Office of Inspector General
Corporation for National and Community Service

Semiannual Report to Congress

October 1, 2004 - March 31, 2005

Fiscal Year 2005 Semiannual Report No. 1

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Corporation for
NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

I am pleased to submit to you the Office of Inspector General's Semiannual Report to Congress for the period October 1, 2004, to March 31, 2005.

During this period, our Audit Section issued reports on the Corporation's Fiscal Year 2004 Financial Statements, its Commuter Benefits Program and its compliance with the requirements of the Federal Information System Management Act. Each of these reports offered recommendations for improvements.

Our Audit Section extended its oversight to a variety of Corporation programs, continuing and beginning audits of five AmeriCorps National Direct grantees and nine State commissions. We also issued reports on commissions in Colorado, Vermont, Hawaii and Ohio.

Our Investigations Section handled a large and varied caseload, leading to a number of convictions of persons who had committed fraud and other offenses. The OIG's investigators were also responsible for recovering more than $53,000 in Corporation funds and identifying more than $1.4 million in potential recoveries.

Information developed by our investigators and presented to the Corporation led to the debarment of five individuals, who were banned from participating in - and benefiting from - Federal contracts and programs for periods up to 24 months.

As part of our ongoing outreach and education program, we completed work on "For Your Inspection (FYI)," a new quarterly newsletter that gives insights into major investigative and audit issues. "FYI" is being distributed nationwide via e-mail.

This reporting period also marked the debut of "The Inspectors General Story," an informational video produced by the OIG for the President's Council on Economy and Efficiency and the Executive Council on Economy and Efficiency. The video, featuring Senator John Glenn, is being used throughout the Federal Inspector General community.

It is my hope that you will find this report instructive as well as informative. While this office's primary mission is to ensure that all taxpayer dollars committed to Corporation programs are used efficiently and effectively, it is also an independent, proactive partner in the Corporation's efforts to engage Americans in community service.

Sincerely,

Carol Bates

Carol Bates
Acting Inspector General

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Executive Summary

About The Office Of Inspector General

In 1993, Congress created the Corporation for National and Community Service (Corporation), along with this Office of Inspector General (OIG), in the National and Community Service Trust Act (42 U.S.C. §§ 12501-682 (2004)). Like all Federal OIG operations, our office is independent of the agency it oversees. Led by a presidential appointee, we audit, investigate, and evaluate the Corporation's programs, including AmeriCorps, Volunteers In Service to America (VISTA), the National Civilian Community Corps, Learn and Serve America, and Senior Corps.

Based on the results of our audits, investigations, and reviews, the OIG makes recommendations to the Corporation to promote economy and efficiency. We also strive to prevent and detect fraud and abuse of taxpayer dollars that have been invested in Corporation programs.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the first six months of Fiscal Year 2005. It is being transmitted to the Corporation's Chief Executive Officer and Board of Directors, and to Members of Congress. It will also be made available to the public.

All of our work is conducted in strict adherence to the Privacy Act and the Freedom of Information Act. Our efforts are often aided by information supplied to us via the OIG Hotline (800-452-8210). For more information on the OIG and its work, please visit our Internet website: www.cncsig.gov, or call us at (202) 606-5000, extension 390.

Audit Section

During this reporting period, the Office of Inspector General conducted audit and other work to improve the operations of the Corporation for National and Community Service and issued 12 reports.

On November 12, 2004, the OIG issued its audit report on the Corporation's Fiscal Year 2004 financial statements. The Corporation received an unqualified opinion on its financial statements, and no material weaknesses were identified. However, the Corporation's monitoring of grantee activities was again considered to be a reportable condition. The OIG issued the Fiscal Year 2004 Management Letter, which identified issues not required to be disclosed in the financial statements audit. The Management Letter provided constructive recommendations to management for corrective action. In accordance with the Strengthen AmeriCorps Program Act, the OIG also completed an audit of the Corporation's accounts containing appropriated funds for national service positions, including the National Service Trust. This audit concluded that the budgetary resources and obligations for these accounts for the year ended September 30, 2004, were presented fairly, in all material respects.

The OIG also issued a report on the Corporation's Commuter Benefits Program. This program provides a monthly benefit to employees that use mass transit to commute to work. We found that, in general, the program is operating as intended. The report includes several recommendations for improvement.

The Audit Section issued the Fiscal Year 2004 Federal Information System Management Act (FISMA) Evaluation. The evaluation noted that the Corporation continued to enhance its information security program, but also noted that the Corporation's major application and general support systems had not undergone testing within the 12-month window allowed by Office of Management and Budget Circular A-130. The Corporation did not agree with the classification of this finding as a significant deficiency.

Audit reports were also issued on one Senior Corps grantee, four State commission grantees and two AmeriCorps National Direct Program grantees.

Work started or ongoing during this reporting period includes:

- Fiscal Year 2005 Financial Statements and related reports;
- Audits of the Iowa, Louisiana, Nevada, Wyoming, California, New York, Massachusetts, Illinois and Nebraska State commissions; and
- Audits of Notre Dame Mission Volunteer Program, Youthbuild, City Year, Habitat for Humanity and Education Works, all National Direct grantees.

As part of our continuing effort to educate grantees on the audit process, the Audit Section gave a presentation at the December 2004 Financial Management Institute titled "Preparing for an Audit." The audience included AmeriCorps, Learn & Serve and Senior Corps grantees.

