

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

**Semiannual Report
to Congress**

April 1, 2008 - September 30, 2008
Fiscal Year 2008 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 2008. 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, 2008

I am pleased to share with you our Semiannual Report to Congress and provide you with insights into the considerable achievements of the Office of Inspector General ("OIG") for the period April 1 to September 30, 2008. During this reporting period, the OIG continued its proactive oversight of the Corporation for National and Community Service ("Corporation") and its programs.

Our Audit Section issued 10 reports which resulted in \$148,000 in questioned costs. Those reports also identified \$868,000 of funds that could be put to better use. Almost all of that amount relates to payments made from the National Service Trust for education awards which were not in fact earned, and, thus, should have been put to better use; their invalidity is a corollary to living allowances, which are paid from grant funds, that were questioned because they were found to be paid in violation of law and regulation. Our reports further made numerous recommendations for improvement in program and Corporation operations and policies. Our Investigations Section opened 24 new cases and closed 26 actions, resulting in the recovery of more than \$424,000 in taxpayer dollars and the potential recovery of more than \$1.9 million for reinvestment in national service.



Our auditors and investigators also conducted two large-scale actions as part of our overall effort to detect and prevent fraud, waste and abuse.

Acting on a request from Volunteer California and based on media reports, we launched an investigation of the AmeriCorps program operated by St. HOPE Academy, a nonprofit Corporation grantee based in Sacramento, CA. Our ongoing investigation found substantial evidence of misuse of AmeriCorps members and grant funds. Under the grant, members were to have served as student tutors. Instead, the members were detoured to perform as personal assistants to Kevin Johnson, St. HOPE's founder and former president, as menial workers for the Academy, and to engage in political campaigning to the benefit of St. HOPE's charter school.

As a result of our findings and recommendation, Corporation officials on September 24, 2008, suspended St. HOPE Academy, Johnson, and Dana Gonzales, former supervisor of the nonprofit's AmeriCorps program, from participation in Federal procurement and non-procurement programs.

During this period we were also in receipt of the Corporation's Proposed Management Decision (PMD) on our 2007 audit (Report 07-21) of United States Veterans Initiative (USVI), an AmeriCorps National Direct grantee based in Inglewood, CA.

I am pleased to report that the Corporation, in its PMD, agreed with the OIG's assessment that the Schedule of Award Costs did not fairly present USVI's claimed costs for the audit period. It disallowed \$417,301 of Federal share, \$543,939 of match, and \$198,116 of education awards, representing approximately 81 percent of the costs questioned by our audit. Due to the serious issues raised by the OIG, including widespread misuse of AmeriCorps members and USVI's less than arm's length dealings with Cantwell-Anderson Inc., a for-profit development firm, the Corporation has deferred action on USVI's continuation grant and has not awarded it additional AmeriCorps funding.

Inspector General's Message

What is even more crucial is that this audit was of only a single, three-year grant out of the numerous grants made to USVI, over more than a decade, by the Corporation and three other Federal grant agencies. These grants totaled more than \$80 million in Federal funds. The defects we found are undoubtedly also present in all of the other grants, and we are continuing our investigation.

Our auditors and investigators are further examining USVI's finances. But our work to date has resulted in a make-over of USVI. The control persons primarily responsible for the misuse of funds have left and an almost totally new Board of Directors has been chosen. The OIG has engaged with USVI's new Board in its effort to improve operations and oversight of Federal funding.

The Corporation's action on the USVI audit was part of a markedly improved audit resolution process. During this reporting period, I expressed my concerns to Corporation management and the Board of Directors on the pace of this crucial process, which had resulted in a large number of overdue management decisions. I'm pleased to report that Corporation management responded by completely eliminating the backlog, thereby ensuring the more timely recovery of questioned or misappropriated grant funds.

As part of our cooperative effort with Corporation management to improve operations and maximize the impact of its service programs, we assisted in the formulation and adoption of a new Anti-Fraud Policy. The lack of such a policy was identified as a potential problem in the early stages of the OIG's audit of the Corporation's FY 2008 Financial Statements. Epitomizing the cooperation between the OIG and the Corporation, our staff promptly formulated a draft policy which, after extensive review, became the framework of a policy that the OIG and Corporation management quickly approved. The policy, which includes a fraud awareness training program for all employees, was formally adopted in early September.

The OIG was also actively engaged with Corporation management on the question of signed member contracts. In the course of our audits, we found that many grantees had allowed individuals to begin their AmeriCorps service and accumulate benefits, before they had signed required member contracts that clearly outlined their duties, rights and responsibilities. We raised concerns over potential liability if unsigned members were injured or were involved in inappropriate or criminal activities. We are continuing our discussions with Corporation management on strengthening regulations and stressing the importance of signed member contracts to grantees before service begins.

