
Office of the Inspector General Corporation for National and Community Service

Semiannual Report to the Congress
for the period
October 1, 2000 - March 31, 2001

Fiscal Year 2001
Semiannual Report No. 1

As required by the Inspector General Act of 1978, as amended, this report describes our activities and accomplishments for the first 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 thirteen reports, including the audit of the Corporation's fiscal year 2000 financial statements, the audit of the Delaware State Commission, and nine pre-audit survey reports of other state commissions. Summaries of all audit reports issued during this period are on pages 1-5.

Financial Management

The audit of the Corporation's fiscal year 2000 financial statements resulted in an unqualified opinion on the Corporation's Statement of Financial Position as of September 30, 2000 and the related Statements of Operations and Changes in Net Position and Cash Flows for the year then ended. The report noted that material weaknesses in internal control over financial reporting have been reduced from five in FY 1999 to one in FY 2000 (*page 1*).

Grant Management and Oversight

An OIG review to determine whether the Corporation's current policies and procedures provided reasonable assurance that single audit reports are obtained, reviewed, and tracked, and that findings, if any, are being resolved found that the Corporation's controls for collection and use of single audit information are inadequate (*page 2*).

The incurred-cost audit of the Delaware Community Service Commission, a full scope audit that followed up on an FY 2000 OIG pre-audit survey, resulted in questioned costs totaling approximately \$370 thousand (11 percent) of the \$3.5 million in costs claimed against CNS' grants (*page 3*).

INVESTIGATIONS SECTION

During this semiannual reporting period we received and processed 33 Hotline calls, opened 30 investigative actions, and completed 30 investigative actions. We referred 11 matters to the Department of Justice for prosecution or civil enforcement (*page 19*).

A finding of guilty in one investigation this period resulted in a prison sentence and court-ordered restitution for a former employee of a Corporation grantee (*page 12*). Arrest warrants were issued following three separate investigations into forgery and theft (*pages 13 through 15*). Criminal charges were dropped in another matter after the suspect in a travel fraud investigation made full restitution (*page 13*). An arrest warrant was issued in another matter after the subject pled guilty, then failed to pay the court-ordered restitution (*page 14*).

Referrals to management involving misuse of the government travel card by Corporation employees resulted in the dismissal of one employee and the resignation of another. Management action is pending against the remaining two employees (*page 12*).

A referral to management involving a Corporation employee operating a private business for personal gain, during business hours and using government resources is pending management action (*page 15*).

A referral to management involving an appearance of a conflict of interest and telephone abuse resulted in the removal of a contractor's employee, reimbursement for long distance toll charges, and reimbursement for time the employee spent on the telephone rather than working (*page 14*).

EXECUTIVE SUMMARY

A referral to management, made during a previous reporting period, involving OIG concerns that salaried employees were receiving AmeriCorps education awards, resulted in management obtaining a legal opinion concluding the program was not in violation of the law (*page 16*).

A referral to management, made during a previous reporting period, involving an employee misusing his government travel card resulted in the dismissal of the employee (*page 17*).

OUTREACH EFFORTS

As a part of our ongoing fraud prevention efforts, the Deputy Inspector General for Investigations and Operations provided an OIG presentation at the most recent Corporation New Employee Orientation session. The presentation included the authority and responsibilities of the OIG and when and how employees should contact the OIG.

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	None this period
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	23 – 28
Section 5 (a)(4)	Matters referred to prosecutive authorities	19
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	6
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	20
Section 5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	21
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	22
Section 5 (a)(11)	Significant revised management decisions	None this period
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees	4, 7 – 11

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 6.

FINANCIAL MANAGEMENT

Audit of the Corporation for National and Community Service's Fiscal Year 2000 Financial Statements (OIG Audit Report Number 01-01)

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. To fulfill this requirement, OIG contracted with KPMG LLP to audit the Corporation's fiscal year 2000 financial statements. The audit was conducted in accordance with government auditing standards. KPMG issued an unqualified opinion on the Corporation's Statement of Financial Position as of September 30, 2000 and the related Statements of Operations and Changes in Net Position and Cash Flows for the year then ended.

As a result of their consideration of internal controls over financial accounting and reporting, the auditors noted material weaknesses have been reduced from five in FY 1999 to one in FY 2000. The remaining area of material weakness is grants management. KPMG concluded that a comprehensive system of internal controls for grant management is not in place. They also reported that significant differences continue to exist, at the appropriation level, between the Corporation's records for its fund balance with Treasury accounts and those maintained by the Treasury, primarily as a result of transactions occurring in years prior to fiscal year 2000, and that adequate procedures are not in place for ensuring that the components of unexpended appropriation are accurately accounted for and reported in the financial statements.

The Report on Compliance with Laws and Regulations disclosed no instances of material non-compliance with laws and regulations.

These improvements and the Corporation's new accounting system indicate that the Corporation continues to make progress toward greater financial accountability.

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 awards. 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.

Review of the Corporation's Use of Single Audit Reports (OIG Report Number 01-14)

Since 1984, the Single Audit Act has required the Corporation to ensure that audits for its grant recipients are performed, as required under the guidelines of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and that the Corporation receives the reports in a timely manner. These audit reports provide valuable information on Corporation grantees, including financial reporting, internal controls, compliance with Federal laws and grant provisions, and performance of their grants. This information can assist the Corporation in its evaluation of the Federal funds financial management capabilities of grant applicants, and in its oversight and monitoring of current grantees. The Act also requires the Corporation to review the reports, track and follow-up on single audit findings, and in some cases, issue management decisions to ensure that grantees take appropriate corrective action.

The OIG performed a review to determine whether the Corporation's current policies and procedures provided reasonable assurance that single audit reports are obtained, reviewed, and tracked, and that findings, if any, are being resolved. This review was a follow-up on two previously issued OIG reports that identified weaknesses related to obtaining and resolving Single Audit Act reports.

We found that the Corporation's controls for collection and use of single audit information are inadequate. The Corporation's current procedures at the headquarters Grants Management Office and the two Service Centers we visited did not provide reasonable assurance that the Corporation is aware that the required single audits are being performed, or that single audit information is being obtained, reviewed, tracked, and resolved in accordance with the requirements of OMB Circular A-133.

On July 6, 2000, near the end of our fieldwork, the Corporation issued Policy Number 102, *Audit Resolution under the Single Audit Act*, but issued no new procedures to implement the policy. We reviewed this policy and concluded that it does not effectively address all requirements of OMB Circular A-133. We recommended that CNS strengthen its policy and issue additional procedures to correct the conditions we found.

State Commission Audits and Pre-Audit Surveys

Audit of Corporation for National Service Grants Awarded to Delaware Community Service Commission (OIG Audit Report Number 01-05)

The OIG engaged Leonard G. Birnbaum and Company to perform a program-specific incurred cost audit of Corporation grants awarded to the Delaware Community Service Commission (DCSC) for the period January 14, 1994 to March 31, 2000. The scope of the audit extended to costs incurred by subgrantees through Commission grants funded by the Corporation. The audit resulted in questioned costs totaling approximately \$370 thousand (11 percent) of the \$3.5 million in costs claimed against the grants and disclosed several weaknesses in internal controls including:

- ◆ DCSC did not reconcile the amounts reported to the Corporation on the Financial Status Report with the amounts reported on its Federal Cash Transaction Report.
- ◆ DCSC did not record some grants/amendments or the amounts in the accounting system properly.
- ◆ DCSC did not properly monitor subrecipients.

The audit report included more than thirty recommendations for corrective actions and improvements at the Commission and its subgrantees.

State Commissions 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 historically 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 statewide 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 and extent of our audit work at each state commission.