Investigations Section

The OIG Investigations Section continued to investigate allegations of fraud, waste, and abuse of taxpayer dollars in Corporation programs and operations. During this reporting period, the Investigations Section received and processed 33 Hotline contacts, opened 23 investigative actions, and closed 23 actions. Eight matters were referred to the U.S. Department of Justice for prosecution, and 12 matters were referred to Corporation management for its action. The OIG's investigators were responsible for recovering $53,328.15 in Corporation funds and identifying $2,362.50 in cost avoidance. Based on information presented to the Corporation, management debarred five individuals. In addition, ongoing OIG investigations have identified $1.48 million in potential recoveries.

As part of our ongoing effort to prevent fraud, waste, and abuse of taxpayer dollars, the OIG Investigations Section made 23 fraud awareness presentations during this reporting period to more than 100 program members and to staff members of grantees, State commissions, and the Corporation. The presentations describe fraud, identify indicators of fraud, and discuss prevalent types of fraud. The Office of Inspector General investigative staff also continued to visit AmeriCorps members at their service sites to discuss their community service experiences. The purpose of this initiative is twofold: it increases the visibility of the OIG, and it helps the OIG verify member information submitted to, and maintained by, the Corporation.

Evaluation Section

During this reporting period, the Evaluation Section completed a survey and comparison of the policies and procedures of AmeriCorps' four component programs: AmeriCorps*State and National, VISTA and the National Civilian Community Corps. Several observations and recommendations for improvement, which focused on unifying goals and objectives and streamlining the reporting of performance data, were forwarded to Corporation management.

The Evaluations Section also began work on a study that will utilize data from OIG audit reports to identify overall trends in compliance and other issues among audited Corporation programs.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

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Washington, DC 20525

Audit Section

The Office of Inspector General Audit Section is responsible for reviewing the financial, administrative, and programmatic operations of the Corporation for National and Community Service. The Audit Section's responsibilities include auditing the Corporation's annual financial statements, assessing the Corporation's management controls, reviewing the Corporation's operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are issued to Corporation management for its action or information.

Financial Management

Audit Report 05-01, Audit of the Corporation for National and Community Service's Fiscal Year 2004 Financial Statements

The Office of Inspector General rendered an unqualified opinion on the Corporation's Fiscal Year 2004 Financial Statements. However, for the fifth consecutive year, the Corporation's monitoring of grantee activities was considered to be a reportable condition, but this condition was not considered to be a material weakness. Our audit found no instances of material noncompliance with laws and regulations.

Audit Report 05-02, Corporation for National and Community Service's Fiscal Year 2004 Management Letter

During our Fiscal Year 2004 Financial Statement Audit, the auditors noted certain matters involving the control over financial reporting and other operational matters that were not considered material weaknesses or reportable conditions. The Management Letter discusses these matters and includes recommendations for corrective action. We provided a draft of this report to the Corporation for review and comment. In its response, the Corporation agreed with the recommendations and stated that corrective action has been completed on many of the matters.

Audit Report 05-03, Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations

Our audit concluded that the Corporation's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations presented fairly, in all material respects, the budgetary resources and obligations for the year ended September 30, 2004.

Audit Report 05-07, Independent Evaluation of Corporation for National and Community Service Compliance with the Federal Information Security Management Act (FISMA) for Fiscal Year 2004

The FISMA Evaluation noted that the Corporation has taken a number of steps to enhance its security program and address issues identified in the 2003 FISMA report. However, one area showed little progress toward remediation and did not adhere to Office of Management and Budget (OMB) Circular A-130 guidance. The Corporation's major applications and general support system security were found to have not undergone complete testing and evaluation in the past 12 months, resulting in noncompliance with FISMA in the area of annual testing and evaluation. This finding was considered a significant deficiency. The Corporation did not agree with the characterization of this finding as a significant deficiency and stated so in its annual Performance Accountability Report.

Audit Report 05-11, Audit of the Corporation for National and Community Service's Commuter Benefits Program

The Corporation's Commuter Benefits Program provides eligible employees with a tax-free benefit of up to $100 per month to cover the cost of commuting on recognized public transit systems. The objectives of the audit were to: (1) determine whether the program operates in accordance with Corporation policies and procedures; (2) evaluate the program's internal control structure; and (3) determine if controls are adequate to properly administer, account for, and monitor the program. The scope of the audit encompassed activity for Fiscal Years 2003 through 2004. The audit did not disclose material weaknesses relating to the program's internal control structure. However, we made recommendations for several corrective actions. The Corporation generally agreed with these recommendations and has begun to implement them.

Grant Management and Oversight

The Corporation awards grants to State and local governments, State commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required 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 their grant agreements. The Corporation is responsible for ensuring that grantees comply with applicable laws and regulations related to the administration of grant awards in the areas of Federal cash management, human resources, and information technology.

The Corporation awards grants and cooperative agreements to State commissions to assist national and community service programs in each State. The Corporation awards approximately three-quarters of its AmeriCorps*State and National funds to State commissions. In turn, the State commissions fund, and are responsible for the oversight of, the subgrantees that execute the programs. Working for these subgrantees, AmeriCorps members help their communities meet educational, human, environmental, and public safety needs.

The Office of Inspector General Audit Section conducts audits of Corporation grantees to assess whether reported costs are allowable under Federal regulations and whether grantees are complying with the terms and conditions of their awards. Our reports on Corporation grants also include recommendations for correcting deficiencies. Typically, the recommendations call for grantees to reimburse questioned costs, establish and implement policies and procedures to prevent future instances of noncompliance, and improve internal controls. We also make recommendations for more effective Corporation oversight and improvements in Corporation grants management operations.