To make more effective use of our own limited human capital, during this period we began development and implementation of a new Case Management System for our Investigations Section. This Internet-based system, replacing one with severely limited capabilities, will make it easier and quicker for our agents to retrieve, compile and track all data related to their investigations. This project is the first phase of an information technology initiative that will also include an improved data system for the Audit Section.

Speaking of human capital, the OIG had to deal with a significant brain drain during this reporting period. First, we lost the services of Linda Wallis, Assistant Inspector General for Support ("AIGS"), who retired after a distinguished Federal career. That was quickly followed by the departure of Carol Bates, Assistant Inspector General for Audit ("AIGA"), who was named Architect of the Capitol Inspector General. We were indeed fortunate to find able successors within our own ranks as veteran investigator and technology expert Kenneth Bach was appointed AIGS and seasoned Federal Audit Manager Stuart Axenfeld was promoted to AIGA.

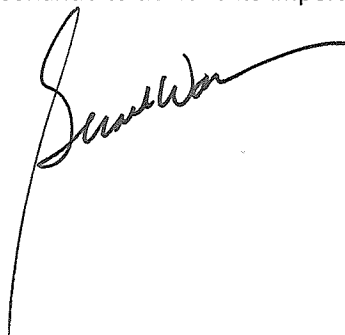
I am extremely proud at the level and quality of the effort my staff put forth despite serious and ongoing budget challenges. During Fiscal Year (FY) 2008, the OIG had to bear the brunt of a significant budget reduction, from the \$6.485 million in funding available in FY 2007 to \$6.128 million. We also faced the fiscal challenge of the loss of two-year money, which the OIG had carefully budgeted in past years to meet audit and investigative requirements that often spanned fiscal years.

Inspector General's Message

We have responded to this challenge by more carefully focusing our audit work and conducting more staff-produced audits. But the shortfall has hampered our oversight efforts by reducing our ability to perform the random audits of grantees that are mandated by Congress. I believe these random audits provide real value to the Corporation and the taxpayers who support it. They also reinforce an awareness of accountability - and consequences for wrongdoing - among all Corporation grantees and employees, and thus proactively deter wrongdoing.

The budget impact on our Investigations Section is just as problematic. Our only real recourse in the face of the shortfall is to curtail investigative travel. There is no substitute for agent fieldwork, as evidenced by our successes in the aforementioned major California cases. The inability to respond to allegations concerning grantees, who are located in all 50 states and U.S. Territories, will only delay the cessation of abuses and the administration of justice upon those who have betrayed the public trust.

Our present reduced circumstances will continue until at least March 6, 2009, under the Continuing Resolution which went into effect at the beginning of FY 2009. I intend to seek and ask Congress' help in obtaining added resources so that the OIG can continue to achieve its important mission.

A handwritten signature in black ink, appearing to read "Steven Wainwright", written in a cursive style. The signature is positioned to the right of the main text block.

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 and/or information.



Audit Results

During this reporting period, the OIG Audit Section issued 10 reports that questioned a total of more than \$148,000 in grantee claimed costs and recommended that more than \$868,000 in funds be put to better use. There were 15 audits in process at the end of this reporting period.

Also during this period, the OIG met with Corporation management and the Board of Directors to air its concerns over the pace of the audit resolution process, which had resulted in a significant number of overdue management decisions and a delay in the recovery of questioned and unallowed costs identified by our reports. The Corporation responded by stepping up its reviews of our findings and issuing its management decisions. As a result, as of the end of this period, we have no overdue management decisions to report (See Chart V, Page 27).

The Audit Section, which began this period with an Assistant Inspector General for Audit and eight auditors, lost two members, including the Assistant Inspector General for Audit, Carol Bates, who was appointed Inspector General to The Architect of the Capitol. Reports issued this period included

Agreed-Upon Procedures of Corporation for National and Community Service Grant Awarded to the Catholic Network of Volunteer Service,

Agreed-Upon Procedures of Corporation for National and Community Service Education Award Grants to Boys and Girls Clubs of America,

Review of Bank Street College of Education's Justification for Compelling Personal Circumstances of an AmeriCorps Member,

Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Local Initiative Support Corporation,

OIG Study of Corporation for National and Community Service's Federal Assistance Monitoring Tools,

Agreed-Upon Procedures Corporation for National And Community Service Grants Awarded To Equal Justice Works,

Agreed-Upon Procedures of Corporation for National and Community Service Education Award Program Grants to Regis University-Colorado Campus Compact,

Agreed-Upon Procedures of Corporation for National and Community Service Education Award Program Grants to Mississippi Department of Education,

Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Arab Community Center for Economic and Social Services, and

Status of the Corporation's Implementation of Homeland Security Presidential Directive/HSPD-12

The focus of the reports issued this period were agreed-upon procedures of the Corporation's National Direct Grantees. During the period, we initiated four agreed-upon procedure engagements of AmeriCorps Education Award Program (EAP) grantees and completed three. EAP grants are fixed-amount awards. In determining the amount of these awards, the Corporation considers the number of "full-time equivalents" (FTEs) that the grantee agrees to enroll. One FTE equals a full-time education award for which a minimum of 1,700 hours of service must be completed. The Corporation sets a limit on the grant support per FTE, an amount that has varied over the years due to program funding levels. Because EAP awards are based on fixed amounts rather than incurred costs, grantees are not required to document their expenditures or submit Financial Status Reports. However, grantees must still comply with the law, regulations and grant provisions.

