

Office of Inspector General

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

*Semiannual Report To Congress*

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## **About the Corporation for National and Community Service ...**

The Corporation for National and Community Service (Corporation) provides grants and technical assistance to volunteer organizations throughout the United States to strengthen communities, foster civic engagement, and improve the lives of all Americans serving their local communities and the Nation. For Fiscal Year (FY) 2013, the Corporation will invest approximately \$760 million, before sequestration, in these service organizations: AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, and Senior Corps. The Corporation also distributed a substantial portion of funding through public service commissions in each U.S. state and territory.

## **and the Office of Inspector General**

In 1993, Congress established both the Corporation and the Office of Inspector General (OIG or the Office). The Office was created to promote economy, efficiency and effectiveness in administering the Corporation's programs. The Office also prevents and detects waste, fraud, and abuse within the Corporation or from the entities that receive and distribute Corporation grant funds. OIG is an independent organization, led by a Presidential appointee, which operates separately of the Corporation and submits its reports and recommendations to the Corporation's Chief Executive Officer and to the Congress.

Pursuant to the Inspector General Act of 1978, as amended, this semiannual report summarizes OIG's work for the first six months of FY 2013. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.



Deborah J. Jeffrey  
Inspector General

## Message from the Inspector General

This Semiannual Report to Congress highlights the accomplishments of the Corporation for National and Community Service (Corporation), Office of Inspector General (OIG) for the six months ending March 31, 2013. The audits, investigations and related work summarized here reflect our continuing commitment to strengthening the Corporation's stewardship of the taxpayers' investment in national service. Efficiency, integrity and results have always been important, but never more so than in the current fiscal environment.

With programs in all 50 States, US territories and tribes, the Corporation faces an enormous challenge in attaining the level of accountability necessary to safeguard the public's funds and ensure that grantees spend that money appropriately. The rapid expansion of national service through partnerships with other federal agencies will only increase this challenge.

To achieve sound financial management, the Corporation must commit substantial resources to a long-deferred campaign to assess and improve management of the grants that account for 75% of its \$1 billion appropriation. Among the necessary improvements are more sophisticated risk analysis before awarding a grant, including appraisal of a prospective grantee's financial management capabilities, and more refined risk-based monitoring, especially early in the grant's lifecycle, to allow intervention before mismanagement results in losses. At the same time, the Corporation must reassess many of its own long-standing business practices. The audits and investigations summarized in this Report illustrate the need to adopt a more thoughtful and rigorous accountability program aligned with the Corporation's priorities. To jumpstart that process, OIG has reached out to the Office of Management and Budget, which has agreed to assist the Corporation.

Change of this magnitude can succeed only with the active engagement of the Corporation's leaders. I value the commitment of CEO Wendy Spencer and the Corporation's Board of Directors to make accountability a top priority. The Corporation has resolved to undertake an ambitious program to improve internal controls and has begun the early stages of implementation. My staff and I will continue to monitor their progress, and we look forward to working with the Corporation's leadership, and with the Congress, to meet the challenges before us.

  
Inspector General

1201 New York Avenue, NW ★ Suite 830 ★ Wa  
202-606-3990 ★ Hotline: 800-452-8210 ★ v. . . . .

## **Audits and Reviews**

*The Office of Inspector General Audit Section reviews the financial, administrative, and programmatic operations of the Corporation for National and Community Service. The Audit Section's responsibilities include supervising the audit of 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 and reviews are issued to Corporation management for its action or information.*

## Overview

Three reports and evaluative reviews, listed on page 22, were issued during the past six months. At the end of the reporting period, an evaluation of the Corporation's internal controls to prevent and detect prohibited activities in AmeriCorps and Senior Corps programs and an audit of consultant services were in process. Also underway were three grantee audits, as well as the legally required audits of the Corporation's financial statements and the National Service Trust.

Below are highlights of particular evaluations and audits.

### ***Audit of the Corporation for National and Community Service's Fiscal Year 2012 Financial Statements and National Service Trust Schedules Identifies Material Weakness in Internal Controls and Highlights Other Concerns***

This statutory audit of the Corporation's FY 2012 Financial Statements and National Service Trust Schedules resulted in unqualified ("clean") opinions, indicating that the financial statements and National Service Trust schedules were fairly presented in all material respects, in conformity with generally accepted accounting principles, and that there were no instances of noncompliance with laws and regulations.

