

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

**Semiannual Report  
to Congress**

**April 1, 2007 - September 30, 2007**  
Fiscal Year 2007 Semiannual Report No. 2



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

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## **About The Office of Inspector General**

In 1993, Congress created the Corporation for National and Community Service (Corporation), along with this Office of Inspector General (OIG), in the National and Community Service Trust Act (42 U.S.C. §§ 12501-681). Independent of the agency we oversee and led by a presidential appointee, the OIG conducts audits and investigations of Corporation programs, including AmeriCorps, Volunteers In Service to America (VISTA), the National Civilian Community Corps, Learn and Serve America, and Senior Corps. The OIG also examines Corporation operations, and State community service programs that receive and distribute the majority of Corporation grant funds. Based on the results of our work, and in addition to its audit reports and criminal and civil referrals based on our investigations, the OIG recommends to the Corporation policies to promote economy and efficiency.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the final six months of Fiscal Year 2007. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

# A Message From Inspector General Gerald Walpin

October 31, 2007

I am pleased to present this Semiannual Report to Congress by the Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), and share with you the results of our investigations, audits, and other efforts for the period April 1 through September 30, 2007.

As Inspector General, my goal is to enhance the fine work of the Corporation, its grantees, and the volunteers who serve their communities, by assuring that every taxpayer dollar invested in the Corporation's service programs is properly and efficiently used.



This reporting period featured some notable successes toward that goal. Cases closed by our Investigations Section resulted in the recovery of more than \$790,000 of taxpayer funds and set the stage for the potential recovery of more than \$2.3 million from persons and programs that engaged in fraud, waste and abuse of Corporation resources.

Our Audit Section issued eight reports that questioned grantee-claimed costs of more than \$5.4 million and identified more than \$792,000 of additional funds that could be put to better use.

And, as the result of our investigative and audit efforts, the OIG identified potential pitfalls and vulnerabilities and offered Corporation management recommendations designed to improve its operations and oversight of grantees and volunteer programs.

In several cases, our investigations were able to forestall False Claims and fraud schemes before any damage was done. And, thanks to timely communication of our findings to Corporation officials, funding was cut off or suspended to the most egregious abusers of the public's trust and purse.

I believe our audits of programs and of grantees provide real value to the Corporation by identifying misspent or misallocated funds and helping to recover money to the U.S. Treasury.

A prime example during this reporting period was our audit of an AmeriCorps grant made to United States Veterans Initiative Inc. (USVI), a nonprofit based in Southern California that serves homeless veterans. This major effort, based on information initially provided by the Investigations Section, found widespread abuses and violations and resulted in questioned Federal grant costs of \$502,000 and \$249,226 in education awards made to USVI's AmeriCorps members.

Our audit also raised important issues related to USVI's joint venture agreements with its for-profit partner, Cantwell Anderson Inc. (CAI), a real estate development firm headed by USVI's founder and former executive director. The auditors found that many transactions between USVI and CAI were less than arms length and that a significant amount of program income could not be accounted for. Upon being informed of our findings, Corporation officials suspended additional funding for USVI.

In its response to our audit, USVI defended its performance as a grantee by stressing the fact that it assists needy veterans. I responded to that premise by stating "there can be no better use of Federal funds than for helping our veterans in need. But that good purpose is no excuse for misusing funds and thereby depriving veterans of money allocated to benefit them." As our audit and investigation continues, we are mindful of our objective to root out any fraud and misuse of Federal funds while, at the same time, enhance the continued flow of services to those in need, including veterans.

# *Inspector General's Message*

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Upon taking office in January of this year, I pledged to vigorously seek sanctions against all wrongdoers. When people steal from worthy causes like the Corporation's volunteer programs, my staff and I take it personally.

Our efforts have included an outreach effort to convince Federal, state and local prosecutors that, in the OIG's view, there is no such thing as "minor fraud" or a "low-dollar amount" case. We have also improved the presentation and documentation of our cases for United States Attorneys and other prosecutorial decision makers.

We have made it widely known that a fraud is a fraud and the theft of as little as \$16,000 can mean one less AmeriCorps or VISTA member who is supported by Corporation funds to serve a community in need. Thefts of as little as \$500 can result in funds being unavailable to support a Senior Corps Foster Grandparent or to assist a local public school or college in establishing a Learn and Serve program that enlists its students in community service.

Our outreach program and persistence in pursuing sanctions bore fruit during this reporting period. Our investigation of extensive abuses in an AmeriCorps program operated by the YMCA of Greater New York made a strong case, convincing YMCA officials to agree to repay the Government \$534,000 under a civil settlement negotiated by the U.S. Attorney's Office on the basis of the well-documented referral file we provided. Also, as a result of our efforts, the New York State Commission cut off all funding to the YMCA, including funding from the AmeriCorps program.