As listed on page 6, during this semiannual reporting period, OIG issued pre-audit survey reports for nine additional state commissions:

Oregon	Vermont	Texas
Mississippi	Alabama	Nevada
Maine	South Carolina	California

For each pre-audit survey, OIG has issued a report communicating the results and making recommendations for improvement at the commissions. Recommendations directed toward improvements at state commissions occurred most often in the categories of fiscal administration and monitoring and evaluation of subgrantees. 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 recommendations that the Corporation revise its guidance to state commissions to specify minimum monitoring procedures to be performed, as well as minimum documentation requirements.

OIG's recommendations regarding monitoring have been to establish minimum thresholds and procedures in order to add a level of structure and consistency to the state commissions' oversight of their subgrantees. Doing so would provide the Corporation with improved reliability for grantee financial information, program performance statistics used to support the Corporation's Government Performance and Results Act (GPRA) reports, and the information electronically transmitted via the Corporation's Web-based reporting system from subgrantees and entered into the National Service Trust database to award member education benefits. The Corporation has not accepted these recommendations, as discussed on page 7 under the topic "Management Decisions with which OIG Disagrees . . ."

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, the Corporation issued its annual Federal Managers Financial Integrity Act Report for Fiscal Year 2000 which included the annual management report indicating that the Corporation has concluded that material weaknesses in its procurement operations have been corrected. However, OIG's FY 2000 assessment of these operations found otherwise. In OIG Audit Report 00-12, *Follow-up Audit of the Corporation's Procurement Operations*, OIG concluded that "the Corporation's contracting and procurement operations continue to be a material weakness and should be reported as such under the Federal Managers' Financial Integrity Act (FMFIA)." The report indicated that 19 of the deficiencies identified in OIG's 1998 audit of the Corporation's procurement operations continued to exist in FY 2000, the rate of errors discovered by the auditors was significant, and the processes remain vulnerable to fraud, waste, and abuse. In addition, other OIG audits of individual CNS contracts have

revealed evidence of poor oversight and mismanagement, and resulted in millions of dollars of questioned costs. To date, OIG has received no tangible evidence to demonstrate that material weaknesses in the Corporation's contracting and procurement operations have been corrected.

Because of the nature of the reported deficiencies, OIG continues 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. During this reporting period, we issued one such report, described below.

OIG Letter Report Regarding Corporation for National and Community Service Contract No. 94-007 With Meridian Corporation (OIG Audit Report Number 01-27)

Pursuant to a request received from the Corporation, the OIG retained Cotton & Company, LLP to perform preliminary survey work of the Meridian Corporation contract and determine the scope of audit work to be performed. The Meridian contract provided technical support for information collection and analysis for the Corporation. The OIG concluded that, given the relatively low dollar amount of claimed costs, the age and accessibility of the records, and an intervening bankruptcy declaration by Meridian, further audit work was not warranted at this time.

AUDIT REPORTS ISSUED DURING THE PERIOD OCTOBER 1, 2000 THROUGH MARCH 31, 2001		
Report Number	Issue Date	Report Title
01-01	03/29/01	Audit of the Corporation for National and Community Service's Fiscal Year 2000 Financial Statements
01-03	10/16/00	Pre-Audit Survey of the Oregon Community Service Commission
01-05	01/11/01	Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission ⁽¹⁾
01-14	02/01/01	Review of the Corporation's Use of Single Audit Reports
01-15	12/21/00	Pre-Audit Survey of the Mississippi Commission for Volunteer Service
01-17	03/22/01	Pre-Audit Survey of the Nevada Commission for National and Community Service
01-18	03/08/01	Pre-Audit Survey of the California Commission on Improving Life through Service
01-19	01/24/01	Pre-Audit Survey of the Maine Commission for Community Service
01-20	02/09/01	Pre-Audit Survey of the Alabama State Commission on National and Community Service
01-22	02/07/01	Pre-Audit Survey of the South Carolina Commission on National and Community Service
01-23	02/20/01	Pre-Audit Survey of the Texas Commission on Volunteerism and Community Service
01-26	01/31/01	Pre-Audit Survey of the Vermont Commission on National and Community Service ⁽²⁾
01-27	10/06/00	OIG Letter Report Regarding Corporation for National and Community Service Contract No. 94-007 with Meridian Corporation
⁽¹⁾ As described in Table I, this report included questioned costs of \$369,652 in Federal funds of which \$351,941 is unsupported costs.		
⁽²⁾ As described in Table I, this report included questioned costs of \$1,481 in Federal funds.		

MANAGEMENT DECISIONS WITH WHICH THE OFFICE OF INSPECTOR GENERAL DISAGREES AND THE CORPORATION'S AUDIT RESOLUTION SYSTEM

Decisions Related to Pre-Audit Surveys

In order to clean up a backlog of decisions related to OIG's pre-audit surveys of state commissions, Corporation management issued a March 30, 2001 memorandum declaring that previously proposed decisions for 24 of the pre-audit surveys were now to be considered final. CNS OIG had reviewed the proposed decisions (22 of which were issued in March 2001) and responded to the Corporation that we concurred with many of the responses to the individual recommendations within the reports.

However, in most of the reports, other findings demonstrated inadequate monitoring of subgrantee financial information, program performance, and the activities and service of AmeriCorps members. While the Corporation concurred with the findings of inadequate monitoring of such financial information, the Corporation, virtually uniformly, refused to acknowledge that the guidance issued by the Corporation to state commissions on monitoring subgrantees was inadequate. The Corporation, instead, advocates a collegial and unstructured approach to monitoring subgrantees which it characterizes as a "risk based monitoring strategy." Thus far, OIG has completed 37 pre-audit surveys of state commissions. OIG has recommended improvements for subgrantee monitoring for 32 commissions. Only five commissions have been found to have adequate monitoring systems. Accordingly, irrespective of how the Corporation characterizes its guidance to state commissions on monitoring subgrantees, the guidance is ineffective.

The concept of focusing on "risk" in assessing the likelihood of inappropriate transactions or activities is far from new; it has been used by the auditing profession for many years and is formally codified in the Statements on Auditing Standards promulgated by the American Institute of Certified Public Accountants (AICPA), and by the Office of Management and Budget (OMB) in the 1997 revision to Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The difference between the AICPA and OMB approach and that of the Corporation is that the former are structured (e.g. where risk is assessed as "low" such an assessment must be justified by testing of controls), whereas the latter is totally unstructured and permits the state commissions to monitor their subgrantees in any manner and to any degree that the individual commission might feel appropriate, without establishing a rationale supporting the monitoring employed.

The Corporation further justifies its position since it "requires its grantees and subgrantees to use the OMB A-133 audit as the primary basis for oversight of its awards" on the premise that "these audits cover the entire operations of the subgrantee including internal controls and compliance with laws and regulations." This argument indicates a lack of understanding of the requirements of OMB Circular A-133, particularly how programs are selected for compliance auditing. Audits of state commissions and other awards by the Corporation over the last few years have demonstrated that little, if any, reliance can be placed on A-133 audits, primarily because the Corporation's awards, when measured against the total federal awards to the audited entity are not considered "major" programs for which specific compliance testing is performed. For those reasons, the OIG expressed its disagreement with the Corporation's decision not to issue better guidance on monitoring subgrantee financial information, program performance, and the activities and services of

AmeriCorps members. We also requested that the Corporation provide specific information on its follow-up on the corrective actions that it was proposing for the individual state commissions.

Decisions Related to OIG Audits of CNS Contracts

During this semiannual reporting period, the Corporation notified OIG of final management decisions for six audit reports on CNS contracts. OIG did not concur with these decisions and has included the reports as “overdue” in Table III “Summary of Audits with Overdue Management Decisions” (page 22) because none of the six decisions resolved the questioned costs findings. The decisions also reported actions that missed the point of the recommendation or lacked adequate support. Finally, for five of six reports for which the contracts have now expired, OIG noted that CNS’ approach to resolving the compliance and internal control findings and recommendations included plans to review the contractors’ systems or the issuance of letters to contractors requesting improvements. It is difficult to perceive CNS’ standing to take or request such actions at this point, or how such future actions, in any way, work toward resolving the questioned costs which should have been the primary focus of the decisions.