During this reporting period, the OIG issued reports on a Senior Corps grantee, reports on four State commissions and reports on two AmeriCorps National Direct grantees.

State Commission Full-Scope Audits

Audit Report 05-04, Audit of Corporation for National and Community Service Grants Awarded to the Colorado Governor's Commission on Community Service

For the grants audited, the Commission claimed costs of $10,509,601, of which the auditors questioned $24,337 of Federal costs and $1,077,366 of matching costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. Costs questioned for support require additional documentation to substantiate that the costs were incurred and are allowable. The auditors concluded that the Consolidated Schedule of Award Costs presented fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

The Commission's response to the draft report included the submission of significant documentation to support its questioned costs. Where appropriate, the auditors reviewed the additional documents and adjusted their audit findings. The remaining support documents and the Commission's corrective actions will be reviewed by the Corporation as part of the audit resolution process.

Audit Report 05-08, Audit of Corporation for National and Community Service Grants Awarded to the Vermont Commission on National and Community Service

For the grants audited, the Commission claimed costs of $3,887,055. The final report identified no questioned costs. The auditors noted instances of noncompliance with provisions of laws, regulations, and grant awards, including member eligibility issues and site visit testing.

Audit Report 05-09, Audit of Corporation for National and Community Service Grants Awarded to the Hawaii Commission for National and Community Service

For the grants audited, the Commission claimed costs of $3,153,658, of which the auditors questioned $99,787 as unallowable, identified $160,406 as potential questioned costs due to questioned match shortfall and questioned a $4,725 education award. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions, which were collectively considered to be a material weakness. The auditors noted three internal control findings that were considered to be material weaknesses. The auditors concluded that the Consolidated Schedule of Award Costs presented fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

The Commission's response to the draft report included modification or implementation of policies and procedures to correct the noncompliance issues, as well information about the questioned costs. The Corporation will review these actions and information as part of the audit resolution process.

Audit Report 05-13, Audit of the Corporation for National and Community Service Grants Awarded to the Ohio Community Service Council (Council)

For the grants audited, the Council claimed costs of $22,058,184, of which the auditors questioned $178,931 of unallowable claimed costs and $25,796 of education awards. Overall, the auditors questioned approximately 1 percent of claimed costs. The auditors also noted two instances of noncompliance with provisions of Federal laws, regulations and grant award provisions, and three internal control findings.

The Council generally agreed with the audit report's conclusions. However, it disagreed with the auditors' questioning of costs due to lack of member criminal background checks and expressed the opinion that the issue should only be a compliance finding. These comments, and the Council's corrective actions, will be reviewed by the Corporation as part of the audit resolution process.

AmeriCorps National Direct Grantee Full-Scope Audits

Audit Report 05-12, Audit of Corporation for National and Community Service Grants Awarded to the Educational Service District 112 (ESD)

For the grants audited, ESD, located in Vancouver, WA, claimed costs of $10,090,080, of which the auditors questioned $9,537 as unallowable costs. Overall, the auditors questioned less than 1 percent of claimed costs. The auditors also noted instances of noncompliance with provisions of Federal laws, regulations and grant award provisions. The auditors concluded that the Consolidated Schedule of Award Costs presented fairly the costs claimed by ESD, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

ESD's response included modification or implementation of policies and procedures to correct the noncompliance issues, as well information about the questioned costs. These actions and information will be reviewed by the Corporation as part of the audit resolution process.

Audit Report 05-16, Audit of Corporation for National and community Service Grants Awarded to the National Association of Community Health Centers (NACHC)

For the grants audited, NACHC, located in Bethesda, MD, claimed costs of $7,871,757, of which the auditors questioned $47,900 as unallowable costs. Overall, the auditors questioned less than 1 percent of claimed costs. The auditors also questioned $32,195 of education awards. NACHC disagreed with some of the questioned costs and is working with its subrecipients to obtain supporting documentation for

other questioned costs. Reinstatement of costs due to additional supporting documentation will be considered during the Corporation's audit resolution process.

Other Grant Audits

Audit Report 05-06, Agreed-Upon Procedures to the United Planning Organization (UPO), Grant Numbers 02SFSDCO78 and 03SFSDC001

The objectives of the agreed-upon procedures engagement were to determine if claimed costs reported to the Corporation by UPO, based in Washington, DC, were allocable and allowable, and whether UPO complied with applicable Federal laws, regulations, and the terms and conditions set forth in the grants. We questioned $160,927, or 8.4 percent of the $1,906,955 of expenditures incurred under the grant agreements through June 30, 2004, due to noncompliance with grant terms and conditions. Also, the following internal control findings were addressed in the report: 1) UPO did not comply with all grant terms and conditions; 2) time sheets contained errors and were not signed; 3) UPO's policies and procedures did not address its drawdown practices; 4) UPO did not provide complete assignment plans to Foster Grandparents Program participants; and 5) UPO's budgets included erroneous information on amounts to match volunteer travel costs.

Beginning in March 2004, UPO took action in response to these findings. The actions included termination of the former Executive Director and a Foster Grandparent Program employee, the replacement of several members of the Board of Directors, and the establishment of a By-Laws Committee. UPO also implemented several financial operations changes, such as restricting out-of-town travel, converting consultants to employees, refinancing debt, and establishing new policies for the use of cell phone and vehicles.

Audit Resolution

The Corporation's audit resolution process under Corporation Policy Number 101, Audit Resolution, consists of six steps that culminate in a Management Decision (MD) and completion of a Notice of Final Action on any corrective measures that management deems appropriate.

Step 1: The OIG issues a draft report. Within 30 days, the OIG issues a final audit report after considering any comments received from the Corporation and the auditee.

