

**Office of Inspector General  
Corporation for National and  
Community Service**

**Semiannual Report  
to Congress**  
**April 1, 2003 - September 30, 2003**  
Fiscal Year 2003 Semiannual Report No. 2



*Corporation for*  
**NATIONAL &  
COMMUNITY  
SERVICE** 

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## OFFICE OF INSPECTOR GENERAL

October 31, 2003

This *Semiannual Report to Congress* presents the significant accomplishments and findings of our investigations and audits for the period of April 1, 2003, to September 30, 2003.

This has been a busy and productive reporting period for the Office of Inspector General. Our major efforts included a comprehensive report on the Corporation for National and Community Service's management of the National Service Trust. We also completed work on a detailed review of the Corporation's alternative personnel system that included a survey of hundreds of employees. Both reports included recommendations for improvements that I believe will strengthen the Corporation's management and enhance its ability to support national service programs. Our office will be closely tracking the implementation and effectiveness of our recommendations in the coming months.

During the reporting period, we also completed audits of State commissions in five States: Maine, Wisconsin, Pennsylvania, Connecticut, and Ohio. Generally, these commissions administered AmeriCorps grant funds efficiently. Of the more than \$51 million in costs claimed by the Corporation's five State partners, only \$2.3 million, or 4.6 percent of the total, was questioned by our auditors.

Also during this time, our investigators opened 26 new cases, closed 20 cases, and recovered more than \$123,000 in taxpayers' funds for the Corporation.

This reporting period also marked the establishment of our new Evaluation Section. Our evaluators will be working with the Corporation and its State and local partners to conduct a thorough review of program needs and challenges, and to identify potential problems before they become pitfalls.

I hope you find this report instructive as well as informative. While this office's primary mission is to ensure that all taxpayer dollars committed to national service are used efficiently and effectively, we are also an independent, proactive partner with the Corporation in achieving our mutual goal of engaging and supporting Americans who seek to serve their communities.

Sincerely,

J. Russell George  
Inspector General

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# Executive Summary

## Audit Section

During this reporting period, the Office of Inspector General (OIG) issued 10 audit reports. Summaries of audit reports issued from April 1, 2003, to September 30, 2003, are in the Audit Section.

On May 7, 2003, the OIG issued the fiscal year 2002 management letter in conjunction with the Corporation's Financial Statements Audit. The letter made 29 recommendations for improvements in financial management.

During this period, the Office of Inspector General completed State commission audits for the following States: Wisconsin, Connecticut, Maine, Ohio, and Pennsylvania. These incurred-cost audits resulted in questioned costs of approximately \$2.3 million, or 4.6 percent, of the \$51.2 million in costs claimed. The incurred-cost audits also included recommendations to improve compliance and internal controls.

The Office of Inspector General also completed an audit of Corporation funds awarded to Communities In Schools. The audit identified excess drawdowns of \$67,099 and interest on these funds of \$533, for which the grantee has reimbursed the Corporation.

In response to the requirements of the Federal Information Security Management Act for fiscal year 2003, the Office of Inspector General performed an independent evaluation of the Corporation's information security program. This evaluation concluded that the Corporation generally has policies and procedures in place to safeguard its critical information systems and databases. However, the Corporation has shown little progress toward remediation of some of the issues identified in the 2002 report required by the Government Information Security Reform Act, and did not adhere to Office of Management and Budget guidance on certain issues.

## Investigations Section

During this reporting period, the OIG received and processed 20 Hotline contacts, opened 26 investigative actions, and closed 20 investigative actions. One matter was referred to the U.S. Department of Justice for prosecution, and six matters were referred to Corporation management for their action. Highlights of investigations closed during this period are presented in the Investigations Section.

As part of our ongoing effort to prevent fraud, the OIG made two presentations during this reporting period to staff members of grantees, State commission staff, and Corporation staff. The presentations defined fraud, identified indicators of fraud, and discussed prevalent types of abuses. The Office of Inspector General investigative staff continued to visit AmeriCorps members at their service sites to discuss their community service experiences. This initiative increases the visibility of the OIG and verifies member information submitted to, and maintained by, the Corporation.

## Evaluation Section

During this reporting period, the Office of Inspector General laid the groundwork for the Evaluation Section with the guidance of a staff evaluator and an evaluator on detail from the Office of Inspector General of the Department of Health and Human Services. The Evaluation Section filled three program analyst positions with one transfer from the OIG Audit Section and two new external hires.

# Executive Summary

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The Section is currently reviewing and formalizing internal processes and procedures that will ensure its effective operation.

In the next reporting cycle, the Evaluation Section will continue to formalize its operations. The Section will work closely with Corporation program officers to garner feedback in an effort to review and recommend improvements to Corporation operations. Some of the initial activities will include an assessment of existing Corporation resources and a formal review of Corporation programs and their functional relationships.

## **Fiscal Year 2003 Performance Information**

Included as the final section of this report is a summary of the Office of Inspector General's accomplishments and performance measures in support of Office of Inspector General strategic goals.

# About The Office Of Inspector General

This year marks the 25<sup>th</sup> anniversary of the Inspector General Act, which created offices of inspector general in 12 Federal agencies. These offices were designed to improve the efficiency and effectiveness of Federal operations and to detect and investigate fraud, waste, and abuse in Federal programs.

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

The Office of Inspector General's team of professional investigators, evaluators, and auditors examine the Corporation's operations. We also examine State community service programs that receive and distribute the majority of Corporation funds, as well as local recipients of Federal funds.

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

This semiannual report, as required by the Inspector General Act of 1978, details our work for the final six months of fiscal year 2003. The report is being transmitted to the Chief Executive Officer of the Corporation, the Corporation Board of Directors, and Members of Congress. It will also be made available to the public.

All of our work is conducted in strict adherence to the Privacy Act and the Freedom of Information Act. Our efforts are often abetted by information supplied via the OIG Hotline (800-452-8210). The Hotline allows Corporation employees, grantees, and program beneficiaries, among others, to report concerns and suspected fraud.

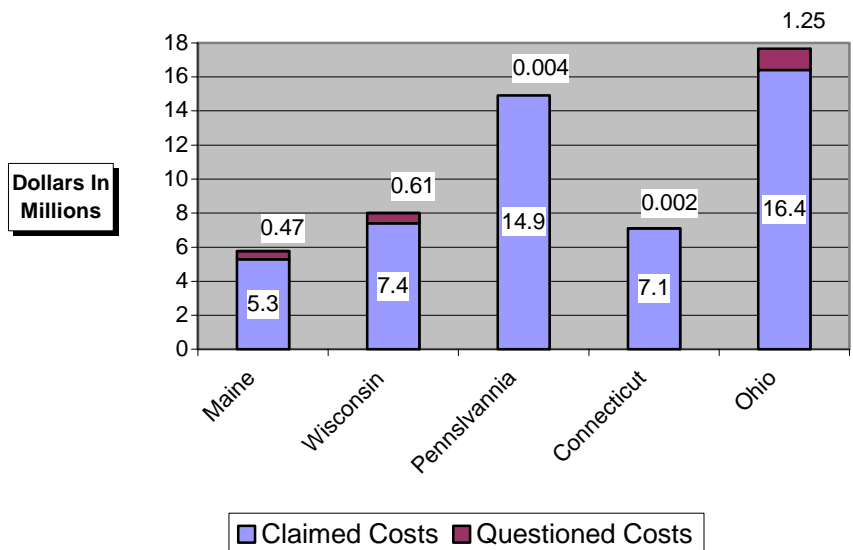
For more information on the OIG and its work, please visit our Internet website: [www.cnctsig.gov](http://www.cnctsig.gov).