During this reporting period, the OIG has also taken a more proactive stance in the audit resolution process by advocating for maximum recovery of questioned and unallowable costs and, where applicable, offering recommendations for policy changes that will clear up identified inconsistencies in grant provisions and enforcement.

We have also weighed in with Congress on concerns related to the Corporation's pending reauthorization legislation, citing provisions which could adversely affect the Corporation's operations or could prove conducive to fraud, waste and abuse.

Finally, during this reporting period, my staff and I have met, addressed, and interacted extensively with Corporation officials, grantees and program participants in a series of conferences, fraud awareness briefings, and audit training meetings. These sessions have further strengthened my resolve to protect national service resources and root out wrongdoers.

Overall, the OIG has made strides during this reporting period while increasing its effectiveness as a deterrent against those who would betray the public's trust. We will continue to build on those successes in the year ahead.

Having said that, I would be less than candid if I didn't caution that our ability to continue to perform the important role that Congress has delegated to us depends on receiving funding in an amount at least equal to the funds we were able to use to finance our performance in 2006, when \$6.9 million was made available to this office.

The current Senate Committee proposed appropriation provides that funding. Unfortunately, the current House bill would reduce available funds for this office to \$5.512 million, or a 20 percent reduction from the 2006 level, apparently due to seeking comparability to 2006 and 2007 appropriations without considering that two-year additional funds were available for use in both years.

Without available funds in 2008 comparable to the funds available in 2006 and 2007, this office will be unable to perform much of the audit and investigative work which produced the successful performance shown by this office.



# Audit Section

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



## Audit Results

During this reporting period, the OIG Audit Section issued eight reports that questioned more than \$5.4 million in grantee claimed costs and recommended that more than \$792,000 in additional funds that could be put to better use. There were 18 audits in process at the end of this period. The Audit Section, which began this period with an Assistant Inspector General for Audit and five auditors, added three more auditors to its staff to fill vacancies in positions needed for this office's operations. Reports issued this period included:

- Agreed-Upon Procedures Review of Grants Awarded to Mississippi Commission for Volunteer Service
- Agreed-Upon Procedures Review of Grants Awarded to Kansas Volunteer Commission
- Agreed-Upon Procedures Review of the Seven Corners, Inc. Health Benefits Administration Claims Processing Contract
- Agreed-Upon Procedures Review of Senior Corps Grants Awarded to Council on Aging of Volusia County, FL
- Agreed-Upon Procedures Review of Grants Awarded to OneStar National Service Commission
- Follow-Up Review of the Corporation for National and Community Service Purchase and Travel Card Programs
- Agreed-Upon Procedures Review of Grants Awarded to Arkansas Service Commission
- Audit of Grant Awarded to United States Veterans Initiative, Inc.

The focus of reports issued this period continued to be audits of the Corporation's State commission partners and its National Direct Grantees. The Corporation awards AmeriCorps grants to State commissions that issue subgrants to local organizations to support their AmeriCorps programs. National Direct Grantees either subgrant funds to organizations to run programs or operate AmeriCorps programs in more than one state. AmeriCorps members serve nonprofits, public agencies and faith-based and other community organizations to help them meet critical needs. Upon completion of their term of service, members receive an education award to help finance their higher education or pay existing student loans.

At the Corporation's request, we performed agreed-upon procedures on the AmeriCorps VISTA health claims processing contractor and of grants awarded to the Council on Aging of Volusia County, FL. We also tested the Corporation's Purchase and Travel Card controls to ensure that accounts were terminated as soon as cardholders ended their employment.

As part of the OIG's effort to demystify the audit process, Audit Section staff gave training presentations at two Corporation conferences for grantee employees. We briefed attendees on the OIG audit process, as well as common audit findings and how to avoid such problems.

## Significant Audit

### **Audit of Grant Awarded to United States Veterans Initiative, Inc. (USVI)**

OIG Audit Report 07-21 questioned a total of \$502,774 Federal Share and \$249,226 of education awards, amounting to more than 9 percent of the value of USVI's grant. In addition to the questioned costs, the audit identified additional costs that may be questioned based on less than arm's length transactions with the for-profit real estate development firm Cantwell Anderson Inc. and its subsidiaries, USVI's for-profit partner in a number of joint ventures. As the findings in this audit, which was limited to one grant covering a 3-year period, may well apply to the many grants over more than 13 years, this office continues its review of USVI. Also, more costs may be questioned when USVI negotiates its final indirect rates with the Department of Veterans Affairs, its oversight agency.