Step 2: Within six months of the OIG's issuance of a final audit report, the Corporation issues a Proposed Management Decision (PMD), responding to the report's findings and recommendations. The PMD explains any corrective actions and provides a timetable for implementation. It also explains whether management disagrees with any of the report's findings and recommendations.

Step 3: Within 30 days of receiving the PMD, the OIG may provide written comments and may initiate additional discussions with Corporation management if the OIG does not concur with the PMD.

Step 4: After reviewing any OIG comments, the Chief Financial Officer (CFO) issues a MD.

Step 5: When all corrective actions in the MD have been completed, the Corporation issues a Notice of Final Action. A Notice of Final Action must be issued within 12 months of the date the audit report was issued.

Step 6: Audits for which Final Action was not completed within 12 months of issuance are listed in the OIG's semiannual report. The Corporation then provides comments on the status of these incomplete actions and forwards this information to Congress.

Proposed Management Decisions

A proposed management decision is a Corporation report that responds to an OIG audit's findings and recommendations, and outlines a plan for corrective action. During this reporting period, the Corporation notified the Office of Inspector General of the following proposed management decisions:

- Audit Report 03-05, *Incurred Cost Audit of Grants Awarded to the Ohio Community Service Council*
- Audit Report 04-05, *Interim Report on the Assessment of the Implementation of New Enrollment Procedures*
- Audit Report 04-07, *Pre-Audit Survey of the Louisiana Serve Commission*
- Audit Report 04-14, *Incurred Cost Audits of Grants Awarded to the South Carolina Commission on National and Community Service*
- Audit Report 04-15, *Pre-Audit Survey of the Arkansas Service Commission*
- Audit Report 04-16, *Pre-Audit Survey of the Utah Commission on Volunteers*
- Audit Report 04-18, *Pre-Audit Survey of the Montana Commission on Community Service*
- Audit Report 04-19, *Pre-Audit Survey of the New York State Office of National and Community Service*
- Audit Report 04-21, *Pre-Audit Survey of the North Dakota State Commission on National and Community Service*
- Audit Report 04-23, *Audit of Costs incurred under the Corporation's Training and Technical Assistance Cooperative Agreement with America's Service Commissions (Agreement No. 00CADC0011)*
- Audit Report 05-01, *Audit of the Corporation for National and Community Services' (Corporation) Fiscal Year 2004 Financial Statements*
- Audit Report 05-02, *Audit of the Corporation for National and Community Services' Fiscal Year 2004 Financial Statements Management Letter*
- Audit Report 05-03, *Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations*
- Audit Report 05-07, *Independent Evaluation of the Corporation's Compliance with the Federal Information Security Management Act for Fiscal Year 2004*
- Audit Report 05-11, *Audit of the Corporation for National and Community Services' Commuter Benefits*

Notices of Final Action

A Notice of Final Action is a Corporation management report indicating that it has completed corrective actions. During this reporting period, the Office of Inspector General received the following Notices of Final Action:

- Audit Report 03-04, *Incurred Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board*
- Audit Report 03-05, *Incurred Cost Audit of Grants Awarded to the Ohio Community Service Council*
- Audit Report 03-14, *Audit of Costs Claimed by The Navajo Nation Under Grant No. 339W023-21 Foster Grandparent program*
- Audit Report 04-05, *Interim Report on the Assessment of the implementation of New Enrollment Procedures*
- Audit Report 04-06, *Pre-Audit Survey of the Nebraska Volunteer Service Commission*
- Audit Report 04-09, *Pre-Audit Survey of the Puerto Rico State Commission on Community Service and Social Action*
- Audit Report 04-12, Pre-Audit Survey of the Arizona Governor's Commission on Service and Volunteerism
- Audit Report 04-15, *Pre-Audit Survey of the Arkansas Service Commission*
- Audit Report 04-16, *Pre-Audit Survey of the Utah Commission on Volunteers*
- Audit Report 04-18, *Pre-Audit Survey of the Montana Commission on Community Service*
- Audit Report 05-03, *Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations*

Audit Reports Issued October 1, 2004 – March 31, 2005				
Report Number	**Issue Date**	**Report Name**	**Dollars Questioned**	**Dollars Unsupported**
			(Dollars in thousands)	
05-01	11/12/04	*Audit of the Corporation for National and Community Services' (Corporation) Fiscal Year 2004 Financial Statements*	N/A	N/A
05-02	12/23/04	*Audit of the Corporation for National and Community Services' Fiscal Year 2004 Financial Statements Management Letter*	N/A	N/A
05-03	11/12/04	*Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2004 Budgetary Resources and Obligations*	0	0
05-04	01/12/05	*Audit of Corporation Grants Awarded to the Colorado Governor's Commission on Community Service*	24	24
05-06	11/22/04	*Agreed-Upon Procedures to the United Planning Organization, Grant Numbers 02SFSDCO78 and 03SFSDC001*	161	0
05-07	10/6/04	*Independent Evaluation of the Corporation's Compliance with the Federal Information Security Management Act for Fiscal Year 2004*	N/A	N/A
05-08	10/8/04	*Audit of Corporation Grants Awarded to the Vermont Commission on National and Community Service*	0	0
05-09	2/3/05	*Audit of Corporation Grants Awarded to the Hawaii Commission for National and Community Service*	101	0
05-11	01/11/05	*Audit of the Corporation for National and Community Services' Commuter Benefits*	0	0
05-12	03/02/05	*Audit of Corporation Grants Awarded to the Educational Service District 112*	10	3
05-13	02/24/05	*Audit of Corporation Grants Awarded to the Ohio Community Service Council*	179	179
05-16	03/30/05	*Audit of Corporation Grants Awarded to the National Association of Community Health Centers*	48	32
		TOTAL	$523	**$237** *

N/A: Not applicable

* The difference between total of the column and $237 is due to rounding.