However, for the second year in a row, the auditors identified a material weakness in the internal controls related to estimation of grant accruals.<sup>1</sup> The Corporation understated its FY 2012 third quarter advance and grants payable general ledger accounts by \$39.7 million each. The auditors discovered the error, which occurred because the Corporation allocated the grant accruals between these accounts based on an internal database that contained incorrect information. Because the mistake was not detected by the Corporation's internal controls, erroneous interim financial statements were submitted to OMB. In FY 2011, the auditors discovered an error of \$178 million in grant accruals, as a result of an undetected mathematical error in grant accrual calculations prepared for the Corporation by the Department of Health and Human Services.

In addition to the problem with grant accruals, the auditors again reported to the Corporation's management their concerns regarding the Corporation's accountability structure and processes. Their reservations were not limited to specific gaps, but extended more broadly to the inadequacy of the Corporation's process and practices for assessing risk, documenting and evaluating internal controls and timely resolving any weaknesses. Both the financial statement auditors and OIG expressed similar concerns in prior years.

### ***OIG Urges Sustained Initiative To Improve Controls Over Grants Management***

The observations of the financial statement auditors confirmed the independent conclusion of OIG that the Corporation's internal controls require sustained attention. Failure to identify key

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<sup>1</sup> According to the Federal Accounting Standards Advisory Board, Federal Financial Accounting Technical Release 12, *Accrual Estimates for Grant Programs*, agencies must recognize and report balances due to or advanced to grantees at the end of the reporting period. "Grant accrual" refers to adjustments needed to provide for eligible expenses that grantees have incurred as of the reporting date but have not yet reported to the agencies.

risks, assess the mechanisms intended to mitigate those risks and correct flaws leaves the Corporation vulnerable to waste, fraud and mismanagement. To protect the Corporation and the taxpayers, the Inspector General urged the Board of Directors and the CEO to promptly undertake a thorough reform of the Corporation's controls over the management of grants, which account for three-quarters of the Corporation's budget. The creation in FY 2012 of a new Office of Accountability and Oversight to coordinate agency risk management and implement an internal control assessment and improvement program represents a step in the right direction. Given the importance, magnitude and urgency of this mission that Office must be properly staffed with highly trained and experienced personnel, and additional resources must be made available. To that end, the OIG has engaged the active assistance of OMB internal control experts to work with the Corporation on this long-term project. The Corporation's senior leadership has embraced this approach and has begun the early stages of implementation. We will be evaluating the results of their efforts and look forward to improvements in accountability.

### ***Problems Persist in Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)***

In its Agency Financial Report (AFR) for FY 2012, the Corporation's management stated that none of its programs and activities was susceptible to significant improper payments. Pursuant to the President's July 2010 mandate, we evaluated whether the Corporation properly assessed the risk of improper payments in its programs and operations.

For the second year in a row, the OIG concluded that the Corporation has understated its improper payments and has not accurately assessed the susceptibility of at least some of its programs. The Corporation's IPERA assessment disregarded the most important opportunity for improper payments in an organization that distributes three-quarters of its budget in the form of grants: how grantees actually spend the funds. The consulting firm that performed the assessment never reviewed disbursements from those grants, the eligibility of members for stipends and education awards, or the allowability of costs charged against the grants, despite a long history of OIG audits showing that these areas give rise to millions of dollars of improper payments.

Indeed, a mere six OIG audits of AmeriCorps State and National grantees—a small fraction of the grant portfolio—in FY 2012 uncovered questioned costs of approximately \$3.6 million. While the audited grants were by no means a representative sample, experience suggests that similar problems exist elsewhere among the Corporation's 2,100 grants, making improper payments more prevalent than the Corporation recognizes. Both the Corporation's risk assessment and its estimate ignored these and other specific findings from OIG audit reports and investigations. Without acknowledging known risks and a reliable estimate of improper payments, the Corporation cannot strengthen its internal controls to prevent their recurrence.

In response, the Corporation committed to a more rigorous assessment of improper payments. The Corporation also acknowledged preliminarily that the AmeriCorps State and National Program may be susceptible to a significant level of improper payments and promised to conduct a comprehensive, statistically-projectable review. OIG looks forward to a more sophisticated assessment by the Corporation.

One important opportunity to reduce improper payments lies in appropriate utilization of the U.S. Department of Treasury's Do Not Pay solution to verify the eligibility of potential recipients of Federal funds. Developed at the direction of the President, the Do Not Pay Business Center aggregates multiple databases to identify ineligible recipients before an erroneous payment

takes place. The Corporation has not yet taken advantage of this valuable resource. We have introduced the Corporation's Office of Accountability and Oversight to representatives of the Do Not Pay solution, to explore how the Corporation might use it to full advantage. We are optimistic that enhanced eligibility screening will reduce fraud and waste.

