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Office of Inspector General  
Corporation for National and Community Service

Semiannual Report to the Congress  
for the period  
October 1, 2001 - March 31, 2002

*Fiscal Year 2002*  
*Semiannual Report No. 1*

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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 ten audit reports, including the audit of the Corporation's fiscal year 2001 financial statements and audits of grants awarded to two state commissions. Summaries of all audit reports issued during this period are on page 10.

### *Financial Management*

The audit of the Corporation's fiscal year 2001 financial statements resulted in an unqualified opinion on the Statement of Financial Position as of September 30, 2001 and the related Statements of Operations and Changes in Net Position and Cash Flows for the year. The audit confirmed that the Corporation has made steady progress in improving its financial management system. No material weaknesses or instances of material non-compliance with laws or regulations were identified (*page 1*).

### *Grant Management and Oversight*

The incurred-cost audits of the North Carolina Commission on Volunteerism and Community Service resulted in questioned costs of \$614 thousand (4 percent) of the \$14.3 million in costs claimed, while the audit of the Missouri Community Service Commission resulted in questioned costs of \$7.9 million (66 percent) of the \$12 million in costs claimed against Corporation grants. Both reports also included findings and recommendations on matters of compliance and internal controls (*page 2*).

### *Information Systems*

OIG performed an independent evaluation of the Corporation's information security program and practices and its compliance with the Government Information Security Reform Act of 2000 (Public Law 106-398). The assessment generally concluded that the

Corporation has done a respectable job of providing agency-wide information security (*page 4*).

OIG completed a risk management assessment of the Corporation's contractual initiative to develop an integrated electronic grants management system that included: (1) assessing the inherent risks; (2) understanding the controls in place; (3) determining the effectiveness of the controls; (4) identifying control weaknesses; and (5) deducing and reporting residual risk. The assessment concluded that the Corporation has adequately managed the project and found that the current level of residual risk is low except in a few areas where the risk was rated as medium (*page 4*).

## INVESTIGATIONS SECTION

During this semiannual reporting period we received and processed 13 Hotline calls, opened 21 investigative actions, and completed 36 investigative actions. We referred eight matters to the Department of Justice for prosecution or civil enforcement. Highlights of investigations closed during this period are presented on pages 11 through 14.

### *Grantees/AmeriCorps Members*

Improper transfer of \$166,000 of Learn and Serve grant funds results in the Corporation recovering \$172,000, an amount equal to the unused portion of the grant, the improper expenditures, and interest (*page 11*).

Misapplication of over \$116,000 of AmeriCorps grant funds and submission of fraudulent documents to the Corporation results in a prison sentence, court-ordered restitution, and debarment from doing business with the Federal Government for Chief Executive Officer of sub-grantee (*page 11*).

## *EXECUTIVE SUMMARY*

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False certification of AmeriCorps member service hours and allowing payment of unearned education awards results in prison sentence, court-ordered restitution, and debarment from doing business with the Federal Government for program director (*page 12*).

Theft of RSVP funds and misuse of state funds results in supervised probation, court-ordered restitution, and potential debarment from doing business with the Federal Government for director of RSVP sponsor (*page 12*).

Former AmeriCorps program director faces debarment after making improper stipend payments (*page 12*).

Former AmeriCorps program director faces debarment after admitting to forgery and submission of false time sheets in an attempt to obtain an unearned education award (*page 13*).

Improperly paid AmeriCorps stipends and education awards to be repaid by grantee (*page 13*).

### ***Headquarters Operations***

Completion of investigations brings to conclusion year-long review of travel card misuse by Corporation employees (*page 13*).

### **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.

| <b>Requirement</b> | <b>Page</b>   |                  |
|--------------------|---|------------------|
| Section 4 (a)(2)   | Review of legislation and regulations   | 15               |
| Section 5 (a)(1)   | Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations                               | Throughout       |
| Section 5 (a)(2)   | Recommendations with respect to significant problems, abuses, and deficiencies found in the administration of Corporation programs and operations | Throughout       |
| Section 5 (a)(3)   | Prior significant recommendations on which corrective action has not been completed   | 19               |
| Section 5 (a)(4)   | Matters referred to prosecutive authorities   | 14               |
| 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              | 1-5 & 10         |
| 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  | 16               |
| Section 5 (a)(9)   | Statistical table showing number of reports and dollar value of recommendations that funds be put to better use                                   | 17               |
| 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                    | 18               |
| Section 5 (a)(11)  | Significant revised management decisions  | None this period |
| Section 5 (a)(12)  | Significant management decisions with which the Inspector General disagrees   | None this period |

# AUDIT SECTION

The Office of Inspector General (OIG) is responsible for reviewing financial, administrative, and program aspects of Corporation operations. It carries out these responsibilities by auditing the Corporation's annual financial statements, assessing the Corporation's management controls, reviewing Corporation operations and information technology, 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 10.

## FINANCIAL MANAGEMENT

### *Audit of the Corporation for National and Community Service's Fiscal Year 2001 Financial Statements (OIG Audit Report Number 02-01)*

OIG contracted with KPMG to audit the Corporation's fiscal year 2001 financial statements. This audit, conducted in accordance with government auditing standards, resulted in an unqualified opinion on the Corporation's Statement of Financial Position as of September 30, 2001, and the related Statements of Operations, Changes in Net Position, and Cash Flows for the year then ended.

The auditors noted certain matters involving the internal control over financial reporting and its operations that were considered to be a reportable condition. OIG and KPMG agreed, however, that this reportable condition related to the monitoring of grantee activities did not constitute a material weakness. As a result, the fiscal year 2001 audit identified no material weaknesses.

The report substantiates that the Corporation has made significant progress in improving its financial management and internal controls over the past several years.