Investigations Section

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

Summary of Cases

At the beginning of this reporting period, 33 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators opened 23 investigative actions and closed 23 investigations. Thirty-three investigative actions were pending at the end of the period.

Cases Closed This Period

Theft of Program Funds (OIG Report of Investigation 03-018)

The Office of Inspector General investigated an allegation, reported by a Corporation State Office, that a former bookkeeper at a program embezzled a significant amount of program funds, a small portion of which were Foster Grandparent Program funds. Local prosecutors accepted this investigation for prosecution. The former bookkeeper was found guilty of four counts of theft under State law. The individual was sentenced to four consecutive one-year sentences, which were suspended, and sentenced to four years' probation, ordered to make restitution in the amount of $8,702.78, and assessed $136 in court fees. Based on information developed by the OIG and presented to the Corporation, management debarred the former bookkeeper from participating in Federal contracts and grants for a period of 12 months.

Personal Use of AmeriCorps Program Credit Card and Embezzlement (OIG Report of Investigation 03-015)

The Office of Inspector General investigated an allegation, reported by Corporation management, that a former associate director of an AmeriCorps program misused the program's credit card. Evidence indicated that the former director used the card for personal use and embezzled a significant amount of program funds. The U.S. Department of Justice accepted this investigation for prosecution and indicted the former associate director for program fraud. The individual plead guilty to one count of program fraud and was sentenced in Federal court. The former associate director received two years' supervised probation, was required to perform 250 hours of community service, ordered to make restitution in the amount of $49,650.08, and was assessed $100 in court fees. Based on the information developed by the OIG and presented to the Corporation, management debarred the former associate director from participating in Federal contracts and grants for a period of 24 months.

Fraudulent Receipt of an Education Award (OIG Report of Investigation 04-030)

The Office of Inspector General investigated allegations, reported by a grantee, that an AmeriCorps member falsified her time sheets to obtain an education award. The investigation disclosed evidence that the member altered her time sheets to reflect service hours she had not performed. This allowed the member to earn an education award to which she was not entitled. The program terminated the member prior to completion of her second term of service after discovering that the member had falsified additional time sheets. The Corporation also denied her second application for an education award. The U.S. Department of Justice accepted this investigation and pursued pre-trial diversion in lieu of criminal prosecution. The case was deferred for a period of 18 months, during which time the individual must not violate any laws and attend school or work regularly. The former member was also required to make restitution in the amount of $1,250. Based on the information developed by the OIG and presented to the Corporation, management debarred the former member from participating in Federal contracts and grants for a period of 12 months.

Conflict of Interest / Supplementation of Government Employee's Salary (OIG Report of Investigation 04-025)

The Office of Inspector General investigated allegations, reported by Corporation management, that a Corporation employee may have engaged in unfair contract practices. The investigation found insufficient evidence to support the allegation. However, during the investigation the OIG discovered that the employee had received free meals from prohibited sources in connection with his official government duties. The employee also received funds from a vendor to replace an item that the employee claimed was stolen during a Corporation-sponsored event. After the employee's item was found and returned, the employee returned the replacement item and retained the refund for personal use. The U.S. Department of Justice declined to prosecute this matter in favor of administrative action. This matter was reported to the U.S. Office of Government Ethics and information was provided to Corporation management for appropriate action. Management decided not to renew the employee's term appointment, which expired on December 31, 2004.

Childcare Fraud (OIG Report of Investigation 04-019)

The Office of Inspector General investigated a Hotline allegation, reported by a grantee, that a former VISTA member submitted fraudulent childcare attendance reports for payment by claiming that her daughter was providing childcare services. The investigation disclosed evidence that the member signed her daughter's name to the attendance reports while her daughter was incarcerated, so that the member could continue to receive childcare subsidies. The member admitted that she did not use childcare services for the period she received the fraudulent payments. The U.S. Department of Justice declined to prosecute this matter. The Office of Inspector General presented this investigation to local authorities, which accepted it for criminal prosecution. The former VISTA member's current whereabouts are unknown and local authorities have issued an arrest warrant. The final results will be reported in a subsequent semiannual report if the former member is located and prosecuted.

Fraudulent AmeriCorps Application Fees (OIG Report of Investigation 04-015)

The Office of Inspector General investigated allegations, reported by a State commission, that a former program director charged prospective AmeriCorps members an "application fee" to participate in the program. The former program director claimed that the collected fees were used to cover the costs of background checks, training, and clothing. The OIG found no evidence that the former program director misused the funds. Furthermore, there were no provisions in the program's grant which prohibited the levying of the fees.

Cases Open at End of Period

Fraudulent Receipt of Education Award (OIG Report of Investigation 04-009)

The Office of Inspector General investigated allegations, reported by Corporation management, that a former AmeriCorps member obtained and misused his education award by using fraudulent documentation. The investigation determined that the member prepared a fraudulent document that allowed him to use his education award to purchase an automobile. The U.S. Department of Justice accepted this investigation and pursued criminal prosecution. The individual was found guilty of theft and sentenced to one year of confinement, one year of supervised probation, ordered to make restitution in the amount of $2,362.50, and assessed $25 in court fees. Based on the information developed during its investigation, the OIG has forwarded a recommendation for debarment to the Corporation to preclude the former member from participating in Federal contracts and grants for a period of time. The final results will be reported in a subsequent semiannual report.