# Audit Section

The Office of Inspector General Audit Section is responsible for reviewing financial, administrative, and programmatic operations of the Corporation for National and Community Service. 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.

State Commission Audits



Audit Reports Issued				
April 1, 2003 – September 30, 2003				
Report Number	Issue Date	Report Name	Federal Dollars Questioned	Federal Dollars Unsupported
			<i>(Dollars in thousands)</i>	
03-02	05/07/03	<i>Recommended Improvements to the Corporation's Internal Controls Fiscal Year 2002 - Management Letter</i>	N/A	N/A
03-04	07/25/03	<i>Incurred-Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board</i>	\$608	\$565
03-05	09/30/03	<i>Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council</i>	1,252	1,221
03-06	07/24/03	<i>Incurred-Cost Audit of Grants Awarded to the Maine Commission for Community Service</i>	471	96
03-07	08/04/03	<i>Audit of Corporation for National and Community Service Grants Awarded to PennSERVE: The Governor's Office of Citizen Service</i>	5	0
03-08	09/12/03	<i>Audit of Corporation for National and Community Service Grants Awarded to Connecticut Commission on National &amp; Community Service</i>	2	0
03-16	04/25/03	<i>Audit of Communities In Schools, Inc., Grant Number 01SPHVA003</i>	0	0
03-18	06/20/03	<i>Peer Review of the U.S. Nuclear Regulatory Commission, Office of the Inspector General</i>	N/A	N/A
03-25	09/18/03	<i>Independent Audit Report of Office of Inspector General Review of Corporation for National and Community Service Implementation of the Federal Information Security Management Act For Fiscal Year 2003</i>	N/A	N/A
03-26	09/18/03	<i>Executive Summary for Office of Management and Budget (OMB) Pertaining to Office of Inspector General Review of Corporation for National and Community Service Implementation of the Federal Information Security Management Act For Fiscal Year 2003</i>	N/A	N/A
TOTAL			\$2,338	\$1,882
N/A: Not applicable.				



## Financial Management

### **Recommended Improvements to the Corporation's Internal Controls Fiscal Year 2002 – Management Letter (Audit Report Number 03-02)**

The Government Corporation Control Act (31 U.S.C. §§ 9101-10) requires the OIG to annually audit the Corporation's financial statements. The OIG contracted with KPMG LLP to audit the Corporation's fiscal year 2002 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, 2002, and the related Statements of Operations, Changes in Net Position, and Cash Flows for the year then ended.

Although the audit resulted in an unqualified opinion, the auditors noted other matters involving the Corporation's internal controls that did not rise to the level of a material weakness or reportable condition. These matters were reported in the management letter issued on May 7, 2003. The letter made 29 recommendations in seven subject areas: grants management, the National Service Trust, accounts receivable and other interest revenue, budgetary resources and net position, compliance with laws and regulations, human resources, and information technology.<sup>1</sup>

## Grant Management and Oversight

The Corporation awards grants to State and local governments, State commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required to expend funds only for allowable costs and to provide periodic reports to the Corporation to demonstrate programmatic and financial compliance with the terms of their grant agreements. The Corporation is responsible for ensuring that grantees comply with applicable laws and regulations related to the administration of grant awards in the areas of Federal cash management, human resources, and information technology.

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

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<sup>1</sup> Recommended improvements to the Corporation's internal controls:

*Grants Management* – Improvements should be made in the oversight of OMB Circular A-133 reporting, grantee site visits, grant close-out procedures, and the grant approval process.

*National Service Trust* – The process of reviewing Web-Based Reporting System reconciliation reports should be strengthened. Member end-of-term forms are not always processed in a timely manner. Certain members inappropriately received service awards and/or overpayment of education awards. The Corporation's methodology for calculating the Service Award Liability estimate needs to be reviewed, and the database integrity of the System for Programs, Agreements, and National Service Participants should be systematically reviewed.

*Accounts Receivable and other Interest Revenue* – The Corporation's methodology for aging receivables needs to be reviewed.

*Budgetary Resources and Net Position* – SF 133 reporting should be improved.

*Compliance with Laws and Regulations* – Procedures should be established to monitor compliance with Section 129(b) of the National and Community Service Trust Act of 1993 (42 U.S.C. § 12581(b)).

*Human Resources* – Automated controls for AmeriCorps\*VISTA volunteer payments should be improved.

*Information Technology* – Procedures should be established for the performance of risk assessments. The business continuity and contingency plan should be updated and tested. Specific policies, procedures, and controls should be established for transactions that flow across multiple systems.

for more effective Corporation oversight and improvements in Corporation grants management operations.

### **State Commission Audits**

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

#### **Incurred-Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board (Audit Report Number 03-04)**

The Office of Inspector General retained Cotton & Company LLP to audit Corporation grants awarded to the Wisconsin National and Community Service Board from September 1, 1997, through March 31, 2002. The Board had total claimed costs of \$7,391,825, of which the auditors questioned \$43,008 for allowability and \$565,202 for lack of supporting documentation. Overall, questioned costs amounted to 8.23 percent of claimed costs. The report includes 11 recommendations to address weaknesses in compliance and internal controls, such as facilitating the timely submission of Financial Status Reports, improving program monitoring procedures, and maintaining supporting documentation for costs claimed. The auditors concluded that the Schedules of Claimed and Questioned Costs present fairly the costs claimed by the Board, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

#### **Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council (Audit Report Number 03-05)**

The Office of Inspector General retained Cotton & Company LLP to audit Corporation grants awarded to the Ohio Community Service Council from October 1, 1998, through March 31, 2002. The Council had total claimed costs of \$16,410,629, of which the auditors questioned \$31,536 for allowability and \$1,220,518 for lack of supporting documentation. Overall, questioned costs amounted to 7.63 percent of claimed costs. The report includes 11 recommendations that address weaknesses in the financial management system, a lack of segregation of duties, noncompliance with program requirements, the need to strengthen the Commission's program monitoring procedures, and the failure to retain documentation supporting program costs. The audit report expresses a disclaimer of opinion on the Consolidated Schedule of Claimed and Questioned Costs because accounting records supporting the Commission's claimed costs were not available for audit.

#### **Incurred-Cost Audit of Grants Awarded to the Maine Commission for Community Service (Audit Report Number 03-06)**

The Office of Inspector General retained Leon Snead & Company, P.C. to audit Corporation grants awarded to the Maine Commission for Community Service from October 1, 1998, through September 30, 2001. The Commission had total claimed costs of \$5,294,473, of which the auditors questioned \$106,743 of drawdowns in excess of expenditures, and \$363,759 because the claims lacked supporting documentation or the costs were ineligible. Overall, questioned costs amounted to 8.89 percent of claimed costs. The audit report contains 22 recommendations on issues involving internal controls and compliance, such as facilitating the timely submission of Financial Status Reports, reconciling Financial Status Reports with actual expenditures and drawdowns, and maintaining supporting documentation for costs claimed. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

### **Audit of Corporation for National and Community Service Grants Awarded to PennSERVE: The Governor's Office of Citizen Service (Audit Report Number 03-07)**

The Office of Inspector General retained Leonard G. Birnbaum and Company to audit Corporation grants awarded to PennSERVE: The Governor's Office of Citizen Service from January 1, 1998, through December 31, 2001. PennSERVE had total claimed costs of \$14,963,565, of which \$4,666 was questioned. Overall, questioned costs amounted to 0.03 percent of claimed costs. The report included four recommendations related to compliance and internal controls. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by PennSERVE, except for the questioned costs identified in the report.