## 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.

OIG 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.

## ***State Commission Audits***

The Corporation for National and Community Service, pursuant to the authority of the National and Community Service Act, 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. Consistent with the Act's provisions, 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 who execute the programs. Through these subgrantees, AmeriCorps members perform service to meet educational, human, environmental, and public safety needs.

### ***Audit of Corporation for National and Community Service Grants Awarded to North Carolina Commission on Volunteerism and Community Service (OIG Audit Report Number 02-08)***

OIG engaged L. G. Birnbaum and Company to perform an incurred cost audit of Corporation grants to the North Carolina Commission for AmeriCorps, Learn and Serve, Professional Development and Training, Promise Fellows and Administrative costs from January 1, 1994 through September 30, 2000. The audit identified questioned costs of \$614,235 (approximately four percent) of the \$14,351,222 of costs that the Commission claimed during the audit period. Of the \$614,235 of questioned costs, \$370,360 were questioned because the Commission and/or its subgrantees were unable to provide documentation to support the claimed costs. Other costs questioned included excessive living allowances, living allowances questioned because key eligibility documentation could not be located, and related administrative expenses. The report also includes 17 recommendations to the Commission to address weaknesses in the areas of compliance and internal controls.

### ***Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission (OIG Audit Report Number 02-11)***

OIG engaged KPMG to audit Corporation grants to the Missouri Commission and its subgrantees for the period from January 1, 1994 through December 31, 2000 for AmeriCorps, Administration, and Professional Development and Training programs. The audit identified total questioned claimed costs of \$7,903,629 (approximately 66%) out of total costs claimed of \$12,050,477 for the thirteen subgrantees subjected to detailed testing. The majority of the questioned costs resulted either from the inability of subgrantees to provide supporting documentation or the lack of sufficient awareness by subgrantees of member eligibility requirements in the AmeriCorps Provisions. A number of conditions relating to internal control over financial reporting that require correction were identified. Two of them were determined to be material weaknesses. First, the report concluded that the Commission lacked adequate procedures for monitoring the financial activity and related compliance with laws and regulations of its subgrantees, especially retention of verifiable records to support claimed costs and reported program results. The second material weakness related to the absence of an effective system at the Commission for ensuring quality control of accounting and financial reporting activities and for assessing the system for internal controls for safeguarding assets, producing reliable financial reports, and complying with laws and regulations.

The significance of the questioned costs, the lack of controls over financial reporting and subgrantee monitoring, and the nature of the specific findings that are identified in the report precluded KPMG

from providing an auditor's opinion (assurance) on the more than \$12 million in costs reported and claimed by the Missouri Commission.

## ***Grants Awarded to Entities Other Than State Commissions***

### ***Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to the American Association of Community Colleges (OIG Audit Report Number 02-03)***

OIG engaged L. G. Birnbaum and Company to audit costs claimed by the American Association of Community Colleges under grant number 97LHEDC001. The audit covered the period July 1, 1997 through June 30, 2000 and included procedures to determine if costs claimed in financial reports prepared by the Association were allowable, internal controls were adequate to safeguard Federal funds, and whether the Association had policies and procedures adequate to ensure compliance with Federal laws, applicable regulations and award conditions. As a result of the work performed, the auditors questioned \$72,542 (9 percent) of the \$769,500 costs claimed over the three year period; \$52 thousand of the questioned costs resulted from inadequate documentation.

### ***Audit of Corporation for National and Community Service Grant Numbers 440A001/12, 13 & 14 to Baltimore County Department of Aging (OIG Audit Report Number 02-05)***

OIG engaged L. G. Birnbaum and Company to audit costs claimed by the Baltimore County Department of Aging under grant numbers 440A001/12, 13 & 14. The audit covered the period October 1, 1997 through September 30, 2000 and included procedures to determine if costs claimed in the Department's financial reports were allowable, internal controls were adequate to safeguard Federal funds, and whether the Department had policies and procedures adequate to ensure compliance with Federal laws, applicable regulations and award conditions. As a result of the work performed, none of the costs claimed were questioned.

### ***Follow-Up on the Corporation's Management Decision Regarding Questioned Costs Reported in OIG Audit Report 99-04, Audit of Congressional Hunger Center (OIG Audit Report Number 02-07)***

OIG engaged L. G. Birnbaum to assess the evidence underlying the Corporation's final decision to allow certain costs questioned as a result of OIG's audit of costs claimed against Corporation grants by the Congressional Hunger Center (OIG Audit Report 99-04). As discussed in OIG's March 31, 2001 Semiannual Report, OIG was concerned because \$96 thousand of the \$128 thousand of the reinstated costs had been described by management as being based on documentation that had been warehoused at the time of the audit and not reviewed by the auditors.

L. G. Birnbaum performed agreed upon procedures to review the documentation supporting the decision to determine whether it was competent; that is, relevant and valid. The follow up analysis determined that \$18,446 of the \$128,589 of costs were inappropriately reinstated. As a result, OIG concurred with the Corporation's decision that the remaining \$104,873 of reinstated costs were allowable.



## ***Audit of Corporation for National and Community Service Grants to the National Council of Churches of Christ in the USA (OIG Audit Report Number 02-12)***

OIG engaged L. G. Birnbaum to audit costs claimed by the National Council of Churches of Christ in the USA under two Corporation grants. The grants funded AmeriCorps programs operated by the Council and provided for education awards to be earned by AmeriCorps members. Under Grant No. 94ADNNY028, funding was provided for the program's operations, including AmeriCorps member support and administrative costs. L. G. Birnbaum found material weaknesses and other conditions that precluded the firm from practicably auditing these grants. Based on our review of their report and its underlying work papers as well as discussions with Corporation officials and Council representatives, OIG concurred that attempting to continue audit work was not prudent. The National Council no longer operates any AmeriCorps programs and is continuing an effort in conjunction with the Corporation to clarify and resolve remaining issues.