# Audit Section

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USVI had never submitted any final rate information, as required in its provisional negotiated indirect rate agreement and Office of Management and Budget Circular A-122.

Our audit of USVI, in addition to the related party findings, included all of the common audit findings listed below, as well as the following significant problems:

- Commingling of grant costs in one fund code;
- Performance measures not clearly tracked and evaluated;
- Retroactively dated transactions submitted as support for claimed costs;
- Internal control weaknesses, including no documentation of subgrantee monitoring visits;
- Criminal record checks not performed for members serving vulnerable persons;
- Members who served more than two terms and received living allowances as well as Education Award Only members who received living allowances;
- Living allowances claimed for members for whom no records existed;
- Members who provided no service to veterans, who performed administrative duties for USVI or who provided services to Cantwell Anderson Inc.; and
- Employees of USVI or a USVI placement site enrolled as members and receiving service credit for work hours.

The report included ten findings and 22 recommendations to improve the grantee's internal controls and its compliance with grant provisions. In July 1998, we had issued a report on USVI. Results from that audit were similar to some of those found in the recent audit, indicating that OIG recommendations were not implemented.

## Common Audit Findings

### Audit findings during this period included:

- Financial Status Reports that did not reconcile to accounting records;
- AmeriCorps member eligibility that was not documented;
- Grantee-reported AmeriCorps service hours did not meet the minimum requirements for earning an education award;
- Undocumented match or match that improperly utilized funds from other Federal grants; and
- Not reporting program income as required.

The questioned costs identified by our audits resulted, for the most part, from lack of grantee compliance with regulations and grant provisions.

### Financial Status Reports

Financial Status Reports (FSRs) are the required tool for grantees to report program outlays, income and match costs. The information contained in these reports is also used by the Corporation to monitor its grantees and their programs. During this period, our audits continued to find numerous instances in which financial data reported to the Corporation in FSRs did not reconcile to the grantee's accounting records.

### AmeriCorps Member Eligibility Not Documented

To serve as an AmeriCorps member, an individual must be a U.S. citizen, U.S. national or lawful permanent resident alien of the United States, be at least 17 years of age at the commencement of service and have a high school diploma or an equivalency certificate. Our audits found that some grantees did not have eligibility documentation for all of their members available during the audit, leading us to question grant costs and education awards for those members.

### **AmeriCorps Education Award Eligibility**

AmeriCorps members must serve a minimum number of service hours to earn full or partial education awards at the end of their terms of service. Members are required to document their service hours on timesheets, which are signed by their program supervisor. The grantee is required to certify, at the completion of service, the number of hours each member served and enter this data into the Corporation's Web-Based Reporting System. This certification documents the member's eligibility for an education award. Our audits found certifications that were not supported by service-hour data on member timesheets, leading us to question the awards. In cases where the discrepancy in service hours appeared to be intentional, we informed the OIG Investigations Section.

### **Undocumented Match Or Match Provided Using Funds From Other Federal Grants**

The Corporation's grants include requirements for the grantee to fund a part of the program with matching funds. The amount varies between AmeriCorps and Senior Corps grants. Matching funds must be non-Federal cash for member support costs and may be cash or in-kind for the remaining required match. Our audits continued to report grantees whose match is not supported by documentation. While OMB Circulars require that match costs be held to the same documentation requirements as the Federal share, it appears that some grantees do not understand this basic requirement. Also, match cannot include funds paid by the Federal Government under another award, except where authorized by Federal statute.

### **Program Income Not Used As Required**

Some of our audits found that the grantees received income as a result of their members' service. This income was not used as required by the grant provisions, which specifically state that "Income earned as a direct result of the Program's activities during the award period may be retained by the Grantee and used to finance the non-Corporation share of the Program".

## **Proposed Management Decisions With Which The OIG Disagreed**

The OIG did not entirely concur with the proposed management decisions (PMDs), for Audit Report 06-23, Audit of Grants Awarded to the Massachusetts Service Alliance, 06-26, Audit of Grants Awarded to the New Mexico Commission for Community Volunteerism, 06-36, Audit of Grants Awarded to Serve Idaho, Governor's Commission on Service and Volunteerism, and 07-07, Audit of Grants Awarded to Volunteer Florida.

A significant disagreement stems from the Corporation's interpretation of Section 139 of the National and Community Service Trust Act of 1993, which allows a participant to be released from completing a term of service, with a partial education award, for compelling personal circumstances "as demonstrated by the participant." The Code of Federal Regulations, 45 CFR § 2522.230, gives examples of compelling personal circumstances as those beyond the participant's control, including participant's disability or serious illness or that of a family member which impacts the participant's ability to continue in the program. The regulations also note that conditions attributable to the program or otherwise unforeseeable and beyond the member's control, such as a natural disaster, strike, relocation of a spouse or the nonrenewal or premature closing of a project or program, are considered compelling personal circumstances.

