
Office of the Inspector General Corporation for National and Community Service

Semiannual Report to the Congress
for the period
April 1, 2000 - September 30, 2000

Fiscal Year 2000
Semiannual Report No. 2

As required by the Inspector General Act of 1978, as amended, this report describes our activities and accomplishments for the second half of the fiscal year. Section 5 of the Act requires that the Corporation's Chief Executive Officer submit this report to the Congress and the Corporation's Board of Directors within 30 days of its receipt.

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EXECUTIVE SUMMARY

AUDIT SECTION

During this semiannual reporting period, OIG issued 24 audit reports, for a total of 38 audit reports issued during the fiscal year. Summaries of all audit reports issued during this reporting period are on pages 1 through 9.

Financial Management

The management letter resulting from OIG's audit of the Corporation's fiscal year 1999 financial statements reported 36 matters noted by auditors involving the Corporation's internal controls that were not considered material weaknesses or reportable conditions. (page 1)

Procurement Management

OIG's audit of the Corporation's procurement operations determined that the Corporation is still vulnerable to fraud, waste, and abuse, and the auditors classify the Corporation's procurement operations as a material weakness (page 2).

OIG audited costs claimed by one Corporation contractor, resulting in questioned costs in excess of \$1.1 million. That audit report and two others are summarized on page 2.

Grant Management and Oversight

OIG issued 18 state commission pre-audit survey reports in its continuing initiative to gather basic information about, and assess risk related to the Corporation's state commissions. OIG also issued a report summarizing pre-audit survey results and findings from the first 18 state commission pre-audit surveys (page 4).

INVESTIGATIONS SECTION

During this semiannual reporting period we received and processed 34 Hotline calls, opened 30 investigative actions, and completed 22 investigative actions. We referred six matters to the Department of Justice for prosecution or civil enforcement (page 10).

A guilty plea in one investigation this period resulted in a prison sentence and court-ordered restitution for a former employee of an AmeriCorps sponsor (page 10). Criminal prosecution was not pursued in another matter after a former AmeriCorps Member was terminated and agreed to make restitution (page 10).

The Corporation recovered approximately \$237,000 from a state commission as reimbursement for unearned education awards already paid and for questioned grant costs after we determined several AmeriCorps members falsified their timesheets, with the knowledge of the program director, and received credit for ineligible activities (page 10).

The Corporation is pending receipt of approximately \$20,000 from a state commission as reimbursement for misapplied or misappropriated Corporation grant funds after we found that the former executive director of a state commission funded AmeriCorps program, presently incarcerated for an unrelated offense, may have misapplied or misappropriated the funds (page 11).

A referral to management involving OIG concerns regarding non-duplication and non-

EXECUTIVE SUMMARY

displacement issues, and the appearance created by salaried employees receiving AmeriCorps education awards under such circumstances, is pending management's response (*page 11*).

A referral to management involving the Corporation's relationship with a Corporation grantee, errors in travel claims related to Corporation employee travel to a convention co-sponsored by this grantee, and the Corporation's failure to require the grantee to comply with financial reporting provisions of the grant resulted in the Corporation adopting some, but not all of our recommendations (*page 11*).

A referral to management involving a Corporation employee's misuse of his travel charge card and refusal to cooperate during an OIG investigation, all in apparent violation of ethics principles for Federal employees, is pending management's response (*page 12*).

An investigation into apparent overbilling by a Corporation contractor resulted in the U.S. Attorney declining to pursue the matter in favor of a closeout audit (*page 12*).

OIG FY 2000 PERFORMANCE AND FINANCIAL INFORMATION

As it is our custom, OIG's Performance Information is included in this Semiannual Report (*pages 26-30*). Page 31 provides information on our use of our budgetary resources.

OUTREACH EFFORTS

As a part of our ongoing fraud prevention efforts, the Deputy Inspector General for Investigations and Operations provided two Fraud Awareness presentations in Orlando,

Florida, for attendees of the National Community Service Conference.

The presentations included discussing our more prevalent findings and recommendations for managers to enable them to detect and report fraud in its early stages.

The Deputy Inspector General for Investigations and Operations also provided OIG presentations at two of the most recent Corporation New Employee Orientation sessions. The presentations included the authority and responsibilities of the OIG and when and how employees should contact the OIG.

TESTIMONY

The Inspector General testified before Congress on two occasions during the reporting period. On April 4, 2000, the IG testified before the Subcommittee on Investigations and Oversight of the U.S. House of Representatives Committee on Education and the Workforce. The IG testified at length about the audit of the Corporation's fiscal year 1999 financial statements. On April 12, 2000, the IG testified before the Subcommittee on Veterans Affairs, Housing and Urban Development and Independent Agencies of the Senate Committee on Appropriations on the audit and other financial management issues.

IG 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.

Requirement		Page
Section 4 (a)(2)	Review of legislation and regulations	14
Section 5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
Section 5 (a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies found in the administration of Corporation programs and operations	Throughout
Section 5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	19
Section 5 (a)(4)	Matters referred to prosecutive authorities	13
Section 5 (a)(5)	Summary of instances where information was refused	None this period
Section 5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and recommendations that funds be put to better use	8
Section 5 (a)(7)	Summary of each particularly significant report	Throughout
Section 5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	15
Section 5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	16
Section 5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	17
Section 5 (a)(11)	Significant revised management decisions	None this period
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees	6

AUDIT SECTION

The Office of the Inspector General Audit Section is responsible for reviewing financial, administrative, and program aspects of Corporation operations. It carries out these responsibilities by conducting the audit of the Corporation's annual financial statements, assessing the Corporation's management controls, auditing Corporation operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are referred to Corporation management for action or information. A list of the reports issued by the Audit Section during this period can be found on page 8.

FINANCIAL MANAGEMENT

Recommended Improvements to the Corporation's Internal Controls Fiscal Year 1999 -- Management Letter (OIG Audit Report Number 00-38, issued on June 27, 2000)

The Government Corporation Control Act (31 U.S.C. 9101 *et seq.*) requires the Office of the Inspector General to annually audit the financial statements of the Corporation. OIG contracted with KPMG LLP to audit the Corporation's fiscal year 1999 financial statements. KPMG issued an unqualified opinion on the Corporation's Statement of Financial Position at September 30, 1999. However, KPMG was unable to render an opinion on the Statements of Operations and Changes in Net Position, and the Statement of Cash Flows for the fiscal year.

OIG's audit report¹ describes the basis for the opinion and material weaknesses, other reportable internal control conditions, and compliance issues found as a result of the audit. During the engagement, the auditors also noted other matters involving the Corporation's internal controls that were not considered material weaknesses or reportable conditions. These conditions were reported in the management letter, which includes 36 recommendations for corrective action by the Corporation. Of the total recommendations, eight relate to grants management; seven each relate to information technology and human resources; four relate to the content of the annual financial reports; two each to the National Service Trust, fund balance with Treasury, laws and regulations, and revenue from reimbursable agreements; and one each to procurement and general expenditures, and property and equipment.

PROCUREMENT MANAGEMENT

During fiscal year 1998 OIG audited the Corporation's procurement operations (OIG Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Processes and Procedures*). That audit revealed material weaknesses in the Corporation's award, monitoring, and oversight of its contracts and cooperative agreements. During this reporting period we performed a follow-up audit to assess the Corporation's corrective actions, as discussed below.

¹ OIG Audit Report 00-01, *Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements*.

Also, because of the nature of the reported deficiencies, OIG continued to audit the Corporation's individual contracts and cooperative agreements. The audits of individual contracts are intended to assess whether the costs are allowable, adequately supported, and charged in accordance with the terms of the contract or training and technical assistance agreements, and applicable laws and regulations.

Follow-up Audit of the Corporation's Procurement Operations (OIG Audit Report Number 00-42, issued on September 25, 2000)

OIG retained Cotton & Company, LLP, to conduct a follow-up audit of the Corporation's procurement operations. The audit was intended to assess the effectiveness of corrective actions implemented in response to OIG audit report 98-24 which concluded that the Corporation's procurement operations were vulnerable to fraud, waste and abuse.

For the follow-up audit, Cotton & Company's testing focused on procurement activities undertaken after the Corporation's adoption of its procurement policy and procurement directives late in calendar year 1999. The auditors concluded that, despite the Corporation's reported corrective actions in response to the previous OIG audit,

- The Corporation's procurement contracting and procurement operations continue to be a material weakness.
- The Corporation's procurement process is still vulnerable to fraud, waste and abuse.
- The rate of errors discovered indicates that the Corporation's internal controls are not working effectively.

Cotton & Company reported that 9 out of 19 deficiencies previously identified in the Corporation's procurement operations still existed, and concluded that the Corporation had not taken adequate corrective action on the prior-report's recommendations.