## **INFORMATION SYSTEMS**

### ***OIG Letter Report Regarding Corporation for National and Community Service Compliance with the Government Information Security Reform Act (OIG Audit Report Number 02-04)***

In compliance with section 3535 of Title 44, US Code, as added by the Government Information Security Reform Act of 2000 (Public Law 106-398), OIG performed independent evaluations of the Corporation's information security program and practices and its compliance with the Act. In performing these evaluations, OIG followed implementing guidance and reporting instructions contained in two memorandums (M-01-08 and M-01-24) that the Office of Management and Budget issued on January 16, 2001 and June 22, 2001, respectively.

OIG engaged KPMG to analyze four elements of the Corporation's information technology systems, including: (1) Momentum, the Corporation's financial management system; (2) the System for Programs, Agreements and National Service participants (SPAN); (3) the Corporation's Network; and (4) agency-wide policies and procedures not specific to an individual system. The assessments generally concluded that the Corporation has done a very respectable job of providing agency-wide information security but noted three areas that need improvement, including strengthening program officials' involvement, integrating security planning with other management functions, and improving the Corporation's documentation of information security policies and procedures.

### ***Assessment of Project Management Risks Related to the Corporation for National and Community Service's Development of a Grants Management System (OIG Audit Report Number 02-22)***

OIG engaged KPMG to prepare a project risk management assessment of the Corporation's contractual initiative to develop an integrated electronic grants management system capable of providing comprehensive financial information for all grants and cooperative agreements. This independent risk assessment of the project's management practices employed a five-part methodology that considered: (1) assessing the inherent risks; (2) understanding the controls in place; (3) determining the effectiveness of the controls; (4) identifying control weaknesses; and (5) deducing and reporting residual risk.

The assessment concluded that the Corporation has adequately managed the project and found that the current level of residual risk is low except in a few areas that were rated as medium. The analysis identified three areas that require additional management attention. Recommendations were provided to the Corporation for appropriate action.

## PROCUREMENT

### *Audit of Corporation for National and Community Service Contract Number CNCS 94-005 with Rand Corporation (OIG Audit Report Number 02-06)*

OIG engaged Cotton and Company to audit costs claimed by the RAND Corporation under contract number CNCS 94-005. The audit included procedures to determine if costs claimed in financial reports prepared by RAND were allowable, internal controls were adequate to safeguard Federal funds, and whether RAND had policies and procedures adequate to ensure compliance with Federal laws, applicable regulations and award conditions.

As a result of the work performed, the auditors questioned \$8,788 of the \$2,243,247 costs claimed over the contract period. A substantial portion of the questioned costs (\$6,302) resulted from inadequate supporting documentation of indirect costs claimed.

## AUDIT RESOLUTION

### *Audit Resolution Process*

Between October 2001 and March 2002, Corporation and OIG representatives met on numerous occasions to review open audit recommendations from reports that were issued prior to 2001 in a concentrated effort to resolve outstanding issues and reduce the number of reports on which final action had not been completed. As a result of this joint initiative, OIG has concurred in the Corporation's final actions on 39 audit reports. Twenty-six of these audit reports were issued between 1998 and 2000. Several reasons support OIG's decision at the present time to close the previously open recommendations in these reports. First, management provided additional evidence concerning the scope and effectiveness of its corrective actions. Second, OIG has agreed to track recommendations that repeat in multiple audit reports based solely on the most recently issued version and will not continue the previous practice of listing identical recommendations contained in multiple reports. Third, OIG has closed recommendations from earlier reports that are no longer relevant to the Corporation's current business practices because they have been overcome by events such as changes in technology, software, or other factors. Fourth, recommendations included in the Corporation's Action Plan have been closed since they were compiled from identical recommendations included in audit reports issued prior to dissemination of the Action Plan in 1999. The Corporation developed the Action Plan to facilitate its effort to obtain an unqualified audit opinion on its Financial Statements. It has made significant improvements in its financial management system and received unqualified opinions on its Financial Statements for Fiscal Years 2000 and 2001. As a result, recommendations from the Action Plan may now be closed. Reducing the number of open recommendations in the audit resolution database will contribute to a more comprehensible and meaningful display of open findings and recommendations that require management's attention in developing appropriate and effective corrective actions.

## *Notices of Final Action Received*

OIG has received and concurred in the following Notices of Final Action. Management has reported that its corrective actions in response to these audits have been completed. As a result of the audit resolution initiative by the Corporation's management and OIG, the number of audit reports without final action has been reduced from 43 in Table IV of the previous Semiannual Report (Fiscal Year 2001, Semiannual Report No. 2, covering the period April 1, 2001 to September 30, 2001) to 8 for the current reporting period.