The Corporation awards AmeriCorps grants to State commissions that issue subgrants to local organizations to support their AmeriCorps programs. Another category of recipients is National Direct Grantees, which 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 meet critical needs. Upon completion of their term of service, members receive an education award to help finance their higher education or to pay off existing student loans.

Key and recurring audit findings during this period included:

No documentation that criminal background checks were conducted;
Members recorded service hours before contracts were signed;
Timesheet weaknesses in reporting and certifying member service hours; and
Lack of evidence that end-of-term performance evaluations were performed.

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

Significant Audit Activity

Resolution of Audit of United States Veterans Initiative (USVI)

The Corporation issued its proposed management decision in response to Audit Report 07-21 on the United States Veterans Initiative (USVI). The Corporation agreed with the auditors' assessment that the Schedule of Award Costs did not fairly present the claimed costs for the audit period. The Corporation disallowed \$417,301 of Federal share, \$543,939 of match, and \$198,116 of education awards, representing approximately 81 percent of the questioned costs and funds that could be put to better use identified by the auditors. Due to the serious issues raised in the audit report, the Corporation deferred action on USVI's continuation grant and has not awarded additional AmeriCorps National Direct funding to this entity.

Earth Conservation Corps (ECC)

The Corporation issued its management decision in response to Audit Report 08-08 on DC Serve, the commission for Washington, DC. Our audit found numerous compliance issues and questioned costs at ECC, a DC Serve subgrantee. The management decision concluded that the Corporation could not rely on ECC's time logs to confirm member service and that the program improperly certified member exit forms and eligibility for education awards. The Corporation disallowed \$43,327 of Federal share and \$42,525 of education awards, representing approximately 70 percent of the questioned costs and funds that could put to better use identified by the auditors.

In view of the major recordkeeping and cost-charging violations that we encountered, the OIG recommended the debarment of Mr. Brandon Swails and the Corporation has followed that recommendation.

Recording Service Hours Prior to Signing a Member Contract

It is the OIG's opinion that AmeriCorps applicants become members only after signing a contract. Therefore, service hours recorded before signing are not eligible to count toward earning an education award or to qualify for a member living allowance. AmeriCorps grant provisions that were in effect from September 1994 to May 2008 that defined an AmeriCorps member as an individual "who is enrolled in an approved national service position . . ." and that defined enrollment to entail, among other things, the "sign[ing of] a member contract," support the OIG's position. The Corporation's own documents thus demonstrated that an applicant does not become an AmeriCorps member until enrollment is complete, including signing a member contract.

Our audits continue to find that grantees are allowing a large number of applicants to record service hours before becoming AmeriCorps members by having signed a contract. We performed an analysis of the 30 grantee and subgrantee locations audited in FY 2008 and found that approximately 24 percent of the 3,000 members tested performed service hours prior to signing their contracts.

Although the Corporation continues to disagree with the OIG position, stating that legitimate hours served before the members sign contracts are valid and should be counted toward the total number of hours required to earn an education award, it agrees that this issue is a serious compliance finding. The Corporation responded to our analysis by agreeing to provide new training and technical assistance to grantees and subgrantees, and to highlight the finding in documents available on its Internet website and included in the Corporation's monitoring tool used for its site visits. While we do not believe the Corporation's actions adequately address the issue -- particularly as it imposes no penalty for failure to obtain a signed contract -- we do not intend to continue to disallow the costs associated with this defect, given the Corporation's fixed position. However, we will continue to review member contracts as part of our audits and assess the rate of noncompliance.

Anti-Fraud Policy Adopted

In the course of the OIG's audit of the Corporation's FY 2008 Financial Statements, our auditors noted that the Corporation's lack of an anti-fraud policy could result in a potential finding. The OIG communicated this concern to Corporation management, noting that most Federal agencies have adopted formal Anti-Fraud Policies that cover fraud awareness, internal controls and ethics regulations, as well as provisions for employee training programs in those areas.

Drawing from a number of Federal agency sources, the OIG staff formulated a draft Anti-Fraud Policy, which was then extensively reviewed and, with non-substantive modifications, approved by the OIG and Corporation management.

The Anti-Fraud Policy was formally adopted in early September 2008 as Corporation Policy CEO-08-001. Implementation, including training programs for employees, will be overseen by the Corporation's existing Senior Assessment Team, on which the OIG serves as an observer.