Theft of Program Funds (OIG Report of Investigation 05-007)

The Office of Inspector General is investigating an allegation, reported by a State commission to Corporation management, that it suspected an AmeriCorps grant recipient had misapplied Corporation program funds. The investigation found evidence that the AmeriCorps program's director conspired with her cousin to defraud the U.S. Government when they prepared and submitted a fraudulent rental agreement in order to divert Corporation funds to cover the grantee's share of program operating costs. The U.S. Department of Justice has accepted this investigation and is pursuing civil prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Personal Use of a Government Travel Charge Card (OIG Report of Investigation 05-008)

The Office of Inspector General investigated an allegation, reported by Corporation management, that a Corporation employee misused her Government Travel Charge Card. The investigation disclosed evidence that the employee misused her Travel Charge Card to obtain cash advances and services that she was not authorized to receive. The employee also violated Corporation policy by failing to make payments on her account, resulting in a delinquency. This matter has been referred to the Department of Justice for a prosecutorial decision. Based on the results of the OIG investigation, the employee resigned prior to an administrative action by management. The final results will be reported in a subsequent semiannual report.

Collusive Bidding (OIG Report of Investigation 05-010)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that a government contractor had engaged in collusive bidding. Investigation disclosed evidence that the government contractor engaged in collusive bidding when she conspired with another government contractor, which was partly owned by her father and another individual. The contractor submitted bids and represented both firms regarding contracts for AmeriCorps training. Further investigation by the OIG disclosed evidence that the contractor's father is a government employee with another Federal agency. This information has been provided to that agency's Office of Inspector General. Management has temporarily suspended all three individuals from contracting with the Corporation. This investigation was coordinated with the Federal Bureau of Investigation, which declined jurisdiction over this matter. The Treasury Inspector General for Tax Administration has initiated a joint investigation with our agency. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Release of Procurement Information / Ethics Violation (OIG Report of Investigation 05-011)

The Office of Inspector General initiated an investigation, based on information developed under OIG Report of Investigation 05-010 (see above), which revealed that a Corporation employee released protected procurement information to a contactor conducting business with the Corporation. Additionally, the employee violated the Corporation's Ethics Policy by seeking employment with the contractor, which the employee had dealt with in an official capacity. Based on the results of the OIG investigation, the employee resigned prior to an administrative action by Corporation management. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Theft of VISTA Checks (OIG Report of Investigation 04-017)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that an unknown person intercepted, forged and cashed two AmeriCorps*VISTA living allowance checks from the U.S. Postal System. The investigation disclosed that a postal employee cashed both checks. The OIG contacted the local U.S. Postal Inspection Service for assistance. Based on the information developed by the OIG, the U.S. Postal Inspection Service identified a postal employee as a suspect and also identified additional non-Corporation checks that had been similarly diverted. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Personal Use of a Government Travel Charge Card / False Statements (OIG Report of Investigation 04-029)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that a Corporation employee misused her Government Travel Charge Card. The investigation disclosed evidence that the employee misused her Travel Charge Card to obtain cash advances and services that she was not authorized to receive. The employee also violated Corporation policy by failing to make payments on her account, resulting in a delinquency. In addition, the employee rendered two false statements under oath to OIG investigators in connection with the unauthorized Travel Charge Card use. This matter has been referred to the U.S. Department of Justice for a prosecutorial decision. Corporation management took administrative action by suspending the employee for a period of 12 days. The final results will be reported in a subsequent semiannual report.

Fraudulent Receipt of an Education Award (OIG Report of Investigation 04-035)

The Office of Inspector General is investigating allegations, reported by Corporation management, that a former AmeriCorps member obtained an education award by using fraudulent documentation. The investigation determined that the member prepared a fraudulent voucher that allowed her to use her education award to pay off an automobile loan and receive the cash balance from her bank for personal use. Additionally, the member attempted to use her second education award to make payments on her delinquent mortgage. A Corporation employee questioned the authority of the second award document, contacted the former member's financial institution, and discovered that a bank loan officer had certified the education award voucher so that the former member could pay her delinquent mortgage payments with the funds. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution against the former member. The final results will be reported in a subsequent semiannual report.

Fraudulent Receipt of Education Awards (OIG Report of Investigation 04-039)

The Office of Inspector General is investigating allegations, reported by a State commission, that a program coordinator, with the approval of the program director, fraudulently enrolled staff employees in the AmeriCorps program, falsified their service hours, and qualified them for education awards. The investigation confirmed the allegations and disclosed that several of the employees had received and used their education awards. Furthermore, the OIG discovered evidence that the program coordinator also inflated other AmeriCorps members' service hours to allow them to earn an education award. This matter has been referred to the U.S. Department of Justice for a prosecutorial decision. The final results will be reported in a subsequent semiannual report.

Alleged Hatch Act Violation (OIG Report of Investigation 04-041)

The Office of Inspector General received an allegation, reported by a Corporation employee, that two Corporation managers may have violated the Hatch Act (5 U.S.C. §§ 7321-26) when they sent e-mails to other Corporation employees regarding a fundraising event in Washington, DC, to support the re-election of a State senator. The Office of Inspector General coordinated this matter with the Corporation's Office of General Counsel, which reported that both employees sent retractions to their e-mails. This matter was reported to the U.S. Office of Special Counsel for investigation. Its' investigation is ongoing and final results will be reported in a subsequent semiannual report.

