that they used their work hours as AmeriCorps service hours. However, as other investigations have shown, enrollment of employees creates a significant risk and imposes a concomitantly greater supervisory burden on the grantee to ensure a complete separation between an employee's work activities and service activities. Ultimately, the grantee decided to no longer allow current employees to enroll in the AmeriCorps program.

Investigations

Summary Of Cases					
Fiscal Year	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Investigative actions opened	39	42	22	43	9
Investigative actions resolved and closed	46	35	42	36	16
Average monthly caseload	32	34	26	23	15
Investigative matters resolved without opening a separate investigative action	45	39	51	67	27
Referrals for prosecution	9	8	4	7	0
Investigative recoveries[2]	$634,803	$447,854	$2,846,203	$590,943	$328,170
Cost avoidance[3]	$1,218,178	$1,666,294	$2,321,521	$1,078,316	$62,740
Administrative or management action taken	20	14	17	23	11

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

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



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.

Recent Activity

During this reporting period, the Corporation debarred three individuals based on OIG requests. Each of these debarments was based on a criminal conviction arising from the misdirection of Federal grant funds.

Former School Employee Debarred After Conviction

While employed by the Lee County School District, Bishopville, SC, Welithia Fortune diverted $31,805.39 in Federal program funds to her personal bank account. Based on her conviction of theft, the Corporation debarred her from doing business with the Federal government for a period of three years.

Former AmeriCorps Program Director's Deception Leads to Debarment

Former Executive Director of the Arkansas HIPPY AmeriCorps Program Barbara Gilkey purposefully deceived the Arkansas Commission by failing to disclose that she had instructed HIPPY sub-sites to enroll their paid employees as AmeriCorps members. Her deception resulted in the wrongful award of an AmeriCorps grant and wrongful disbursement of more than $500,000 in Federal program funds. The employee "members" simply continued to perform their employment duties, and the community derived no additional benefit from their AmeriCorps enrollment; AmeriCorps' authorizing statute prohibits the use of AmeriCorps members from supplanting or otherwise performing the duties of employees of a grantee. The Corporation debarred the former executive director from doing business with the Federal government for a period of three years.

Former Nevada State Commission Program Officer Debarred for Conflict of Interest and False Statements

Following a site visit, former State Commission Program Officer Brian Guiot falsely stated that AmeriCorps grantee Luz Community Development Coalition (LCDC), Las Vegas, NV, was in "full compliance" with the grant provisions. The grantee's records, however, showed plainly that it failed to conduct statutorily required checks of the National Sex Offender Public Registry. The Nevada State Commission relied on the false compliance report, resulting in the improper disbursement of $265,304.20 in Federal grant funds.

The Program Officer's loyalty was compromised by a conflict of interest. At the time of his site visit, the Program Officer was in discussions with the grantee about a management position with the organization, and he became the director of the grantee's AmeriCorps program upon resigning from his position at the State Commission. The Corporation debarred the former program officer from doing business with the Federal government for a period of one year.

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.