The six audit reports were:

- ◆ Audit Report 99-09, *Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.*;
- ◆ Audit Report 99-10, *Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.*;
- ◆ Audit Report 99-18, *Audit of Corporation for National and Community Service Contract No. 97-743-1001 with GS Tech, Inc.*;
- ◆ Audit Report 00-02, *Audit of Corporation for National and Community Service Contract No. CNCS 94-004 and 97-743-1006 with Aguirre International*;
- ◆ Audit Report 00-21, *Audit of the Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administration Systems, Inc.*; and
- ◆ Audit Report 00-23, *Audit of the Corporation for National and Community Service Contracts No. CNCS 94-003 and No. 95-002 with Hi-Tech International, Inc.*

OIG also received the Corporation’s management decision on OIG Audit Report 99-15, *Audit of the Corporation’s Oversight and Monitoring of the Health Benefits Program*. As the title indicates, OIG performed this audit to assess management controls and actions related to Contract No. 95-743-1005 with Outsourced Administration Systems, Inc. (listed above) through which the Corporation provides health care coverage to VISTAs, NCCC members and others. One of the report’s recommendations was to assess whether it would be cost beneficial for the Corporation to seek legislative changes to allow the incorporation of this health care coverage into a plan currently offered to federal employees through the Office of Personnel Management; that is, through the Federal Employees Health Benefits Program. The Corporation’s decision on this recommendation was non-responsive — while CNS agreed that such an analysis should be performed, it cited an analysis performed in 1990 as meeting that requirement. CNS then stated that the recommendation’s implementation would require a legislative change. The audit report had acknowledged the Corporation’s 1990 analysis; however, it

recommended that the Corporation perform a *cost-benefit analysis* and then consider whether actions to request the legislative changes that would be necessary to effect the changes were warranted. Since the Corporation has actively been seeking legislative reauthorization since 1999, OIG believes this would be the time to consider whether money could be saved by providing the health benefits coverage under the FEHBP plans and whether this is a viable option.

Decisions Related to OIG Audits of CNS Grants

The Corporation issued two final management decisions on OIG grant audit reports that contained questioned costs. The reports were Audit Report No. 99-04, *Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC099* and Audit Report No. 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.* The following table summarizes these decisions in terms of allowed and disallowed costs.

Management Decisions on OIG Reports With Questioned Costs During the period October 1, 2000 – March 31, 2001					
	Federal Questioned Costs*				
	Allowed		Disallowed (Dollars in thousands)		Total
Overall	\$144	56%	\$111	44%	\$255
Unsupported	\$130	58%	\$95	42%	\$225
*The amount “allowed” represents costs claimed by a grantee and questioned in an audit that management subsequently determined were allowable. The amount “disallowed” represents questioned costs sustained by management.					

OIG disagrees with the Corporation’s decisions on these reports for the following reasons:

- ◆ On March 15, 2001, OIG received the Corporation’s final management decision for OIG Audit Report 99-04, *Audit of the Congressional Hunger Center*. The decision allowed more than \$95 thousand of costs questioned because they were unsupported at the time of the audit. OIG’s April 25, 2000 memorandum to the then-CFO disagreed with the Corporation’s proposal to allow these costs based on documentation described as being found in a warehouse, long after the audit report had been issued. OIG was then, and remains, skeptical of documentation that emerges under such circumstances, particularly

for subgrantees of a grantee where controls have been determined to be less than adequate. Further, CHC was given advance notice of the audit, the auditors were on-site for an extended period of time and shared their finding related to these costs with the auditee at an exit conference. The auditee had a 30-day period to respond to the draft audit report. At no time were the above-noted documents produced to OIG or its auditors, nor was there ever a mention of their existence or possible existence. Given these circumstances, OIG has requested that the Corporation produce for OIG review, the evidence upon which the decision to allow the costs is based.

- ◆ OIG disagreed with the management decision on OIG Audit Report 00-05, *Audit of Corporation for National and Community Service Grants with the Health Association of Niagara County, Inc.*, to the extent that it allowed costs that were questioned because they represented personnel and related-benefit costs of a staff member whose time was shared between a Foster Grandparents and Senior Companion program without an after the fact determination of the actual activity of the employee as required by OMB Circular A-122 and Special Condition No. 10 of the Notice of Grant Award. The audit revealed that the grantee failed to adequately support amounts charged under the grant, as required by the grant's own terms.

Reported Final Action Issues

During this reporting period, the Corporation reported final action on findings and recommendations for 12 OIG reports. Based on receiving an unqualified opinion on its financial statements, CNS management opted to report final action and close a number of reports that recommended financial management improvements including OIG's management letter from the audit of the Corporation's fiscal year 1999 financial statements (OIG Audit Report 99-24) and OIG's report on the Corporation's Action Plan (OIG Audit Report 00-13). OIG disagrees because these two reports included a number of recommendations which have not been appropriately implemented including:

- ◆ implementing an effective grants management system;
- ◆ establishing an automated method of reconciliation between the Department of Health and Human Services' PMS system which is used to fund CNS grants and the Corporation's general ledger system;
- ◆ developing grant close out policies and procedures, a consistent method for identifying expired grants and closing them in a timely manner, and enforcing procures to complete and document a funding reconciliation of expiring grants;
- ◆ implementing a periodic, sample-based review of the information in the Trust Fund database;
- ◆ establishing more comprehensive controls over budget execution reports (SF-133 submissions);

- ◆ implementing an independent validation (a follow-up) process to ensure that corrective actions are effectively implemented and establishing criteria to measure the results and completion of tasks; and
- ◆ documenting significant management decisions.

Recent OIG reports, including OIG Report Number 01-01, The Financial Statement Audits Report, have indicated that these recommendations have yet to be fully and effectively implemented.

The Corporation's Audit Resolution System Needs Improvement

The Corporation's audit resolution system is not functioning effectively. An effective system ensures the prompt resolution of findings from audits and other reviews. Table IV (page 23) of this report indicates that recommendations included in 21 audit reports have remained unresolved for over a year. Table III (Page 22) reports that approximately \$10 million of question costs have been unresolved for more than a year. OIG considered the results of the Corporation's financial statements audit when compiling Table V (page 25) and closed 229 recommendations related to the Corporation's financial management; however, OIG review of the audit reports listed and the Corporation's responses and decisions thereon reveals that 101 recommendations remain uncorrected.

An effective audit resolution system is one in which management is responsive to the findings and recommendations resulting from audits and other reviews and one in which management takes appropriate follow up actions. The Corporation has failed to take prompt and appropriate actions to correct the conditions reported in OIG's audit reports as illustrated by the overdue decisions and corrective actions reported in Tables III, IV, and V, and by management's decisions during this period on OIG's contract and grant audits. Moreover, as indicated by management's responses to the pre-audit surveys, management is reluctant, when it comes to its grantees, to implement effective corrective actions that address the root causes of the problems.