Resolution of Agreed-Upon Procedures on Montana Office of Community Service

The Corporation issued its Proposed Management Decision in response to Audit Report 08-15 issued on the Montana Office of Community Service. The Corporation disallowed \$143,659 of Federal share and education awards, representing approximately 70 percent of the total questioned costs. The Corporation also concurred with 25 of the report's 27 compliance recommendations and has begun taking corrective actions.

Proposed Management Decisions With Which The OIG Disagreed

The OIG did not entirely concur with the Corporation's Proposed Management Decisions (PMDs) for the following engagements:

07-18, Office of Inspector General (OIG) Agreed-Upon Procedures of Grants Awarded to the OneStar (Texas) National Service Commission

08-03, Agreed-Upon Procedures of Grants Awarded to Georgia Commission for Service and Volunteerism

08-08, Agreed-Upon Procedures of Grants Awarded to ServeDC

08-10, Agreed-Upon Procedures of Grants Awarded to the North Dakota Workforce Development Council - State Commission for Community Volunteerism

08-13, Agreed-Upon Procedures of Grants Awarded to the West Virginia Commission for National and Community Service

Significant disagreements involved the following issues: member contracts (discussed above), the creation of potential debts, and end-of-term member evaluation requirements.

Creation of Potential Debt: The Corporation disallowed the education awards identified and questioned by the OIG; however, it established a potential debt for portions of the education awards not yet used by the AmeriCorps members. The OIG concurs with the Corporation that the members involved, who were not complicit in the error but, in good faith, believed they had completed the program, should be able to use the full education awards. The OIG does not concur with establishing a potential debt for three reasons. First, there is no mechanism in place to track when or if the member accesses the education awards. Second, even if that were practical, the Corporation should not bear the burden of tracking open items which clearly result from grantee errors. Third, this ignores that, as long as the debt is not collected, the Corporation is precluded from using these funds for an earned education award because the allocable share of the Trust fund used to finance education awards remains frozen. Therefore, the OIG contends that the disallowed education awards should immediately be charged to the grantee, freeing up the National Service Trust funds to permit use for an earned education award, as Congress intended. The grantee should also be notified that it is being held liable for this amount, subject to the grantee's right to obtain reimbursement if, after the period of time has expired for the member to use the award (generally within seven years of service completion), the member has not used his or her award.

End-of-Term Evaluation: The OIG questioned the costs associated with an AmeriCorps member's second term of service, citing the fact that the member was ineligible due to the lack of a mandatory evaluation that was to have been completed by the grantee at the end of the first term served. The Corporation disagreed, stating that the member exit form submitted to the Corporation suffices as formal notification that the member successfully completed the first term. But, the exit form contains no evaluation; it is nothing more than recognition that the member's service is concluded, whether well or poorly done. Also, the Corporation's position is contrary to Corporation regulations that require an end-of-term evaluation, and for using this evaluation to assess the performance of members who are applying for a second term of service. The OIG believes that evidence of the mere completion of the first term is not necessarily evidence that the member's actual performance is deserving of approval for a second term.

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

During this reporting period, the OIG Investigations Section opened 24 new cases and closed 26 cases, including 17 matters with significant findings. Our efforts resulted in the recovery of more than \$424,204 in taxpayer funds and the potential recovery of more than \$1.9 million from persons and programs found to have engaged in fraud, waste and abuse of Corporation resources.

Our investigations also resulted in the successful criminal prosecutions of six persons, the settlement of one civil action, and the pending adjudication of 11 matters. Based on information developed through our investigations and successful prosecutions, Corporation management debarred one person from participating in Federal procurement and non-procurement programs for a period of one year. Based on the results of an ongoing investigation, the Corporation also suspended one grantee and two of its principals. Two debarment actions are pending.

In an effort to prevent future instances of fraud, waste and abuse, the 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, six 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 subgrantees in all 50 states and U.S. territories. We were assisted in our work by 42 calls, letters and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

Significant Cases And Activity

Lack of Program Oversight by Grantee Boards of Directors, Oversight Committees and City Administrators

The OIG has identified a pattern of failure on the part of members of grantee boards of directors, local government administrators and program executive directors to exercise their responsibilities and ensure that the proper checks and balances are in place to protect Federal program funds. In many cases, oversight agencies claimed that they merely trusted the individual(s) involved in fraud, waste and abuse to properly manage their program(s) and safeguard Federal funds. In this environment, a number of program directors were able to embezzle funds, misuse program members, and redirect Federal funds to support non-Federal activities and other grantee expenses.

For example, a VISTA project director fraudulently drew down his VISTA project director's salary at the full authorized rate of 75 percent of his salary while knowing he was devoting only 30 percent of his time directly to the VISTA program. This allowed the director to receive \$64,615 in Federal program funds to which he was not entitled.