### *Pre-Audit Survey Reports*

Audit Report 00-08, *Pre-Audit Survey Report of the North Carolina Commission on Volunteerism and Community Service*

Audit Report 00-10, *Pre-Audit Survey Report of the Washington Commission on National and Community Service*

Audit Report 00-11, *Pre-Audit Survey Report of the Kentucky Commission on Community Volunteerism and Service*

Audit Report 00-14, *Pre-Audit Survey Report of the Pennsylvania Commission on National and Community Service*

Audit Report 00-15, *Pre-Audit Survey Report of the Ohio Governor's Community Service Council*

Audit Report 00-16, *Pre-Audit Survey Report of the West Virginia Commission on National and Community Service*

Audit Report 00-17, *Pre-Audit Survey Report of the Missouri Community Service Commission*

Audit Report 00-18, *Pre-Audit Survey of the Virginia Commission on National and Community Service*

Audit Report 00-19, *Pre-Audit Survey Report of the New Hampshire Commission on National and Community Service*

Audit Report 00-26, *Pre-Audit Survey Report of the New Jersey Commission on National and Community Service*

Audit Report 00-28, *Pre-Audit Survey of the Idaho Commission on National and Community Service*

Audit Report 00-29, *Pre-Audit Survey of the Wisconsin National and Community Service Board*

Audit Report 00-30, *Pre-Audit Survey of the Florida Commission on Community Service*

Audit Report 00-31, *Pre-Audit Survey of the Minnesota Commission on National and Community Service*

# AUDITS

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Audit Report 00-32, *Pre-Audit Survey of the Illinois Commission on Community Service*

Audit Report 00-34, *Pre-Audit Survey of the New Mexico Commission for Community Volunteerism*

Audit Report 00-35, *Pre-Audit Survey of the Wyoming Commission on National and Community Service*

Audit Report 01-03, *Pre-Audit Survey Report of the Oregon Community Service Commission*

Audit Report 01-15, *Pre-Audit Survey of the Mississippi Commission for Volunteer Service*

Audit Report 01-16, *Pre-Audit Survey of the Maryland Governor's Office on Service and Volunteerism*

Audit Report 01-17, *Pre-Audit Survey of the Nevada Commission on National and Community Service*

Audit Report 01-18, *Pre-Audit Survey of the California Commission on Improving Life Through Service*

Audit Report 01-19, *Pre-Audit Survey of the Maine Commission for Community Service*

Audit Report 01-20, *Pre-Audit Survey of the Alabama State Commission on National and Community Service*

Audit Report 01-22, *Pre-Audit Survey of the South Carolina Commission on National and Community Service*

Audit Report 01-23, *Pre-Audit Survey of the Texas Commission on Volunteerism and Community Service*

Audit Report 01-26, *Pre-Audit Survey of the Vermont Commission on National and Community Service*

## Procurement and Contracts

Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Process and Procedures*

Audit Report 99-15, *Audit of the Corporation's Oversight and Monitoring of the Health Benefits Program*

Audit Report 00-02, *Audit of Corporation for National and Community Service Contract No. CNCS 94-004 and 97-743-1006 with Aquirre International*

Audit Report 00-12, *Follow-up Audit of the Corporation's Procurement Operations*

Audit Report 00-23, *Audit of Corporation for National and Community Service Contract No. CNCS 94-003 & No. CNCS 95-002 with Hi-Tech International, Inc.*

Audit Report 02-06, *Audit of Corporation for National and Community Service Contract Number CNCS 94-005 with RAND Corporation*

## Grants Management

Audit Report 98-02, *Review of Corporation for National Service Pre-Award Financial Assessment of Grant Applicants*

Audit Report 99-04, *Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC0*

Audit Report 99-05, *Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement No. 96ADNDC099 Awarded to Congressional Hunger Center*

Audit Report 00-04, *Evaluation of the Corporation's Oversight and Monitoring of the Cooperative Agreement with the National Association of Child Care Resource Referral Associations*

Audit Report 01-12, *Audit of Corporation for National Service Grant Number 439S059 to the West Virginia Bureau of Senior Services*

Audit Report 01-14, *Review of the Corporation's Use of Single Audit Reports*

## **Management Decisions Received**

Under the Corporation's audit resolution procedures, the Corporation's Chief Financial Officer must respond to an audit report with a Management Decision not more than six months after the report's issuance. The Management Decision describes management's agreement or disagreement with the findings and recommendations and describes the approved corrective actions and a timetable for their implementation. Final action on corrective measures must be completed within twelve months of the report's issuance. Management transmits a Notification of Final Action when all corrective actions have been completed. Between October 2001 and March 2002, Corporation management issued decisions on twelve audit reports. OIG has concurred with management's resolution of the findings and recommendations in these reports and will await notification when the corrective actions have been implemented.

## Pre-Audit Surveys

Audit Report 01-03, *Pre-Audit Survey of the Oregon Community Service Commission*

Audit Report 01-16, *Pre-Audit Survey of the Maryland Governor's Office on Service and Volunteerism*

Audit Report 01-17, *Pre-Audit Survey of the Nevada Commission on National and Community Service*

Audit Report 01-21, *Pre-Audit Survey of the Connecticut Commission on National and Community Service*

Audit Report 01-24, *Pre-Audit Survey of the Massachusetts Service Alliance*

Audit Report 01-25, *Pre-Audit Survey of the Colorado Governor's Commission on Community Service*

Audit Report 01-26, *Pre-Audit Survey of the Vermont Commission on National and Community Service*

## Grants Management

Audit Report 01-12, *Audit of Corporation for National Service Grant Number 439S059 to the West Virginia Bureau of Senior Services*

Audit Report 01-28, *Report on the Controls Over the Corporation for National and Community Service's Key Performance Indicators and Accomplishment Statistics*

## Procurement and Contracts

Audit Report 02-06, *Audit of Corporation for National and Community Service Contract Number CNCS 94-005 with RAND Corporation*

## Information Technology

Audit Report 01-34, *Review of the Corporation for National and Community Service's Network and Computer Security Plan*