INVESTIGATIONS SECTION

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

HIGHLIGHTS OF INVESTIGATIONS CLOSED DURING THIS REPORTING PERIOD

Embezzlement Nets Prison Term and Court-Ordered Restitution for Director of Finance

We completed an investigation we began after it was reported to us that a Corporation grantee's Director of Finance allegedly stole approximately \$16,000 in cash and property. The subject fled to Australia and was arrested in Honolulu, HI, as she was returning to the United States. She was returned to Washington, DC, and was found guilty in Federal District Court. The subject was sentenced to serve twenty-one months in a Federal penitentiary, followed by three years probation that includes substance abuse training and testing, and to pay restitution of \$21,461 and court assessments of \$200. (99-041)

Corporation Employee Uses Government Travel Card for Over \$9,800 in Personal Charges

We completed an investigation we opened during a proactive effort where we determined that a Corporation employee might have used her Government issued travel card for personal use. We compared charges to the employee's government travel card account to the employee's official travel documents and found evidence that the employee used her official government travel card for over \$9,800 of personal charges. The employee admitted to using her card for personal use. Corporation management was provided a report for their use in determining what action to take against the employee. The action taken by management will be reported after receipt. (01-024)

Corporation Employees Misuse Government Issued Travel Card

We completed three separate investigations we opened after a member of Corporation management reported that three Corporation employees might have used their government issued travel card for personal use. We compared charges to the three employee's government travel card accounts to their official travel documents and found evidence that each of the employees used their official government travel card for personal use. Our review disclosed that

- ◆ one employee's account was \$4,588 in arrears and \$3,682 was charged to the account for what were apparently personal reasons (this employee resigned);
- ◆ one employee's account was \$150 in arrears and \$7,724 was charged to the account for what were apparently personal reasons (administrative action is pending); and
- ◆ one employee's account was \$518 in arrears and \$605 was charged to the account for what were apparently personal reasons (this employee was terminated while in a probationary status).

Corporation management was provided the necessary reports and documents for their use in deciding what action to take against the one remaining employee. Management has taken action against another employee for similar misconduct documented in a separate investigation (*page 17*). (01-016, 01-019, 01-020)

Forgery of AmeriCorps Time Logs Alleged – Arrest Warrant Issued

We completed an investigation we opened when we found evidence in audit working papers, prepared by an audit firm conducting a pre-audit survey for the OIG, that two AmeriCorps members serving in a state commission-funded program forged signatures on the AmeriCorps time logs. Our investigation determined that only one of the former AmeriCorps members forged signatures. The State Attorney's Office accepted this matter for prosecution, a warrant for the subject's arrest was issued, and if the subject comes to the attention of law enforcement (the state does not pursue misdemeanor warrants), the subject will be apprehended and prosecuted. When the subject is apprehended and prosecuted we will prepare a supplemental report. (00-030)

Suspect in Travel Fraud Allegations Makes Restitution – Prosecutor Declines Further Action

We completed an investigation we opened after learning that a grantee's former program director stole Federal funds by obtaining travel advances for meals that were later provided at no charge. Our investigation determined that the former program director obtained travel advances totaling \$686 for meals when the Corporation paid for the meals. We also found the former program director received a travel advance, airline ticket, and a separate hotel room advance, totaling \$1,563, for a conference he did not attend. He kept the funds and ticket. The total loss was \$2,249, none of which was charged against the Corporation grant after we became involved. The U.S. Attorney's office declined to accept this case for prosecution based on the low dollar value. The local prosecutor accepted the case for prosecution and the former director made full restitution. The former director was indicted by a local grand jury and a warrant issued for his arrest. When an attempt was made to serve the warrant, it was learned that the former director had left the state. Since the funds were repaid and the arrest warrant was for an offense that is not extraditable, the local prosecutor anticipates no further action. (00-008)

Charges Withdrawn in Alleged Forgery

We completed an investigation we opened after learning that an AmeriCorps member had forged the signature of a certifying official on the member's End of Term of Service Form. Our investigation disclosed evidence that the AmeriCorps member physically cut the signature of the certifying official from a letter sent by the official to the member and then affixed the signature on the End of Term of Service Form. The member then apparently faxed the form to the Corporation claiming she had completed 2000 service hours in an effort to receive an education award. No award was paid. The U.S. Attorney declined to accept this matter for prosecution. The matter was referred to and accepted by the local prosecutor for prosecution. The charge against the former member was a misdemeanor forgery offense and the former member contested the charge. The District Attorney subsequently determined it was not cost effective to pay witness travel expenses for a misdemeanor offense when the crime itself resulted in no loss of funds, and charges were withdrawn. (00-020)

Appearance of Conflict of Interest & Telephone Abuse Results in Removal & Reimbursement

We completed an investigation we opened to review the relationship between a senior Corporation employee and the Corporation employee's brother, an employee of a government contractor providing services to the Corporation.

Our investigation disclosed an appearance that the government employee was not acting impartially while executing his duties. The employee of the government contractor was interviewed and denied receiving any special favors or treatment from the government employee, but during this interview admitted to using Corporation resources to place numerous long distance telephone calls for personal use. We referred the information regarding the theft of services (telephone abuse) to the Corporation's Chief Operating Officer and recommended that the contractor's employee be removed from the site and steps be taken to obtain reimbursement for the long distance telephone calls and for the time devoted to placing the calls.

The contractor's employee was removed from the contract and from the Corporation, and the contractor reimbursed the Corporation for the long distance telephone calls placed by the contractor's employee and for the time the employee was on the telephone. The reimbursement of \$749.85 (\$145.17 in long distance charges and \$604.68 for the time spent on the telephone rather than working) was in the form of an "offset" against an invoice payment. (99-035)

AmeriCorps Member Forges Supervisor's Signature to Time Sheet – Arrest Warrant Issued

We completed an investigation we opened when an executive director of a state commission reported possible fraudulent activity within a commission-funded AmeriCorps program.

Our investigation disclosed that an AmeriCorps member (ACM) forged her site coordinator's signature to her (the ACM's) time log, although she did, in fact, serve some of the hours reported. Local program management conducted an internal inquiry and confirmed the forgery, resulting in the immediate termination of the ACM from the program. The United States Attorney's Office declined prosecution. The State Attorney's Office accepted this matter for prosecution, a warrant for the subject's arrest was issued, and if the subject comes to the attention of law enforcement (the state does not pursue misdemeanor warrants), the subject will be apprehended and prosecuted. When the subject is apprehended and prosecuted we will prepare a supplemental report. (00-037)

AmeriCorps Member Fraudulently Obtains Childcare Benefit and Pleads Guilty – Arrest Warrant Issued Upon Failure to Appear and Failure to Pay Restitution

We completed an investigation we opened upon receiving information that an AmeriCorps member was receiving state aid for childcare that was also being funded by AmeriCorps Care, a childcare subsidy available to eligible full-time AmeriCorps members while they are participating in national service. Our investigation disclosed that the AmeriCorps member, who was terminated from the AmeriCorps program, submitted documentation through AmeriCorps channels indicating that the grandfather of her children was providing childcare for two of her children. Payments were made to the grandfather for childcare that was reportedly provided. We found evidence that one of the children was in the legal custody of a grandmother. The grandmother has a different last name than

the aforementioned grandfather, although they reportedly resided at the same address, an address that is different from the address where the grandfather received payment for the childcare he purportedly provided. The subject also received money from the state to provide childcare for the two children and the care was actually provided by a daycare center.

The District Attorney's office accepted this matter for prosecution after the U.S. Attorney declined due to the low dollar value. The subject was interviewed and admitted having her grandfather cash the AmeriCorps Care checks and then taking all the money from him. Criminal complaints were filed against the subject and the grandfather, and arrest warrants were obtained for both parties. The subject voluntarily surrendered, was arrested, pled guilty, and agreed to pay full restitution. The grandfather, who fled to Florida, was not pursued inasmuch as this is not an extraditable offense.