Also, a Texas State grantee expended 98 percent of its grant funding three months prior to the end of the grant year. Our investigation showed that the grantee improperly drew down more than \$200,000 of its members' living allowances in excess of its expenditures and misapplied the funds. If the grantee's oversight committee had performed its duties, including being engaged in the grantee's financial transactions and ensuring that proper checks and balances were in place, it would have

Investigations Section

known that the grantee officials had not met the program's member enrollment goal and had misused the grant funds. It then could have taken action to halt these abuses.

In both of these cases, criminal acts could have been prevented if oversight boards and agencies had conducted periodic reviews of their programs to ensure that proper checks and balances were in place and being followed.

Misuse of Program Participants (Displacement)

We continued to find instances in which program officials misused members and other program participants, including the use of members to supplant employees, thereby supplementing the grantee's staff salaries with taxpayer-provided program funds. We also identified fraudulent enrollments of program employees as AmeriCorps/VISTA members, who were then certified by grantee officials for living allowances and education awards to which they were not entitled.

The OIG conducted reviews at a National Direct grantee and five of its subgrantee sites to determine if the organizations were operating within the AmeriCorps grant provisions. We found that AmeriCorps members assigned to this health program for low-income persons were not serving in accordance with AmeriCorps grant provisions, in violation of the Corporation's non-displacement rule, 45 C.F.R. § 2540.100(f). The AmeriCorps members, who were supposed to provide outreach and health awareness to patients, instead were assigned to tasks that directly benefited the subgrantees, substituting for temporary or full-time employees who would otherwise have to be hired. The members (employees) were assigned to serve the subgrantees as medical, dental, pharmacy and administrative assistants, while others performed clerical duties and filled in while staff employees were absent or on maternity leave. These actions resulted in a loss of more than \$155,000 in Corporation grant funds and \$33,000 in education awards. Corporation management is working with the National Direct grantee to recoup the disallowed costs. The grantee, which agreed with our findings, immediately took steps to bring its subgrantees into line with the grant provisions.

Another investigation of a Michigan State Commission grantee disclosed that AmeriCorps members were serving in staff positions at a public school district. The OIG investigation showed that the AmeriCorps members, who were to have served as tutors in the schools, were actually doing clerical duties; and served as recess, lunch, and bus monitors. Other AmeriCorps members, who served at a daycare center, also provided direct service as daycare providers by being assigned to positions that should have been filled by paid employees. The estimated loss to the Corporation is more than \$300,000.

Fraudulent / Unallowable Service Hours

A California grantee was awarded an AmeriCorps grant to provide tutoring services and community redevelopment. Our ongoing investigation disclosed that the grantee improperly used some of its AmeriCorps members, requiring them to perform personal services for the grantee's president (*i.e.* personal assistant/chauffeur services) and to participate in a physically taxing residential boot camp program. In addition, some members were assigned to participate in political campaigning during a local school board election. The investigation also showed that members improperly received credit for AmeriCorps service when they were, in fact, engaged in assignments outside the scope of the grant. These disallowed activities included working as school janitors, soliciting enrollment for the grantee's charter school and traveling away from their California service site to New York City to assist in the set up of another charter school operated by the grantee. The estimated loss is more than \$800,000.

Contract Employee Violations

An OIG investigation disclosed that a Corporation contractor employee misused the Corporation's Federal Express ("FedEx") system for his personal use. The individual made unauthorized shipments of items to friends and family, including excess Corporation computer equipment that was pending disposal. The individual also admitted to using the Corporation's FedEx account to ship personal

clothing to his residence. The contractor terminated the employee and reimbursed the Corporation for the shipping costs. The OIG recovered the computer equipment. As a result of this investigation, Corporation management has implemented controls to monitor FedEx shipments by contractor employees and enhance its accountability for property pending disposition and/or disposal.

| Summary Of Cases | |
|---|----|
| Opened and Closed | |
| Cases Open at Beginning of Reporting Period | 34 |
| New Cases Opened | 24 |
| Cases Closed this Period With Significant Findings | 17 |
| Cases Closed this Period With No Significant Findings | 9 |
| Total Cases Closed | 26 |
| Cases Open at End of Reporting Period | 32 |
| Referred | |
| Cases Referred for Prosecution | 4 |
| Cases Accepted for Prosecution* | 0 |
| Cases Declined for Prosecution* | 2 |
| Cases Pending Prosecutorial Review | 2 |
| Cases Pending Adjudication | 11 |
| Recommendations to Management | |
| Investigative Recommendations Referred to Management | 37 |
| Investigative Recommendations Pending Management Action this Reporting Period | 11 |
| Investigative Recommendations Pending Management Action from Previous Reporting Periods | 8 |
| *This includes cases referred for prosecution during the previous reporting period. | |

Review Of Legislation And Regulations

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



Proposed Corporation Reauthorization Act

In the prior reporting period, the OIG submitted comments to Congress concerning certain sections of the Corporation's proposed reauthorization bill, titled the Generations Invigorating Volunteerism and Education Act, or GIVE Act, which was introduced in the House of Representatives in June 2007. The OIG, based on its analysis of the legislation, identified several weaknesses and communicated its concerns to the applicable House Committee members and their staffs. We also suggested several amendments that the OIG believes would strengthen its ability to deter fraud, waste and abuse of taxpayer dollars invested in Corporation programs.