In its response to the draft audit report, the Corporation disagreed with the findings and recommendations. CNS acknowledged that errors were made, but stated that the errors were minimal and did not rise to the level of significance that they should be reported.

Audit of the Corporation for National and Community Service Contract No. CNCS-94-002 with Encore Management Corporation (OIG Audit Report Number 00-22, issued on September 21, 2000)

Cotton & Company, LLP, under contract to the Office of the Inspector General, audited \$9,777,322 in claimed costs incurred during the period from July 25, 1994 through December 31, 1998, by Encore Management Corporation. The audit included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the contract.

Cotton & Company questioned \$1,102,982 (approximately 11 percent) of costs claimed. Of this amount, over \$650,000 was for temporary labor costs for work performed in labor categories or at

labor rates not included in the contract or in contract modifications. Just over \$500,000 was questioned because Encore billed indirect costs at provisional rates that exceeded its actual rates. Auditors also identified three material instances of noncompliance, as Encore:

- billed costs in excess of contract-specified funding limits for fixed fee, temporary help and total funding;
- failed to submit its proposed final indirect cost rates; and
- claimed direct labor, indirect costs, and fee that were unallowable and unallocable in accordance with contract terms and conditions and the Federal Acquisition Regulation.

Finally, auditors identified three material internal control weaknesses, as Encore:

- does not have policies and procedures to adequately identify unallowable indirect expenses in accordance with the FAR;
- does not have adequate timekeeping procedures; and
- did not prepare invoices directly from its accounting system.

Audit of the Corporation for National and Community Service Contract No. CNCS 94-003 and No. 95-002 with Hi-Tech International, Inc. (OIG Audit Report Number 00-23, issued on June 15, 2000)

Cotton & Company, LLP, under contract to the Office of the Inspector General, audited costs claimed under CNCS Contract No. CNCS 94-003 and No. 95-002 with Hi-Tech International. Cotton & Company questioned \$36,852 of costs claimed under the two contracts. The majority of these costs (over \$34,000) were questioned because the contractor did not maintain supporting documentation such as receipts, invoices, canceled checks for travel and other direct costs.

The report also noted one material instance on noncompliance, that Hi-Tech claimed direct labor, other direct costs, and fee that were unallowable and unallocable in accordance with contract terms and the Federal Acquisition Regulation. The report also noted two internal control matters that were material: Hi-Tech did not retain documentation supporting all direct labor, travel and other direct costs billed to the Corporation; and Hi-Tech did not have adequate timekeeping procedures.

The report includes three recommendations to CNS for corrective action, including a recommendation that it direct the contractor to limit claimed costs to those allowable, to retain all documentation supporting costs billed, and to require supervisors and employees to sign all timesheets, initial all corrections, and prohibit the use of correction fluid.

In its response to the draft of this report, the Corporation stated that it had reviewed the draft but did not have specific comments at this time.

OIG Letter Report Regarding Corporation for National and Community Service Contract No. 97-743-1004 With Abt Associates, Inc. (OIG Audit Report Number 00-55, issued on September 28, 2000)

Under contract to OIG, Cotton & Company, LLP, conducted preliminary survey work of the Corporation's contract with Abt Associates, Inc., under which Abt provided evaluation services to the Corporation. They found that Abt's cognizant audit agency (DCAA) is currently performing an incurred cost audit for fiscal years 1998 and 1999, including both direct and indirect costs, and will soon conduct such an audit for fiscal year 2000. The firm recommended, and OIG agreed, that an OIG audit is not warranted at this time. Instead, we recommended that the Corporation obtain and review the upcoming audit reports and follow up any relevant findings.

GRANT MANAGEMENT AND OVERSIGHT

The Corporation awards National and Community Service Act and Domestic Volunteer Service Act grants to state and local governments, state commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required, among other things, to expend funds only for allowable costs and to provide periodic reports to the Corporation to demonstrate programmatic and financial compliance with the terms of the respective grant agreements. The Corporation is responsible for ensuring that grantees comply with applicable laws and regulations related to the administration of grant awards, including those related to Federal cash management requirements.

The Audit Section performs audits of the Corporation's oversight of grantees and audits of specific grants to assess whether reported costs were allowable under Federal regulations and whether grantees complied with the terms and conditions of the award. Our reports on Corporation grants contain recommendations for correcting the deficiencies identified in the reports. Typically, the recommendations are for the grantees to reimburse questioned costs and to establish and implement policies and procedures to prevent future instances of non-compliance and improve internal controls. We also make recommendations for increased oversight by the Corporation and improvements in Corporation grants management operations.

State Commission Pre-Audit Surveys

The Corporation for National and Community Service awards grants and cooperative agreements to state commissions, nonprofit entities, tribes and territories to assist in the creation of full and part time national and community service programs. Currently, in accordance with the requirements of the National and Community Service Act, the Corporation awards approximately two-thirds of its AmeriCorps State/National funds to state commissions. The state commissions in turn fund, and are responsible for the oversight of, subgrantees that execute the programs.

State commissions play an important role in the oversight of AmeriCorps State/National programs and expenditures, and the Corporation has indicated that it intends to give state commissions even greater responsibility. However, the Corporation lacks a management information system that maintains comprehensive information on its grants, including those to state commissions and their

subgrantees. Moreover, although the Corporation began state commission administrative reviews in 1999, the Corporation has not carried out a comprehensive, risk-based program of programmatic oversight and monitoring of state commissions or their subgrantees. It is also unlikely that AmeriCorps programs are subject to testing as part of state-wide audits under the Single Audit Act due to their size relative to other state programs.

Therefore, OIG initiated a series of pre-audit surveys intended to assess risk and to provide basic information on the state commissions' operations and funding. The pre-audit surveys are designed to provide a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, and monitoring of subgrantees, including AmeriCorps Member activities, service hour reporting, and other information related to the program accomplishments and the Corporation's performance measures. The surveys are also intended to provide information on other audit coverage that may be afforded by the Single Audit Act Requirements. The information will allow us to determine the timing of and the extent of our future audit work at each state commission.

For each pre-audit survey, OIG issues a report communicating the results and making recommendations for improvement at the commission. In each report OIG has also recommended that the Corporation follow up with the commission to determine that appropriate corrective actions are put into place to address the conditions reported and that the Corporation consider the conditions in its oversight and monitoring. Our recommendations to the Corporation also included a recommendation that the Corporation revise its guidance to state commissions to specify minimum monitoring procedures to be performed, as well as minimum documentation requirements. During this semiannual reporting period, OIG issued pre-audit survey reports for 18 state commissions:

Delaware	Iowa	North Carolina
Washington	Kentucky	Ohio
Alaska	Michigan	New Jersey
Rhode Island	Idaho	Wisconsin
Florida	Minnesota	Illinois
Kansas	New Mexico	Wyoming

Our recommendations to the state commissions have been specific to address the findings. The most frequently made recommendations were, in the area of grantee selection, that state commissions assess the adequacy of grantees' financial systems, and that they maintain signed conflict of interest forms for everyone reviewing grant applications. In the area of fiscal administration, the most recurrent recommendations centered around the proper receipt and review of subgrantee Financial Status Reports. Concerning the state commissions' monitoring and oversight of its subgrantees, the auditors most often recommended improvement of the state commissions' monitoring systems and documentation, establishing written procedures for follow-up on deficiencies noted, and proper review and documentation of subgrantee audits under OMB Circular A-133.

OIG also issued a report to Congress and the Corporation summarizing pre-audit survey results and findings of final reports for the first 18 state commission pre-audit surveys. This report is discussed immediately below.

Summary of Eighteen State Commission Pre-Audit Survey Reports (OIG Audit Report 00-42)

The first 18 final reports resultant from OIG's state commission pre-audit surveys were summarized in this report. As discussed above, the surveys were performed to provide OIG with a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, monitoring of subgrantees (including AmeriCorps Member activities and service hour reporting), and the use of training and technical assistance funds.

The summary report concludes that the first 18 pre-audit surveys represent a fair sample of the state commissions. One of 18 state commissions had established systems that provided reasonable assurance that pre-award/grantee selection procedures, fiscal administration, grantee monitoring, and the use of training and technical assistance funds were adequate. All 18 commissions had established systems to provide reasonable assurance that training and technical assistance is made available to subgrantees. However, 17 state commissions each had findings in one or more of the other three areas (grantee selection; fiscal administration; and monitoring and evaluation). Findings occurred most frequently in the commissions' monitoring of subgrantees, with only two commissions' subgrantee monitoring assessed as adequate. Although many of the commissions utilize site visit monitoring checklists, documentation maintained at the commission level was often insufficient to allow us to assess the extent of the monitoring that was performed.

In addition to the specific recommendations for improving monitoring at individual state commissions, we recommended that the Corporation revise its guidance to state commissions to specify minimum monitoring procedures to be performed, as well as minimum documentation requirements.