The subject was sentenced to a conditional discharge and the case was adjourned so she could make restitution. An initial payment was made to the Corporation and further restitution was to be made to the Corporation via the county probation department. After the initial payment, no additional payments were made, and the subject failed to appear at her next scheduled court appearance. The court has issued a warrant for her arrest. When the subject is apprehended, a supplemental report will be prepared. (99-025)

AmeriCorps Member Forges Timesheet & Steals Credit Card – Arrest Warrant Issued

We completed an investigation we opened after a program officer for a state commission notified us of a possible forgery of a former AmeriCorps member's timesheet. Our investigation determined that a former AmeriCorps member forged her on-site coordinator's signature to the member's timesheets for a two-month period, claiming approximately 91 service hours the member did not serve or that could not be verified. Further, it appeared the subject stole her on-site coordinator's personal credit card and used this card for various purchases. The subject's status as an AmeriCorps member was terminated for attendance problems prior to the discovery of the aforementioned offenses. The subject did not receive and is not eligible to receive an education award. The State Attorney's Office accepted this matter for prosecution, a warrant for the subject's arrest was issued, and if the subject comes to the attention of law enforcement (the state does not pursue misdemeanor warrants), the subject will be apprehended and prosecuted. When the subject is apprehended and prosecuted, we will prepare a supplemental report. (00-044)

Corporation Employee Operates Private Business Using Corporation Resources

We completed an investigation we opened after a Corporation employee, who was the target of a separate OIG investigation, reported that one of his subordinates, also a Corporation employee, was operating a private business from within the Corporation, during Corporation business hours. We found evidence that the employee received personal packages through the Corporation's mailroom on a regular basis for her private business. We also found evidence that the employee devoted several hours each day to using a Corporation telephone and a Corporation computer, both in support of her personal business. The employee's actions appear to violate the Federal Standards of Conduct and Federal regulations. Corporation management was provided a report for their use in determining what action to take against the employee. The action taken by management will be reported after receipt. (01-022)

Joint Investigation Uncovers Former VISTA Misconduct – Prosecution Declined

We completed an investigation we began upon learning that the FBI and the Department of Education OIG were investigating allegations of misconduct by former VISTA participants. We joined a joint investigative task force, lead by the FBI, investigating allegations of false, fraudulent or otherwise inappropriate claims for funding submitted by community-based organizations within one state. The U.S. Attorney's Office declined to accept this matter for prosecution based on the low dollar amount. The local District Attorney's Office declined to prosecute because under state law the statute of limitations for theft had expired. No Corporation funds were lost. (99-010)

FOLLOW-UP ON INVESTIGATIONS CLOSED DURING A PREVIOUS REPORTING PERIOD

Paid Substitute Teachers Earn AmeriCorps Education Award – Management Responds that Grantee is in Compliance with Statutory Provisions

During the reporting period previous to the period addressed by this report, we completed an inquiry we opened after a confidential source provided information that AmeriCorps members were earning service hours while engaged in an activity (assistant teaching) for which they were being otherwise compensated. The assistant teachers who 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.

We referred this matter to Corporation management, expressing OIG concerns regarding non-duplication, non-displacement¹, and the appearance created by salaried employees receiving AmeriCorps education awards under such circumstances. We recommended that management request a written legal opinion from their General Counsel regarding the service of the AmeriCorps members in the Teacher Assistant Program and Section 177 of the National Community Service Act (NCSA), 42 U.S.C. Section 12637, concerning non-duplication and non-displacement. We further recommended that if management determined the AmeriCorps members' service violates the provisions, then management should act immediately to bring the grantee in compliance with the provisions of the grant. We concluded by recommending that if management determined the

¹ The statutory prohibition on non-duplication means that Corporation funds may not be used for a program participant to provide a service, duty, or activity that is already being performed as part of the duties of an employed person in that locality. Likewise, the prohibition on non-displacement means that an employer may not displace a current employee or position, even partially by reduction in wages or benefits, by use of a participant in a Corporation funded program.

AmeriCorps members' service was not in violation of the non-duplication and non-displacement provisions, they should file their legal opinion supporting such a determination with the government's official copy of the grant document.

Management responded to our recommendations with a written legal opinion from the General Counsel that concludes that the operation of the aforementioned program was not in violation of the rules regarding duplication and displacement. This opinion stated that the general rules against duplication and displacement were not read in isolation, but rather in light of section 122(a)(8) of the NCSA, 42 U.S.C. Section 12572(a)(8). This section of the NCSA specifically designates a professional corps program that recruits and places qualified participants in positions as teachers as a type of national service program eligible for funding.

After reviewing management's response, we requested they revisit their opinion in light of the legislative history relative to the cited provision of the NCSA. Senate Report language concerning the provision states:

It is the Committee's intent that such professional corps be eligible for funding only if they are placing individuals into such a professions for the first time in a community that cannot attract enough of these professionals. It is not the intent of the Committee that professionals already serving in these professions could apply for funding and post-service educational awards for their continued service in the same position in which they have been serving.

S. Rep. No. 70, 103rd Cong., 1st Sess. 20 (1993)

We informed management that we felt the program appears to fail as a professional corps program for three reasons: It solicits existing Assistant Teachers and does not create a corps of first-time teachers. It appears to be established in communities with adequate numbers of teachers. And finally, the Assistant Teachers are already serving as teachers and could apply for post-service educational service awards for their continued service in the same position in which they have been serving.

Management responded to our request that they revisit their first response by providing a second memorandum from the General Counsel. The General Counsel concludes that "while the definition in subtitle C of a 'professional corps' program is helpful in understanding the scope of the rules on duplication and displacement applicable to programs funded under title I of the NCSA, it does not preclude [the grantee] from receiving a AmeriCorps Education Award grant under the more flexible authority of subtitle H of the NCSA. For this reason, I see no need to amend my opinion of November 13, 2000." Management stated that General Counsel and OIG memoranda on this matter would be made a part of the official grants file. (99-040)

Management Terminates Employee Following Travel Card Abuse

During the reporting period previous to the period addressed by this report, 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

INVESTIGATIONS

employee's requests for travel reimbursement with the charge card statements indicated 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. Management dismissed the employee. (00-043)

INVESTIGATIONS

STATISTICAL SUMMARY OF INVESTIGATIONS	
Opened and Closed	
Number of Cases Open at Beginning of Reporting Period.....	33
Number of New Cases Opened During This Reporting Period.....	30
Number of Cases Closed During This Period With Significant Findings.....	14
Number of Cases Closed During This Period With No Significant Findings.....	16
Total Cases Closed This Reporting Period.....	30
Number of Cases Open at End of Reporting Period.....	33
Referred	
Number of Cases Referred for Prosecution During This Reporting Period.....	11
Number of Cases Accepted for Prosecution During This Reporting Period.....	7
Number of Cases Declined for Prosecution During This Reporting Period.....	3
Number of Cases Pending Prosecutive Review.....	2

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	10	\$ 10,408	\$ 2,602
2. Which were issued during the reporting period	2	371	352
	—	—	—
3. Subtotals (1 plus 2)	12	10,779	2,954
4. For which a management decision was made during the reporting period:	2		
(i) dollar value of disallowed costs		111	95
(ii) dollar value of costs not disallowed		<u>144</u>	<u>130</u>
5. For which no management decision had been made by the end of the reporting period (3 minus 4)	<u>10</u>	<u>\$ 10,524</u>	<u>\$ 2,729</u>
6. Reports with questioned costs for which no management decision was made within six months of issuance	7	\$ 9,614	