On March 6, 2008, the House considered and voted on the GIVE Act and, although a strong majority supported passage of the bill, the measure failed based on the prevailing House procedural rule which required a two-thirds affirmative vote for passage. During this reporting period, Congress took no further action on the measure. We will continue monitoring the reauthorization issue, and report on any subsequent Congressional action on this bill in this session, or action on any subsequent reauthorization bill introduced in the 111th Congress.

Rulemaking

On September 17, 2008, the Corporation's proposed amendments to the current AmeriCorps regulations were published in the Federal Register and became effective. Before publication, the OIG internally reviewed and provided comments to the Corporation and the Office of Management and Budget on those particular amendments that, in the OIG's view, would weaken an OIG auditor's ability to identify lack of compliance with Corporation rules. We also called attention to several matters that appeared to conflict with current law. The final rule meets all of our concerns but one, that being the way in which the rule defines the release of an AmeriCorps member from a term of service "for cause" (and subsequent eligibility for a second term). We found it confusing, internally inconsistent, and inconsistent with recognized definitions of a "for cause" release, in that the definition, as written, was so broad that it covered release and qualification for a second term for members who had performed satisfactory service, as well as those who had been released for unsatisfactory service or misconduct. We recommended that the rule be rewritten to make clear that a release for cause is defined as a release for wrongdoing, misconduct, or unsatisfactory service, and that it disqualifies the member from serving a second term. We further recommended that the rule identify the resignation of a member as a basis for release that can be considered in determining eligibility for subsequent service.

Statistical And Summary Tables

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



I. Inspector General Act Reporting Requirements

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

| Section | Requirement | Page |
|----------------|---|------------------|
| 4 (a)(2) | Review of legislation and regulations | 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 | 27 |
| 5 (a)(4) | Matters referred to prosecutorial authorities | 15 |
| 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 | 24 |
| 5 (a)(7) | Summary of significant reports | Throughout |
| 5 (a)(8) | Statistical table showing number of reports and dollar value of questioned costs | 25 |
| 5 (a)(9) | Statistical table showing number of reports and dollar value of recommendations that funds be put to better use | 26 |
| 5 (a)(10) | Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period | 27 |
| 5 (a)(11) | Significant revised management decisions | None this period |
| 5 (a)(12) | Significant management decisions with which the Inspector General disagrees | 9 |

Tables

II. Audit List

| April 1, 2008-September 30, 2008 | | | | |
|----------------------------------|--|--------------------|---------------------|-------------------------|
| Report Number | Report Name | Dollars Questioned | Dollars Unsupported | Funds Put To Better Use |
| (Dollars in thousands) | | | | |
| 08-11 | <i>Agreed-Upon Procedures for Corporation for National and Community Service Grant Awarded to the Catholic Network of Volunteer Service</i> | \$2 | \$0 | \$24 |
| 08-12 | <i>Agreed-Upon Procedures of Corporation for National and Community Service Education Award Grants to Boys and Girls Clubs of America</i> | \$22 | \$0 | \$228 |
| 08-16 | <i>Review of Bank Street College of Education's Justification for Compelling Personal Circumstances of an AmeriCorps Member</i> | \$0 | \$0 | \$1 |
| 08-17 | <i>Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Local Initiative Support Corporation</i> | \$20 | \$0 | \$33 |
| 08-18 | <i>OIG Study of Corporation for National and Community Service's Federal Assistance Monitoring Tools</i> | \$0 | \$0 | \$0 |
| 08-19 | <i>Agreed-Upon Procedures for Corporation for National And Community Service Grants Awarded To Equal Justice Works</i> | \$23 | \$4 | \$48 |
| 08-20 | <i>Agreed-Upon Procedures of Corporation for National and Community Service Education Award Program Grants to Regis University-Colorado Campus Compact</i> | \$70 | \$0 | \$83 |
| 08-21 | <i>Agreed-Upon Procedures of Corporation for National and Community Service Education Award Program Grants to Mississippi Department of Education</i> | \$8 | \$0 | \$394 |
| 08-22 | <i>Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Arab Community Center for Economic and Social Services</i> | \$4 | \$2 | \$57 |
| 08-23 | <i>Status of the Corporation's Implementation of Homeland Security Presidential Directive/HSPD-12</i> | \$0 | \$0 | \$0 |
| TOTAL | | <u>\$148</u> * | <u>\$6</u> | <u>\$868</u> |

*The difference between the total of the column and \$148 is due to rounding.