Our audits questioned the education awards for members who did not serve the number of hours required to earn an education award and did not demonstrate a compelling personal circumstance but were given a partial award. We found instances in which grantees enhanced the number of hours served through such means as awarding bonus hours not authorized in the act or regulations, double counting hours, and miscounting hours, resulting in members receiving partial education awards. In such cases in which the members did not serve the required number of hours, the Corporation



## *Audit Section*

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approved the awards despite the absence of any showing by the participant of compelling personal circumstance, as required by the controlling regulation.

In its final management decisions, the Corporation held to its proposed management decisions to allow the partial education awards on the ground that grantee or subgrantee errors should not result in penalties for AmeriCorps members, thereby ignoring the express requirement that such awards may not be given if the required hours had not been served unless the member demonstrated compelling personal circumstances. The Corporation thereby imposes the cost of the education awards on the U.S. Government, thus absolving both the grantee and the member of liability for the cost of education awards that had not been earned.

The OIG does not want any member to be harmed as the result of grantee error. However, the law is clear on the requirements to earn an education award and the necessity for the member to demonstrate compelling personal circumstances. We have recommended that the Corporation hold its grantees responsible for making the members whole by using non-Federal funds for the education awards. In our view, grantees are responsible for operating their programs according to laws, regulations and grant provisions. Allowing the partial education awards to be paid with taxpayer funds when the grantee has erred does not make the grantee accountable for its actions.

## Investigations Section

*The Office of Inspector General Investigations Section is responsible for the detection and investigation of fraud, waste and abuse in Corporation for National and Community Service programs and operations. The Investigations Section carries out these responsibilities by investigating allegations of criminal activity 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, where the facts uncovered so warrant. Some investigative reports are referred to Corporation management for its administrative action.*



### Investigative Results

The OIG Investigations Section opened 25 new cases and closed 25 cases, including 13 matters with significant findings. Our investigative efforts resulted in the recovery of more than \$790,000 in taxpayer funds and the potential recovery of \$2.3 million from persons and programs found to have engaged in fraud, waste or abuse of Corporation resources.

Our investigations also resulted in the successful criminal prosecution of six persons and 19 referrals that are pending adjudication. Based on information developed through our investigations and successful prosecutions, Corporation management debarred 15 persons from participating in Federal procurement and non-procurement programs for periods ranging from one to three years.

In an effort to prevent future instances of fraud, waste and abuse, the OIG Investigations Section made several recommendations to Corporation management that are designed to improve program operations and oversight.

Proactive prevention is also the goal of our Fraud Awareness Program. OIG investigators regularly make multimedia training presentations to Corporation employees, program officials, and members. In addition, investigators conduct unannounced visits to program sites during their official travel. These visits assist Corporation management in determining if grantees are adhering to goals and objectives and give grantees the opportunity to give feedback on how effectively Corporation management is supporting their programs.

Consisting of an Assistant Inspector General for Investigations, five agents with full Federal Law Enforcement Authority and an investigative assistant, the Investigations Section met the challenge of pursuing wrongdoers in Corporation operations that include hundreds of grantees and sub-grantees in all 50 states and U.S. territories. We were assisted in our work by 70 calls and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees, and program participants.

### Significant Cases And Activity

#### Fraudulent Service Hours

A number of cases during this reporting period involved program officials who inflated service hours for their AmeriCorps and VISTA members and reported this fraudulent data to the Corporation, thereby falsely certifying their members for education awards and living allowances. Members who successfully complete 1,700 hours of community service during their one-year terms can receive education awards of \$4,725 from the Corporation's taxpayer funded National Service Trust. Timely intervention by the OIG resulted in sizeable recoveries of taxpayer funds and, in several cases, prevented losses due to program fraud and false claims.

In a major case, the OIG Investigations Section, working in conjunction with the OIG Audit Section, found that officials of the YMCA of Greater New York had falsified time sheets and inflated member service hours, thereby fraudulently certifying education awards for 76 of its AmeriCorps members. The initial findings were shared with New York State Commission officials, who cut off funding to the program. While admitting no wrongdoing, YMCA officials agreed to repay the Government \$534,000 in a settlement negotiated by the U.S. Attorney for the Southern District of New York on the basis of our referring file.