Investigations

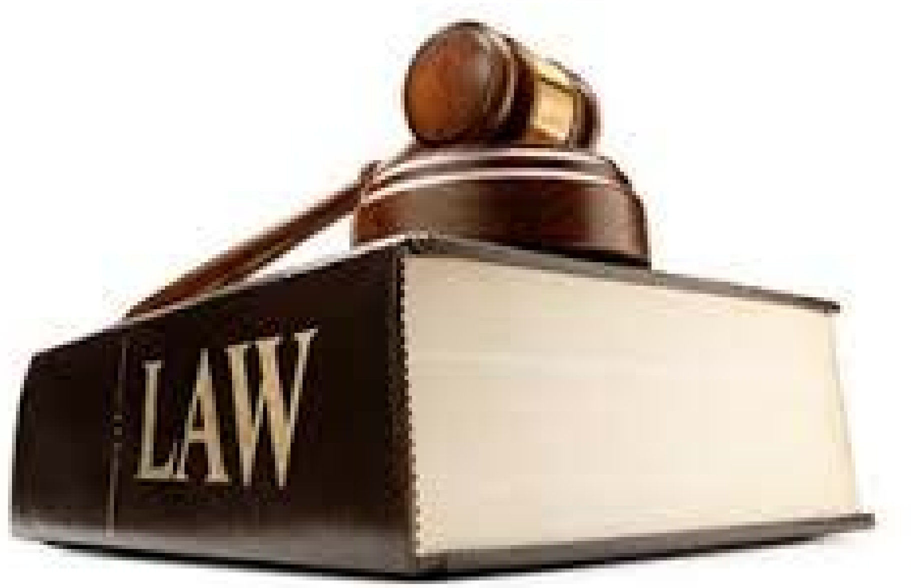
The most recent report of a peer review of our investigative operations was issued September 19, 2012, by the Federal Reserve Board, Office of Inspector General (FRB OIG). It confirmed that the system of internal safeguards and management procedures for the investigative function of the CNCS OIG in effect for the period May 2011, through May 18, 2012, is compliant with the quality standards established by CIGIE and the Attorney General Guidelines. The safeguards and procedures provide reasonable assurance that the CNCS OIG is conforming to professional standards in the planning, execution and reporting of its investigations. Our Investigations Section's next peer review is scheduled for FY 2015. (Report: http://www.cncsoig.gov/2012-investigations-peer-review)

OIG investigators conducted a Peer Review of the U.S. Nuclear Regulatory Commission, Office of Inspector General, investigative operations, (NRC-OIG) in September 2013. The system of internal safeguards and management procedures for the investigative function of the NRC-OIG in effect for the three year period ending August 31, 2013, is in full compliance with the quality standards of the Council of the Inspector General on Integrity and Efficiency (CIGIE) and the Attorney General Guidelines. The safeguards and procedures provide reasonable assurance that the NRC-OIG is conforming to professional standards in the conduct of its investigations.

Audit

The Audit Section's most recent Peer Review Report was issued February 27, 2013 by the Smithsonian Institution OIG. 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). The report confirmed that: "the system of quality control for the CNCS OIG in effect for the year ending September 30, 2012, has been suitably designed and complied with to provide the CNCS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." The CNCS OIG Audit Section received a peer review rating of pass. (Report: http://www.cncsoig.gov/2012-Peer-Review.) The Audit Section's next peer review will take place in FY 2015.

Our Audit Section conducted a quality control review of the audit operations of the Office of Inspector General, National Science Foundation (NSF). As part of the peer review, we evaluated the NSF OIG's staff qualifications, their independence, audit work, training, and quality control procedures. NSF received a pass rating, the results of this peer review can be found on the NSF OIG's website at www.nsf.gov/oig. The Audit Section's next peer review will take place in Fiscal Year 2015.



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

Congress Grants Legislative Relief To Facilitate FBI Fingerprint Checks by Grantees

Section 189D of the Serve America Act of 2009 requires that Corporation grantees check the national criminal history of volunteers and grantees staff whose service involves access to children under the age of 17, persons older than 60 years of age and individuals with disabilities by submitting their fingerprints to the FBI for a match of criminal records. The FBI fingerprint check is in addition to the name-based checks of the National Sex Offender Public Website and State criminal registries required by statute from all Corporation grant program staff and volunteers.

In its Congressional Budget Justification for FY 2014, the Corporation sought to narrow the fingerprint check because many State agencies were unwilling or unable to submit the necessary requests to the FBI on behalf of Corporation grantees. The Corporation therefore sought to eliminate fingerprint check requirement for volunteers and staff who worked with disabled persons or those over 60, and rely exclusively on the name-based state criminal registry and National Sex Offender Public Website checks. OIG opposed the proposed change, on the ground that fingerprints often represent the best means to capture the histories of those attempting to evade detection by use of aliases, name changes, or other subterfuge; such checks are therefore appropriate to protect the elderly and the disabled, whom Congress has identified as particularly vulnerable.