III. Reports With Questioned Costs

| Federal Costs | | | |
|---|---------------|-------------------|--------------------|
| Report Category | Number | Questioned | Unsupported |
| (Dollars in thousands) | | | |
| A. Reports for which no management decision had been made by the commencement of the reporting period | 16 | \$5,074 | \$3,956 |
| B. Reports issued during the reporting period | <u>7</u> | <u>\$148</u> | <u>\$6</u> |
| C. Total Reports (A + B) | 23 | \$5,222 | \$3,961 |
| D. Reports for which a management decision was made during the reporting period | 12 | \$4,416 | \$3,830 |
| I. Value of disallowed costs | | \$480 | \$274 |
| II. Value of costs not disallowed | | <u>\$3,936</u> | <u>\$3,556</u> |
| E. Reports for which no management decision had been made or for which the OIG is reviewing the proposed management decision at the end of the reporting period (C minus D) * | <u>11</u> | <u>\$807</u> ** | <u>\$133</u> ** |
| F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance | 0 | \$0 | \$0 |
| * Proposed Management Decisions under OIG review (see Table VII) | 4 | \$659 | \$127 |
| ** Minor Adjustments made to totals due to rounding. | | | |

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 | 11 | \$892 |
| B. Reports issued during the reporting period | 8 | \$868 |
| C. Total Reports (A+B) | 19 | \$1,760 |
| D. Reports for which a management decision was made during the reporting period | 8 | \$336 |
| i. Value of recommendations agreed to by management | | \$183 |
| ii. Value of recommendations not agreed to by management | | \$153 |
| E. 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 * | 11 | \$1,424 |
| F. 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 | 0 | \$0 |
| * Proposed Management Decisions under OIG review (See Table VII) | 4 | \$557 |

V. Summary Of Audits With Overdue Management Decisions

| Report Number | Title | Federal Dollars Questioned | Mgmt. Decision Due | Status at End of Reporting Period (09/30/08) |
|-------------------------------|-------|----------------------------|--------------------|--|
| <i>(Dollars in thousands)</i> | | | | |
| | | None | | |
| | Total | <u>\$0</u> | | |

VI. Reports Described In Prior Semiannual Reports Without Final Action

| Report Number | Title | Date Issued | Final Action Due |
|---------------|--|-------------|------------------|
| 07-18 | <i>Agreed-Upon Procedure for Grants Awarded to the OneStar National Service Commission, Inc.</i> | 06/28/07 | 06/28/08 |
| 07-21 | <i>Audit of Corporation for National and Community Service Grant Awarded to United States Veterans Initiative, Inc</i> | 09/10/07 | 09/10/08 |

Tables

VII Proposed Management Decisions Under OIG Review

| Report Number | Title | Federal Dollars Questioned | MD Due Date | Date PMD Received | Status at End of Reporting Period (09/30/08) |
|-------------------------------|--|----------------------------|-------------|-------------------|---|
| <i>(Dollars in thousands)</i> | | | | | |
| 07-21 | Audit of Corporation for National and Community Service Grant Awarded to United States Veteran Initiative, Inc. | \$502,774 | 3/10/08 | 09/24/08 | The OIG is currently reviewing the proposed management decision (PMD). |
| 08-04 | Agreed-Upon Procedures of Corporation for National and Community Service Education Award Grant Awarded to United States Veterans Initiative, Inc | \$41,984 | 5/21/08 | 09/22/08 | The OIG has requested additional information from the Corporation to support its decision on members who were given partial education awards. |
| 08-15 | Agreed-Upon Procedures Review of Corporation for National and Community Service Grants Awarded to Montana Office of Community Service | \$57,798 | 9/10/08 | 09/29/08 | The OIG is currently reviewing the PMD. |
| 08-14 | Agreed-Upon Procedures Review of Corporation for National and Community Service Grants Awarded to ServeMinnesota | \$56,847 | 9/29/08 | 09/18/08 | The OIG is currently reviewing the PMD. |
| | Total | <u>\$659,403</u> | | | |

Fiscal Year 2008 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.



| Quantitative Audit Performance Information | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| Number of reports issued | 19 | 23 | 21 | 40 | 20 | 23 |
| Number of reports issued linked to improving Corporation management (<i>OIG Goal One</i>) | 5 | 6 | 3 | 12 | 7 | 7 |
| Number of recommendations linked to improving Corporation management (<i>OIG Goal One</i>) | 56 | 45 | 40 | 139 | 24 | 22 |
| Number of reports issued linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>) | 19 | 22 | 18 | 30 | 16 | 16 |
| Number of recommendations linked to protecting the integrity of Corporation programs, operations, and financial management (<i>OIG Goal One</i>) | 140 | 139 | 142 | 179 | 164 | 194 |
| Total number of audit recommendations | 140 | 139 | 169 | 316 | 182 | 216 |
| Percent of recommendations accepted by the Corporation | 93% | 99% | 99% | 100% | 92% | 93% |