### ***Management Alert – Audit of the Senior Corps Grants Awarded to Atlantic Human Resources, Inc.***

In a November 2012 management alert, OIG advised the Corporation's Senior Corps leadership about preliminary audit findings suggesting serious risks to the integrity of grant funds awarded to Atlantic City-based Atlantic Human Resources, Inc. (AHR). Representatives from the Corporation's Field Financial Management Center, the New Jersey State Program Office and the Office of Accountability and Oversight participated in this briefing.

The audit developed significant adverse findings in connection with grants under the Foster Grandparents Program and the Retired and Senior Volunteer Program (RSVP) for program years 2008-2009, 2009-2010, and 2010-2011. The preliminary findings included: double-charging of travel and other expenses; inconsistencies between AHR's internal records and its periodic financial reports to the Federal government; charges for volunteer meals that were not provided; failure to ensure income-eligibility for means-tested benefits; misapplication of indirect cost rates; and complete lack of basic documentation for the RSVP grant, including the names of volunteers and records of their activities. OIG also noted that a prior A-133 audit had previously determined that AHR had misdirected grant funds from another Federal agency.

The Corporation acted promptly on these findings by conditioning further disbursements to AHR on advance submission of expense documentation, pending completion of the audit. Based on subsequent events and follow-up by our investigators revealing misuse of Corporation grant funds intended to benefit impoverished senior citizens, the Corporation suspended the grants. AHR's executive director has resigned. We expect to issue a final audit report on AHR early in the next reporting period.

### ***More Than One Third of Single Audit Reports Contain Significant Findings that Require Corporation's Immediate Follow-up and Corrective Actions***

To safeguard the integrity of Federal funds, Federal law requires an annual financial and compliance audit of any entity that receives Federal funds of more than \$500,000 per year. These audits (known as "Single Audits," because they are required by the Single Audit Act or as "A-133 audits" after the OMB Circular that prescribes the rules for them) are conducted by public accounting firms or state auditors and paid for with Federal award funds. While the OIG has in the past criticized the Corporation for failing to make use of this important tool, we are encouraged to see that the Corporation has integrated it into the award of AmeriCorps grants and is following up on A-133 findings in audit resolution.

As a means of ensuring timely review, every quarter, OIG furnishes the Corporation with a list of recently issued A-133 reports pertaining to grantees subject to the Corporation's oversight<sup>2</sup>,

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<sup>2</sup> Per OMB Circular A-133, *Audit of States, Local Government, and Non-Profit Organizations*, §\_\_\_.105, Definitions, an oversight agency refers to the Federal awarding agency that provides the predominant amount of direct funding to a recipient not assigned a cognizant agency for audit.

identifying those that contain findings of material weaknesses, significant deficiencies or other findings of comparable gravity. More than one-third (63 out of 182) of the A-133 audit reports identified during this reporting period disclosed at least one material weakness, significant deficiency or other adverse audit finding that warranted corrective action by the Corporation. OMB Circular A-50, *Audit Followup*, requires that agencies make a high priority of resolving audit recommendations and taking corrective action; this includes ensuring that the resolution actions are consistent with law, regulation and administration policy, as well as providing written justification of decisions disagreeing with audit recommendations. The Corporation is also required to address questioned costs and collect amounts due to the Corporation. OIG will continue to identify Corporation grantees with significant adverse audit findings and monitor the Corporation's progress in following up and implementing corrective actions with these high risk grantees.

### ***Single Audit of Washington State Discloses Significant Deficiencies***

The OIG alerted the Corporation to a recent A-133 audit of the State of Washington that identified significant deficiencies in sub-grantee monitoring by the State Commission and questioned costs of \$600,000 in AmeriCorps programs. This amount would increase substantially if the associated education awards were included. The auditors discovered that sub-recipients did not check the criminal histories or sex offender registration status of prospective members before allowing them to interact with the public, including children and the elderly. These background checks are an important public safety measure and required by statute. In some cases, the checks did not take place until after members completed their terms of service. We recommended that the Corporation address the questioned costs in its audit resolution process and are awaiting the Corporation's response to the findings.

### ***Embezzlement Discovered at the Michigan Community Service Commission***

Fieldwork of an OIG agreed-upon procedures engagement at the Michigan Community Service Commission exposed embezzlement by an employee, who fraudulently charged \$4,415 of personal purchases to Corporation grant funds via the Commission's procurement system. The fraudulent purchases were uncovered during the course of routine audit testing of expenses charged against the grant. The Michigan Commission was unaware of the scheme.

Prosecuted by the State of Michigan Office of Attorney General, the former employee pled guilty to embezzlement and was sentenced to serve 120 days' confinement, followed by 24 months' probation. She was also required to pay full restitution. Based upon the conviction, the OIG Investigations Section recommended that the Corporation debar the former employee.