### **Audit of Corporation for National and Community Service Grants Awarded to Connecticut Commission on National & Community Service (Audit Report Number 03-08)**

The Office of Inspector General retained Leonard G. Birnbaum and Company to audit Corporation grants awarded to the Connecticut Commission on National & Community Service from October 1, 1998, through December 31, 2001. The Commission had total claimed costs of \$7,170,359, of which the auditors questioned \$1,892. Overall, questioned costs amounted to 0.03 percent of claimed costs. The report included 13 recommendations to address weaknesses in compliance and internal controls, facilitating the timely submission of Financial Status Reports, and the importance of sub-recipients maintaining accurate and complete member records. The auditors concluded that the Consolidated Schedule of Award Costs presents fairly the costs claimed by the Connecticut Commission, except for the questioned costs identified in the report.

## **Grants Awarded to Entities other than State Commissions**

### **Audit of Communities In Schools, Inc. Grant Number 01SPHVA003 (Audit Report Number 03-16)**

The Office of Inspector General completed an audit of a grant awarded to Communities In Schools, Inc., a national organization where mentors from local communities help at-risk students. The audit's objective was to review the status of corrective actions related to financial issues raised during an earlier Corporation site visit. The audit identified excess drawdowns of \$67,099 and interest on these funds of \$533, for which Communities in Schools has reimbursed the Corporation.

## **Information Systems**

### **Audit of Corporation for National and Community Service's Implementation of the Federal Information Security Management Act for Fiscal Year 2003 (Audit Report Numbers 03-25 & 03-26)**

The Office of Inspector General retained Richard S. Carson & Associates to conduct an audit of the Corporation's information security program in accordance with the Federal Information Security Management Act of 2002 (FISMA). The objectives of the audit were to: test the effectiveness of information security policies, procedures, and practices of a representative subset of the agency's information systems; assess compliance with FISMA and related information security policies, procedures, standards, and guidelines; and conduct follow-up assessment of agency progress in correcting weaknesses identified in prior Government Information Security Reform Act (GISRA) evaluations, including those weaknesses listed in the Fiscal Year 2002 Plan of Action and Milestones. The Corporation has taken a number of steps during the past year to enhance its security program and address issues identified in the Fiscal Year 2002 GISRA report. Notwithstanding the improvements noted during the audit, some areas showed little progress toward remediation and/or did not adhere to Office of Management and Budget Circular A-130 guidance. These problems are identified in the FISMA report, along with recommendations to strengthen the information security program.

## Audit Resolution

The Corporation's audit resolution process essentially consists of four steps. After the Office of Inspector General (OIG) issues an audit report, the Corporation normally issues a Proposed Management Decision (PMD) responding to the report's findings and recommendations, generally within five months of the report's issuance. If the OIG disagrees with management's proposed corrective actions, the OIG submits written comments to the Corporation within 30 days of receiving the PMD. Not more than six months after an audit report is issued, the audit resolution policy requires that the Chief Financial Officer respond to the audit with a Management Decision describing approved corrective actions and a timetable for implementation. Final action on corrective measures must be completed within 12 months of the audit report's publication. Corporation management subsequently transmits a Notification of Final Action when all corrective measures have been completed and the responsible management official has verified the actions. At this point, management considers the audit to be fully resolved.

## Management Decisions

During this reporting period, the Corporation notified the Office of Inspector General of three proposed management decisions:

- Audit Report 02-03, *Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to American Association of Community Colleges, Washington D.C.*
- Audit Report 02-16, *Audit of Corporation for National and Community Service Grants Awarded to Alaska State Community Service Commission*
- Audit Report 03-07, *Audit of Corporation for National and Community Service Grants Awarded to PennSERVE: The Governor's Office of Citizen Service*

## Notices of Final Action

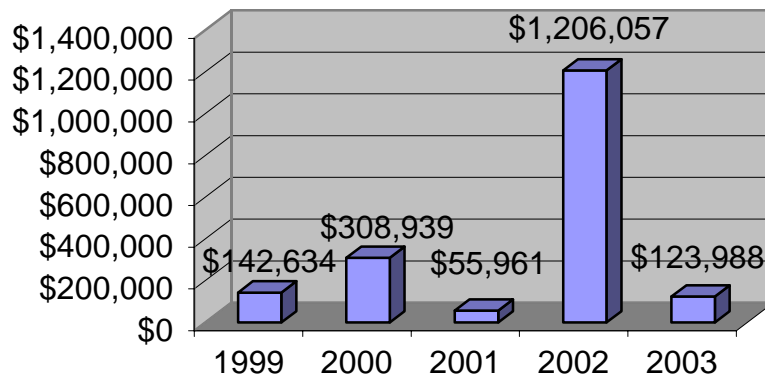
A Notice of Final Action is a Corporation management report indicating that it has completed corrective actions. During this reporting period, the Office of Inspector General received the following Notices of Final Action:

- Audit Report 99-09, *Audit of Corporation for National and Community Service Contract No. 95-743-1009 with Biospherics, Inc.*
- Audit Report 00-21, *Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc.*

# Investigations Section

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

**Investigative Recoveries**



## Investigations Section

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<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Number of Cases Open at Beginning of Reporting Period	23
Number of New Cases Opened this Reporting Period	26
Number of Cases Closed this Period With Significant Findings	9
Number of Cases Closed this Period With No Significant Findings	11
Total Cases Closed this Reporting Period	20
Number of Cases Open at End of Reporting Period	29
<b>Referred</b>	
Number of Cases Referred for Prosecution this Reporting Period	1
Number of Cases Accepted for Prosecution this Reporting Period	2 <sup>2</sup>
Number of Cases Declined for Prosecution this Reporting Period	0
Number of Cases Pending Prosecutorial Review	0
Number of Cases Pending Adjudication	12
<b>Recommendations to Management</b>	
Number of Investigative Recommendations Referred to Management	14 <sup>3</sup>

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<sup>2</sup> This includes one case referred for prosecution during a previous reporting period.

<sup>3</sup> These recommendations derive from five different investigative matters, three of which were recommendations to consider debarring individuals. The remaining recommendations were included in the National Service Trust Report and the Alternative Personnel System Report.

## Summaries of Cases

At the beginning of this reporting period, there were 23 investigative actions pending. During this reporting period, 26 investigative actions were launched and 20 were closed. Twenty-nine investigative actions were pending at the end of the period.

### Cases Closed This Period

#### **Reported Violation of the Anti-Deficiency Act (OIG Report of Investigation 03-007)**

The Office of Inspector General completed an investigation of the Corporation's management and oversight of the National Service Trust (Trust). The inquiry was initiated following a request from Senator Christopher S. Bond. The inquiry focused on whether the Corporation violated the Anti-Deficiency Act (31 U.S.C. § 1341), which prohibits a Federal employee from making expenditures or obligations that exceed the amount appropriated by Congress.