We also recommended improvements in fiscal administration policies and procedures at most of the commissions. Findings in the area of fiscal administration were most often related to review of and receipt dates for subgrantee financial status reports. Finally, we learned that only three of the 18 state commissions had been audited as separate entities or tested as major programs as defined by OMB Circular A-133, "Audit of States, Local Governments, and Non-Profit Organizations."

AUDIT RESOLUTION

During the period April 1, 2000 through September 30, 2000, the Corporation issued one final management decision. The decision responded to OIG Report Number 00-13, *Review of the Corporation Action Plan*. OIG disagreed with the management decision to the extent that it failed to adequately address critical issues identified in the report including, but not limited to, the Corporation's lack of a cost accounting system, criteria to measure results and completion of Action Plan tasks, and independent verification of corrective actions. The Corporation issued no final management decisions that addressed OIG audit reports containing questioned costs.

As depicted in Table III, on page 17, the Corporation had 16 overdue management decisions, of which seven relate to OIG reports with questioned costs totaling more than \$8.7 million, at September 30, 2000. Moreover, of the 16 overdue management decisions, five were reported as overdue in one or more prior Semiannual Reports.

As depicted in Table V (pages 21 through 25), OIG's review of audit reports issued since April 30, 1997 indicates that 309 of 493 recommendations on CNS management issues remain open; 122 of the open recommendations relate to reports issued prior to fiscal year 2000.

OIG's performance information (page 26) indicates that the percentage of OIG audit recommendations accepted by the Corporation rose from 84 percent in fiscal year 1999 to 87 percent in fiscal year 2000.

**AUDIT REPORTS ISSUED DURING THE PERIOD
APRIL 1, 2000 THROUGH SEPTEMBER 30, 2000**

Report Number	Issue Date	Report Name
00-06	5/18/00	Pre-Audit Survey Report of the Delaware Community Service Commission
00-07	5/18/00	Pre-Audit Survey Report of the Iowa Commission on Volunteer Service
00-08	5/30/00	Pre-Audit Survey Report of the North Carolina Commission on Volunteerism and Community Service
00-10	5/10/00	Pre-Audit Survey Report of the Washington Commission on National and Community Service
00-11	6/20/00	Pre-Audit Survey Report of the Kentucky Commission on Community Volunteerism and Service
00-12	9/25/00	Follow-up Audit of the Corporation's Procurement Operations
00-15	4/12/00	Pre-Audit Survey of the Ohio Governor's Community Service Council
00-22	9/22/00	Audit of Corporation for National and Community Service Contract No. CNCS-94-002 with Encore Management Corporation ⁽¹⁾
00-23	6/15/00	Audit of the Corporation for National and Community Service Contracts No. CNCS 94-003 and No. 95-002 with Hi-Tech International, Inc. ⁽²⁾
00-24	8/8/00	Pre-Audit Survey Report of the Alaska State Community Service Commission

⁽¹⁾ As described in Table I, this report included questioned costs of \$1,102,982 in Federal funds of which \$156,684 is unsupported costs.

⁽²⁾ As described in Table I, this report included questioned costs of \$36,852 in Federal funds of which \$28,842 is unsupported costs.

**AUDIT REPORTS ISSUED DURING THE PERIOD
APRIL 1, 2000 THROUGH SEPTEMBER 30, 2000**

00-25	7/12/00	Pre-Audit Survey Report of the Michigan Community Service Commission
00-26	6/23/00	Pre-Audit Survey Report of the New Jersey Commission on National and Community Service
00-27	6/23/00	Pre-Audit Survey Report of the Rhode Island Service Alliance: A Commission for National and Community Service
00-28	7/7/00	Pre-Audit Survey Report of the Idaho Commission for National and Community Service
00-29	6/23/00	Pre-Audit Survey Report of the Wisconsin National and Community Service Board
00-30	9/20/00	Pre-Audit Survey of the Florida Commission on Community Service
00-31	6/9/00	Pre-Audit Survey of the Minnesota Commission on National and Community Service
00-32	6/29/00	Pre-Audit Survey of the Illinois Commission on Community Service
00-33	9/29/00	Pre-Audit Survey of the Kansas Commission for National and Community Service
00-34	7/26/00	Pre-Audit Survey of the New Mexico Commission for Community Volunteerism
00-35	5/16/00	Pre-Audit Survey of the Wyoming Commission for National and Community Service
00-38	6/27/00	Recommended Improvements to the Corporation's Internal Controls Fiscal Year 1999 – Management Letter
00-42	9/27/00	Summary of Eighteen State Commission Pre-audit Survey Reports
00-55	9/28/00	OIG Letter Report Regarding Corporation for National and Community Service Contract No. 97-743-1004 with Abt Associates, Inc.

INVESTIGATIONS SECTION

We began this reporting period with 25 previously opened investigative actions. During the reporting period we opened 30 new investigative actions and closed 22. We had 33 investigative actions pending at the end of this reporting period.

HIGHLIGHTS OF INVESTIGATIONS CLOSED DURING THIS REPORTING PERIOD

Grantee Employee Embezzles Funds – Sentenced to Confinement and Restitution

We completed an investigation we opened after receiving a hotline call reporting an embezzlement of funds from an AmeriCorps grant. We determined the grantee's fiscal officer discovered an employee working for the AmeriCorps program had embezzled Federal funds. The employee used forged travel vouchers and purchase orders to obtain rental vehicles, a cellular telephone, and other items for her personal use. The employee also received reimbursement for fraudulent travel expenses. The grantee fired the employee, and local authorities arrested the former employee shortly thereafter. On July 20, 2000, the former employee pled guilty in state court and was sentenced to six years confinement, with all but twenty-five consecutive weekends suspended, six years probation, and restitution of \$7,600. (00-014)

Forgery Results in AmeriCorps Member Termination – Unearned Stipend Recovered

We completed an investigation we opened when a Corporation program officer informed us that a state commission had reported possible fraudulent activity with regard to an AmeriCorps member's timesheet at a commission-funded AmeriCorps program. We learned the AmeriCorps member was terminated and that there was evidence the former AmeriCorps member forged her site coordinator's name to her timesheet over a seven-month period. Further, the former AmeriCorps member did not serve the hours claimed on the forged timesheet. The U.S. Attorney declined to prosecute, and we referred the matter to the local District Attorney's Office and the local Police Department. The former AmeriCorps member agreed to make restitution, in lieu of prosecution, for service hours not worked during the seven-month period. A total of \$1,862.68 was recovered and prosecution was not pursued. (00-038)

AmeriCorps Member Timesheets Falsified – Corporation Recovers \$237,000 from Grantee

We completed an investigation we opened when Corporation management reported that several AmeriCorps members might have falsified their timesheets, with the knowledge of the program director, allowing them to earn an educational award without completing the required number of service hours. We interviewed 25 current and former AmeriCorps members. The majority of these AmeriCorps members admitted to performing service that would not count as credible volunteer service. All of the AmeriCorps members claimed they relied on instructions provided to them by the program director or program staff. We also interviewed several former staff members. These interviews substantiated the statements provided by the AmeriCorps members. The U.S. Attorney's Office declined to prosecute or pursue civil recovery. The Corporation received \$237,189.68 from

the state commission as reimbursement for unearned education awards already paid and for questioned grant costs. (99-029)

Former Director Incarcerated – Misapplication of Funds Discovered

We completed an investigation we opened after receiving information alleging that the director of a state commission funded AmeriCorps program was a convicted child molester and was working with children in his program. It was also alleged that the director misapplied AmeriCorps funds. The former director is presently incarcerated following his conviction for sexual assault. We found nothing to indicate the state commission was aware of this conviction prior to our involvement. Prior to his incarceration, the former director, at the request of the commission, provided the commission copies of program records. Review of these records indicates approximately \$20,000 of Corporation-provided grant funds were misapplied or misappropriated by the former director. Federal, state, and local authorities declined to pursue prosecution inasmuch as the former director is incarcerated and has no identifiable assets for forfeiture. We coordinated recovery of the grant funds from the commission with the executive director of the commission and with the Corporation's Director of Grants. The matter was referred to Corporation management on August 18, 2000, for recovery of the funds. (98-029)

Paid Substitute Teachers Earn AmeriCorps Education Award – Referred to Management

We completed an inquiry we opened after a confidential source provided information that AmeriCorps members were earning service hours while engaged in an activity (substitute teaching) for which they were being otherwise compensated. The assistant teachers that served as *education award only* AmeriCorps members were recruited from the Teacher Assistant Program, a program mandated and funded by the state's legislature. The assistant teachers, both those enrolled in the AmeriCorps program and those that are not enrolled in the program, receive a salary from the state. During the 1999-2000 school year, this salary was \$9,115 for the year.