### ***External Quality Control Review of Audit Section (Peer Review)***

A peer review conducted by the audit staff of the Smithsonian Institution OIG concluded that our Audit Section met or exceeded applicable professional standards for Federal audit organizations. The peer review report, issued on February 27, 2013, stated "the system of quality control for the CNCS OIG in effect for the year ended September 30, 2012, has been suitably designed and complied with to provide the CNCS OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects."

We are pleased with the positive outcome of the peer review, which is crucial to maintaining credibility with our stakeholders. The peer reviewers' endorsement confirmed the high quality of our Audit Section's contribution to rigorous oversight, ensuring the Corporation's accountability to the American public.

## **Audit Resolutions**

### ***Resolution of Longstanding Disagreements between OIG and Management***

#### **Auditors' Management Letters**

Since FY 2007, the OIG has consistently recommended that the Corporation obtain any management letters associated with A-133 single audit reports. Auditors issue management letters to identify internal control weaknesses that are not significant enough to include in their audit report, but which could pose risks if not timely addressed. In some instances, an auditor may be persuaded not to include a finding in an audit report, but instead to present it in a management letter. As a result, these letters can provide useful information about the gaps in a grantee's internal controls. Given the challenges inherent in grant oversight, the OIG recommended obtaining these letters as a "best practice," to inform grant officers in their monitoring.

Until recently, the Corporation consistently rejected this recommendation, noting that the Circulars do not require it to obtain management letters. We are pleased to report that the Corporation's new management has revised this position and will begin to require grants management specialists to request the management letters when certain risk-based criteria are met and will strongly encourage them to do so under other specified circumstances. This welcome change will enable the Corporation to leverage the work of outside auditors in its grantee monitoring. We continue to believe that risk-based monitoring counsels strongly in favor of obtaining management letters in circumstances in addition those made mandatory under the Corporation's new policy. The Corporation has indicated that it will review the policy in the future based on experience and is open to broadening the criteria.

The Corporation issued Management Decisions concerning this subject in the following reports:

- Report No. 12-09, Evaluation of the Corporation's OMB Circular A-133 Reports Monitoring Process
- Report No. 11-20, Agreed-Upon Procedures for Corporation Grants Awarded to the Colorado Governor's Commission on Community Service

#### **Background Checks**

Congress mandated that Corporation programs require criminal history and sex offender registration checks for volunteers and staff. OIG audits consistently took the position that a check of the National Sex Offender Public Registry (NSOPR) was not complete unless the grantee obtained results from all US jurisdictions. This might require multiple inquiries to the NSOPR, because the information from a particular state is sometimes unavailable for a short interval. A complete response is important because, as a recent national study funded by the Department of Justice confirmed, a significant percentage of registered sex offenders use tactics to evade scrutiny, including relocating to another jurisdiction. For this reason, OIG urged that a search was not sufficient if some jurisdictions were not included. The Corporation took the

position that a single check of the NSOPR was ordinarily sufficient, even if some jurisdictions were omitted.

In late 2012, the Corporation reversed its position and notified grantees that they must repeat NSOPR checks if necessary to obtain complete nationwide coverage. The OIG applauds this decision, which will better protect vulnerable populations, national service participants and the public at large.

## **Other Audit Activities**

Through active engagement in the IG audit community, our audit staff provides leadership and influences important Federal audit initiatives. Our staff continues to make positive contributions to improve financial management at the national level.

The Assistant Inspector General for Audit, who serves as the Corporation's Single Audit Coordinator, worked with the Corporation and OMB representatives to review and update the Single Audit Compliance Supplement for the Corporation's AmeriCorps and Senior Corps programs. The annual update to the Compliance Supplement is critical to the audit community; it provides key nationwide guidance to all auditors who perform A-133 audits of Corporation-sponsored programs.

As member of the Grant Reform Task Force Workgroup (Grant Reform Workgroup), the Assistant Inspector General for Audit worked closely with others in the IG community to respond to a pending OMB proposal to make substantial revisions to grant policies, cost principles, and Single Audit requirements. The proposed revisions would greatly affect the Corporation's grants management.

One of our Audit Managers took an active role in monthly meetings of the Financial Statement Audit Network (FSAN) to discuss emerging issues and updates on financial reporting. The Audit Manager joined a five-member workgroup to provide technical auditing updates to OMB on its Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, which provides critical guidance for all auditors of Federal financial statements.