The Office of Inspector General concluded that the Corporation violated the Anti-Deficiency Act by enrolling more AmeriCorps members than could be supported by funds in the Trust. Based on financial data provided by the Corporation, the violation first occurred in the year 2000.<sup>4</sup> The OIG found that the violation continued until President George W. Bush signed the Strengthen AmeriCorps Program Act on July 3, 2003.

The inquiry determined that the violation was caused by inadequate oversight, flawed membership and financial reporting systems, job responsibilities that were either not well-defined or adhered to, and a lack of effective communication among Corporation managers. The Office of Inspector General made several recommendations to the Corporation aimed toward improving its management of the Trust.

The report, in its entirety, can be viewed on our website: [http://www.cnscsig.gov/trust\\_report.htm](http://www.cnscsig.gov/trust_report.htm).

#### **Review of the Alternative Personnel System (OIG Report of Investigation 02-039)**

The Office of Inspector General completed a review of the Corporation's Alternative Personnel System (APS). The review was requested by Congressman Albert R. Wynn, the Chairman of the Corporation's Board of Directors, and the Corporation's Chief Executive Officer in response to concerns expressed by a number of employees and managers about the effectiveness and fairness of the APS.

The legislation that created the Corporation authorized the Chief Executive Officer to establish an APS that was exempt from many of the provisions governing Federal employees under Title 5 of the United States Code and other statutes. The purpose of the OIG's review was to determine if the Corporation's personnel policies, procedures, and practices were meeting the Corporation's need to maintain adequate staffing. The review examined whether the policies facilitated the use of term appointments, performance bonuses, salary increases, hiring actions, and promotions in an equitable manner.

As a result of this review, the OIG made several recommendations that sought to make the APS a more valuable tool for the effective operation of the Corporation.

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<sup>4</sup> After the Office of Inspector General issued the Trust Report, the Corporation provided additional financial data to the Office of Inspector General indicating that the violation of the Anti-Deficiency Act first occurred in the year 2002.

## **Security Risk Assessment (OIG Report of Investigation 03-013)**

The Office of Inspector General conducted a security review of vulnerabilities of the Corporation's Washington, D.C., headquarters. The review determined that the Corporation needed to address multiple security vulnerabilities. The OIG provided Corporation management with several recommendations to enhance security, many of which the Corporation has already implemented.

## **Former AmeriCorps Member Sentenced for Falsifying Documents (OIG Report of Investigation 01-033)**

The Office of Inspector General completed an investigation opened after Corporation management reported that an AmeriCorps member had fraudulently obtained an education award. The investigation revealed that the former member submitted falsified AmeriCorps documents that allowed him to receive \$2,362.50 of his education award, rather than having the payment sent to an educational or lending institution, as required by the terms of the member agreement. The former AmeriCorps member was interviewed and admitted to preparing the fraudulent documents. He pled guilty to making a false statement, a violation of 18 U.S.C. § 1001, in the U.S. District Court, Southern District of New York. He was sentenced to make restitution of \$2,362.50, pay a court assessment of \$100, and placed on supervised probation for two years. The Office of Inspector General also recommended that Corporation management consider debaring the former AmeriCorps member from participation in Federal procurement and non-procurement programs. The Corporation followed this recommendation and debarred the former member for a period of two years.

## **Childcare Fraud (OIG Report of Investigation 01-039)**

The Office of Inspector General completed an investigation reported by a Corporation grant recipient that an AmeriCorps member was fraudulently receiving AmeriCorps\*Care subsidies. The investigation found that an AmeriCorps member enrolled his two children into the AmeriCorps\*Care program. After about a week in the program, the member produced a letter on fraudulent AmeriCorps\*Care letterhead, informing the childcare provider that the member's spouse would be providing childcare for one of their children. The letter instructed the childcare provider to continue receiving both children's AmeriCorps\*Care checks, and pay a portion of the childcare subsidy check to the AmeriCorps member for the child no longer in the childcare provider's care. This allowed the AmeriCorps member to receive \$2,200 in AmeriCorps\*Care subsidies to which the member was not entitled. The local prosecutor accepted this matter for prosecution after it was declined by the U.S. Department of Justice. The member pled guilty to disorderly conduct, paid restitution in the amount of \$2,200, and was sentenced to 15 days of incarceration.

## **Theft and Forgery of VISTA Stipend Check (OIG Report of Investigation 02-032)**

The Office of Inspector General completed an investigation reported by a Corporation State Office that an AmeriCorps\*VISTA member lost her government-issued stipend check in the amount of \$370.99. The check was subsequently forged and negotiated. The investigation discovered that an individual found the check, forged the signature of the payee, and cashed the check at a convenience store, utilizing another individual's check card. The local prosecutor accepted this matter for prosecution after it was declined by the U.S. Department of Justice. The individual pled guilty to one count of theft. The individual was sentenced to 18 months of supervised probation, 80 hours of community service, required to pay court costs, and make full restitution.

## **Fraudulent AmeriCorps Enrollment (OIG Report of Investigation 03-019)**

The Office of Inspector General completed an investigation reported by a program director that a former AmeriCorps member falsely portrayed herself as a U.S. citizen. The investigation found that the program did not obtain proper proof of citizenship prior to enrolling the AmeriCorps member. The former member completed her service and earned an education award, which was later rescinded. The program has reimbursed the State commission the amount of the living stipend paid to the former member. The Office of Inspector General provided information on the former member to the Bureau of Citizenship and Immigration Services after it appeared that the member may not be legally residing in the United States.



## **AmeriCorps Member Submits Fraudulent Time Sheets (OIG Report of Investigation 03-028)**

The Office of Inspector General completed an investigation into allegations reported by a State commission that a former AmeriCorps member falsified her time sheets. Before the former member received credit for these service hours, the investigation discovered that the time sheets were fraudulent. The former member also admitted to falsifying her time sheets. Since there was no monetary loss, criminal prosecution was not pursued, but the OIG recommended that Corporation management consider debarring the former member.

## **Allegations of Inappropriate Conduct (OIG Report of Investigation 03-027)**

The Office of Inspector General completed an investigation reported by a Corporation union representative that inappropriate conduct occurred at an AmeriCorps social event. The investigation found that no AmeriCorps members engaged in inappropriate conduct. However, two members of the program staff did engage in inappropriate conduct and will be disciplined by program officials.

## **Closure of the Corporation State Office in New York City (OIG Report of Investigation 03-021)**

The Office of Inspector General completed an investigation into allegations reported by a former Corporation employee that the reasons given for closing the Corporation office in New York City were invalid. The investigation found that the office was closed as a result of a Corporation management decision to consolidate the New York City office into the Albany, New York office. This action resulted in an overall cost savings to the Corporation.

## **Reported Use and Trafficking of Illegal Drugs (OIG Report of Investigation 03-020)**

The Office of Inspector General completed an investigation into allegations reported by a grant recipient that it had found references to the use and trafficking of illegal drugs in e-mail messages between AmeriCorps members. The investigation found that the grant recipient had conducted an internal administrative inquiry into the matter before notifying law enforcement. Four members voluntarily resigned and five were terminated by the grant recipient for improper use of the program's computer equipment. The fact that the internal inquiry was conducted by the program staff before law enforcement officials were notified prevented a thorough criminal investigation. This issue was noted in a letter to Corporation management by the OIG. As a result, Corporation management reminded all grant recipients in writing to notify the OIG when they suspect a crime may have been committed.