It appears that the AmeriCorps members enrolled in the AmeriCorps program qualify for an education award from the National Service Trust with little more than 108 hours of uncompensated service (3 hours per week, 36 weeks per school year, equals 108 hours). While there are other objectives enumerated in the grant, none of the other objectives require an effort by the AmeriCorps members that is quantified by hours of service performed.

This matter was referred to Corporation management on September 27, 2000. The referral documented OIG concerns regarding non-duplication, non-displacement, and the appearance created by salaried employees receiving AmeriCorps education awards under such circumstances. Management's response will be reported when it is received. (99-040)

No Ethics Violations Found in Relationship with Grantee - Errors Made in Travel Claims Corporation Failed to Enforce Grant Compliance

We completed an inquiry into circumstances surrounding officers and employees of the Corporation accepting free rooms, free meals, free registration and discounted registration from the Points of Light Foundation, a Corporation grantee, in connection with a conference co-sponsored by the Corporation and the Points of Light Foundation. We initiated this inquiry after the Inspector General received a

request from Senator Charles E. Grassley and Senator Christopher S. Bond that we inquire into various circumstances regarding Corporation employee attendance at the 1999 National Service Community Conference held in Las Vegas, NV.

Although we felt the actions of Corporation officers and employees could be criticized for creating the appearance of a conflict of interest, we found no violations of law or ethics regulations. We found that the Points of Light Foundation was not complying with the provisions of the cooperative agreement with the Corporation and that the Corporation had taken no steps to enforce compliance.

Our report, with recommendations regarding ethics issues, travel claims, and compliance matters, was provided to Corporation management. Corporation management responded to the ethics issues by stating the Corporation exercises caution in its relationship with all grantees and by stating that the Corporation had established policies and procedures that specify who and how they will accept gifts. Corporation management responded to the travel claims issues by providing specific guidance, instructions, and sample travel orders and travel vouchers to employees attending future conferences. Corporation management responded to the compliance issues by agreeing that they were not as diligent as they should have been, but added that they did not believe that their not requiring the Points of Light Foundation to submit Financial Status Reports was indicative of how they monitored their grantees. (99-037)

Employee Travel Card Misuse – Referred to Management

We completed an inquiry that we opened after we received information that a Corporation employee had over \$8,000 in delinquent travel charges on his Bank of America travel charge card account. The employee's Bank of America charge card statements reflected over \$26,000 in charges and comparison of the employee's requests for travel reimbursement with the charge card statements indicates that only \$4,000 of the \$26,000 in charges was for official travel. The employee claimed his roommate used his travel card without his (the employee's) permission. We interviewed and obtained written statements from the employee. The employee admitted using his official travel card for personal purchases, but refused to divulge the name of his roommate. A report was provided to Corporation management on September 27, 2000, documenting the employee's misuse of his travel charge card and refusal to cooperate during an OIG investigation, all in apparent violation of ethics principles for Federal employees. Management's response will be reported when it is received. (00-043)

Contractor Overbills Corporation – U.S. Attorney Declines Prosecution in Favor of Audit

We completed an investigation we opened upon receiving information that a Corporation contractor may have submitted false claims to the Corporation. Our investigation disclosed evidence that the contractor overbilled the Corporation when the contractor incorrectly classified a portion of their costs. Records subpoenaed from the contractor and the contractor's accountant indicated the contractor was aware of the overbilling. The U.S. Attorney's Office initially accepted this matter, but action was postponed pending a contract closeout audit. The closeout audit was conducted (OIG Audit Report Number 00-22) and the U.S. Attorney's office subsequently declined to pursue this matter in favor of administrative settlement options available to the Corporation. Final resolution of this matter now rests with the Corporation. (98-036)

INVESTIGATIONS

STATISTICAL SUMMARY OF INVESTIGATIONS	
Opened and Closed	
Number of Cases Open at Beginning of Reporting Period.....	25
Number of New Cases Opened During This Reporting Period.....	30
Number of Cases Closed During This Period With Significant Findings.....	8
Number of Cases Closed During This Period With No Significant Findings.....	14
Total Cases Closed This Reporting Period.....	22
Number of Cases Open at End of Reporting Period.....	33
Referred	
Number of Cases Referred for Prosecution During This Reporting Period.....	6
Number of Cases Accepted for Prosecution During This Reporting Period.....	3
Number of Cases Declined for Prosecution During This Reporting Period.....	2
Number of Cases Pending Prosecutive Review.....	1

REVIEW OF LEGISLATION & REGULATIONS

Section 4 (a)(2) of the Inspector General Act requires the Office of the Inspector General to review and make recommendations about existing or proposed legislation and regulations relating to the Corporation's programs and operations. OIG recommendations are to address the impact of legislation and regulations on the economy and efficiency of the administration of the Corporation's programs and operations. OIG is also to make recommendations concerning the impact of legislation and regulations on the prevention and detection of fraud and abuse in programs and operations administered or financed by the Corporation.

OIG's review of legislation and regulations during this reporting period included tracking the Corporation appropriations bills for fiscal year 2001, a supplemental appropriations bill that provided additional funds in the amount of \$1 million to CNS OIG, a bill to amend the Inspector General Act, and a bill to reauthorize the Corporation for National and Community Service. All bills were analyzed for their potential impact on OIG and the Corporation.

REAUTHORIZATION

During the reporting period, reauthorization of the Corporation was supported by the Corporation and considered by the U.S. Congress. OIG considered its recent audit and investigative work in light of the possibility of reauthorization of the Corporation. OIG has noted the Corporation's impetus towards devolution of responsibility for grant award and oversight to state commissions. OIG's pre-audit surveys of state commissions to date indicate that some state commissions have as few as three full-time equivalent (FTE) staff while one state commission has 26 FTEs. OIG's pre-audit surveys have also revealed findings at state commissions relating to their selection of grantees, fiscal administration of grant funds, and monitoring and oversight of grantees. OIG would urge consideration of the range of resources available to state commissions as reauthorization is contemplated.

OIG also notes a duplication of resources at the state level as nearly every state has a state commission and a state office. Consolidation of offices, to include location and possibly function, might lead to greater efficiencies.

TABLE I
INSPECTOR GENERAL REPORTS WITH QUESTIONED COSTS

		Federal Costs	
	Number	Questioned	Unsupported
(Dollars in thousands)			
1. For which no management decision had been made by the commencement of the reporting period	8	\$ 9,275	\$ 2,319
2. Which were issued during the reporting period			
Audit of CNS Contract with Encore Management Corporation (Audit Report No. 00-22)	1	1,103	157
Audit of CNS Contract No. CNCS 94-003 & No. 95-002 with Hi-Tech International, Inc. (Audit Report No. 00-23)	1	37	29
	—	—	—
3. Subtotals (1 plus 2)	10	10,415	2,505
4. For which a management decision was made during the reporting period			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	<u>0</u>	<u>0</u>	<u>0</u>
5. For which no management decision had been made by the end of the reporting period (3 minus 4)	<u>10</u>	<u>\$10,415</u>	<u>\$2,505</u>
6. Reports with questioned costs for which no management decision was made within six months of issuance	7	\$8,729	\$2,319

TABLE II
INSPECTOR GENERAL REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE

	Number	Dollar Value
		<i>(Dollars in thousands)</i>
A. For which no management decision had been made by the commencement of the reporting period	0	\$0
B. Which were issued during the reporting period	0	\$0
C. For which a management decision was made during the reporting period		
(i) dollar value of recommendations that were agreed to by management		
based on proposed management action	0	\$0
based on proposed legislative action	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision has been made by the end of the reporting period	0	\$0
Reports for which no management decision was made within six months of issuance	0	\$0

TABLE III
SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Title	Federal Dollars Questioned	Management Decision Due
00-01	Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements	—	9/27/00
00-02	Audit of Corporation for National and Community Service Contract No. CNCS-94-004 and 97-743-1006 with Aguirre International	\$ 7,279	5/29/00
00-04	Evaluation of the Corporation's Oversight and Monitoring of the Cooperative Agreement with the National Association of Child Care Resources Referral Associates	—	6/11/00
00-05	Audit of Corporation for National and Community Service Grant Numbers 340A167/01 & 02; 339A041/16 & 17; 336A015/17 & 18 with the Health Association of Niagra County, Inc.	22,085	6/3/00
00-09	Pre-Audit Survey of the Tennessee Commission on National and Community Service	—	8/7/00
00-14	Pre-Audit Survey of the Pennsylvania Commission on National and Community Service	—	9/28/00
00-16	Pre-Audit Survey of the West Virginia Commission on National and Community Service	—	9/27/00
00-17	Pre-Audit Survey of the Missouri Community Service Commission	—	9/28/00
00-18	Pre-Audit Survey of the Virginia Commission on National and Community Service	—	9/24/00
00-19	Pre-Audit Survey of the New Hampshire Commission on National and Community Service	—	8/7/00
00-21	Audit of the Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administration Systems, Inc.	7,379,847	7/5/00
<i>(continued)</i>			