**AUDIT REPORTS ISSUED DURING THE PERIOD  
OCTOBER 1, 2001 THROUGH MARCH 31, 2002**

| Report<br>Number              | Issue<br>Date | Report Name   | Federal<br>Dollars<br>Questioned | Federal<br>Dollars<br>Unsupported |
|-------------------------------|---------------|---|----------------------------------|-----------------------------------|
| <i>(Dollars in thousands)</i> |               |   |                                  |                                   |
| 02-01                         | 3/15/02       | Audit of the Corporation for National and Community Service's Fiscal Year 2001 Financial Statements   | --                               | --                                |
| 02-03                         | 12/27/01      | Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to American Association of Community Colleges                                     | \$ 73                            | \$ 53                             |
| 02-04                         | 10/5/01       | OIG Letter Report Regarding Corporation for National and Community Service Compliance with the Government Information Security Reform Act                         | --                               | --                                |
| 02-05                         | 10/18/01      | Audit of Corporation for National Service Grant Numbers 440A001/12, 13 & 14 to Baltimore County Department of Aging   | --                               | --                                |
| 02-06                         | 10/30/01      | Audit of Corporation for National and Community Service Contract Number CNCS 94-005 with RAND Corporation.  | 9                                | 9                                 |
| 02-07                         | 10/24/01      | Follow-up on the Corporation's Management Decision Regarding Questioned Costs Reported in OIG Audit Report 99-04, <i>Audit of Congressional Hunger Center</i>     | --                               | --                                |
| 02-08                         | 2/8/02        | Audit of the Corporation for National and Community Service Grants Awarded to North Carolina Commission on Volunteerism and Community Service                     | 614                              | 370                               |
| 02-11                         | 2/21/02       | Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission  | 7,904                            | 7,790                             |
| 02-12                         | 3/22/02       | Audit of Corporation for National and Community Service Grants to the National Council of Churches of Christ in the USA   | --                               | --                                |
| 02-22                         | 3/29/02       | OIG Letter Report Regarding Assessment of Project Risks Related to the Corporation for National and Community Service's Development of a Grants Management System | --                               | --                                |
| <b>TOTAL</b>                  |               |   | <u>\$ 8,600</u>                  | <u>\$ 8,222</u>                   |

# INVESTIGATIONS SECTION

We began this reporting period with 33 previously opened investigative actions. During this reporting period we opened 21 new investigative actions and closed 36. We had 18 investigative actions pending at the end of the reporting period.

## HIGHLIGHTS OF INVESTIGATIONS CLOSED DURING THIS REPORTING PERIOD

### *Corporation Recovers Funds Improperly Transferred and Expended*

We completed an investigation we opened when a state auditor reported his office received a hotline call alleging the state's Department of Education had improperly transferred \$166,000 of Corporation Learn and Serve grant funds to a local school district. Our investigation determined the funds were transferred, that the transfer occurred without the knowledge of the Corporation, that the transfer was not accomplished pursuant to a sub-grant approved in the grant application, and that expenditures were made that were not allowed by the grant. Prosecution was declined because the person responsible for transferring the funds was no longer employed by the state and had left the state, and because administrative means were available for the Corporation to recover the funds from the state. The state's Department of Education remitted \$172,000 to the Corporation, an amount equal to the unused portion of the grant, the improper expenditures, and interest. (00-023)

### *Former President and Chief Executive Officer of Corporation Sub-Grantee Found Guilty and Sentenced*

We completed an investigation that we opened after receiving allegations that Corporation funds were being misapplied and/or embezzled by a Corporation sub-grantee. We found evidence that the sub-grantee's Chief Executive Officer was providing supplemental salaries to her employees by fraudulently reporting them to the Corporation as full-time AmeriCorps members. This enabled her employees, none of whom were performing AmeriCorps service, to receive the Corporation-funded AmeriCorps stipends in addition to their salaries provided by the sub-grantee. The fraudulent reporting of the employees as AmeriCorps members resulted in the criminal misapplication of \$116,751.67 of Corporation-funded stipends and medical insurance payments.

The Chief Executive Officer was removed from her position by the sub-grantee's board of directors, and was subsequently found guilty in United States District Court of one count of misapplication of Corporation AmeriCorps grant funds, and 14 counts of submitting fraudulent AmeriCorps participant documents to the Corporation. The former Chief Executive Officer was sentenced on the 15 felony counts to serve 41 months in Federal prison, followed by three years of supervised probation; to make restitution of \$116,751.67, of which \$25,000 was due immediately; and to pay an additional \$1,500 court assessment.



Corporation management suspended the former Chief Executive Officer from doing business with the Federal Government following the grand jury indictment. After the former Chief Executive Officer was found guilty and sentenced, the Corporation debarred her from doing business with the Federal Government for a period of 41 months. (00-046)

### ***False Certification Nets AmeriCorps Program Director Jail Time***

We completed an investigation we opened when a Corporation program officer notified us that a state commission reported a program director might have falsely certified that AmeriCorps members in the program completed their service hours. We found evidence that the former AmeriCorps program director falsely certified three members of the program he supervised completed the service hours required for an education award when he knew that this was not true. The U.S. Attorney accepted the matter for prosecution and the FBI joined the investigation. The former program director pled guilty in U.S. District Court and was sentenced to four months confinement, four months house arrest, three years probation, required to pay \$8,565 restitution, and assessed \$100 in court costs. The Corporation debarred the former program director from doing business with the Federal Government for a period of 24 months. (00-028)

### ***Former Director of RSVP Sponsor Pleads Guilty to Theft of Funds***

We completed an investigation we opened after Corporation management received an allegation that the director of an organization sponsoring a Corporation-funded Retired Senior Volunteer Program (RSVP) utilized RSVP funds for his personal use. Our investigation disclosed evidence that the executive director diverted \$2,347.27 of Federal program funds for his personal use. The executive director resigned during the initial phases of our investigation. The U.S. Attorney declined to prosecute based on the dollar amount of the loss. The local prosecutor accepted the matter for prosecution and a subsequent state investigation found evidence that the former executive director also used state funds to award approximately \$60,000 in unauthorized salary increases. The former executive director pled guilty and was sentenced to five years supervised probation, assessed a \$23 per month probation fee, and required to pay restitution of \$32,432.11, of which \$2,347.27 is RSVP funds. We provided Corporation management the information on the guilty plea and sentence, and recommended they consider debarring the executive director, thereby disqualifying him from Government procurement and non-procurement programs and Government sub-programs for a period of time. (01-006)