## **Counterfeit AmeriCorps\*Care Checks (OIG Report of Investigation 00-003)**

The Office of Inspector General completed an investigation into allegations reported by a grant recipient that someone had been producing and negotiating counterfeit AmeriCorps\*Care checks. The investigation found that a former AmeriCorps member and others had used a personal computer to counterfeit checks totaling \$16,352. After the OIG discovered that this group of individuals counterfeited checks from a number of different organizations, the OIG, along with the St. Petersburg Florida Police Department, turned this investigation over to the U.S. Secret Service as the lead investigative agency. Local law enforcement officials arrested the individuals for counterfeiting offenses unrelated to the Corporation. Initially, the Department of Justice accepted the Secret Service's investigation for prosecution but eventually declined to pursue this matter in favor of local prosecution. However, the Florida Criminal Code's statute of limitations for these offenses prevented local authorities from pursuing prosecution.

## **Travel Card Review (OIG Report of Investigation 03-004)**

The Office of Inspector General completed a follow up review of Corporation employees' use of the Government travel card. The review included 398 employees and \$1,134,530.50 in travel expenses. This review found no evidence of travel card misuse by Corporation employees.

## Cases Open at End of Period

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

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

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

The Office of Inspector General is investigating an allegation reported by Corporation management that an unknown person intercepted, forged, and cashed the AmeriCorps\*VISTA stipend payment checks of a former VISTA member over a six-month period. A suspect was identified and the information was provided to the Federal Bureau of Investigation, which has assumed responsibility as the lead investigative agency. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

The Office of Inspector General is investigating an allegation reported by Corporation management that a former program director of an AmeriCorps grant recipient embezzled AmeriCorps funds. Evidence indicates that the former director embezzled a significant amount of program funds, a portion of which were AmeriCorps grant funds. Evidence also indicates that the former director utilized AmeriCorps members to perform services outside the scope of the grant at the former director's private businesses and organizations. AmeriCorps members also wrongly received credit toward their education awards for this service. The U.S. Department of Justice has accepted this investigation for criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Childcare Fraud (OIG Report of Investigation 02-008)**

The Office of Inspector General is investigating an allegation reported by a grant recipient that a former AmeriCorps member and her childcare providers submitted false AmeriCorps\*Care applications, while knowing that the providers would not be furnishing the services as claimed. The investigation revealed evidence that the former member and the childcare providers submitted false monthly attendance reports. This allowed the childcare providers to receive thousands of dollars in AmeriCorps\*Care subsidies, which they shared with the former member. Further investigation disclosed evidence that the former member received State childcare subsidies during the same period by conspiring with two different childcare providers to defraud the State system in the same manner. These childcare providers received a significant amount of Federal funds as part of their childcare subsidies, which they also shared with the former member.

All the childcare providers admitted to their involvement in the fraud and conspiracy. The former member admitted to some involvement. In addition, a review of the former member's time sheets revealed that, although the former member was certified as eligible to receive an education award, only a small portion of the former member's service hours were documented. Of these hours, 185 were on time sheets that bore the forged signature of the former member's supervisor. The U.S. Department of Justice accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Personal Use of AmeriCorps Program Credit Card (OIG Report of Investigation 03-014)**

The Office of Inspector General is investigating an allegation reported by a State commission that a former AmeriCorps program director used the AmeriCorps program's credit card for personal use. Evidence indicates that the former director used the card to obtain cash advances and to purchase personal items. The U.S. Department of Justice, citing the small amount of money involved, declined to accept this investigation for prosecution. Local law enforcement and the local prosecutor charged

## Investigations Section

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the former director with felony theft, and trial is pending. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

The Office of Inspector General is investigating an allegation reported by Corporation management that a former associate director of an AmeriCorps program misused the program's credit card. Evidence indicates that the former director used the card for personal use and embezzled a significant amount of program funds. The U.S. Department of Justice has accepted this investigation and is pursuing a criminal prosecution. Thus far, the former associate director has been indicted. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Improper Expenditures of Grant Funds (OIG Report of Investigation 02-013)**

The Office of Inspector General is investigating an allegation reported by a State commission that a State grant recipient made improper expenditures of grant funds. The OIG investigation disclosed evidence that a former grant administrator and a former executive director prepared, and caused to be submitted, a Periodic Expense Report falsely claiming that a grant recipient paid for a number of laptop computers and cellular telephones. The Office of Inspector General also determined that a third staff member, a former administrative director, diverted a significant amount of AmeriCorps funds to pay the recipient's staff payroll. These funds should not have been used for payroll since they were supposedly a reimbursement for a computer purchase, which appears to have never occurred. The U.S. Department of Justice initially accepted this investigation and was pursuing criminal prosecution, but has since declined to prosecute based on the low dollar amount involved. Local prosecutors are now considering this case for prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

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

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

The Office of Inspector General is investigating an allegation reported by a Corporation State Office that a former bookkeeper at a program embezzled a significant amount of program funds, a small portion of which were Foster Grandparent Program funds. Local law enforcement and prosecutors are pursuing prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

The Office of Inspector General is investigating an allegation reported by a Corporation State Office that an AmeriCorps\*VISTA member left the program but continued to receive her stipend, allowing her to collect a significant amount of Corporation funds to which she was not entitled. The investigation found that the program failed to verify member attendance and also failed to provide written documentation of member attendance in their biweekly reports. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

### **Misuse of Education Award (OIG Report of Investigation 03-042)**

The Office of Inspector General is investigating an allegation reported by Corporation management that a former AmeriCorps member used her education award, properly paid to the member's school account, to purchase textbooks and school supplies that she subsequently sold to another student. The investigation found that the former member could use the education award deposited in her school account to purchase any item at the campus bookstore. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

## **Allegations of Improper Grant Award Procedures (OIG Report of Investigation 03-041)**

The Office of Inspector General is investigating allegations reported by a nonprofit organization that its 2002 competitive grant application was denied due to favoritism or improper Corporation grant award procedures. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

## **Allegations of Fraudulent Time Sheets (OIG Reports of Investigation 03-033, 03-038, and 03-039)**

The Office of Inspector General is investigating allegations reported by a former AmeriCorps\*VISTA member that AmeriCorps members at the same program had been falsifying their time sheets. The investigation found that one AmeriCorps member had left the program without completing his time sheets but received no credit for service hours on these time sheets. The remaining allegations are still being investigated and final results will be reported in a subsequent semiannual report.

## **Examination of Gift Fund Use (OIG Report of Investigation 03-034)**

The Office of Inspector General is investigating allegations reported by a confidential source that improper payments may have been made to a Corporation contractor. The investigation found that the payments were made with monies from the Corporation's Gift Fund. The contractor's documents did not appear to be improper, but the investigation did uncover questions about the manner in which the Gift Fund was being managed. Information obtained in this investigation was provided to the OIG audit section, which is conducting a financial and compliance audit of the Gift Fund.