The most recent appropriation act retains the fingerprint requirement and authorizes Corporation grantees to obtain fingerprint checks directly. Corporation grantees are now considered "qualified entities" under the National Child Protection Act. For a fee not to exceed 18 dollars, they are permitted to obtain fingerprint results from designated State agencies with access to the FBI database. With this relief, Corporation grant programs can operate in a manner that assures the safety of those groups at high risk.

Corporation Does Not Provide ACA-Compliant Health Care Coverage: AmeriCorps and VISTA Members Must Find Other Insurance

The Serve America Act requires that AmeriCorps grantees "provide or make available a basic health care policy for every full-time participant" and that the Corporation "establish minimum standards that all plans must meet in order to qualify for payment under this part." sec. 140. Grant provisions adopted by the Corporation establish minimum standards for health insurance for national service participants, and the Corporation is authorized to reimburse up to 85 percent of the cost of this health care coverage.

Last December, the Corporation informed AmeriCorps VISTA members that the health insurance provided to VISTAs through the AmeriCorps Health Benefits Plan did not meet the "minimally essential coverage" requirements of the Affordable Care Act of 2009 (ACA). AmeriCorps grantees were also advised that the policy that covers AmeriCorps members was also noncompliant.

The result is that VISTA volunteers and AmeriCorps members must find other ACA-compliant coverage, either under a parent's health insurance policy (if under 26 years of age) or by purchasing insurance for themselves under Federal or State Exchanges or obtain coverage through State Medicaid programs (where available, and if income-eligible). Those who do not obtain coverage may be subject to fines under "individual responsibility" requirements of ACA. The Corporation reports that, "[o]ver the next year AmeriCorps will be working to improve the quality of health care for its members and to provide insurance that meets the requirements of the ACA in the near future."

OIG is concerned that the Corporation and its grantees are not meeting their legal responsibility under the Serve America Act to provide full-time AmeriCorps members with health care coverage that meets current national standards, and that the Corporation failed to incorporate into its grant requirements the coverage mandated by the ACA. This has imposed unanticipated costs on AmeriCorps members and VISTA volunteers. Moreover, we question the economy of reimbursing grantees for coverage that falls below the ACA's minimum standards, especially if national service participants must incur additional costs for largely duplicative coverage. We recommend that AmeriCorps grant provisions require grantees to provide a policy consistent with the ACA minimums and that the Corporation work with its insurance carrier to revise the AmeriCorps Health Benefits Plan to be ACA compliant for the VISTA and NCCC members.

Corporation Strengthens Accountability in VISTA Program, Modifies VISTA Sponsor Agreements To Hold Sponsor Financially Responsible for Improper Use of VISTA Volunteers

Prior OIG audits have found that certain sponsors misused VISTA members' service time, by having them perform direct service or undertake activities unrelated to the VISTA program's anti-poverty mission. In such cases, OIG has recommended that the Corporation recoup from the VISTA project sponsor the VISTA member's federally funded living allowance and education award pro rata to the misused time.

Historically, the Corporation has taken the position that it cannot recoup living allowances because they are paid directly to the VISTA members by the Corporation. It has asserted that it has no legal recourse against the VISTA sponsor for improper use of VISTA volunteers other than terminating the project and reassigning the VISTAs. OIG recommended that the Corporation adopt new contractual provisions that would create a recoupment remedy in these circumstances.

We are pleased to report that the Corporation has now created a legal avenue to recoup the costs associated with improperly used VISTA services. Under a new section added to the VISTA sponsor agreement, the sponsor, or any sub-recipient, can be held financially responsible for any misuse of VISTA volunteers' time and activities. OIG regards this as a significant improvement of accountability in the VISTA program which will help to ensure that its resources will be used for the intended purpose of eradicating poverty.