Theft of Government Services (Calling Card) (OIG Report of Investigation 04-034)

The Office of Inspector General received an allegation, from a Corporation employee, that unknown persons were misusing a government issued calling card. Investigation by the OIG disclosed evidence that a former AmeriCorps member had obtained the calling card number during her term of service. After leaving the AmeriCorps program, the former member continued to utilize the calling

card number to make personal telephone calls. Additionally, the member failed to safeguard the number, which was subsequently used by unauthorized personnel at various locations throughout the United States. This matter is pending referral to the U.S. Department of Justice for a prosecutorial decision. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

False Claims Violation (OIG Report of Investigation 01-095)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that an AmeriCorps grant recipient used Corporation funds for purposes other than support of the grant. The recipient is alleged to have knowingly withdrawn Corporation grant funds in excess of support needs in order to keep his program operating. The U.S. Department of Justice Affirmative Civil Enforcement Coordinator accepted this investigation for prosecution as a civil false claims matter. The final results will be reported in a subsequent semiannual report.

Allegations of Fraud (OIG Report of Investigation 02-007)

The Office of Inspector General is investigating allegations, reported by a State commission, that a program executive director and a chief financial officer misapplied program funds for their personal uses. The investigation found evidence supporting this allegation. Initially, the Federal Bureau of Investigation was the lead investigative agency but, due to other commitments, was unable to pursue this matter fully. The U.S. Department of Justice has declined to prosecute this matter in favor of local prosecution. The local prosecutor has accepted this matter for criminal prosecution. The final results will be reported in a subsequent semiannual report.

Theft of Program Funds (OIG Report of Investigation 02-028)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that the executive director of a grant recipient was diverting Corporation program funds to cover personal expenditures and business expenses that were unrelated to program operations. The investigation found evidence that the executive director, and her spouse, had diverted a significant amount of Corporation funds. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The final results will be reported in a subsequent semiannual report.

Embezzlement of AmeriCorps Funds (OIG Report of Investigation 03-009)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that a former AmeriCorps program director and his wife, the program's former administrative assistant, embezzled AmeriCorps funds. Evidence indicates that the former director embezzled a significant amount of program funds, a portion of which were AmeriCorps grant funds. Evidence also indicates that the former director utilized AmeriCorps members to perform services outside the scope of the grant at the former director's private businesses and organizations. AmeriCorps members also improperly received credit toward education awards for this service. The U.S. Department of Justice and local authorities declined criminal prosecution and civil recovery. Based on the information developed by the OIG and presented to the Corporation, management debarred the two former program officials from participating in Federal contracts and grants for a period of 24 months. In addition, the OIG Audit Section is conducting an audit of the grantee's expenditures for possible administrative recovery. The final results will be reported in a subsequent semiannual report.

VISTA Stipend Checks Theft (OIG Report of Investigation 03-016)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that an unknown person intercepted, forged, and cashed the AmeriCorps*VISTA living allowance checks of a former VISTA member over a six-month period. A suspect was identified and the information was provided to the Federal Bureau of Investigation, which has assumed responsibility as

the lead investigative agency. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Fraudulent Receipt of VISTA Stipend (OIG Report of Investigation 03-040)

The Office of Inspector General is investigating an allegation, reported by a Corporation State Office, that an AmeriCorps*VISTA member left the program but continued to receive her living allowance, thereby collecting a significant amount of Corporation funds to which she was not entitled. The investigation found that the program failed to verify member attendance and also failed to provide written documentation of member attendance in its biweekly reports. The U.S. Department of Justice has accepted this investigation for criminal prosecution. The final results will be reported in a subsequent semiannual report.

Theft of Program Funds (OIG Report of Investigation 05-023)

The Office of Inspector General is investigating an allegation, reported by a State commission, that a former AmeriCorps grant recipient had informed them that, during a post-program audit, they discovered that their former program director had embezzled AmeriCorps program funds. A joint investigation has been initiated with the Federal Bureau of Investigation (which is serving as the lead agency), local law enforcement authorities, and the OIG. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Summary Of Cases	
Opened and Closed	
Cases Open at Beginning of Reporting Period	33
New Cases Opened	23
Cases Closed this Period With Significant Findings	8
Cases Closed this Period With No Significant Findings	15
Total Cases Closed	23
Cases Open at End of Reporting Period	33
Referred	
Cases Referred for Prosecution	8
Cases Accepted for Prosecution	3
Cases Declined for Prosecution	2*
Cases Pending Prosecutorial Review	5*
Cases Pending Adjudication	9
Recommendations to Management	
Investigative Recommendations Referred to Management	12
Investigative Recommendations Pending this Reporting Period	2
Investigative Recommendations Pending from Previous Reporting Periods	0
* Includes cases from the previous reporting period.	

Review of Legislation and Regulations

Section 4(a) of the Inspector General Act directs the Office of Inspector General to review and make recommendations about existing and proposed legislation and regulations relating to the Corporation's programs and operations. The 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.

Appropriations and Debarment

The Office of Inspector General reviewed the Corporation and OIG Fiscal Year 2005 appropriations act, bills and committee reports. As in Fiscal Year 2004, the 2005 appropriations act included a directive from Congress that the OIG debar and obtain reimbursement of funds from AmeriCorps grantees that, as the result of an OIG audit, have been found to have committed "serious violations" of the requirements of the AmeriCorps programs.

During this reporting period the OIG worked with Corporation management to establish proper protocols for implementation of these requirements. As a result of these joint efforts, the Corporation announced in the December 29, 2004, edition of the Federal Register that the Inspector General had been designated as the debarring official for Corporation grantees that administer AmeriCorps programs. This authority applies to AmeriCorps grantees that have been the subject of an OIG audit, or the subject of an audit and subsequent OIG investigation, for any audit report issued on or after January 23, 2004.