## Investigations

*The Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in the Corporation's programs and operations. The Section probes allegations of serious—sometimes criminal—misconduct involving the Corporation's employees, contractors and grant recipients that threatens the integrity of the Corporation's service initiatives. Evidence of serious criminal or fraudulent conduct is referred to the appropriate United States Attorney or, in some instances, to a local district attorney for criminal or civil prosecution and monetary recovery. Other investigative results are referred to Corporation management for information or administrative action.*

## Investigative Results

During this reporting period, the OIG Investigations Section opened 26 new cases, closed 13, including eight actions with significant findings, recovered more than \$223,000 and identified more than \$700,000 in cost avoidance savings. Our investigative efforts uncovered more than \$4 million of fraud against the Corporation, and investigators continue to assist the Department of Justice in pursuing a prosecution and/or civil recovery. Our investigations led to the successful prosecution of an individual who embezzled Federal program funds and thirteen administrative actions — debt letters, debarments, employment termination and termination/relinquishment of grants — by agency management.

The first half of Fiscal Year 2013 saw an increase in reported incidents of fraud, waste and abuse. The Investigations Section has already handled 74 hotline contacts in the first six months, as compared to 94 contacts in the entire previous year. Although many hotline inquiries can be resolved quickly, the increase has led to a pronounced upswing in investigations. The Section has initiated 26 investigations in the first half of FY 2013, as compared to a total of 22 investigations for all of FY 2012.

In the face of this increasing demand, decreasing resources have hobbled our ability to pursue wrongdoers. Prior to sequestration, a 49% budget cut in FY 2012 forced the Investigations Section to lay off all but three of its nine criminal investigators. Consequently, OIG has been compelled to forgo or defer criminal investigations and to rely on Corporation management, State Commission personnel and grantees to take the laboring oar in many inquiries and investigations into reported incidents of fraud, waste and abuse.

## Significant Cases and Activity

A Houston, Texas AmeriCorps grantee, Youth Advocates, Inc., misused Federal funds by drawing down 98 percent of its grant shortly before the grant's expiration, even though the grantee met only 25 percent of its enrollment target. Executive Director Charles Rotramel could not produce documentation to support the organization's use of \$924,391.84 in AmeriCorps funds expended during a three-year period. Because the organization had fallen so far short of its planned enrollment, it is clear that the funds were diverted to expenditures unrelated to the grant. No civil enforcement took place, because the grantee and the executive director lacked sufficient assets to satisfy a judgment. In 2011, the Corporation and the Texas State Commission issued demands for payment of the misused federal funds. In March 2013, the Corporation debarred Mr. Rotramel for a period of three years.

A grantee in Arkansas improperly enrolled its employees as AmeriCorps members as a means of defraying the costs of their compensation and enabling them to receive education awards. Between 2010 and 2012, the AmeriCorps program director made material false statements, causing the improper award of \$417,167 in Federal grant funds to the program and the award of \$103,450 in education benefits to ineligible members. The program director purposefully deceived the Arkansas Commission when she failed to disclose that she instructed program sub-sites to enroll paid employees in AmeriCorps positions. Had it known that the purported AmeriCorps members were existing employees of the grantee, the Commission would not have funded the program. Further, enrolling existing employees as AmeriCorps members provided no added value to the community and the nature of their work did not change. The Corporation concluded that the costs associated with the education awards were unallowable and made demand upon the grantee for \$103,450, representing the value of the education awards. In

addition, the Corporation terminated the grant, yielding cost avoidance savings of \$103,450 representing the next year awards. The investigation also found that the Executive Director of the Arkansas State Commission ignored allegations concerning the grantee's fraud and thereby was negligent in safeguarding Federal funds. She subsequently resigned her position.

In conjunction with the Sheriff's Department of Lee County, South Carolina, the OIG determined that Ms. Welithia Fortune, a Lee County school employee, embezzled \$31,805.39 in Federal program funds. Ms. Fortune submitted her personal bank account information, rather than that of the AmeriCorps grantee Lee County Schools, thereby diverting the funds for her personal benefit. In a prosecution conducted by State of South Carolina Office of Solicitor, Bishopville, SC, Ms. Fortune plead guilty to grand larceny and was sentenced to six years confinement (suspended), five years' probation and required to make restitution in the amount of \$31,805.39.

Through the hotline, the OIG received allegations concerning the misuse of Foster Grandparent Program grant funds by a Mississippi grantee to make personal purchases during FYs 2008 – 2009. The OIG relayed the information to Corporation management for further action. The resulting site visit identified numerous programmatic issues and disallowed \$23,711.48 of expenses charged to Federal grant funds.