### ***Former AmeriCorps Program Director Admits Making Improper Payments***

We completed an investigation we opened after an AmeriCorps program director reported he found evidence of fraud committed by his predecessor. We coordinated with the FBI and worked jointly with them as a part of an investigative task force that was already investigating alleged corruption involving Federal grants. Two AmeriCorps Promise Fellows, one of whom is the son of the former program director, admitted receiving AmeriCorps stipends on a regular basis when they performed no community service, including a three week period that they both were in Japan with their National Guard unit. The former program director admitted providing the stipends to the two Promise Fellows when he knew that they had not performed community service, and admitted that he did so in order to provide his son and the other AmeriCorps Promise Fellow an income. The two Promise Fellows did not earn an education award, nor were they certified as eligible to receive an education award. After

initially accepting this matter for civil recovery, the Assistant United States Attorney for civil enforcement decided to not pursue it any further, stating that the chances of recovery were low inasmuch as two of the three individuals were unemployed. This matter was referred to management with the recommendation that management consider debarring the former program director, thereby disqualifying him from Government procurement and non-procurement programs and Government sub-programs for a period of time. (00-024)

### ***Former AmeriCorps Program Director Admits to Forgery and Submission of False Time Sheets in Attempt to Obtain Unauthorized Education Award***

We completed an investigation we opened after a Corporation program officer reported that AmeriCorps member time sheets submitted by a Corporation grantee may be suspect in that they appeared to be identical. Our investigation found no identical member time sheets, but we did find evidence that a former program director at one of the grantee's sites submitted an education award request in her own name, for an award she did not earn. The former program director admitted forging a name as a supervisor on the false time sheets, and then submitting the false time sheets in her own name in an attempt to get an education award. She told us she did this because she incurred a large debt while pursuing her education and needed the money. The false time sheets were detected before any funds were disbursed. Prosecution was declined. We referred this matter to management with the recommendation that management consider debarring the former program director, thereby disqualifying her from Government procurement and non-procurement programs and Government sub-programs for a period of time. (02-004)

### ***Improper Payments to AmeriCorps Members Recovered***

We completed an investigation we opened after the executive director of a state commission reported AmeriCorps member time sheet irregularities at one of the commission's grantees. The grantee had little or no backup documentation to support the service hours reported by the grantee's AmeriCorps members. We found some members were improperly certified for service hours they did not perform and some members continued to receive stipends after they left the AmeriCorps program. The loss due to education award payments being made to ineligible members was \$48,286. This amount will be repaid to the Corporation. The loss involving excess stipends was \$50,099.61. The state commission will recover this amount from their grantee and it will remain available for commission use. (01-009)

### ***Corporation Employees Misuse Government Travel Card***

We completed seven separate investigations we opened as a part of our review of government travel card use by Corporation employees. We compared charges to the employees' government travel card accounts to their official travel documents and found evidence that the employees used their official government travel card for personal use. Corporation management was provided the necessary reports and documents for their use in deciding what action to take against the employees.

The closing of these investigations concluded our proactive review of Corporation employees' use of their government travel cards, a review we began a year ago. During the past year we referred 43 employees to Corporation management after we found evidence the employees used their government travel cards for personal use. (01-034, 01-067, 01-084, 01-087, 01-088, 01-090, 01-092)

| <b>STATISTICAL SUMMARY OF INVESTIGATIONS</b>                                |    |
|---|----|
| <b>Opened and Closed</b>  |    |
| Number of Cases Open at Beginning of Reporting Period.....                  | 33 |
| Number of New Cases Opened During This Reporting Period.....                | 21 |
| Number of Cases Closed During This Period With Significant Findings.....    | 14 |
| Number of Cases Closed During This Period With No Significant Findings..... | 22 |
| Total Cases Closed This Reporting Period.....                               | 36 |
| Number of Cases Open at End of Reporting Period.....                        | 18 |
| <b>Referred</b>   |    |
| Number of Cases Referred for Prosecution During This Reporting Period.....  | 8  |
| Number of Cases Accepted for Prosecution During This Reporting Period.....  | 7  |
| Number of Cases Declined for Prosecution During This Reporting Period.....  | 2  |
| Number of Cases Pending Prosecutive Review.....                             | 0  |

# REVIEW OF LEGISLATION & REGULATIONS

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

## *Status of Efforts to Develop an Automated Grants Management System*

In providing the Corporation's funding for the past two fiscal years as part of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Acts (Public Law 106-377 and Public Law 107-73), Congress specified that not less than \$2 million dollars in each fiscal year shall be used for the acquisition of a cost accounting system, establishment of a grants management system, and creation of a central archives. The Corporation has implemented a new cost accounting methodology, and instituted a policy on the establishment of a central archives. The Corporation also expects to complete development and testing during fiscal year 2002 of an electronic grants management system capable of providing comprehensive financial information for all grants and cooperative agreements. As noted in the Audit Section, OIG engaged KPMG to prepare a project risk management assessment of this system. The assessment concluded that the Corporation had adequately managed the project and that the level of residual risk was generally low except in a few areas rated as medium. The analysis identified three areas that require additional management attention and recommendations for appropriate action have been provided to the Corporation for consideration. Building on the assessment's conclusions, OIG in conjunction with the Corporation will review the operational effectiveness of the new grants management system in the fall of 2002 and certify its compliance with all Federal requirements for automated systems.