In processing debarment actions, the Inspector General will follow the procedures in the Corporation's debarment and suspension regulation, codified in 45 C.F.R. § 2542. The Inspector General's debarment authority will expire on September 30, 2005, i.e. at the end of Fiscal Year 2005, but may continue pending inclusion by Congress of an Inspector General debarment and reimbursement authority provision in future appropriation acts.

AmeriCorps programs that have been debarred will face an immediate suspension of Corporation funding and may be ordered to reimburse misapplied funds. Such programs and their principal managers will also be banned from participating in any Federal procurement or grant program for a period of up to 36 months.

Program Fraud Civil Remedies Act

Also during this reporting period, the OIG recommended to the Corporation that it promulgate regulations to implement the Program Fraud Civil Remedies Act, a law enacted in 1986 that provides an administrative means for agencies to recoup low-dollar amount fraud of Federal funds that were obtained as the result of false claims or false statements. We understand that that the Corporation is currently reviewing its responsibilities under the Act.

Statistical and Summary Tables

The statistical and summary tables in this section are submitted in compliance with the requirements enumerated in the Inspector General Act.

I. Inspector General Act Reporting Requirements

This table cross-references the reporting requirements prescribed by the Inspector General Act of 1978, as amended, to the specific pages in the report where they are addressed.

Section	Requirement	Page
4 (a)(2)	Review of legislation and regulations	27
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	35
5 (a)(4)	Matters referred to prosecutorial authorities	23
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 recommendations that funds be put to better use	13
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	32
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	33
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	34
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	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	5	$2,085 *	$1,870 **
B. Reports issued during the reporting period	6	523	237
C. Total Reports (A + B)	11	2,608	2,107
D. Reports for which a management decision was made during the reporting period	4		
I. Value of disallowed costs		143	78
II. Value of costs not disallowed	____	1,793	1,703
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	7	$672	$326
F. Reports with questioned costs for which no management decision was made within six months of issuance	1	$149	$88

* Prior Semiannual Report to Congress was understated by $1 in error.

** The $1 difference between this beginning balance and the ending balance on the FY 2004 Semiannual Report No. 2 is due to rounding.

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

Report Category	Number*	Dollar Value*
		(Dollars in thousands)
A. Reports for which no management decision had been made by the commencement of the reporting period	0	$0
B. Reports issued during the reporting period	0	$0
C. Reports for which a management decision was made during the reporting period		
i. Value of recommendations agreed to by management	0	$0
ii. Value of recommendations not agreed to by management	0	$0
D. Reports for which no management decision had been made by the end of the reporting period	0	$0
E. Reports for which no management decision was made within six months of issuance	0	$0

*The Audit Section predominantly performed cost-incurred and compliance audits that resulted in questioned costs and noncompliance findings. These types of audits typically do not lead to recommendations that funds be put to better use.

IV. Summary of Audits With Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due*	Status as of March 31, 2005
04-22	*Audit of the Rhode Island Service Alliance*	$148,959	03/23/05	*A Proposed Management Decision has not been provided to the OIG*
	Total	$148,959		

*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 audit report and corrective actions must be completed within one year.

V. Reports Described in Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due*
04-07	*Pre-Audit Survey of the Louisiana Serve Commission*	02/17/04	02/17/05

*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.

-End Page on Brochures

Corporation for
NATIONAL & COMMUNITY SERVICE

June 1, 2005

The Honorable Richard Cheney
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 October 1, 2004 through March 31, 2005. During this period, the Corporation made management decisions on 15 audits and completed final action on or closed 11 audits. Subsequent to this period, the Corporation made one additional management decision and completed final action on one other audit.

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 the Corporation's acting Inspector General Carol Bates.

Sincerely,

David Eisner
Chief Executive Officer

Enclosures: Table I
Table II
Table III
Semiannual Report to Congress: October 1, 2004 to March 31, 2005

TABLE I

ACTION TAKEN ON AUDIT REPORTS
(for the Period October 1, 2004 through March 31, 2005)

		Number of Reports	Disallowed Costs ($000)
A.	Audit reports with final action not taken by the commencement of the reporting period.	18	
B.	Audit reports issued by the OIG during the period	12	
C.	Audit reports for which final action was taken during the reporting period	11	
	1. Recoveries		
	(a) Collections and offsets	2	$98
	(b) Property in lieu of cash		
	(c) Other (reduction of questioned costs)		
	2. Write-offs	0	
	3. Audits with no disallowed costs[1]	9	
D.	Audit reports for which final action was not taken by the end of the reporting period.[2]	19	
E.	Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway.	12	

[1] Of these 9 audits, 8 had no questioned costs and, therefore, no costs to allow or disallow.
[2] This includes 17 audits for which final action is not due.

TABLE II
AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE
(for the period October 1, 2004 through March 31, 2005)

	Number of Audit Reports	Dollar value ($000s)
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	0
B. Audits which were issued during the period	0	0
C. Total audit reports on which management decisions were made during the period.	0	0
D. Audit reports pending action during the period	0	0
E. Audit reports for which final action was taken during the period		
1. Value of recommendations that were completed	0	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	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 March 31, 2005)

Audit Number	Date Issued	Title	Disallowed Costs	Status of Action/Reason No Final Action Was Taken
04-07	2/17/2004	PreAudit Survey of Louisiana Serve Commission		Final Action was complete on 4/11/2005