The OIG referred to Corporation management an allegation that two AmeriCorps members in New Mexico had submitted fraudulent timesheets. An investigation by Corporation management disclosed that the two AmeriCorps members, who were related to the Executive Director, submitted fraudulent timesheets for a two-month period. The members were terminated and the Executive Director resigned. Management issued a demand letter to the program to return \$14,000 in disallowed costs.

The OIG received information that an Ohio grantee failed to properly disclosure its expenditures during its AmeriCorps grant application. The OIG investigation, with assistance from the Ohio Commission, found the grantee had some discrepancies in its documentation, but had not misused its program funding. Based on the findings, the grantee and the Ohio Commission, agreed to discontinue funding the grantee and reassign its members to other AmeriCorps programs.

The OIG determined that two Senior Corps Program volunteers in Georgia claimed service hours for clients who were deceased. Corporation management required the grantee to reimburse the Corporation \$3,378.37 in grant funds.

An NCCC employee misused a GSA fleet fuel card for her personal use. The OIG investigation determined that the employee improperly obtained a gasoline purchase card, and used it to make personal purchases in the amount of \$586.91. The matter was referred to Corporation management, who terminated the employee and recouped the \$586.91.

Through the hotline, the OIG was advised that an AmeriCorps member in New York submitted fraudulent timesheets. The investigation determined that the AmeriCorps member had inflated his service hours on his timesheets after his supervisor approved the timesheets. The member was terminated from the program, without receiving an education award, saving the government \$5,500.

The OIG received information that a former AmeriCorps member in North Carolina submitted fraudulent timesheets that allowed her to receive an education award. The investigation disclosed the AmeriCorps member submitted fraudulent timesheets during her AmeriCorps service resulting in her receiving a partial education award in the amount of \$1,132.

An investigation by the State of Michigan, Department of Human Services, Office of Inspector General, Lansing, MI, disclosed that Ms. Michelle Metzmaker, former Office Assistant, Michigan Commission, Lansing, MI, used Commission procurement (charge) cards to make personal purchases and pay personal expenses, amounting to a loss of \$4,415.48 in Corporation AmeriCorps program funds. Ms. Metzmaker was prosecuted by the State of Michigan Office of Attorney General. Ms. Metzmaker pled guilty to Embezzlement and was sentenced to serve 120 days confinement, 24 month probation and required to pay full restitution in the amount of \$4,415.48 as well as court costs and fees totaling \$1,198.

The California Volunteer Commission reported that it had received allegations that a California AmeriCorps grantee had engaged in fundraising activity; received service hours for disallowed service and/or engaged in prohibited activity when three members when to Sacramento to conduct what appeared to be advocacy with state legislators. An investigation by the California Volunteer Commission required the grantee to reimburse the program \$45,250 in disallowed costs.

## Investigative Case Statistics

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	13
New Cases Opened	26
Cases Closed this Period With Significant Findings	7
Cases Closed this Period With No Significant Findings	6
Total Cases Closed	13
Cases Open at End of Reporting Period	26
<b>Referred</b>	
Cases Referred for Prosecution	5
Cases Accepted for Prosecution	1
Cases Declined for Prosecution	4
Cases Pending Prosecutorial Review	0
Cases Pending Adjudication	4*
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	10
Investigative Recommendations Pending this Reporting Period	8
Investigative Recommendations Pending from Previous Reporting Periods	5
* This includes cases referred for prosecution during the previous reporting period.	

## **Suspension and Debarment**

*Suspension and Debarment are remedies intended to protect the government from doing business with individuals or entities whose conduct has shown that they cannot be trusted to conduct business reliably, in compliance with the law, rules and regulations and with integrity. When the Office of Inspector General discovers serious misconduct that casts doubt on the present responsibility of a grantee, grantee staff or other party, it recommends that the Corporation impose debarment to prevent future harm to Federal programs and operations. If the Corporation begins suspension or debarment proceedings, the respondent has an opportunity to demonstrate that it should not be excluded from transactions with the government.*

## Recent Activity

In the last six months, the Corporation debarred two individuals and suspended one on the basis of audit and investigatory work by the OIG. The Corporation now has before it eight debarment recommendations. Two of the pending matters arise from criminal convictions for embezzlement of grant funds.

### **Audit and Investigation Leads to Debarment of the former Americorps Director, American Samoa**

An OIG audit and investigation discovered that Ms. Aleluia Pase, former Americorps Director of HIS Ministries, American Samoa, improperly received and misused Federal funds for her personal gain and benefit. Ms. Aleluia Pase is the daughter of Mine A. Pase, former Executive Director who was convicted of stealing over \$325,000 in AmeriCorps grant funds and sentenced to 14 months in prison. Ms. Aleluia Pase was debarred from participating in all Federal procurement and non-procurement transactions for a period of two years.