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 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	Status as of March 31, 2001
99-09	Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.	\$ 739,458	11/02/99	<i>Management has not resolved the questioned costs.</i>
99-10	Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.	296,665	01/29/00	<i>Management has not resolved the questioned costs.</i>
99-18	Audit of Corporation for National and Community Service Contract No. 97-743-1001 with GS Tech, Inc.	50,850	02/13/00	<i>Management has not resolved the questioned costs.</i>
00-02	Audit of Corporation for National and Community Service Contract No. CNCS 94-004 and 97-743-1006 with Aguirre International	7,279	05/29/00	<i>Management has not resolved the questioned costs.</i>
00-04	Evaluation of the Corporation's Oversight and Monitoring of the Cooperative Agreement with the National Association of Child Care Resources Referral Associates	—	06/11/00	<i>Overdue</i>
00-12	Follow-up Audit of the Corporation's Procurement Operations	—	03/26/01	<i>Overdue</i>
00-21	Audit of the Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administration Systems, Inc.	7,379,847	07/05/00	<i>Management has not resolved the questioned costs.</i>
00-22	Audit of Corporation for National and Community Service Contract No. CNCS 94-002 with Encore Management Corporation	1,102,982	03/20/01	<i>Overdue</i>
00-23	Audit of the Corporation for National and Community Service Contracts No. CNCS 94-003 and No. 95-002 with Hi-Tech International, Inc.	36,852	12/12/00	<i>Management has not resolved the questioned costs.</i>
Total		<u>\$9,613,933</u>		

TABLE IV
REPORTS DESCRIBED IN PRIOR SEMIANNUAL
REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due
98-02	Review of Corporation for National and Community Service Pre-award Financial Assessment of Grant Applicants	04/27/98	04/27/99
98-23	Auditability Assessment of the Corporation for National Service at September 30, 1997	07/08/98	07/08/99
99-01	Audit of Corporation for National and Community Service Statement of Financial Position (September 30, 1997)	10/09/98	10/09/99
99-02	Recommended Improvements to the Corporation's Internal Controls (Management Letter)	11/17/98	11/17/99
99-04	Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC099	01/22/99	01/22/00
99-05	Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Awarded to Congressional Hunger Center	02/26/99	02/26/00
99-09	Audit of Corporation for National Service Contract No. 95- 743-1009 with Biospherics, Inc.	05/06/99	05/06/00
99-10	Audit of Corporation for National and Community Service Contract No. 95-101 with TvT Associates, Inc.	08/02/99	08/02/00
99-12	Audit of the Corporation for National and Community Service's Fiscal Year 1998 Financial Statements	04/09/99	04/09/00
99-15	Audit of Corporation's Oversight and Monitoring of the Health Benefits Program	09/14/99	09/14/00
99-18	Audit of Corporation for National and Community Service Contract No. 97-743-1001 GS Tech, Inc.	08/27/99	08/27/00
<i>(continued)</i>			

TABLE IV
REPORTS DESCRIBED IN PRIOR SEMIANNUAL
REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due
00-01	Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements	03/31/00	03/31/01
00-02	Audit of Corporation for National and Community Service Contract No. CNCS 94-004 and 97-743-1006 with Aguirre International	11/30/99	11/30/00
00-04	Evaluation of the Corporation's Oversight and Monitoring of the Cooperative Agreement with the National Association of Child Care Resources Referral Associations	12/14/99	12/14/00
00-09	Pre-Audit Survey of the Tennessee Commission on National and Community Service	02/09/00	02/09/01
00-14	Pre-Audit Survey of the Pennsylvania Commission on National and Community Service	03/28/00	03/28/01
00-16	Pre-Audit Survey of the West Virginia Commission on National and Community Service	03/27/00	03/27/01
00-17	Pre-Audit Survey of the Missouri Community Service Commission	03/28/00	03/28/01
00-18	Pre-Audit Survey of the Virginia Commission on National and Community Service	03/24/00	03/24/01
00-19	Pre-Audit Survey of the New Hampshire Commission on National and Community Service	02/09/00	02/09/01
00-21	Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc.	01/06/00	01/06/01

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports	Corrective Action Completed	Open Recommendations
<i>Financial Management</i>			
Audit of the Corporation for National and Community Service's Fiscal Year 2000 Financial Statements (OIG Audit Report 01-01, issued 03/29/01)	23	0	23
Recommended Improvements to the Corporation's Internal Controls – Fiscal Year 1998 Management Letter (OIG Audit Report 99-24, issued 06/30/99)	34	24	10
Audit of the Corporation for National and Community Service Fiscal Year 1998 Financial Statements (OIG Audit Report 99-12, issued 04/09/99)	22	9	13
Recommended Improvements to the Corporation's Internal Controls – <i>Management Letter</i> (OIG Audit Report 99-02, issued 11/17/98)	12	10	2
Audit of the Corporation for National and Community Service FY 97 Statement of Financial Position (OIG Audit Report 99-01, issued 10/09/98)	2	0	2
Auditability Assessment of the Corporation for National Service at September 30, 1997 (OIG Audit Report 98-23, issued 07/08/98)	141	128	13
Recommended Improvements to the Corporation's Internal Controls Fiscal Year 1999 – Management Letter (OIG Audit Report 00-38, issued 06/27/00)	36	10	26
<i>(continued)</i>			

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

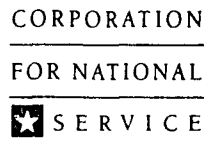
	Number of Recommendations in Reports	Corrective Action Completed	Open Recommendations
Review of the Corporation for National and Community Service Action Plan (OIG Audit Report 00-13, issued 12/01/99)	53	33	20
Audit of the Corporation for National and Community Service's Fiscal Year 1999 Financial Statements (OIG Audit Report 00-01, issued 03/31/00)	30	15	15
<i>Grant Oversight and Monitoring</i>			
Pre-Audit Surveys	4	0	4
Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission (OIG Audit Report 01-05, issued 01/11/01)	2	0	2
Review of the Corporation's Use of Single Audit Reports (OIG Audit Report 01-14, issued 02/01/01)	10	0	10
Assessment of AmeriCorps Service Hour Reporting (OIG Audit Report 98-19, issued 08/27/98)	18	16	2
Review of the Corporation for National and Community Service Pre-Award Financial Assessment of Grant Applicants (OIG Audit Report 98-02, issued 04/27/98)	3	1	2
<i>(continued)</i>			

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports	Corrective Action Completed	Open Recommendations
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 12/06/99)	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
<i>Procurement and Contract Management</i>			
Audit of Corporation's Procurement and Contracting Processes and Procedures (OIG Audit Report 98-24, issued 09/30/98)	26	16	10
Follow-up Audit of the Corporation's Procurement Operations (OIG Audit Report 00-12, issued 09/25/00)	25	0	25
Audit of Corporation for National and Community Service Contract No. 95-743-109 with Biospherics, Inc. (OIG Audit Report 99-09, issued 5/6/99)	3	0	3
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. 97-743-1001 with GS Tech, Inc. (OIG Audit Report 99-18, issued 08/27/99)	3	0	3
<i>(continued)</i>			

TABLE V
STATUS OF RECOMMENDATIONS ON
CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports	Corrective Action Completed	Open Recommendations
Audit of Corporation's Oversight and Monitoring of the Health Benefits Program (OIG Audit Report 99-15, issued 09/14/99)	11	3	8
Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc. (OIG Report 00-21, issued 01/06/00)	19	3	16
Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc. (OIG Audit Report 99-10, issued 08/02/99)	2	1	1
Audit of Corporation for National and Community Service Contract No. CNCS-94-002 with Encore Management Corporation (OIG Audit Report 00-22, issued 09/22/00)	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	1	1
<i>Audit Resolution</i>			
OIG FY 97 Semiannual Report 1 (OIG Audit Report SAR 97-1, issued 04/30/97)	<u>5</u>	<u>1</u>	<u>4</u>
Total	<u>515</u>	<u>271</u>	<u>244</u>



May 31, 2001

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, 2000 through March 31, 2001. During this period, the Corporation made management decisions on 38 audits and completed final action on or closed 18 audits. Subsequent to this period, the Corporation made final management decisions on two additional audits.