TABLE III
SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Title	Federal Dollars Questioned	Management Decision Due
99-04	Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC099	\$ 233,032	7/21/00
99-09	Audit of Corporation for National and Community Service Contract No. 95-743-1009 with Biospherics, Inc.	739,458	11/2/99
99-10	Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.	296,665	1/29/00
99-15	Audit of the Corporation's Oversight and Monitoring of the Health Benefits Program	—	3/13/00
99-18	Audit of Corporation for National and Community Service Contract No. 97-743-1001 with GS Tech, Inc.	50,850	2/23/00
Total		\$8,729,216	

**TABLE IV
REPORTS DESCRIBED IN PRIOR SEMIANNUAL
REPORTS WITHOUT FINAL ACTION**

Report Number	Title	Date Issued	Final Action Due
97-02	Audit of Commission on National and Community Service Award Number 92COSTOR0021 to the Oregon Youth Conservation Corps	12/23/96	12/23/97
97-12	Review of Corporation for National Service Award Number 95ADNDC003 to The National Alliance of Veteran Family Service Organizations	4/11/97	4/11/98
98-02	Review of Corporation for National and Community Service Pre-award Financial Assessment of Grant Applicants	4/27/98	4/27/99
98-15	Audit of Corporation the National Service Award Number 94ADMAZ033 Navajo Nation	6/29/98	6/29/99
98-16	Audit of Corporation for National Service Award Number 94ADNKS060 Youth Volunteer Corps of America	6/29/98	6/29/99
98-19	Assessment of AmeriCorps Service Hour Reporting	8/27/98	8/27/99
98-23	Auditability Assessment of the Corporation for National Service at September 30, 1997	7/8/98	7/8/99
99-01	Audit of Corporation for National and Community Service Statement of Financial Position (September 30, 1997)	10/9/98	10/9/99
99-02	Recommended Improvements to the Corporation's Internal Controls (<i>Management Letter</i>)	11/17/98	11/17/99
99-04	Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC099	1/22/99	1/22/00
99-05	Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Awarded to Congressional Hunger Center	2/26/99	2/26/00
99-06	Review of the Corporation's Liability for Post-service Benefits Related to Former Commission on National and Community Service Grants	12/23/98	12/23/99

TABLE IV
REPORTS DESCRIBED IN PRIOR SEMIANNUAL
REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due
99-07	Audit of Corporation for National and Community Service Contracts No. 93-743-1005 and No. 96-743-1008 with Ogilvy Adams & Rinehart	7/22/99	7/22/00
99-09	Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.	5/6/99	5/6/00
99-10	Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.	8/2/99	8/2/00
99-11	Audit of Corporation for National Service Contracts No. 96-743-1002 and No. 97-743-1005 with Advanced Systems Technology Corporation	3/19/99	3/19/00 ⁽¹⁾
99-12	Audit of the Corporation for National and Community Service's Fiscal Year 1998 Financial Statements	4/9/99	4/9/00
99-15	Audit of Corporation's Oversight and Monitoring of the Health Benefits Program	9/14/99	9/14/00
99-18	Audit of Corporation for National and Community Service Contract No. 97-743-1001 with GS Tech, Inc.	8/27/99	8/27/00
99-19	Letter Report on Review of ETR Audits that Cover Corporation for National Service Cooperative Agreement Number CA95-06	5/25/99	5/25/00
99-24	Recommended Improvements to the Corporation's Internal Controls – Fiscal Year 1998 Management Letter	6/30/99	6/30/00

(1) The Corporation has transmitted its notice of final action. However, OIG does not agree that all findings have been resolved.

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports ⁽¹⁾	Corrective Action Completed	Open Recommendations
<i>Financial Management</i>			
Recommended Improvements to the Corporation's Internal Controls – Fiscal Year 1998 Management Letter (OIG Audit Report 99-24, issued 6/30/99)	34	6	28
Audit of the Corporation for National and Community Service Fiscal Year 1998 Financial Statements (OIG Audit Report 99-12, issued 4/9/99)	22	4	18
Recommended Improvements to the Corporation's Internal Controls – <i>Management Letter</i> (OIG Audit Report 99-02, issued 11/17/98)	12	9	3
Audit of the Corporation for National and Community Service FY 97 Statement of Financial Position (OIG Audit Report 99-01, issued 10/9/98)	2	0	2
Auditability Assessment of the Corporation for National Service at September 30, 1997 (OIG Audit Report 98-23, issued 7/8/98)	141	117	24
Recommended Improvements to the Corporation's Internal Controls Fiscal Year 1999 – Management Letter (OIG Audit Report 00-38, issued 6/27/00)	36	0	36
Review of the Corporation for National and Community Service Action Plan (OIG Audit Report 00-13, issued 12/1/99)	53	11	42

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports ⁽¹⁾	Corrective Action Completed	Open Recommendations
Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements (OIG Audit Report 00-01, issued 3/31/00)	30	0	30
<i>Grant Oversight and Monitoring</i>			
State Commission Pre-Audit Surveys	2	0	2
Review of the Corporation's Liability for Post-Service Benefits Related to Former Commission on National and Community Service Grants (OIG Audit Report 99-06, issued 12/23/98)	4	2	2
Assessment of AmeriCorps Service Hour Reporting (OIG Audit Report 98-19, issued 8/27/98)	18	14	4
Review of the Corporation for National and Community Service Pre-Award Financial Assessment of Grant Applicants (OIG Audit Report 98-02, issued 4/27/98)	3	1	2
Audit of Corporation for National and Community Service Grant Numbers 340A167/01 & 02; 339A041/16 & 17; 336A015/17 & 18 with the Health Association of Niagra County, Inc. (OIG Audit Report 00-05, issued 12/6/99)	2	0	2
Evaluation of the Corporation's Oversight and Monitoring of the Cooperative Agreement with the National Association of Child Care Resources Referral Associations (OIG Audit Report 00-04, issued 12/14/99)	18	0	18

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports ⁽¹⁾	Corrective Action Completed	Open Recommendations
<i>Procurement and Contract Management</i>			
Audit of Corporation's Procurement and Contracting Processes and Procedures (OIG Audit Report 98-24, issued 9/30/98)	26	16	10
Follow-up Audit of the Corporation's Procurement Operations (OIG Audit Report 00-12, issued 9/25/00)	25	0	25
Letter Report on Review of ETR Audits that Cover Corporation for National Service Cooperative Agreement Number CA95-06 (OIG Audit Report 99-19, issued 5/25/99)	1	0	1
Audit of Corporation for National and Community Service Contract No. 97-743-1001 with GS Tech, Inc. (OIG Audit Report 99-18, issued 8/27/99)	3	0	3
Audit of Corporation's Oversight and Monitoring of the Health Benefits Program (OIG Audit Report 99-15, issued 9/14/99)	11	0	11
Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc. (OIG Audit Report 00-21, issued 1/6/00)	19	0	19
Audit of Corporation for National Service Contracts No. 96-743-1002 and No. 97-743-1005 with Advanced Systems Technology Corporation (OIG Audit Report 99-11, issued 3/19/99)	5	0	5

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports⁽¹⁾	Corrective Action Completed	Open Recommendations
Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc. (OIG Audit Report 99-10, issued 8/2/99)	2	0	2
Audit of Corporation for National and Community Service Contract No. 95-743-1009 with Biospherics, Inc. (OIG Audit Report 99-09, issued 5/6/99)	3	0	3
Audit of Corporation for National and Community Service Cooperative Agreement No. 96CA000001 with Walker & Company, LLP (OIG Audit Report 00-03, issued 11/30/99)	4	3	1
OIG Letter Report Regarding Corporation for National and Community Service Contract No. 97-743-1004 with Abt Associates, Inc. (OIG Audit Report 00-55, issued 9/28/00)	1	0	1
Audit of Corporation for National and Community Service Contract No. CNCS 94-003 and No. 95-002 with Hi-Tech International, Inc. (OIG Audit Report 00-23, issued 6/15/00)	3	0	3
Audit of Corporation for National and Community Service Contract No. CNCS-94-002 with Encore Management Corporation (OIG Audit Report 00-22, issued 9/22/00)	6	0	6
Audit of Corporation for National and Community Service Contract No. CNCS-94-004 and 97-743-1006 with Aguirre International (OIG Audit Report 00-02, issued 11/30/99)	2	0	2

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports ⁽¹⁾	Corrective Action Completed	Open Recommendations
<i>Audit Resolution</i>			
OIG FY 97 Semiannual Report 1 (OIG Audit Report SAR 97-1, issued 4/30/97)	<u>5</u>	<u>1</u>	<u>4</u>
Total	<u>493</u>	<u>184</u>	<u>309</u>

⁽¹⁾ The number of recommendations in this table is less than the total of all recommendations related to CNS management issues that have been made since fiscal year 1997 because, for reports issued prior to FY 2000, recommendations that were repeated from year-to-year, were “netted” – counted only once. In FY 2000, OIG discontinued this practice.