### **OIG Investigation Leads to Debarment of Former of Youth Advocates Inc., Houston TX**

Charles Rotramel, former Executive Director, Youth Advocates Inc., Houston, TX was debarred from participating in all Federal procurement and non-procurement transactions for a three-year period. Mr. Rotramel was unable to account for substantial expenditures charged to the Americorps grant and sub-grants. Living allowance checks issued to Americorps members were not honored by financial institutions and were returned for insufficient funds. Mr. Rotramel was found to have violated the terms of a public agreement in a manner serious enough to affect the integrity of a Corporation program.

### **Audit Leads to Suspension of Operation Reach's Chief Executive Officer**

Following an audit that uncovered serious and pervasive deficiencies in the administration of multiple grants by Operation Reach, Inc.'s (ORI), the Corporation acted with commendable speed in suspending the organization's Chief Executive Officer from participation in Federal procurement and non-procurement transactions. The suspension will remain in force for up to one year, pending the initiation and completion of debarment proceedings. The Corporation acted on the recommendation of OIG that, given the serious mishandling of substantial Federal funds and disregard of multiple Federal obligations, the organization's CEO should not be entrusted with similar responsibilities, either by the Corporation or by another agency. The audit report is available at <http://www.cncsoig.gov/news-entry/12-15>. Based on the audit work, the Corporation found adequate evidence to suspect that ORI and its CEO lacked the present responsibility to enter into transactions with the Federal government. The suspension decision was based on the following:

- ORI had a history of failure to perform, or a history of unsatisfactory performance;
- ORI improperly made certifications of successful completions of terms of service in national service participants in such a serious and compelling nature that it affected ORI's present responsibility; and
- The CEO of ORI had either participated in, had knowledge of, or reason to know of ORI's failure to perform the grant agreements, as well as ORI's improper certifications.

## **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 Office of Inspector General 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 and abuse in Corporation programs and operations. The Office of Inspector General draws on its experience in audits and investigations as the basis for its recommendations.*

## Corporation Seeks Legislative Relief Regarding Criminal Background Checks

Consistent with Section 189D of the Serve America Act of 2009, the Corporation adopted a new rule specifying that grantees must check the national criminal history of volunteers and grantee staff whose service involves access to children under the age of 17, persons older than 60 years of age, or individuals with disabilities by submitting their fingerprints to the FBI. The FBI fingerprint check is in addition to the name-based checks of the National Sex Offender Public Website and state criminal registries required by statute for all Corporation grant program staff and volunteers.

In its recent Congressional Budget Justification, the Corporation seeks to narrow the fingerprint requirement for ease of administration. The Corporation reports that the FBI will accept fingerprint checks only through certain authorized state agencies, but that many of these agencies are unwilling or unable to perform the checks for Corporation grantees. The Corporation thus requests that its appropriation contain a provision that would eliminate FBI fingerprint checks for volunteers and staff who work with disabled persons or those over 60. Fingerprint checks would be limited to those persons who work with children.

The Corporation does not explain its basis to believe that state agencies would be more willing or able to submit fingerprint requests to the FBI if those requests concerned only persons who work with children. Moreover, the Serve America Act already provides exception from the national fingerprint check requirement “where the entity is not authorized, or is otherwise unable, [under State or Federal law], to access the national criminal history background check system of the Federal Bureau of Investigation.”

A national fingerprint check is the most effective way to match an individual with any past criminal history, and it captures the histories of those attempting to evade detection by use of aliases, name changes or other subterfuge. Given that Congress has identified the elderly and the disabled, along with children, as particularly vulnerable and in need of protection; we question the need to withdraw from them safeguards that have been in effect for only a few months. Instead, we believe that the Corporation should work with the FBI to develop an alternate means of submitting fingerprint checks and should continue to operate grant programs in a manner that assures the safety of those groups at high risk.

## Whistleblower Protections Extended

Two recent Federal laws give the OIG an increased role in the prevention and investigations of reprisals against individuals who report waste, fraud and abuse in Federal programs to authorities. First, the Whistleblower Protection Enhancement Act of 2012, which requires each agency Inspector General to appoint a Whistleblower Protection Ombudsman who is charged with educating agency managers about the prohibitions on retaliation for protected disclosures and providing information about how an aggrieved employee may pursue a retaliation claim. The Inspector General designated Deputy Inspector General Kenneth Bach as the OIG’s Whistleblower Protection Ombudsman, and all Corporation personnel were advised of his new role. In coordination with the Corporation’s Chief Operating Officer, Mr. Bach has arranged for the necessary training. The OIG has enhanced its website to make it easier for Corporation employees to report retaliation claims.