In another ongoing case, the result of a call to the OIG Hotline, we investigated allegations that a program executive director had enrolled his employees in his agency's AmeriCorps program and had falsely certified to the Corporation that his employees were performing community service. Under AmeriCorps regulations, members are not allowed to perform the duties of program employees or supplant persons in paid positions. In addition, we found evidence that the program director had

## *Investigations Section*

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inflated the service hours of AmeriCorps members who were properly enrolled in the program, thereby making them eligible for education awards to which they were not entitled. The overall loss to the Government is estimated at more than \$300,000.

In another case, an OIG audit and investigation disclosed that senior program officials failed to adequately manage their AmeriCorps program, thereby denying AmeriCorps members the opportunity to complete the required 1,700 hours of service during their one-year terms and earn an education award. Program officials then devised a scheme to ensure their members received enough service credit by inflating their hours and reporting this data to the Corporation. The OIG was able to uncover this scheme before any of the fraudulent education awards were certified by the grantee. If it had gone undetected, this scheme could have resulted in a \$45,750 loss to the Government.

Another Hotline call led to the OIG investigation of an allegation that 25 individuals attending a summer college program were asked to enroll in a part-time AmeriCorps program. A grantee receives \$400, to cover its administrative costs, for each AmeriCorps member it enrolls in the education award only-program (members receive no living allowances). Our investigation found that members had been used for activities outside the scope of the program's grant, thereby disqualifying them for education awards. The OIG investigation forestalled approval of the education awards, thereby preventing a loss to the Government of \$45,000. It also prevented the Corporation's payment of \$10,000 in fraudulent administrative costs to the grantee.

Finally, we investigated a State commission report that AmeriCorps members had falsified the service hours claimed on their time sheets and that their program officials had forged signatures on partnership agreements with the sites where the members allegedly served. Investigation found evidence that program officials and AmeriCorps members had submitted fraudulent partnership agreements, claiming benefits for service that was never performed. This allowed members to earn living allowances and education awards to which they were not entitled, resulting in a \$53,431 loss to the Government. It has been referred to the U.S. Attorney for appropriate judicial remedy.

### **Fraudulent Child Care Payments**

Starting with a single case and expanding the investigation with the use of Federal and State records, an OIG Senior Special Agent disclosed evidence that 11 former AmeriCorps and AmeriCorps\*VISTA members from Michigan had fraudulently received more than \$100,000 in child care subsidies from VISTA Care and AmeriCorps Care, child care benefit programs for VISTA and AmeriCorps members that are administered for the Corporation by the National Association of Child Care Resources and Referral Agencies (NACCRRRA).

Our investigation disclosed evidence that the former members received subsidies through the Corporation's programs while also receiving State child care benefits, which are mainly funded by Federal Block grants. The Corporation programs bar beneficiaries from concurrently receiving benefits from more than one source.

One case was prosecuted by the local U.S. Attorney's Office resulting in the recovery of fraudulently obtained benefits. Other individuals were successfully prosecuted for Welfare Fraud by State officials, and other cases are being handled administratively by Corporation management. Several of those individuals have begun making restitution and, based on information developed by the OIG, have been debarred by Corporation management.

Our investigation revealed a lack of adequate checks and balances among Corporation and State and locally administered child care programs that could prevent persons from fraudulently obtaining dual benefits. This condition appears to be conducive to fraud and abuse. The OIG has launched a review of the benefit program. The results will be presented to Corporation management along with recommendations for corrective action.

## Misuse of Program Participants

A significant number of OIG cases involved the misuse of AmeriCorps members and other program participants, including the use of members to displace paid program employees, thereby supplementing staff salaries with program funds. Other cases involved the fraudulent enrollment of program employees as AmeriCorps members, who were falsely certified by program officials for living allowances and education awards to which they were not entitled. These violations resulted in a loss of more than \$258,000 in Corporation funds.

The OIG received a Hotline allegation that a VISTA program executive director had enrolled her employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found that the executive director of Habitat for Humanity Peninsula, Newport News, VA, fraudulently enrolled her employees in the VISTA program to supplement their salaries with VISTA funds. The grantee agreed to make restitution as part of a civil settlement negotiated by the U.S. Attorney's Office, Eastern District of Virginia, Norfolk, VA. Corporation management debarred the executive director and the members based on the OIG's recommendation.

An allegation was reported to the OIG Hotline that another VISTA project director also enrolled her employees in the VISTA program to supplement the employees' salaries and benefits. The investigation found evidence that the project director conspired with her husband to fraudulently enroll their private business employees in the VISTA program to supplement their salaries and benefits with Federal program funds. The two individuals have agreed to a civil settlement, which is being completed by the U.S. Department of Justice.