OIG FY 2000 PERFORMANCE INFORMATION

MISSION STATEMENT

The Corporation's Office of Inspector General is authorized by the Inspector General Act of 1978, as amended, to –

- Conduct independent and objective audits and investigations.
- Promote organizational economy, efficiency and effectiveness.
- Prevent and detect fraud, waste, and abuse.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to CNS programs and operations.
- Keep the Chief Executive Officer, the Corporation's Board of Directors, and the Congress fully and currently informed of problems in agency programs and operations.

STRATEGIC GOALS

OIG has established the following goals for its operations –

- Identify opportunities for increased economy and efficiency in agency operations; assist management by identifying, recommending, and developing appropriate management reforms.
- Protect the integrity of the Corporation's programs, operations, and financial management by identifying and mitigating existing risks or emerging vulnerabilities that may result from changes in the Corporation's operations, from changing legal and administrative requirements, or from other changes in the environment in which the Corporation operates.
- Carry out the intent of GPRA by (a) providing the Corporation with objective assessments of the integrity of the systems that it uses to compile performance information and its reliability and (b) changing the focus of OIG audits and other services to focus more on management performance and programmatic outcomes and less on compliance.
- Improve the quality and delivery of OIG work products.

FY00 PERFORMANCE INFORMATION

QUANTITATIVE AUDIT PERFORMANCE MEASURES			
	<u>FISCAL YEAR</u>		
	<u>1999</u> Actual	<u>2000</u> Goal	<u>2000</u> Actual
Number of Reports Issued ⁽¹⁾	22	34	38
Number of Reports Issued Linked to Improving CNS Management (<i>OIG Strategic Goal 1</i>) ⁽²⁾	13	10	5
Number of Recommendations Linked to Goal 1 ⁽³⁾	n/a ⁽⁴⁾	—	201
Number of Reports Issued Linked to Protecting the Integrity of Programs, Operations, and Financial Management (<i>OIG Strategic Goal 2</i>)	22	34	38
Number of Recommendations Linked to Goal 2	n/a ⁽⁴⁾	—	—
...to CNS			262
...to Grantees			163
...to Contractors			21
Number of Reports Issued Linked to Carrying Out The Intent of GPRA (<i>OIG Strategic Goal 3</i>)	0	1	1
Number of Recommendations Linked to Goal 3	n/a ⁽⁴⁾	—	2
Total Number of Audit Recommendations ⁽³⁾	n/a ⁽⁴⁾	—	446
Percent of Recommendations Accepted by CNS	84%	95%	87%
<p>(1) The increase in FY 2000 reports indicates the beginning of our state commission audits and includes 24 state commission pre-audit survey reports.</p> <p>(2) FY 1999 reports included six letter reports to Congress commenting on CNS' Action Plan. Six audits in this category were in progress at the end of fiscal year 2000.</p> <p>(3) The number of recommendations that will be included in a report can not be predicted.</p> <p>(4) FY 1999 statistics on the number of recommendations by category are not available.</p>			

FY00 PERFORMANCE INFORMATION

In accordance with our fourth strategic goal, improving the quality and delivery of OIG services, reports and other work products, OIG monitors the number of audit reports issued annually and their timeliness, as illustrated and discussed below.

AUDIT PERFORMANCE STATISTICS			
	Fiscal Year		
	1998	1999	2000
Number of Audit Reports ⁽¹⁾	22	22	38
Number of Testimonies	-	4	2
Number of Reports Requested by Congressional Staff	12	18	7
Questioned Costs (<i>dollars in thousands</i>)	\$1,776	\$2,344	\$8,558
Recommendations That Funds Be Put To Better Use (<i>dollars in thousands</i>)	\$1,618	\$106,000 ⁽²⁾	\$0
Costs per Audit Hour, ⁽³⁾			
OIG Staff	\$70	\$68	\$61
Contracted Services	\$66	\$67	\$76
Timeliness ⁽⁴⁾	223 days	173 days	184 days

⁽¹⁾ As shown above, OIG substantially increased the number of FY2000 audit reports issued over previous fiscal years, primarily due to the issuance of 24 state commission pre-audit survey reports.

⁽²⁾ This amount represents an audit adjustment to reduce the Corporation's service award liability at September 30, 1998, which was agreed to by the Corporation during the fiscal year 1998 financial audit. In Public Law 106-74, the Departments of Veterans Affairs, Housing and Urban Development, and other independent agencies' fiscal year 2000 appropriations bill, Congress included language recognizing this adjustment and rescinded \$80 million previously appropriated to the National Service Trust.

⁽³⁾ OIG staff cost per hour estimate is based on the total salary and benefit costs for audit staff divided by the direct hours charged to audit assignments. This figure for fiscal year 2000 is low because of OIG's staffing configuration during the year, which included proportionately fewer senior level personnel compared to fiscal years 1998 and 1999. Cost per hour for contracted services increased in FY2000 because four of OIG's major audits required the use of experts and more experienced personnel at the management level.

⁽⁴⁾ From inception of an audit/review through issuance of the final report, which includes a 30 day response period. Much of the decrease realized in FY1999 was attributable to five reports providing OIG's comments on the Corporation's corrective Action Plan and subsequent updates. As required by Congress, OIG's reports were due within 30 days after the Corporation issued its report. If these reports are removed from consideration, the timeliness of reports of fiscal year 1999 was 214 days. The issuance of 24 pre-audit survey reports during FY2000 reduced the time needed to perform an OIG audit/review to 184 days.

FY00 PERFORMANCE INFORMATION

INVESTIGATIONS PERFORMANCE INFORMATION

The basic mission of the OIG investigative element is to lawfully determine as many of the facts as possible surrounding a given incident. The incident under review may include allegations of criminal activity, allegations of non-criminal activity, or allegations that include both criminal activity and non-criminal activity. The basic mission of the investigative element remains unchanged regardless of the nature of the incident: Determine as many facts as possible surrounding a given incident. How an allegation is developed, i.e., reactively or pro-actively, has no impact on the basic mission.

What occurs after the initial receipt of a complaint, allegation, or information that results in the development of a complaint or allegation, varies, depending primarily upon whether the matter is criminal or non-criminal, and if criminal, whether or not it is accepted by the Department of Justice for prosecution.

All matters involving evidence of Federal criminal violations are referred to the Department of Justice for a prosecutive decision. This does not mean that all allegations of Federal criminal violations are referred; only those with evidence of a Federal criminal violation are referred, with some exceptions. For example, all allegations of significant fraud and all allegations against certain senior government officials are referred to the Department of Justice without regard to the amount of evidence available at the time the allegations are received. Many of the criminal matters we investigate involving Corporation programs and operations are declined for prosecution by the Department of Justice because of the low dollar amounts involved. We have had no declinations of a criminal matter because of our inability to sufficiently develop evidence of criminal misconduct. Some of our referrals that are declined by the criminal section of the Department of Justice are accepted by the civil section for civil enforcement.

Those matters that are determined to be non-criminal and those matters that have been declined for prosecution or civil enforcement by the Department of Justice are often referred to Corporation management for administrative action. This administrative action might involve suspension or even removal of an employee. Administrative action could also involve a redesign or refinement of a process or system that was identified by our efforts as one that could be improved. When OIG refers such matters to management, we usually request that management provide us a brief narrative of what, if any, administrative action was taken as a result of the referral to them.

One other area that deserves mention involves those matters (criminal and non-criminal) that OIG finds did not occur, did not occur as alleged, or were not within our purview. While some of these matters are as important as a founded criminal investigation (and as such are identified and documented separately), the majority are minor and are combined in one quarterly file, without opening a separate investigative action. Regardless of the severity however, each matter requires some degree of preliminary inquiry. The following table presents statistics on OIG's investigative workload.

FY00 PERFORMANCE INFORMATION

INVESTIGATIONS PERFORMANCE STATISTICS					
	Fiscal Year				
	1996	1997	1998	1999	2000
Investigative Actions Opened	39	31	41	46	51
Investigative Actions Resolved and Closed	29	46	29	29	47
Average Monthly Caseload	23	19	17	25	30
Investigative Matters Resolved Without Opening a Separate Investigative Action	48	69	33	48	37
Referrals for Prosecution	7	4	7	12	14
Administrative or Management Action Taken	4	3	6	10	4

FY00 PERFORMANCE INFORMATION

Office of the Inspector General Obligations Fiscal Year 2000⁽¹⁾ and 1999

	Fiscal Year	
	2000	1999
Audits		
CNS Financial Management	\$ 613,689	\$ 448,342
Grants	1,568,185	632,536
Procurement	341,011	693,887
Electronic Data Processing	116,081	—
Other	50,933	4,662
Audit Administration	194,677	277,446
Investigations	387,703	350,575
Administration	<u>615,934</u>	<u>584,378</u>
Totals	<u>\$ 3,888,213</u>	<u>\$ 2,991,826</u>

(1) In July 2000, P.L. 106-246 provided a supplemental appropriation to CNS OIG of \$1,000,000, to be made available through September 30, 2001. CNS OIG will obligate these funds in FY 2001.