Financial Management and Reporting. As the semi-annual report notes, the Inspector General issued the audit of the Corporation's fiscal 2000 financial statements during this reporting period. The Corporation is pleased that it received an unqualified opinion and is also pleased that the report recognizes many improvements in internal controls. Testing of compliance with laws and regulations disclosed no instances of noncompliance, and only one area of Corporation operations remains materially weak - grants management. We are proud of these accomplishments, and are continuing our work to strengthen grants management. Most importantly, we are designing and implementing a single grants management system and revising and strengthening our A-133 policies and procedures.

State Commission Surveys. The semi-annual report raises issues with the Corporation's decisions related to state commission monitoring of subgrantees. The Corporation reiterates that it has several processes and requirements in place to ensure state commissions monitor their subgrantees appropriately. We require state commissions to use the OMB Circulars common across the grant programs of the Federal government for administering and monitoring their subgrantees (OMB Circulars A-102; A-110; A-122; A-133; A-21 and A-87). In addition, at the end of 1999, the Corporation established additional guidance for its state commissions entitled *State Administrative Standards*. In three specific standards, the Corporation further delineates the state commission's monitoring responsibilities related to its subgrantees. These standards indicate that, among other strategies, the commissions must employ a risk-based monitoring strategy, conduct monitoring site visits to subgrantees, provide feedback from site visits and assure that subgrantees remedy deficiencies within appropriate timeframes.



The OIG recommends that the Corporation revise its guidance on subgrantee monitoring to specify minimum procedures to be performed. The Corporation has established minimum thresholds for the monitoring and oversight process consistent with and more extensive than the federal-wide standards issued by OMB. We advocate a risk-based approach that allows commissions to consider experience, organizational history, past performance and the factors recited above. However, we believe the implementation of procedures recommended by the OIG would be contradictory to OMB regulations, and control and restrict the current flexibility of a state commission to assess its programs and promulgate a monitoring plan based on risk.

It is worth noting that OMB Circular A-133 addresses risk in pass-through entities' (e.g., state commissions) monitoring as "factors such as size of the award, percentage of total program's funds, complexity of the compliance requirements may influence the extent of monitoring procedures." The Circular goes on to state that "Monitoring activities may take various forms, such as reviewing reports submitted by the subrecipient, performing site visits to the subrecipient to review financial and programmatic records and observe operations, arranging for agreed-upon procedures for certain aspects of subrecipient activities, such as eligibility requirements, reviewing the results of single or program-specific audits." This is the approach taken by the Corporation.

Reported Final Action Issues. The OIG semi-annual report also notes that OIG disagrees with Corporation management's decision to close a number of audit reports, noting seven recommendations that the OIG considers open. The Corporation closed the audits containing most of those recommendations because they repeat in more recent audits rather than double counting them. We are tracking and resolving 5 of the 7 listed recommendations through more recent audits. Two of the recommendations the OIG listed are contained in audit report 00-38 which the Corporation has not closed.

Decisions Related to Audits of Corporation Contracts. The OIG indicates in its report that it did not concur with Corporation decisions on contract audits because the management decision did not resolve the questioned costs findings. The Corporation did not determine the amount of disallowed costs in the management decision. However, the management decision describes in detail how we plan to render a final decision on the allowability of questioned costs. A management decision cannot incorporate a final decision on the allowability of questioned costs under a contract if an equitable adjustment is needed in the contract terms or additional auditing is required. We informed the OIG in our management decisions that additional auditing or other contract actions were required prior to rendering a final decision that would be sustainable upon appeal.

In making our final decision on the allowability of direct and indirect costs, we use the cost and payment guidance in the Federal Acquisition Regulation (FAR). During the audit resolution process, we verify the allowability of direct costs, indirect rates, and fees, using the applicable criteria in the FAR, Cost Accounting Standards (CAS), and the revised terms of the contract, if any. All of these actions need to be performed prior to reaching a final decision on the allowability of costs and fees under our contracts. Any unallowable costs that are sustained by the contracting officer during our review will be disallowed and reported to the OIG in a final resolution memorandum.

Status of Recommendations on Corporation Management Issues. The Corporation has made substantial progress in addressing recommendations made by the OIG. However, Table V in the semi-annual report does not reflect status reports provided to the OIG by the Corporation during the reporting period on corrective action completed related to the recommendations, nor does it reflect recommendations that close because they repeat in more recent audits. In its audit resolution system, the Corporation records 479 recommendations made by the OIG in the audit reports listed in Table V. Of these recommendations, the Corporation has corrected and closed 388 recommendations or about 80 per cent, and is still working on 91 recommendations. Of the recommendations in this latter category, most are related to audits issued in fiscal years 2000 and 2001. The enclosed Table IV provides detailed information on the Corporation's progress related to management recommendations.

Audit Resolution Processes. The Corporation has put in place an audit resolution system and has a detailed tracking system that records each review made by the OIG, and its final disposition. The Inspector General is concerned regarding the number of recommendations and the dollar amount of questioned costs that remain unresolved after one year. However, in most cases, as described above, the unresolved questioned costs relate to contract audits that require additional auditing work and review of incurred cost submissions from contractors before the Corporation can determine which costs to allow and disallow. In addition, the OIG records of unresolved recommendations include recommendations that repeat in future audits. As already noted, the Corporation closes recommendations that repeat, tracks them in current audits and appropriately notes this practice in the tracking system. Table IV in the Corporation's response describes Corporation actions related to those management recommendations.

Overall, the Corporation has shown, and continues to show good results in management improvements. Management controls are stronger, improvements have been and are being made in infrastructure, and major technology and systems work has been successfully implemented and more is underway. The Corporation has established its management priorities 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 Corporation's Inspector General.

Sincerely,



Wendy Zenker
Acting Chief Executive Officer

TABLE I

ACTION TAKEN ON AUDIT REPORTS
(for the Period October 1, 2000 through March 31, 2001)

	<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.	51	
B. Audit reports issued by the OIG during the period	13	
C. Audit reports for which final action was taken during the reporting period	18	
1. Recoveries		
(a) Collections and offsets	7	\$171
(b) Property in lieu of cash		
(c) Other (reduction of questioned costs)		
2. Write-offs	0	
3. Audits with no disallowed costs	11	
D. Audit reports for which final action was not taken by the end of the reporting period. ¹	46	
E. Additional audit reports for which management decisions were made during the six-month reporting period and for which final action is underway. ²	29	

¹ This includes 33 audits for which final action is not overdue.

² Management decisions on 14 of the remaining 17 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 October 1, 2000 through March 31, 2001)

	<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 May 22, 2001)**

<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>
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 under review within the CFO office for issuance in June.
98-23	7/8/98	Auditability Assessment of the Corporation's FY97 Statement of Financial Position	N/A	The Corporation closed this audit because the remaining open recommendations repeat and are being tracked through the FY2000 audit.
99-01	10/9/98	Audit of the Corporation's FY97 Statement of Financial Position	N/A	The Corporation closed this audit because the remaining open recommendations repeat and are being tracked through the FY1999 report on internal controls (00-38).
99-02	11/17/98	Recommended Improvements to the Corporation's Internal Controls (Management Letter)	N/A	The Corporation completed corrective action on this audit and reported final action complete to the OIG on June 30, 2000.
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 3/31/01, 4 of the 5 recommendations were closed. The final recommendation is being reassessed for effectiveness and revised for inclusion in CFO grant policies on financial monitoring of grantees.
99-09	5/6/99	Audit of Corporation Contracts with Biopheries, Inc	\$739,458	The Corporation must complete incurred cost audits for fiscal years 1996-1998 on this contract before final action can be completed. The review will be completed by January 30, 2002.
99-10	8/2/99	Audit of Corporation Contracts with TvT, Inc.	\$294,094	In Appeal. The Office of General Counsel is reviewing a recommendation to refer this appeal to the Armed Forces Board of Contract Appeals.