## **Embezzlement of Program Funds (OIG Report of Investigation 03-026)**

The Office of Inspector General is investigating allegations reported by a State commission that a former program employee and two accomplices embezzled a large sum of money from a program, a small portion of which were AmeriCorps funds. An investigation by local law enforcement and the Federal Bureau of Investigation continues. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

## **AmeriCorps Member Submits Fraudulent Time Sheets (OIG Report of Investigation 03-005)**

The Office of Inspector General is investigating allegations reported by a State commission that a former AmeriCorps member falsified his time sheets and forged his supervisor's signatures on the documents. The former member admitted forging the signatures and offered to repay the program the \$1,692.85 that he wrongfully received as a result of the fraudulent time sheets. Local prosecutors are pursuing prosecution after the U.S. Department of Justice declined to pursue the case because of the low dollar amount involved. The former member has been indicted, and a warrant was issued for his arrest after he failed to appear at his arraignment. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

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

# Review Of Legislation And Regulations

Section 4(a) of the Inspector General Act directs the Office of Inspector General to review and make recommendations about existing and proposed legislation and regulations relating to the Corporation's programs and operations. The OIG reviews legislation and regulations to determine their impact on the economy and efficiency of the Corporation's administration of its programs and operations. The OIG also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud and abuse in Corporation programs and operations. The OIG draws on its audit and investigation experience as the basis for its comments.

During this reporting period, the OIG reviewed several pieces of legislation related to the Corporation. These include: 1) the Strengthen AmeriCorps Program Act, 42 U.S.C. § 12605, a law that codifies the Corporation's accounting procedures with respect to the National Service Trust; 2) the Call to Service Act, S. 1274, a bill introduced in the Senate to reauthorize Corporation programs, and amend the National and Community Service Trust Act of 1993; and 3) the fiscal year 2004 appropriations bills pending in the House and the Senate, H.R. 2681 and S. 1584, which include provisions setting the amounts and conditions for use of funds for the Corporation and the OIG.

## The Strengthen AmeriCorps Program Act

The Strengthen AmeriCorps Program Act, enacted July 3, 2003, amends the National Community Service Trust Act of 1993 (NCSTA) by establishing an accounting procedure that specifies when, and in what amount, the Corporation should record an AmeriCorps participant's education award as a liability against the National Service Trust. Conflicting legal opinions had been issued by the Corporation's Office of General Counsel, the U.S. General Accounting Office, and the Office of Management and Budget concerning how this liability should be recorded. The Office of Inspector General concurred that this legislation was a necessary and rational response to resolve this matter. The new Act specifies an accounting formula that the Corporation should use to set aside funds for education awards. If properly implemented, the Act ensures that an adequate reserve exists to cover future payments of education awards earned by AmeriCorps participants.

## The Call to Service Act

The Office of Inspector General reviewed S. 1274, the Call to Service Act, introduced in the Senate on June 17, 2003. The proposed Act would reauthorize the activities of the Corporation and amend sections of the NCSTA. The Corporation's enabling legislation authorized operations through 1996. Since that time, the Corporation has operated on one-year extensions of budget authority.

The Call to Service Act would revise, repeal, or add certain sections to the NCSTA. The bill contains laudable improvements to the NCSTA, such as providing standards in the areas of grantee accountability, performance, and sustainability. However, several provisions of the bill could adversely impact the economy and efficiency of certain Corporation programs, and the OIG's ability to prevent and detect fraud and abuse.

One such provision, Section 1308 of the proposed measure, would repeal Section 130(e)(2) of the NCSTA. Section 130(e)(2) currently requires State commissions to assure the Corporation that "all assistance provided [under the National Service Trust programs] will be used to support national service programs that were selected by the State on a competitive basis." In our view, requiring State commissions to solicit subgrants through competition ensures that Federal funds will go to the best projects in each State at the least cost to the Federal government. Requiring open competition also discourages making subgrant selections based on favoritism or personal contacts. The Office of Inspector General therefore recommends retention of Section 130(e)(2) of the NCSTA.

# Review Of Legislation And Regulations

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Another provision of the proposed bill that gives cause for concern is Section 1309, which would repeal Section 133(d)(4) of the NCSTA. Section 133(d)(4) currently requires the Corporation to consider the recommendations of “a panel of experts” for AmeriCorps grant proposals in excess of \$250,000. Such panels, in our view, provide valuable advice and insight concerning the value, viability and sustainability of a proposed grant project. Furthermore, Congress has indicated its support for these panels in the last three fiscal year appropriation acts by stating that “to the maximum extent feasible” funds appropriated under the AmeriCorps program “shall be provided in a manner consistent with recommendations of peer review panels in order to ensure that priority is given to programs that demonstrate quality, innovation, replicability, and sustainability.” Accordingly, the OIG recommends retention of Section 133(d)(4).

The Office of Inspector General is also concerned with Section 1405 of the proposed bill. This provision could expose the Corporation’s National Service Trust to fraud and abuse. The proposed section authorizes the Corporation to disburse funds from the National Service Trust directly to a disabled individual or family member who provides a certification that they: 1) are entitled or eligible to receive certain Federal disability benefits listed in the section; and, 2) will use the funds received from the Corporation to pay for education, training, or work-related activities. In our view, disbursing Federal funds based on an applicant’s self-certification that they are eligible for the program and will use the funds for the stated purpose, lacks the controls necessary to prevent fraud or abuse. The Office of Inspector General recommends that the section language be revised to require disabled individuals, or their family members, to be a recipient of Federal disability benefits. The Office of Inspector General also recommends that the section language be revised to require the Corporation to disburse funds only to statutorily defined organizations that certify a recipient’s enrollment in their program.

## Appropriations

The Office of Inspector General also reviewed the Corporation and OIG’s fiscal year 2004 appropriations bills and committee reports that were introduced in the House and Senate. Our review focused on the additional OIG requirements proposed by this legislation. Among the items contained in the Senate’s proposed bill, S. 1584, are requirements that the OIG conduct random audits of AmeriCorps program grantees, and debar and obtain reimbursement of funds from AmeriCorps grantees that have committed “substantial violations” of the requirements of the AmeriCorps programs. The Office of Inspector General’s current practice is to conduct audits based on assessments of risk rather than in an indiscriminate order. The Office of Inspector General has communicated this practice to the Senate Appropriations Committee. With respect to the debarment and reimbursement authority, the OIG has suggested that the language be changed to reflect that the OIG make recommendations concerning debarment and reimbursement, but the Corporation, as grant manager, should remain the entity that administers the debarment program. This language would be consistent with the standard practice for debarment and reimbursement throughout the Federal government.

# Tables

## Inspector General Act Reporting Requirements

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

<b>Section</b>	<b>Requirement</b>	<b>Page</b>
4 (a)(2)	Review of legislation and regulations	18
5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
5 (a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies found in the administration of Corporation programs and operations	Throughout
5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	24
5 (a)(4)	Matters referred to prosecutorial authorities	11
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and recommendations that funds be put to better use	5
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	21
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	22
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	23
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	None this period

<b>Reports With Questioned Costs</b>			
<b>Report Category</b>	<b>Number</b>	<b>Federal Costs</b>	
		<b>Questioned</b>	<b>Unsupported</b>
		<i>(Dollars in thousands)</i>	
A. Reports for which no management decision had been made by the commencement of the reporting period	13	\$30,641	\$18,990
B. Reports issued during the reporting period	<u>5</u>	<u>2,337</u>	<u>1,882</u>
C. Total Reports (A + B)	18	32,978	20,872
D. Reports for which a management decision was made during the reporting period	5		
i. Value of disallowed costs		213	85
ii Value of costs not disallowed	—	<u>8,112</u>	<u>2,205</u>
E. Reports for which no management decision had been made by the end of the reporting period (C - D)	<u>13</u>	<u>\$24,653</u>	<u>\$18,582</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	9	\$22,319	\$16,699