Corporation management reported to the OIG that a VISTA member alleged that she was required to reimburse part of her living allowance to her site supervisor. Investigation disclosed evidence that the executive director and former site supervisor fraudulently documented two members' service when, in fact, the members were employed by the program. The two employees also received VISTA living allowances to which they were not entitled. The U.S. Department of Justice is pursuing civil recovery.

A State commission reported that an AmeriCorps site supervisor was withholding members' living allowances. The investigation found evidence that the site supervisor had enrolled her day care center employees in the AmeriCorps program to supplement their salaries with program funds. The U.S. Department of Justice is pursuing criminal prosecution.

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	42
New Cases Opened	25
Cases Closed this Period with Significant Findings	13
Cases Closed this Period with No Significant Findings	12
Total Cases Closed	25
Cases Open at End of Reporting Period	42
<b>Referred*</b>	
Cases Referred for Prosecution	6
Cases Accepted for Prosecution	2
Cases Declined for Prosecution	2
Cases Pending Prosecutorial Review	2
Cases Pending Adjudication	19
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	23
Investigative Recommendations Pending this Reporting Period	8
Investigative Recommendations Pending from Previous Periods	0
*This includes referrals for prosecution during the previous period	

# Review Of Legislation And Regulations

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



## **Criminal Background Checks**

Based on the results of its investigations and audits, the OIG recommended in past reporting periods that the Corporation strengthen and expand its criminal background check requirements for volunteers and program officials who have contact with children, the elderly, and other vulnerable persons.

On August 24, 2007, after several iterations of a proposed draft rule, which included the OIG's suggestions for improvement as well as a period for public comment, the Corporation published as final its National Service Criminal History Checks Rule. That rule will require that grantees in the AmeriCorps, Senior Companion and Foster Grandparent programs conduct a criminal history check on all incoming participants and grantee staff. The rule will go into effect on November 23, 2007.

Specifically, the rule requires a grantee to search the National Sex Offender Public Registry (NSOPR) maintained by the U.S. Department of Justice, and to search by name or fingerprint the criminal registry of the State in which the program operates (and, if different, the state in which an applicant resides), for all applicants and grantee staff who would have recurring access to children, the disabled, and persons age 60 and older. Any individuals found to be on the NSOPR are to be deemed "unsuitable" for a Corporation-funded position. The eligibility of individuals found on a State criminal registry is left for the program to decide, but the regulation requires that program officials document that they considered the background check result prior to selection.

Also under the rule, "children" are defined as "individuals 17 years of age or younger" and "recurring access" is defined as "the ability on more than one occasion to approach, observe, or communicate with an individual, through physical proximity or other means, including but not limited to, electronic or telephonic communication."

The rule amends parts of, and is codified in, 45 C.F.R. §§ 2510; 2522; 2540; 2551; and 2552.

## **Proposed Reauthorization Bill For The Corporation**

In anticipation of Congress considering a reauthorization bill for the Corporation, the Corporation invited the OIG to comment on how the Corporation's current statute could be improved. The OIG suggested additions to certain sections of the current act, such as prohibiting an AmeriCorps member from receiving an education award if his/her certification was fraudulent; establishing what constitutes compelling personal circumstances in order to release an AmeriCorps member from a term of service and receive a partial education award; providing for unfettered OIG access to grantee records; and strengthening the language in the Domestic Volunteer Service Act to clarify that VISTA members not engage in outside employment during their year of service.

In June 2006, a bill to reauthorize the Corporation was introduced in the U.S. House of Representatives. The OIG studied the proposed legislation and forwarded to House members and staff its comments concerning the current statute, as well as those aspects of the bill the OIG found wanting.

Specifically, we questioned the wisdom of the section of the proposed bill that would permit the Corporation to forgive up to 75 percent of funds disallowed pursuant to a government audit if the grantee demonstrates that the practices that gave rise to their disallowance had been corrected, and the plan for their proper use had been submitted to the Corporation and approved. We believe such a mechanism undermines the deterrent effect associated with disallowed costs, diminishes the importance of the cost principles for grantees expressed in the OMB Circulars, and could open a floodgate for grantee appeals of previously disallowed costs.

## *Review Of Legislation And Regulations*

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We also questioned the proposed bill's intent to strike the requirement that AmeriCorps members serve at least 9 months in a full time term of service of 1700 hours. We believe that requiring a member to serve at least 9 months of a one-year term of service provides needed availability and continuity for beneficiary organizations that rely on the members for their services, especially at the back end of the program year.

Finally, we questioned, based on practicality and the equities involved, a new program authorized by the proposed bill called "summer of service," a youth service program for children in grades 5 through 12. We believe that there are practical problems of security and administration for the government in instituting a once a year program for children, and that the proposed education award of \$500 for 100 hours for a summer of service by children would diminish the efforts of traditional AmeriCorps program volunteers who, by comparison, receive an education award of \$4,725 for 1700 hours of service.