## *Report on Agency Compliance with the Rural Development Act*

The fiscal 2002 appropriations act for the Department of Treasury, Postal, and Related Agencies included a requirement (Section 647 of Public Law 107-67) that each Inspector General submit a report to Congress on current departmental or agency policies that afford first priority to "rural areas" for the location of all new office facilities. OIG reviewed the statute and determined in conjunction with the Corporation's General Counsel that it applied to the Corporation. The Corporation recently issued a memorandum specifying that rural areas will be given first priority in selecting any new Corporation offices.

**TABLE I  
INSPECTOR GENERAL REPORTS WITH QUESTIONED COSTS**

|  | Number    | Federal Costs                 |                  |
|--|-----------|-------------------------------|------------------|
|  |           | Questioned                    | Unsupported      |
|  |           | <i>(Dollars in thousands)</i> |                  |
| 1. For which no management decision had been made by the commencement of the reporting period            | 10        | \$ 12,597                     | \$ 5,286         |
| 2. Which were issued during the reporting period   | 4         | 8,600                         | 8,222            |
|  | —         | —                             | —                |
| 3. Subtotals (1 plus 2)  | 14        | 21,197                        | 13,508           |
| 4. For which a management decision was made during the reporting period:                                 | 4         |                               |                  |
| dollar value of disallowed costs   |           | 67                            | 4                |
| dollar value of costs not disallowed   | —         | <u>42</u>                     | <u>33</u>        |
| 5. For which no management decision had been made by the end of the reporting period (3 minus 4)         | <u>10</u> | <u>\$ 21,088</u>              | <u>\$ 13,471</u> |
| 6. Reports with questioned costs for which no management decision was made within six months of issuance | 7         | \$ 12,496                     |                  |

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

|   | <b>Number</b> | <b>Dollar Value</b><br><i>(Dollars in thousands)</i> |
|---|---------------|--|
| A. For which no management decision had been made by the commencement of the reporting period | 1             | \$ 56  |
| B. Which were issued during the reporting period  | 1*            | 62   |
| 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   | 1             | 56   |
| 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          | 1             | 62   |
| E. Reports for which no management decision was made within six months of issuance            | 0             | \$ 0   |

*\*OIG Audit Report 02-08, Audit of the Corporation for National and Community Service Grants Awarded to North Carolina Commission on Volunteerism and Community Service*

**TABLE III  
SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS**

| Report<br>Number | Title   | Federal<br>Dollars<br>Questioned | Management<br>Decision Due | Status as of<br>March 31, 2002                           |
|------------------|---|----------------------------------|----------------------------|--|
| 99-09            | Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.   | \$ 739,458                       | 11/2/99                    | <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                          | 1/29/00                    | <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                           | 2/13/00                    | <i>Management has not resolved the questioned costs.</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                        | 7/5/00                     | <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                        | 3/20/01                    | <i>Management has not resolved the questioned costs.</i> |
| 01-04            | Incurred Cost Audit of Grants Awarded to the Oregon Community Service Commission  | 2,556,570                        | 3/26/02                    | <i>Overdue</i>   |
| 01-05            | Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission | <u>369,652</u>                   | 7/11/01                    | <i>Overdue</i>   |
|                  | <b>Total</b>  | <u>\$ 12,496,024</u>             |                            |  |

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

| Report Number | Title   | Date Issued | Final Action Due |
|---------------|---|-------------|------------------|
| 99-09         | Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.   | 5/6/99      | 5/6/00           |
| 99-10         | Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.   | 8/2/99      | 8/2/00           |
| 99-18         | Audit of Corporation for National and Community Service Contract No. 97-743-1001 GS Tech, Inc.  | 8/27/99     | 8/27/00          |
| 00-06         | Pre-Audit Survey Report of the Delaware Community Service Commission  | 5/18/00     | 5/18/01          |
| 00-21         | Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc.   | 1/6/00      | 1/6/01           |
| 00-22         | Audit of Corporation for National and Community Service Contract No. 94-002 with Encore Management Corporation  | 9/21/00     | 9/21/01          |
| 00-24         | Pre-Audit Survey Report of the Alaska State Community Service Commission  | 8/8/00      | 8/8/01           |
| 01-05         | Audit of Corporation for National and Community Service Grant Numbers 94SCSDE008, 94ASCDE008, 95PDSDE008, and 95LCSDE002 Awarded to Delaware Community Service Commission | 1/11/01     | 1/11/02          |



CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
**OFFICE OF INSPECTOR GENERAL**

# HOTLINE

**Corporation Employees!**

**Concerned Citizens!**

**Grantee Employees!**

**AmeriCorps Members!**

**Senior Corps Volunteers!**



Report suspected **fraud, waste** or **abuse**.

?? All information is confidential.

?? You may remain anonymous.

**1-800-452-8210**

Or write:

**OIG HOTLINE**  
**Corporation for National and Community Service**  
**1201 New York Avenue N.W. Suite 830**  
**Washington, D.C. 20525**

CORPORATION  
FOR NATIONAL  
★ SERVICE

May 31, 2002

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 September 30, 2001 through March 31, 2002. During this period, the Corporation made management decisions on nine audits and completed final action on or closed 45 audits. Subsequent to this period, the Corporation made a management decision on one additional audit.

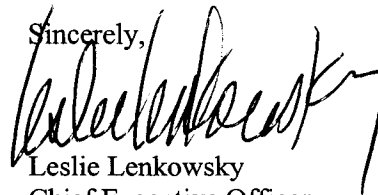
The Corporation is pleased that we received an unqualified opinion on our financial statements for the second year in a row. The Corporation also had no material weaknesses related to its financial activities and corrective action related to the one remaining reportable condition, grants management, is well underway. A significant corrective action, a comprehensive electronic grants management system, is on schedule. Staff training on the new system began in early May and Senior Corps grantees will all receive hands-on training in June 2002. Once the system is fully implemented, all aspects of grant operations from applying for funds to grantee monitoring and reporting on financial and program activities will be done on-line.