<b>Reports With Recommendations That Funds Be Put To Better Use</b>			
	<b>Report Category</b>	<b>Number</b>	<b>Dollar Value</b>
			<i>(Dollars in thousands)</i>
A.	Reports for which no management decision had been made by the commencement of the reporting period	1	\$1,545
B.	Reports issued during the reporting period	1	\$119
C.	Reports for which a management decision was made during the reporting period		
i	Value of recommendations agreed to by management	0	\$0
ii	Value of recommendations not agreed to by management	0	\$0
D.	Reports for which no management decision had been made by the end of the reporting period	2	\$1,664
E.	Reports for which no management decision was made within six months of issuance	1	\$1,545

<b>Summary Of Audits With Overdue Management Decisions</b>				
<b>Report Number</b>	<b>Title</b>	<b>Federal Dollars Questioned</b>	<b>Mgmt. Decision Due*</b>	<b>Status as of September 30, 2003</b>
02-10	<i>Incurring-Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service</i>	\$5,587,955	10/15/02	<i>A Proposed Management Decision has not been provided to OIG</i>
02-11	<i>Incurring-Cost Audit of Grants Awarded to the Missouri Community Service Commission</i>	7,903,629	08/20/02	<i>A Proposed Management Decision has not been provided to OIG</i>
02-14	<i>Incurring-Cost Audit of Grants Awarded to the Michigan Community Service Commission</i>	308,842	03/31/03	<i>A Proposed Management Decision has not been provided to OIG</i>
02-17	<i>Audit of Corporation for National and Community Service Grants Awarded to New Jersey Commission on National and Community Service</i>	3,540,540	03/31/03	<i>A Proposed Management Decision has not been provided to OIG</i>
02-20	<i>Incurring-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service</i>	2,979,921	01/29/03	<i>A Proposed Management Decision has not been provided to OIG</i>
02-21	<i>Incurring-Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service</i>	780,999	03/31/03	<i>A Proposed Management Decision has not been provided to OIG</i>
03-03	<i>Incurring-Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism</i>	1,020,126	09/29/03	<i>A Proposed Management Decision has not been provided to OIG</i>
03-13	<i>Interim Audit of Costs Claimed by Parents as Teachers National Center, Inc. Under Grant Agreement No. 01SPHMO004</i>	91,760	08/11/03	<i>A Proposed Management Decision has not been provided to OIG</i>
03-14	<i>Audit of Costs Claimed by The Navajo Nation Under Grant No. 339W023-21 Foster Grandparent Program</i>	105,177	09/28/03	<i>A Proposed Management Decision has not been provided to OIG</i>
	<b>Total</b>	<u>\$22,318,949</u>		
*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the final report's issuance and corrective actions must be completed within one year.				

<b>Reports Described In Prior Semiannual Reports Without Final Action</b>			
<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Final Action Due*</b>
00-24	<i>Pre-Audit Survey Report of the Alaska State Community Service Commission</i>	08/08/00	08/08/01
01-31	<i>Report on the Review of the Corporation for National and Community Service National Direct Grant Application Review Process</i>	07/09/01	07/09/02
02-03	<i>Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to American Association of Community Colleges</i>	12/27/01	12/27/02
02-10	<i>Incurred-Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service</i>	04/18/02	04/18/03
02-11	<i>Incurred-Cost Audit of Grants Awarded to the Missouri Community Service Commission</i>	02/21/02	02/21/03
02-20	<i>Incurred-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service</i>	08/02/02	08/02/03
02-14	<i>Incurred-Cost Audit of Grants Awarded to the Michigan Community Service Commission</i>	09/30/02	09/30/03
02-16	<i>Audit of Corporation for National and Community Service Grants Awarded to Alaska State Community Service Commission</i>	09/26/02	09/26/03
02-17	<i>Audit of Corporation for National and Community Service Grants Awarded to New Jersey Commission on National and Community Service</i>	09/30/02	09/30/03
02-21	<i>Incurred-Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service</i>	09/30/02	09/30/03

\*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the final report's issuance and corrective actions must be completed within one year.

# Fiscal Year 2003 Performance Information

## Strategic Goals

As part of the Office of Inspector General's ongoing effort to carry out its mission, the OIG has established the following goals for its operation:

### *Strategic Goal 1*

Identify opportunities for increased economy and efficiency in agency operations; assist management by identifying, recommending, and developing appropriate management reforms.

### *Strategic Goal 2*

Protect the integrity of the Corporation's programs, operations, and financial management by identifying and mitigating existing risks or emerging vulnerabilities that may result from changes in the Corporation's operations, from changing legal and administrative requirements, or from other changes in the environment in which the Corporation operates.

### *Strategic Goal 3*

Carry out the intent of the Government Performance and Results Act by providing the Corporation with objective assessments of the integrity of the systems that it uses to compile performance information and its reliability, and by changing the focus of OIG audits and other services to focus more on management performance and programmatic outcomes.

### *Strategic Goal 4*

Improve the quality and delivery of OIG work products.

On the following pages, the Office of Inspector General analyzes how the work accomplished this year has furthered these strategic goals.

## Audit Performance Information

<b>Quantitative Audit Performance Measures</b>			
	<u>FISCAL YEAR</u>		
	<u>2002</u> Actual	<u>2003</u> Goal	<u>2003</u> Actual
Number of Reports Issued	28	20	19
Number of Reports Linked to Improving Corporation Management <i>(OIG Strategic Goal 1)</i>	6	6	5
Number of Recommendations Linked to Goal 1*	33	-	56
Number of Reports Linked to Protecting the Integrity of Programs, Operations, and Financial Management <i>(OIG Strategic Goal 2)</i>	28	17	19
Number of Recommendations Linked to Goal 2			
...to Corporation	50	-	62
...to Grantees	131	-	78
...to Contractors	0	-	0
Number of Reports Linked to Carrying Out The Intent of Government Performance Results Act <i>(OIG Strategic Goal 3)</i>	2	2	2
Number of Recommendations Linked to Goal 3	8	-	12
Total Number of Audit Recommendations	181	-	140
Percent of Recommendations Accepted by Corporation	93%	90%	93%
*The number of recommendations that will be included in a report cannot be predicted.			

## Audit Performance Information

<b>Audit Performance Statistics*</b>				
		Fiscal Year		
		2001	2002	2003
Number of Audit Reports		28	28	19
Number of Testimonies		3	0	1
Number of Reports Requested by Congressional Staff		8	6	4
Questioned Costs ( <i>dollars in thousands</i> )		\$2,984	\$23,369	\$3,585
Recommendations That Funds Be Put To Better Use ( <i>dollars in thousands</i> )		\$56	\$1,607	\$119
Cost per Audit Hour				
OIG Staff		\$65	\$52	\$53
Contracted Service		\$99	\$96	\$85
Average Length of Audit		187 days	215 days	202 days
*In accordance with Strategic Goal 4, which is to improve the quality and delivery of OIG services, reports, and other work products, the OIG monitors the number of audit reports issued annually and the time required to complete an audit.				

## Investigations Performance Information

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The basic mission of the OIG investigative section is to lawfully determine as many of the facts as possible surrounding a given incident. The incident under review may include allegations of criminal activity, allegations of non-criminal activity, or allegations that include both criminal activity and non-criminal activity. Whether an allegation is developed reactively or proactively has no impact on the OIG's basic mission to determine the facts surrounding an incident.