The bill awaits final action in both the House and the Senate.

### **Rulemaking**

In FY 2007 or FY 2008, the Corporation intends to issue for public comment proposed revisions to the current AmeriCorps regulations that are designed to streamline, and thereby make less burdensome, grant administration for AmeriCorps grantees. The OIG has reviewed an internal draft of the proposed rules and informed the Corporation of those aspects which, in our view, would weaken an OIG auditor's ability to identify fraud, waste or abuse. The Corporation has shared our comments with the Office of Management and Budget. The OIG will continue to monitor this issue.



# Statistical And Summary Tables

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



## I. Inspector General Act Reporting Requirements

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

<b>Section</b>	<b>Requirement</b>	<b>Page</b>
4 (a)(2)	Review of legislation and regulations	17
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	26
5 (a)(4)	Matters referred to prosecutorial authorities	13
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, unsupported costs and the dollar value of recommendations that funds be put to better use	22
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	23
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	24
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	25
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	7

# Tables

## II. Audit List

April 1, 2007-September 30,2007				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
			(Dollars in thousands)	
07-14	<i>Agreed-Upon Procedures Review of Grants Awarded to Mississippi Commission for Volunteer Service</i>	\$36	\$20	\$27
07-15	<i>Agreed-Upon Procedures Review of Grants Awarded to Kansas Volunteer Commission</i>	\$18	\$18	\$14
07-16	<i>Agreed-Upon Procedures Review of the Seven Corners, Inc. Health Benefits Administration Claims Processing Contract</i>	\$0	\$0	\$0
07-17	<i>Agreed-Upon Procedures Review of Senior Corps Grants Awarded to Council on Aging of Volusia County, FL</i>	\$156	\$116	\$0
07-18	<i>Agreed-Upon Procedures Review of Grants Awarded to OneStar National Service Commission (Texas)</i>	\$3,525	\$3,524	\$28
07-19	<i>Follow-Up Review of the Corporation for National and Community Service Purchase and Travel Card Programs</i>	\$0	\$0	\$0
07-20	<i>Agreed-Upon Procedures Review of Grants Awarded to Arkansas Service Commission</i>	\$18	\$3	\$5
07-21	<i>Audit of Grant Awarded to United States Veterans Initiative, Inc.</i>	\$503	\$79	\$249
	<b>TOTAL</b>	<u>\$4,257</u>	<u>\$3,761</u>	<u>\$323</u>

**III. Reports With Questioned Costs**

<b>Federal Costs</b>			
<b>Report Category</b>	<b>Number</b>	<b>Questioned</b>	<b>Unsupported</b>
(Dollars in thousands)			
A. Reports for which no management decision had been made by the commencement of the reporting period	18	\$3,729	\$1,810
B. Reports issued during the reporting period	<u>6</u>	<u>\$4,257</u>	<u>\$3,761</u>
C. Total Reports (A + B)	24	\$7,986	\$5,571
D. Reports for which a management decision was made during the reporting period	13	\$3,189	\$1,628
I. Value of disallowed costs		\$1,644	\$780
II. Value of costs not disallowed		<u>\$1,545</u>	<u>\$848</u>
E. Reports for which no management decision had been made or for which the OIG is reviewing the management decision at the end of the reporting period (C minus D) *	<u>11</u>	<u>\$4,797</u>	<u>\$3,943</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	4	\$467	\$182
* Proposed Management Decisions under OIG review (see Table VII)	1	\$73	\$1

**IV. Reports With Recommendations That Funds Be Put To Better Use**

Report Category	Number	Dollar Value
		<i>(Dollars in thousands)</i>
A. Reports for which no management decision had been made by the commencement of the reporting period	10	\$870
B. Reports issued during the reporting period	5	\$323
C. Reports for which a management decision was made during the reporting period	9	\$797
i. Value of recommendations agreed to by management		\$319
ii. Value of recommendations not agreed to by management		\$478
D. Reports for which no management decision had been made by the end of the reporting period or for which the OIG is reviewing the management decision at the end of the reporting period *	6	\$397
E. Reports with recommendations that funds be put to better use for which no management decision or proposed management decision was made within six months of issuance	1	\$73
* Proposed Management Decisions Under OIG review (see Table VII)	1	\$73