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 on November 13, 2000, after the final open recommendation was resolved.
99-15	9/14/99	Audit of Corporation's Oversight and Monitoring of the Health Benefits Programs	N/A	The Corporation issued its Management Decision on this audit on December 22, 2000. As of May 20, 2001, all but one corrective action had been completed. The final corrective action will be completed when a contract is in place for outside expertise to assist in performing technical analysis of health benefits.
99-18	8/27/99	Audit of Corporation Contracts with GS Tech, Inc	\$50,850	The Corporation issued its Management Decision on this audit on November 12, 2000. Additional auditing is required to audit costs through 2/20/00 that were not reviewed during the OIG audit. Estimated completion date is March 30, 2002.
00-01	3/31/00	Audit of the Corporation's FY 1999 Financial Statements	N/A	The Corporation closed this audit on April 4, 2001, when the IG issued the audit of the FY 2000 financial statements. The remaining open recommendations in this 1999 audit are repeated in the 2000 audit and are being tracked there.
00-02	11/30/99	Audit of the Corporation's Contract with Aguirre Int'l.	TBD	During the course of audit resolution, Corporation staff found errors in the allocation of indirect cost rates that needed to be corrected by the contractor's cognizant agency, U.S. AID. AID has elected not to do so due to budget constraints. Therefore, the Corporation must perform an incurred cost audit for fiscal 1998 to determine the allowable indirect costs. Expected completion is March 30, 2002.
00-04	12/14/99	Evaluation of the Corporation's Oversight and Monitoring of its cooperative agreement with the National Association of Child Care Resource Referral Assns.	N/A	The Corporation issued its Management Decision on the audit on May 15, 2001. Corrective action will be completed by August 2001 when a final indirect cost rate is approved.
00-09	2/09/00	Pre-audit Survey of the Tennessee Commission	N/A	The Corporation issued its Management Decision on March 30, 2001. Final action will be completed as a result of the Administrative Standards Review scheduled for July 2001.
00-14	3/28/00	Pre-audit Survey of the Pennsylvania Commission on Community Service	N/A	The Corporation issued its Management Decision on March 30, 2001. The Corporation conducted the Administrative Standards Review in April 2001. Final corrective action should be complete by June 30, 2001.

00-16	3/27/00	Pre-audit Survey of the West Virginia Commission on Community Service	N/A	The Corporation issued its Management Decision on March 30, 2001. Final corrective action has been completed on all but one finding. The remaining open finding will be corrected upon review of the revised A-133 follow-up procedure.
00-17	3/28/00	Pre-audit Survey of the Missouri Commission on Community Service	N/A	The Corporation issued its Management Decision on March 30, 2001. Final corrective action has been completed on two of the findings. Final corrective action should be completed on the remaining open findings during the site visit scheduled for June 2001.
00-18	3/24/00	Pre-audit Survey of the Virginia Commission on Community Service	N/A	The Corporation issued its Management Decision on March 30, 2001. Final corrective action has been completed on all but one finding. Final corrective action on the remaining finding will be completed by June 30, 2001.
00-19	2/9/00	Pre-audit Survey of the New Hampshire Commission on Community Service	N/A	The Corporation issued its Management Decision on March 30, 2001. Final corrective action has been completed on five of the findings. Final corrective action should be completed during the Administrative Standards review scheduled for August 2001.
00-21	1/6/00	Audit of the Corporation's Contract with Outsourced Administrative Systems	TBD	The Corporation's Management Decision on this audit indicated that corrective action could not be completed without an incurred cost audit for 1994-1998. The incurred cost submission is now under review and we anticipate completion of the audit by October 30, 2001.

TABLE IV

**Management Response to Status of Recommendations on
Corporation Management Issues
As of May 21, 2001**

Category and Report	Number of Recs. In Report	Number Closed	Number Open	Comments
<i>Financial Management</i>				
Audit of the Corporation's FY2000 Financial Statements, Audit Report 01-01	23	0	23	The Corporation received the audit in March 2001 and will make its Management Decision by August, 2001
Fiscal Year 1999 Management Letter, Audit Report 00-38	31 ¹	26	5	Management Decision issued to OIG on 10/16/00 described corrective action completed.
Review of the Corporation's Action Plan, Audit Report 00-13	22 ²	22	0	The Corporation closed this audit with the issuance of the unqualified opinion on its FY2000 financial statements.
Audit of the Corporation's FY1999 Financial Statements, Audit Report 00-01	27 ³	27	0	The Corporation closed the audit on 4/4/2001, with the issuance of the FY 2000 financial statements because the remaining 2 open recommendations are repeated in and being tracked through the FY2000 audit.
Audit of the Corporation's FY1998 Financial Statements and Management Letter, Audit Reports 99-12 and 99-24	57	57	0	The Corporation reported corrective action complete on Audit Report 99-12 in November 2000 and closed Audit Report 99-24 in March 2001 because the remaining open recommendations are repeated in and being tracked through the FY2000 audit.

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.

<i>Financial Management, Con't.</i>				
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.
Recommended Improvements 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.
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
<i>Procurement & Contract Mngt.⁴</i>				
Audit of Corporation Contracts with Hi-Tech International, Inc., Audit Report 00-23	3	3	0	The Management Decision, issued to OIG on 2/16/01, reported corrective action complete on internal control and compliance issues. See Table III.
Audit of Corporation Contracts with Encore Management, Audit Report 00-22	6	6	0	The Proposed Management Decision, submitted to OIG on 3/07/01, reported corrective action complete on internal control and compliance issues.
Audit of Corporation Contract #95-43-1005 with OASYS, Audit Report 00-21	20	2	18	Management Decision issued on 2/16/01 reported corrective action completed on 2 of 20 recommendations. Corrective action cannot be completed on the remaining recommendations until an incurred cost audit is completed. See Table III.
Follow-up Audit of the Corporation's Procurement Operations, Audit Report 00-12	25	9	16	Management Decision issued on 5/18/01 reported corrective action completed on 9 of 25 recommendations.
Audit of Corporation Contract #94-004 & 97-743-1006 with Aguirre International, Audit Report 00-02	2	1	1	Management Decision issued on 11/20/00 reported corrective action completed on 1 of the 2 internal control and compliance recommendations.

⁴ The management recommendations to the Corporation in most of these audits relate to internal control and compliance findings in the contractor's systems, not Corporation operational issues. The Corporation addressed those findings and reported corrective action completed on them in its Management Decisions, but the audits remain open pending resolution of questioned costs. See Table III for more information.

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 corrective action completed on management recommendations. The audit itself remains open pending a decision on an appeal related to cost findings. See Table III.
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 corrective action completed on the management recommendations. The audit itself remains open pending a decision on an appeal related to cost findings. See Table III.
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 that the Corporation had closed the management recommendations because the contract had expired. The findings related to costs remain open pending completion of an incurred cost audit. See Table III.
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.
<i>Grant Oversight and Monitoring</i>				
State Commission Pre-Audit Surveys Issued during this Period	4	3	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 the Corporation's Grants with the Delaware Commission, Audit Report 01-03.	2	0	2	The Management Decision on this audit is due in July 2001 and will address the recommendations.
Review of the Corporation's Review of Single Audit Reports, Audit Report 01-14	10	0	10	The Management Decision on this audit is due in August 2001 and will address the recommendations.

Audit of Corporation Grants to Health Association of Niagara County, Audit Report 00-05	2	2	0	Management Decision issued on 10/5/00 reported corrective action complete.
Evaluation of the Corporation's Oversight and Monitoring of NACCRRA, Audit Report 00-04	18	8	10	Management Decision issued on 5/15/01 reported corrective action complete on 8 recommendations. Remaining corrective action will be completed by August 2001 when a new indirect cost rate is in place.
<i>Grantee Oversight, Con't.</i>				
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	Management Decision issued 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.
<i>TOTALS</i>	479	388	91	