December 1, 2000

The Honorable Albert Gore, Jr.
President of the Senate
Washington, DC 20510

The Honorable Dennis Hastert
Speaker of the House of Representatives
The Capitol
Washington, DC 20515

Dear Mr. Vice President and Mr. Speaker,

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from April 1, 2000 through September 30, 2000. During this period, the Corporation made a management decision on one audit and completed final action on or closed eight audits. Subsequent to this period, the Corporation closed three additional audits, made final management decisions on six audits and submitted proposed management decisions to the Inspector General on one additional audit.

Financial Management and Reporting. The Corporation managed its finances for all of fiscal 2000 on its new financial management system, Momentum. With the implementation of Momentum software, the Corporation is now compliant with federal financial management system standards and uses the government's standard general ledger. Accounting staff worked hard and long hours to ensure that the implementation was successful and the hard work paid off. As of June 2000, the Corporation successfully performed a "hard close" of its books as recommended by the Inspector General. The resulting financial statements were in balance with no unidentified differences. The Corporation was also able to generate preliminary fiscal 2000 financial statements for audit about six weeks earlier than in fiscal 1999.

Grants Management. In addition to the implementation of a new financial management system, the Corporation started work on a comprehensive grants management information system. In August 2000 we awarded a contract to STR, LLC to design a new grants management system and staffed a development team to work with the contractor to identify system needs and develop system specifications. The design work will be completed in mid-December and programming and pilot testing will start early in calendar 2001. The system is being designed to meet new federal requirements for electronic grant application processes that must be in place in federal agencies by 2003. When fully implemented, it will interface with the



Corporation's financial management system and with the HHS Payment Management System that the Corporation uses to disburse grant funds.

State Commission Surveys. The semi-annual report discusses results of the 18 surveys conducted by the Office of the Inspector General on state commissions. The Corporation awards two-thirds of its AmeriCorps State/National funds to governor-appointed state commissions that in turn subgrant funds throughout each state. The commissions oversee the programs they fund and manage both Corporation and other resources. Their activities and operations reflect the needs and priorities of their respective states. Almost all of them are subject to their own state requirements for administering and monitoring grant funds and use their own state fiscal payment systems. They are responsible for ensuring that federal funds entrusted to their care are expended wisely. They are responsive to recommendations for improvement from the Corporation and the Inspector General, and have worked closely with us to establish effective organizations. As noted in the Inspector General's summary report, over 70% of the commissions (13 out of 18) "indicated that they have initiated corrective action in response to Inspector General findings and recommendations."

Over the last seven years, working closely with the state commissions, we have developed several technical assistance documents to help commissions prudently manage and monitor the awarding of federal funds. Most notably, with significant state involvement, we developed the State Administrative Standards to assess commission activities. The purpose of the Standards is to ensure that each state commission has proper management systems in place for the administration of federal funds. The 11 individual standards that comprise this assessment tool were developed over a two-year period and pilot tested before being finalized in 1999. Each state is subject to a Standards Review process that begins with a self-assessment by the commission using the same assessment instruments a formal review team will use later during an independent assessment. If needed, advance technical assistance is provided to the commission before a review team visits. The review of the commission is a week-long visit by a four-to-six member review team, followed by written feedback. After the review, additional technical assistance is made available to address any needed improvements. So far, reviews are complete on 14 states and another 17 will receive reviews in calendar 2001. The Corporation has established a schedule that anticipates that all commissions will be reviewed by the end of 2002. This process has been very well received by the commissions.

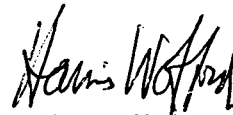
Status of Recommendations on Corporation Management Issues. The Corporation has made substantial progress in addressing recommendations made by the IG. Table V in the semi-annual report does not reflect status reports provided to the Office of the Inspector General by the Corporation during the reporting period on corrective action completed related to the recommendations. In its audit resolution system, the Corporation records 456 recommendations made by the Inspector General in the audit reports listed in Table V. Of these recommendations, the Corporation has corrected and closed 365 recommendations or about 80 per cent, and is still working on 91 recommendations. Of the recommendations in this latter category, most (83) are related to audits issued in fiscal 2000. Enclosed Table IV provides detailed information on the Corporation's audit work.

Overall, the Corporation has shown, and continues to show, a strong commitment to improving management. Management controls are stronger, improvements have been and are being made in infrastructure, and major technology and systems work is underway. The Corporation has established its management priorities in the Action Plan and is aggressively working to implement those priorities within the resources available.

We are sending copies of this semi-annual report to interested Congressional committees, the Office of Management and Budget, and the Corporation's Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact me or Luise Jordan, the Inspector General.

Sincerely,

A handwritten signature in black ink, appearing to read "Harris Wofford", written in a cursive style.

Harris Wofford

Enclosures

TABLE I

ACTION TAKEN ON AUDIT REPORTS
(for the Period April 1, 2000 through September 30, 2000)

	<u>Number of Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports with final action not taken by the commencement of the reporting period October 1, 1998.	35	
B. Audit reports issued by the OIG during the period	24	
C. Audit reports for which final action was taken during the reporting period	8	
1. Recoveries		
(a) Collections and offsets	4	\$62
(b) Property in lieu of cash		
(c) Other (reduction of questioned costs)		
2. Write-offs	0	
3. Audits with no disallowed costs	4	
D. Audit reports for which final action was not taken by the end of the reporting period. ¹	51	
E. Additional audit reports upon which management decisions were made during the six-month reporting period and for which final action is underway. ²	1	

¹ This includes 36 audits for which final action is not overdue.

² Management decisions on 34 of the remaining 50 audits were made in previous reporting periods or are not yet due.

TABLE II
AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
(for the period April 1, 2000 through September 30, 2000)

	<u>Number of Audit Reports</u>	<u>Dollar value (\$000s)</u>
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	-
B. Audits which were issued during the period	0	-
C. Total audit reports on which management decisions were made during the period.	0	-
D. Audit reports pending action during the period	0	-
E. Audit reports for which final action was taken during the period	0	-
1. Value of recommendations that were completed	0	-
2. Value of recommendations that management concluded should not or could not be implemented or completed	0	0
3. Total of 1 and 2	0	-
F. Audit reports for which no management decisions were made during the reporting period	0	0

TABLE III

**STATUS OF AUDIT REPORTS WITH MANAGEMENT DECISIONS THAT HAD NO FINAL
ACTION WITHIN ONE YEAR OF THE ISSUANCE OF THE REPORT
(As of November 28, 2000)**

<u>Audit Number</u>	<u>Date Issued</u>	<u>Title</u>	<u>Disallowed Costs</u>	<u>Status of Action/Reason No Final Action Was Taken</u>
97-02	12/23/96	Audit of the Oregon Youth Conservation Corps	\$161,960	In collection
97-12	4/11/98	Review of the National Alliance of Veteran Family Services Organizations	\$2,958	In collection
98-02	4/27/98	Review of Pre-award Financial Assessment of Grant Applications	N/A	One recommendation remains open on this audit – to revise grants policies and procedures related to pre-award financial assessment. Revised policies and procedures are drafted and will go through the clearance process in December.
98-15	6/29/98	Audit of the Navajo Nation	\$3,093	The Corporation collected disallowed costs and will complete final action after verifying that internal control issues were addressed. Award of a new grant is on hold until corrective action is complete.
98-16	6/29/98	Audit of the Youth Volunteer Corps of America	\$2,430	The Corporation collected disallowed costs and will complete final action after verifying that internal control issues were addressed. Site visit scheduled for second quarter 2001.
98-19	8/27/98	Assessment of AmeriCorps Service Hour Reporting	N/A	The Corporation issued a Notice of Final Action on this audit on 1/21/00 reporting all corrective action complete.
98-23	7/8/98	Auditability Assessment of the Corporation's FY97 Statement of Financial Position	0	The Corporation had completed corrective action on all but five of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same five recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.