Legislation and Regulations

Conference Spending

Last year, Congress enacted requirements that Federal agencies report to their OIGs detailed information on conference spending. In February, the Corporation itemized for OIG its 2013 conferences, setting out each event's purpose, cost, date, location, and number of people in attendance. The six events involved training and technical assistance to Corporation grantees, and each cost the Corporation less than $100,000.

Corporation Policy Council

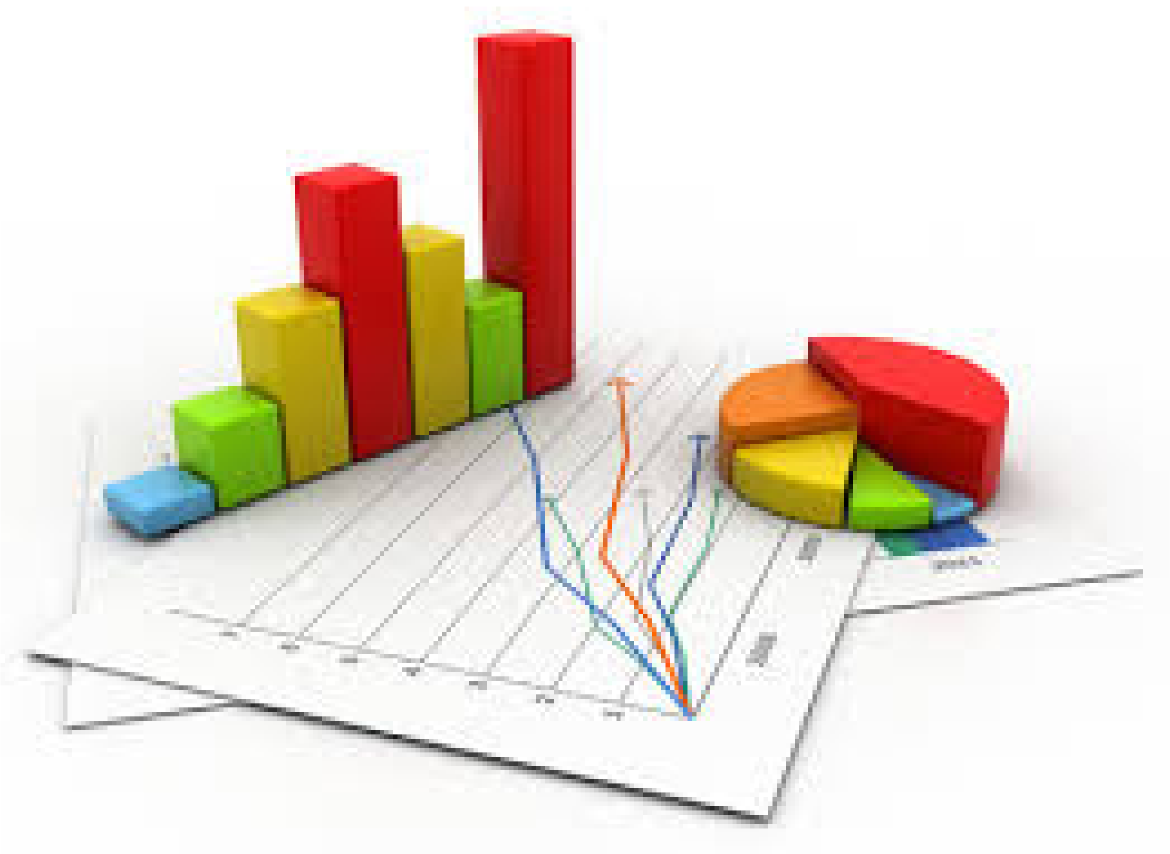
OIG participates as an observer in the Corporation's Policy Council, which is charged with developing and amending internal policies covering all operations. Based on our audit and investigation experience, OIG recommends revisions to proposed Corporation policies to strengthen internal controls and improve oversight.