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

| Investigations Performance Information | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Fiscal Year | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 |
| Investigative actions opened | 42 | 57 | 58 | 62 | 41 |
| Investigative actions resolved and closed | 38 | 53 | 60 | 55 | 51 |
| Average monthly caseload | 28 | 37 | 38 | 44 | 38 |
| Investigative matters resolved without opening a separate investigative action | 59 | 45 | 40 | 54 | 68 |
| Referrals for prosecution | 8 | 20 | 12 | 16 | 8 |
| Investigative recoveries | \$36,952 | \$234,691 | \$268,839 | \$838,569 | \$947,540 |
| Cost avoidance | \$5,106 | \$2,363 | \$74,586 | \$418,900 | \$81,731 |
| Administrative or management actions taken | 8 | 24 | 20 | 35 | 29 |

**CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE**

OFFICE OF INSPECTOR GENERAL

Hotline



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Report Fraud, Waste
and Abuse!**

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Or write:

OIG HOTLINE
Corporation for National and Community Service
1201 New York Avenue NW, Suite 830
Washington, DC 20525



November 25, 2008

The Honorable Richard Cheney
President
United States Senate
Room S-212, The Capitol
Washington, DC 20510

Dear Mr. Vice President:

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from April 1, 2008 through September 30, 2008. During this period, the Corporation made management decisions on nine audits and completed final action on or closed 16 audits. Subsequent to the end of this period, the Corporation completed final action on three additional audits.

We are sending copies of this semi-annual report to interested Congressional committees, the Office of Management and Budget, and the Corporation's Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact me or the Corporation's Inspector General for Gerald Walpin.

Sincerely,

Nicola Goren
Acting Chief Executive Officer

Enclosures:

Table I

Table II

Table III

Distribution List

Semiannual Report to Congress:

April 1, 2008 to September 30, 2008



1201 New York Avenue, NW * Washington, DC 20525
202-606-5000 * www.nationalservice.org

Senior Corps * AmeriCorps * Learn and Serve America





November 25, 2008

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Room H – 232, The Capitol
Washington, DC 20515

Dear Madam Speaker:

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

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1201 New York Avenue, NW ★ Washington, DC 20525
202-606-5000 ★ www.nationalservice.org

Senior Corps ★ AmeriCorps ★ Learn and Serve America



TABLE I
ACTION TAKEN ON AUDIT REPORTS
(for the period April 1, 2008 through September 30, 2008)

| | <u>Number of Reports</u> | <u>Disallowed Costs (\$000)</u> |
|---|------------------------------|-------------------------------------|
| A. Audit reports with final action not taken by the commencement of the reporting period. | 37 | \$1,152 |
| B. Audit reports issued by the OIG during the reporting period. | 10 | 0 |
| C. Audit reports for which final action was taken during the reporting period. | 17 | \$562 |
| 1. Recoveries ¹ | | |
| (a) Collections and offsets | 12 | \$223 |
| (b) Property in lieu of cash | | |
| (c) Other (reduction of questioned costs) | | |
| 2. Write-offs | 0 | |
| 3. Audits with no disallowed costs ² | 5 | 0 |
| D. Audit reports for which final action was not taken by the end of the reporting period. ³ | 20 | \$599 |
| E. Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway. | 2 | 0 |

¹ Recoveries include audits for which final action was taken in prior reporting periods.

² These 3 audits had no questioned costs and, therefore, no costs to allow or disallow.

³ This includes 19 audits issued this period and those from the previous periods for which final action is not overdue.

TABLE II
REPORTS WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
(for the period April 1, 2008-September 30, 2008)

| | <u>Number of</u> <u>Audit Reports</u> | <u>Dollar value (\$000s)</u> |
|--|--|------------------------------|
| A. Reports for which final action had not been taken by the commencement of the reporting period. | 23 | \$1,964 |
| B. Reports for which management decisions were made during the reporting period. | 6 | \$19 |
| C. Reports for which final actions was taken during the reporting period. | 9 | *\$429 |
| i. Dollar value of recommendations completed | | \$135 |
| ii. Dollar value of recommendations that management has concluded should not or could not be implemented | | \$293 |
| D. Reports for which no final action had been taken by the end of the reporting period. | 14 | \$1,535 |

*Differences in between the total in C and C.i /C.ii are due to rounding

TABLE III
Reports Described in Prior Semiannual Reports Without Final Action

| Audit # | Title | Date Issued | Date Due | Disallowed Cost | Status of Action/Reason No Final Action was Taken |
|---------|-----------------------------------|-------------|----------|-----------------|---|
| 07-21 | United States Veterans Initiative | 9/10/2007 | 9/9/08 | \$417,301 | We are waiting on the Inspector General's review of the management decision before we report that corrective action is completed. |
| 08-04 | USVI Agreed Upon Procedures | 11/21/2007 | 11/20/08 | \$41,984 | The Corporation completed corrective action on the audit on 11/25/08. |