As you will see in the report itself, Corporation management and OIG representatives worked closely over the last six months to review all open audit recommendations. We resolved many open issues and agreed on the major areas that need attention. We are pleased with this progress and are continuing to work closely together on audit resolution.

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 Terry Bathen, the Corporation's Acting Inspector General.

Sincerely,



Leslie Lenkowsky  
Chief Executive Officer



**TABLE I**  
**ACTION TAKEN ON AUDIT REPORTS**  
**(for the Period September 30, 2001 through March 31, 2002)**

|  | <u>Number of<br/>Reports</u> | <u>Disallowed<br/>Costs (\$000)</u> |
|--|------------------------------|-------------------------------------|
| A. Audit reports with final action not taken by the commencement of the reporting period.  | 57                           |                                     |
| B. Audit reports issued by the OIG during the period   | 10                           |                                     |
| C. Audit reports for which final action was taken during the reporting period <sup>1</sup>   | 45                           |                                     |
| 1. Recoveries  |                              |                                     |
| (a) Collections and offsets  | 4                            | 138                                 |
| (b) Property in lieu of cash   |                              |                                     |
| (c) Other (reduction of questioned costs)  |                              |                                     |
| 2. Write-offs  | 0                            |                                     |
| 3. Audits with no disallowed costs   | 41                           |                                     |
| D. Audit reports for which final action was not taken by the end of the reporting period. <sup>2</sup>   | 22                           |                                     |
| E. <hr/> Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway. <sup>3</sup> | 15                           |                                     |

<sup>1</sup> This includes 6 audit reports closed because no corrective action was necessary.

<sup>2</sup> This includes 14 audits for which final action is not due.

<sup>3</sup> Management decisions on 13 of these 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 September 30, 2001 through March 31, 2002)**

|   | <u>Number of<br/>Audit Reports</u> | <u>Dollar value<br/>(\$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   | 1                                  | 62                               |
| C. Total audit reports on which management decisions were made during the period.                                   | 0                                  | -                                |
| D. Audit reports pending action during the period   | 1                                  | -                                |
| 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                            | 1                                  | 62                               |

**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 31, 2001)**

| <b><u>Audit Number</u></b> | <b><u>Date Issued</u></b> | <b><u>Title</u></b>  | <b><u>Disallowed Costs</u></b> | <b><u>Status of Action/Reason No Final Action Was Taken</u></b>  |
|----------------------------|---------------------------|--|--------------------------------|--|
| 99-09                      | 5/6/99                    | Audit of Corporation Contracts with Biopherics, Inc                        | TBD                            | The Corporation must complete incurred cost audits to verify the labor hours worked and other direct and indirect costs incurred for fiscal years 1996 – 1998. The estimated completion date of this review is July 5, 2002.   |
| 99-10                      | 8/2/99                    | Audit of Corporation Contracts with TvT, Inc.                              | \$294,094                      | In Appeal. The Corporation has offered two equitable adjustments to the Contractor. The contractor rejected the first equitable adjustment and is currently evaluating the second. If the contractor rejects our second and (final) equitable adjustment then this matter will be referred to the Armed Forces Board of Contract Appeals.  |
| 99-18                      | 8/27/99                   | Audit of Corporation Contracts with GS Tech, Inc                           | TBD                            | The Corporation is currently reviewing the direct and indirect costs incurred on this contract. We plan to issue an equitable adjustment and revise the contract terms to reflect the T&M rates the contractor is entitled to bill at. We have requested the contractor to provide us with actual indirect rates incurred during the period of contract performance so that T&M rates can be negotiated. The anticipated completion date of this review is June 7, 2002. |
| 00-06                      | 5/18/00                   | Pre-audit Survey Report of the Delaware Community Service Commission       | N/A                            | Final action will be completed in conjunction with the resolution process for the audit of the Commission's grants, Audit Report 01-05, described below.   |
| 00-21                      | 1/6/00                    | Audit of the Corporation's Contract with Outsourced Administrative Systems | TBD                            | The Corporation is in the process of performing incurred costs audits for fiscal years 1994-1998. The OIG audit had a high percentage of questioned administrative and medical billing costs that will take a significant amount of time to resolve. Therefore, we have temporarily placed audit resolution on hold until we can complete audit resolution on the other OIG audit reports. The estimated completion date December 15, 2002.                              |

| <b><u>Audit Number</u></b> | <b><u>Date Issued</u></b> | <b><u>Title</u></b>  | <b><u>Disallowed Costs</u></b> | <b><u>Status of Action/Reason No Final Action Was Taken</u></b>  |
|----------------------------|---------------------------|--|--------------------------------|--|
| 00-22                      | 9/21/00                   | Audit of the Corporation's Contract with Encore Management Corp.     | TBD                            | The Corporation needs to review the direct and indirect costs claimed and incurred during fiscal years 1994-1998. We anticipate issuing an equitable adjustment to address contract rates that were not included in the contract terms. The estimated completion date of this review is August 30, 2002. |
| 00-24                      | 8/8/00                    | Pre-Audit Survey Report of the Alaska Service 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 2002.   |
| 01-05                      | 1/11/01                   | Audit of Grants awarded to the Delaware Community Service Commission | TBD                            | The Corporation is in the process of reviewing material submitted by the Delaware Community Service Commission to support costs questioned in the audit. The estimated completion date of this review is June 28, 2002.  |