**V. Summary of Audits With Overdue Management Decisions**

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period (09/30/07)
<i>(Dollars in thousands)</i>				
06-05	Audit of Grants Awarded to Puerto Rico State Commission on Community Service and Social Action Subgrantees	\$155	08/13/06	The Corporation accepted the OIG non-concurrence with the PMD and agreed to review additional documentation before submitting the Final MD
06-24	Audit of Kansas City Foster Grandparent Program	\$14	09/20/06	In October 2006 the Corporation stated it would revise its Proposed Management Decision
06-29	Audit of Louisville Metro Community Action Partnership	\$22	11/27/06	A Proposed Management Decision has not been provided to the OIG
06-31	Audit of Kentucky Department for Mental Health and Mental Retardation Services FGP	\$276	01/18/07	A Proposed Management Decision has not been provided to the OIG
	<b>Total</b>	<u>\$467</u>		

## Tables

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### VI. Reports Described In Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due
06-05	<i>Audit of Grants Awarded to the Puerto Rico State Commission on Community Service and Social Action</i>	02/13/06	02/13/07
06-24	<i>Audit of Senior Corps Grants Awarded to the City of Kansas City</i>	03/20/06	03/20/07
06-25	<i>Audit of Grants Awarded to the Illinois Commission on Volunteerism and Community Service</i>	02/22/06	02/22/07
06-26	<i>Audit of Grants Awarded to the New Mexico Commission for Community Volunteerism</i>	05/31/06	05/31/07
06-29	<i>Audit of Senior Corps Grants Awarded to the Louisville Metro Community Action Partnership</i>	05/26/06	05/26/07
06-31	<i>Audit of Kentucky Department for Mental Health and Mental Retardation Services Foster Grandparents Program</i>	07/18/06	07/18/07
06-39	<i>Study of the Corporation's Internet Use and Management Controls</i>	08/01/06	08/01/07
06-40	<i>Audit of the Corporation's Office of Procurement Services</i>	08/11/06	08/11/07
06-42	<i>Review of the Corporation's Purchase and Travel Card Programs</i>	08/07/06	08/07/07
06-43	<i>Agreed-Upon Procedures Review of the Corporation's FEMA Hurricane Relief Mission Assignment Process</i>	09/25/06	09/25/07

**VII Proposed Management Decisions Under OIG Review**

Report Number	Title	Federal Dollars Questioned	PMD Due Date	Date Received	Status at End of Reporting Period (09/30/07)
<i>(Dollars in thousands)</i>					
07-08	Audit of Grants Awarded to Public Allies, Inc.	\$73	7/19/07	07/27/07	The Corporation is working with the grantee to find additional documentation for one finding.
	<b>Total</b>	<b><u>\$73</u></b>			



# Fiscal Year 2007 Performance Information

*The section summarizes the Office of Inspector General's accomplishments and performance measures in support of OIG strategic goals and provides a comparison to previous reporting periods.*



<b>Quantitative Audit Performance Information</b>						
	<u>FISCAL YEAR</u>					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Number of reports issued	28	19	23	21	40	20
Number of reports issued linked to improving Corporation management ( <i>OIG Goal One</i> )	6	5	6	3	12	7
Number of recommendations linked to improving Corporation management ( <i>OIG Goal One</i> )	33	56	45	40	139	24
Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal One</i> )	28	19	22	18	30	16
Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management ( <i>OIG Goal One</i> )	181	140	139	142	179	164
Total number of audit recommendations	181	140	139	169	316	182
Percent of recommendations accepted by the Corporation	93%	93%	99%	99%	100%	92%

### Strategic Goals

The Office of Inspector General operates independently from the Corporation and seeks to achieve a separate, but related, set of strategic goals. The OIG's strategic goals are designed to promote economy, efficiency, and effectiveness, and to prevent and detect fraud, waste and abuse, and mismanagement in Corporation programs and operations. The general purpose of these goals is to improve the Corporation's ability to meet its responsibilities and achieve its mission.

**Goal One:** Ensure that OIG activities support the Corporation's mission by emphasizing examinations of critical programs and operations.

**Goal Two:** Communicate effectively with the Corporation Board of Directors, senior management and staff, grantees and sub-grantees, the public, Congress, and other parties as appropriate.

**Goal Three:** Strengthen the OIG's ability and readiness to have maximum impact on the most significant issues facing the Corporation and its programs.

## Performance Information

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<b>Investigations Performance Information</b>					
<b>Fiscal Year</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Investigative actions opened	42	42	57	58	62
Investigative actions resolved and closed	30	38	53	60	55
Average monthly caseload	26	28	37	38	44
Investigative matters resolved without opening a separate investigative action	42	59	45	40	54
Referrals for prosecution	9	8	20	12	16
Investigative recoveries	\$123,988	\$36,952	\$234,691	\$268,839	\$838,569
Cost avoidance	\$158,038	\$5,106	\$2,363	\$74,586	\$418,900
Administrative or management actions taken	23	8	24	20	35

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