All matters involving evidence of Federal criminal violations are referred to the U.S. Department of Justice for prosecution. This does not mean that all *allegations* of Federal criminal violations are referred; only those with *evidence* of a Federal criminal violation are referred, with some exceptions. For example, all allegations of significant fraud and all allegations against certain senior government officials are referred to the Department of Justice without regard to the amount of evidence available at the time the allegations are received. Many of the criminal matters investigated by OIG involving Corporation programs and operations are declined for prosecution by the Department of Justice because of the low dollar amounts involved. Some of these referrals are accepted by the Department of Justice Civil Division for enforcement; others are accepted for prosecution by State or local prosecutors.

Non-criminal matters and those matters declined for prosecution or civil enforcement by the Department of Justice (or State prosecutors) are often referred to Corporation management for administrative action. Administrative action might involve removal or suspension of an employee. Administrative action could also involve modifying or refining a process or system that our investigation identified as needing improvement. The OIG usually requests management to provide a description of what, if any, administrative action was taken as a result of the referral.

The Office of Inspector General sometimes finds that certain matters, criminal and non-criminal, did not occur, did not occur as alleged, or were not within our purview. Each matter requires some degree of preliminary inquiry to determine the veracity of the allegation. The table on the following page presents statistics on the OIG's investigative workload for fiscal years 1999 through 2003.

## Investigations Performance Information

<b>Investigations Performance Information</b>					
<b>Fiscal Year</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Investigative Actions Opened	46	51	95 <sup>5</sup>	40	42
Investigative Actions Resolved and Closed	29	47	95	40	30
Average Monthly Caseload	25	30	35	24	26
Investigative Matters Resolved Without Opening a Separate Investigative Action	48	37	29	37	42
Referrals for Prosecution	12	14	16	10	9
Investigative Recoveries <sup>6</sup>	\$142,634	\$308,939	\$55,961	\$1,206,057	\$123,988
Cost Avoidance <sup>7</sup>	--	--	--	--	\$158,038 <sup>8</sup>
Administrative or Management Action Taken	10	4	8	25	23 <sup>9</sup>

<sup>5</sup> Forty-five of the 95 investigative actions opened during fiscal 2001 were opened as a direct result of a proactive OIG review of Corporation employees' use of the government travel charge card. These 45 actions documented the investigation of suspected employee abuse of government travel charge cards, namely using the cards for personal benefit in violation of Corporation policy, Federal regulations, and the *Standards of Ethical Conduct for Employees of the Executive Branch*.

<sup>6</sup> Includes money received by the Corporation or other government agencies as a result of OIG investigations, including joint investigations with another OIG, Federal, or State investigative element.

<sup>7</sup> Cost avoidance was not calculated until fiscal 2003. When OIG investigative action identifies a systemic practice that has subsequently been stopped or modified due to some type of OIG investigative interdiction, any clear and unmistakable savings to the Corporation are reported as a cost avoidance.

<sup>8</sup> Investigative findings allowed the Corporation to avoid paying \$122,070 in liquidated damages for violating the Fair Labor Standards Act. The cost avoidance total for fiscal year 2003 also includes three other investigations that resulted in cost avoidance.

<sup>9</sup> This figure includes the Corporation's compensation of 20 employees for unpaid overtime.



**CORPORATION FOR NATIONAL AND  
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**Corporation for National and Community Service**  
**1201 New York Avenue NW., Suite 830**  
**Washington, DC 20525**



December 8, 2003

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 Semiannual Report to Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from April 1, 2003 through October 31, 2003. During this period, the Corporation made management decisions on three audits and completed final action on two audits which are now closed. Subsequent to this period, the Corporation made management decisions on ten more audits and completed final action on six audits.

If you have any questions concerning these reports, please contact me or the Corporation's Inspector General J. Russell George.

Sincerely,



James F. Manning  
Acting Chief Executive Officer



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**TABLE I**

**ACTION TAKEN ON AUDIT REPORTS  
(for the Period April 1, 2003 through September 30, 2003)**

	<b><u>Number of Reports</u></b>	<b><u>Disallowed Costs (\$000)</u></b>
A. Audit reports with final action not taken by the commencement of the reporting period.	24	
B. Audit reports issued by the OIG during the period	10	
C. Audit reports for which final action was taken during the reporting period	2	
1. Recoveries		
(a) Collections and offsets	2	390
(b) Property in lieu of cash		
(c) Other (reduction of questioned costs)		
2. Write-offs	0	
3. Audits with no disallowed costs	0	
D. Audit reports for which final action was not taken by the end of the reporting period. <sup>1</sup>	32	
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.	8	

<sup>1</sup> This includes 13 audits for which final action is not due.

**TABLE II**

**STATUS OF AUDIT REPORTS WITH MANAGEMENT DECISIONS THAT HAD NO FINAL ACTION  
WITHIN ONE YEAR OF THE ISSUANCE OF THE REPORT  
(As of September 30, 2003)**

<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>
00-24	08/08/00	Pre-Audit Survey Report of the Alaska State Community Service Commission	NA	The Corporation completed corrective action on this audit in October 2003.
01-31	7/9/01	Report on the Review of the CNCS National Direct Grant Application Review Process	N/A	The remaining open recommendation was to develop policies and procedures for managing the review process. They are in review with the Acting CEO.
02-03	12/27/01	Audit of CNCS Grant Number 97LHEDC001 to American Association of Community Colleges	\$2,879	The Corporation completed corrective action on this audit in November 2003.
02-10	04/18/02	Incurred-Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service	\$32,810	The Corporation completed corrective action on this audit in November 2003.
02-11	2/21/02	Incurred Cost of Audit of Grants Awarded to the Missouri Community Service Commission	\$151,771	The Corporation completed its management decision and will conduct a monitoring visit in early 2004 to ensure that the Missouri Commission has implemented all of the corrective actions
02-14	09/30/02	Incurred-Cost Audit of CNCS Grants Awarded to the Michigan Community Service Commission	\$8,094	The Corporation completed corrective action on this audit in November 2003.
02-16	09/26/02	Incurred-Cost Audit of CNCS Grants Awarded to the Alaska State Community Service Commission	\$29,338	The Corporation completed corrective action on this audit in October 2003.
02-17	09/30/02	Incurred-Cost Audit of CNCS Grants Awarded to the New Jersey Community Service Commission	\$85,381	The Corporation completed its management decision and will conduct a monitoring visit in early 2004 to ensure that the New Jersey Commission has implemented all of the corrective actions
02-20	08/02/02	Incurred-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service	\$29,338	The Corporation completed corrective action on this audit in November 2003.
02-21	09/30/02	Incurred-Cost Audit of CNCS Grants Awarded to the Alabama Governor's Office on National and Community Service	TBD	The Alabama Commission must gather documentation from several subgrantees before the Corporation can complete corrective action. Anticipated completion date is February 2004

**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 September 30, 2003)**

<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>
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02-20	08/02/02	Incurred-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service	\$29,338	The Corporation completed corrective action on this audit in November 2003.
02-21	09/30/02	Incurred-Cost Audit of CNCS Grants Awarded to the Alabama Governor's Office on National and Community Service	TBD	The Alabama Commission must gather documentation from several subgrantees before the Corporation can complete corrective action. Anticipated completion date is February 2004