99-01	10/9/98	Audit of the Corporation's FY97 Statement of Financial Position	0	The Corporation had completed corrective action on all but two of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same two recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.
99-02	11/17/98	Recommended Improvements to the Corporation's Internal Controls (Management Letter)	0	The Corporation had completed corrective action on all but two of the recommendations in this audit report when the OIG issued the FY 1999 financial statement audit report. Since the same two recommendations were repeated in the FY99 audit, the Corporation closed this audit report and is tracking the recommendations through the more recent audit.
99-04	1/22/99	Audit of Congressional Hunger Center Cooperative Agreement	\$111,351	In appeal.
99-05	2/26/00	Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Awarded to Congressional Hunger Center	0	As of 9/30/00, 4 of the 5 recommendations were closed. The final recommendation was implemented during the reporting period, but is being reassessed for effectiveness.
99-06	12/23/98	Review of the Corporation's Liability for Post-service Benefits Related to Former Commission on National and Community Service Grants	0	In order to close this audit the Corporation needed to close out former Commission grants. As of 9/1/00, all old Commission grants had been closed. Corrective action is complete.
99-07	7/22/99	Audit of the Corporation's Contracts with Ogilvy, Adams, and Rinehart	(\$17,042)	This audit identified funds owed to the contractor by the Corporation which have been reimbursed. Final action is pending confirmation that internal control procedures have been corrected.
99-09	5/6/99	Audit of Corporation Contracts with Biopheries, Inc	\$739,458	The Corporation provided a proposed management decision on this audit to the OIG on 10/18/00.
99-10	8/2/99	Audit of Corporation Contracts with TvT, Inc.	\$294,094	The Corporation provided a final management decision on this audit to the OIG on 11/20/00.
99-11	3/19/99	Audit of Corporation Contracts with Advanced Systems Technology Corporation	\$5,427	The Corporation completed corrective action on this audit on June 1, 2000. The OIG Semi-annual Report indicated that OIG does not agree that all findings have been resolved. Corporation management was not notified of this until this Semi-annual Report and does not know which findings the OIG considers unresolved.

99-12	4/6/99	Audit of the Corporation's FY 1998 Statement of Financial Position	N/A	The Corporation completed corrective action on the audit subsequent to 9/30/00.
99-15	9/14/99	Audit of Corporation's Oversight and Monitoring of the Health Benefits Programs	N/A	The Corporation made its Management Decision on this audit on 10/5/00. That MD reported corrective action complete on 8 of 12 recommendations.
99-18	8/27/99	Audit of Corporation Contracts with GS Tech, Inc	\$50,850	The Corporation provided a Final Management Decision on this audit to the OIG on 11/20/00.
99-19	5/29/99	Letter Report on Review of ETR Audits	N/A	The Corporation completed corrective action on this audit letter subsequent to September 30, 2000.
99-24	6/30/99	FY 1998 Recommended Improvements to the Corporation's Internal Controls (Management Letter)	N/A	The Corporation provided a status report to the OIG on June 30, 2000, which described corrective action complete on all but four recommendations in this audit. Subsequent to 9/30/00, the Corporation completed action on two more.

TABLE IV

**Management Response to Status of Recommendations on
Corporation Management Issues
As of November 28, 2000**

Category and Report	Number of Recs. In Report	Number Closed	Number Open	Comments
<i>Financial Management</i>				
Fiscal Year 1999 Management Letter, Audit Report 00-38	31 ¹	26	5	Proposed Management Decision issued to OIG on 10/16/00 described corrective action.
Review of the Corporation's Action Plan, Audit Report 00-13	22 ²	19	3	Management Decision issued to OIG described correction action.
Audit of the Corporation's FY1999 Financial Statements Audit Report 00-01	27 ³	22	5	Management Decision issued to OIG on 11/8/00 described corrective action.
Audit of the Corporation's FY1998 Financial Statements and Management Letter, Audit Reports 99-12 and 99-24	57	55	2	Status Report issued to OIG on 11/13/00 described completed corrective action on 55 recommendations.
Audit of the Corporation's FY1997 Statement of Financial Position, Audit Report 99-01	2	2	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴
Recommended Improvement to the Corporation's Internal Controls, Audit Report 99-02	12	12	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴
Auditability Survey and Follow-up Reports, Audit Reports, 96-38,97-09, 97- 29 and 98-23	141	141	0	Status Report issued to OIG on 6/30/00 closed this audit. See Table III. ⁴

¹ OIG Table V, page 22, lists 36 as the number of recommendations in this report. Corporation management tracks the recommendations by the alpha-numeric designation in the OIG Report.

² OIG Table V, page 21, lists 53 recommendations. In the last OIG Semi-annual Report, Table V listed 33 recommendations. The IG has not sent any clarification to Corporation management identifying the 20 additional recommendations. Therefore, until the Corporation receives clarification, it will continue to track the 22 recommendations identified in cooperation with, and agreed to by, the OIG in a 12/7/99 meeting.

³ OIG Table V, page 22, lists 30 as the number of recommendations in this report.

⁴ For these audits, as described more fully in Table III, only 9 recommendations had not been corrected and are now being tracked through the most recent financial audit.

Procurement and Contract Management				
OIG Letter Report on Abt Associates, Audit Report 00-55	1	0	1	Management Decision is due on 3/23/01.
Audit of Corporation Contracts with Hi-Tech International, Inc., Audit Report 00-23	3	3	0	MD, issued to OIG on 11/20/00, reported corrective action complete.
Audit of Corporation Contracts with Encore Management, Audit Report 00-22	6	0	6	Management Decision is due on 3/21/01.
Audit of Corporation Contract #95-43-1005 with OASYS, Audit Report 00-21	18 ⁵	0	18	OASYS to submit incurred cost schedule before management decision can be made.
Follow-up Audit of the Corporation's Procurement Operations, Audit Report 00-12	25 ⁶	0	25	Management Decision due on 3/25/01.
Audit of Corporation Contract #94-004 & 97-743-1006 with Aguirre, Audit Report 00-02	2	1	1	Proposed Management Decision issued to OIG on 10/6/00.
Letter Report on Review of ETR Contracts with Corporation, Audit 99-19	1	0	1	Management will address the recommendation in the Proposed Management Decision.
Audit of Corporation Contract #97-743-1001 with GS Tech, Audit Report 99-18	3	3	0	Management Decision, issued to OIG on 11/21/00, reported correction action completed.
Audit of Corporation Contract #97-743-1005 with ASTEC, Audit Report 99-11	5	5	0	The Corporation notified OIG on June 1, 2000, that corrective action was complete.
Audit of Corporation Contract #95-001 with TvT Associates, Audit Report 99-10	2	2	0	Management Decision, issued to OIG on 11/21/00, reported correction action completed.
Audit of Corporation Contract #95-743-1009 with Biospherics, Audit Report 99-09	3	3	0	Management Decision, issued to OIG on 11/20/00, reported correction action completed.
Audit of Corporation Oversight of the Health Benefits Program, Audit Report 99-15	12	8	4	Management Decision issued to OIG on 10/5/00 reported corrective action complete on 8 of 12 recommendations.
Audit of the Corporation's Procurement Policies and Procedures, Audit Rpt. 98-24	26	26	0	Notice of Final Action issued to OIG on 1/27/00 reported all corrective action complete.

⁵ This audit report was issued to the Corporation on September 25, 2000. Corporation management has not yet confirmed the number of recommendations we will track with the OIG.

<i>Grant Oversight and Monitoring</i>				
State Commission Pre-Audit Surveys Issued during this Period	2	1	1	Recommendations in each case require follow-up through the Corporation's audit resolution and the Commission Standards Review processes. Reviews scheduled over 3 years.
Audit of Grants to Health Association of Niagara County, Audit Report 00-05	2	2	0	Management Decision issued to OIG on 10/5/00 reported corrective action complete.
Evaluation of the Corporation's Oversight and Monitoring of NACCRRRA, Audit Report 00-04	18	0	18	Management Decision is overdue.
Audit of Corporation Cooperative Agreement with Walker and Co, Audit Report 00-03	4	4	0	Notice of Final Action issued to OIG on 7/24/00 reported all corrective action complete.
Review of the Corporation's Liability for Post-Service Benefits Related to Former Commission Grants, Audit Report 99-06	5	5	0	The Corporation completed corrective action by 9/1/00 and reported action complete to OIG on 10/26/00.
Assessment of AmeriCorps Service Hour Reporting, Audit Report 98-19	18	18	0	Notice of Final Action, issued to OIG on 1/21/00, reported all corrective action completed.
Review of Corporation Pre-Award Financial Assessment of Grant Applicants, Audit Report 98-02	3	2	1	Final Management Decision issued to OIG on 9/15/99 reported 2 of 3 recommendations closed.
<i>Audit Resolution</i>				
OIG FY97 Semiannual Report I, issued April 30, 1997	5	5	0	Corporation provided final report to OIG on 1/3/00. Audit resolution system in place and operational.
TOTALS	456	365	91	