During this reporting period, OIG recommended revisions, which the Corporation incorporated, for the following finalized policies:

- Property Management Policy
- Closeout of Grants Awards
- Grant Fund Holds for Late Reporting
- Acquisition Policy
- Continuity of Operations Plan
- Due Diligence Prior to Initiating Collaborations

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

- CNCS Integrity Framework
- Anti-Fraud Policy
- Debt Collection
- Portfolio Plan Procedure
- Funding Certification Procedure
- Change of Duty Station Policy
- Application Deadlines and Late Submissions
- Education Award Extensions
- Financial Disclosure



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. 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	25
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	33
5 (a)(4)	Matters referred to prosecutorial authorities	None this period
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and unsupported costs.	34
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	30
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	34
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	32
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	None this Period	None this period

II. Reports with Questioned Costs

	Report Category	Number	Federal Costs: Questioned	Federal Costs: Unsupported
			(Dollars in thousands)	
A.	Reports for which no management decision had been made by the commencement of the reporting period	6	$4,306	$3,415
B.	Reports issued during the reporting period	3	$2,339	$567
C.	Total Reports (A + B)	9	$6,645	$3,982
D.	Reports for which a management decision was made during the reporting period	2	$1,112	$957
	I. Value of disallowed costs		$1,081	$957
	II. Value of costs not disallowed		$31	$0
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	7	$5,533	$3,025
F.	Reports with questioned costs for which no management decision was made within six months of issuance	4	$3,194	$2,458

Tables

III. 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	$3,334
B.	Reports issued during the reporting period	1	$139
C.	Total Reports (A + B)	5	3,473
D.	Reports for which a management decision was made during the reporting period	1	$33
	i. Value of recommendations agreed to by management		$31
	ii. Value of recommendations not agreed to by management		$2
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	4	$3,440
F.	Reports for which no management decision was made within six months of issuance	3	$3,301

IV. 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)		**(09/30/13)**
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.
12-08	Audit of Trust Payments to Education & Financial Institutions	$0	10/3/2012	The Corporation issued a Draft Management Decision for this report on 3/24/2014.
12-10	IPERA Compliance Evaluation	$0	9/7/2012	The Corporation issued a Draft Management Decision for this report on 3/31/2014.
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Oregon Commission	$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 has not 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 has not issued a Draft Management Decision for this.
13-04	Fiscal Year 2012 Evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)	$0	9/16/2013	The Corporation issued a Draft Management Decision for this report on 3/31/2014.
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 Corporation issued a Draft Management Decision for this report on 3/18/2014.
13-07	Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program	$0	3/31/2013	The Corporation issued a Draft Management Decision for this report on 3/28/2014.
	Total	**$3,195**		

Tables

V. 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
12-08	Audit of National Service Trust Payments to Financial & Education Institutions	4/3/2012	4/3/2013
12-10	Evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)	3/7/2012	3/7/2013
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

*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.

VI. 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)		
14-01	Audit of the Corporation for National and Community Service's Fiscal Year 2013 Financial Statements	$0	$0	$0
14-02	Audit of the Corporation for National and Community Service's Fiscal Year 2013 National Service Trust Fund Financial Statements	$0	$0	$0
14-03	Federal Information Security Management Act (FISMA) Independent Evaluation for FY 2013		$0	$0
14-04	Agreed-Upon Procedures for Corporation Grants Awarded to Arkansas State Commission	$205,970	$2,418	$139,252
14-05	Audit of Corporation Grants Awarded to Family Services of Central Massachusetts	$173,8454	$214,079	$0
14-06	Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program	$394,401	$350,388	$0
14-07	Evaluation of the Corporation's Personnel Education and Qualification Review	$0	$0	$0
	TOTAL	**$2,338,825**	**$566,885**	**$139,252**