Second, a provision of the Defense Authorization Act extends the authority of each agency Inspector General to include investigating allegations of whistleblower retaliation against

Federal contractors and employees of Federal grantees. The OIG is to report its findings within 180 days to the Corporation, which has 30 days to determine appropriate remedial action. This provision becomes effective in July 2013. The OIG advised the Corporation of these new whistleblower protections for grantee and contractor employees, and the Corporation has indicated it is developing appropriate language for future grants and contracts awards. In view of the strict statutory deadlines, the Corporation's large number of grants and subgrants and the limited resources of the OIG, an influx of grantee whistleblower retaliation complaints could overwhelm our resources.

## **OIG To Be Notified of Conference Spending**

Under the continuing resolution currently funding the Federal government, each Federal agency must report annually to its Inspector General the financial details of any conference costing the agency more than \$100,000. Throughout the year, the agency must notify its Inspector General of the date, location, and number of employees attending any conference costing more than \$20,000.<sup>100</sup>

The OIG notified the Corporation of these new reporting rules, and the Corporation pledged that it would timely report the required information. We note that the Corporation has invited bids for an award of a \$4.5 million cooperative agreement for a vendor to provide travel, hotel accommodations, and conference logistics for approximately 50 training conferences for AmeriCorps VISTA program members, as well as a separate request for bids to provide five regional training conferences for staff of AmeriCorps and Senior Corps totaling no more than \$1.25 million.

## **Corporation Policy Council**

The OIG continued its active participation in the Corporation's Policy Council, which is charged with developing and amending internal policies covering all agency operations. Based on our audit experience and familiarity with the Corporation's operations and internal controls, the OIG provided comments on the following policies:

- Information Assurance Policies
- Application Deadlines and Late Submissions
- Grant Competition Posting Policy and Procedures
- Appropriated Transfers to the National Service Trust
- Accounting for Capitalized Property
- Alternative Timekeeping for Professional Corps
- Managing AmeriCorps VISTA Cost Share Agreements
- Communicating with Applicants, Potential Applicants, and Current Grantees During Grant Application Review Procedures
- Financial Disclosure

## **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.*

## Audit Reports Issued

October 1, 2012-March 31, 2013				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
		(Dollars in thousands)		
13-01	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2011 Financial Statements</i>	\$0	\$0	\$0
13-02	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2011 National Service Trust Schedules</i>	\$0	\$0	\$0
13-04	<i>Evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)</i>	\$0	\$0	\$0
TOTAL		<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

## 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	10	\$4,168	\$2,880
B. Reports issued during the reporting period	<u>0</u>	<u>\$0</u>	<u>\$0</u>
C. Total Reports (A + B)	10	\$4,168	\$2,880
D. Reports for which a management decision was made during the reporting period	3	\$608	\$153
I. Value of disallowed costs		\$213	\$90
II. Value of costs not disallowed		<u>\$395</u>	<u>\$63</u>
E. Reports for which no management decision had been made at the end of the reporting period (C minus D)	<u>7</u>	<u>\$3,560</u>	<u>\$2,727</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	6	\$3,488	\$2,690

## 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	\$3,646
B. Reports issued during the reporting period	0	\$0
C. Total Reports (A + B)	10	\$3,646
D. Reports for which a management decision was made during the reporting period	3	\$168
i. Value of recommendations agreed to by management		\$74
ii. Value of recommendations not agreed to by management		\$94
E. Reports for which no management decision had been made by the end of the reporting period	7	\$3,478
F. Reports for which no management decision was made within six months of issuance	6	\$427

\*The Audit Section predominately performed cost-incurred and compliance audits that resulted in questioned costs and noncompliance findings. These types of audits typically do not lead to recommendations that funds be put to better use.

## Summary of Audits with Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned <i>(Dollars in thousands)</i>	Mgmt. Decision Due	Status at End of Reporting Period (03/31/12)
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	\$0	5/9/2012	The Corporation has not issued a Draft Management Decision for this report.
12-10	Evaluation of the the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)	\$0	9/7/2012	The Corporation has not issued a Draft Management Decision for this report.
12-08	Audit of Trust Payments to Education & Financial Institutions	\$0	10/3/2012	The Corporation has not issued a Draft Management Decision for this report.
12-09	Evaluation of the Corporation's OMB Circular A-133 Report Monitoring Process	\$0	11/13/2012	The Corporation issued a Draft Management Decision December 5, 2012. The OIG non-concurred on March 26, 2013.
12-11	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to The New Teachers Project	\$2,826	11/12/2012	The Corporation issued the Draft Management Decision on March 1, 2013.
12-12	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to AIDS United	\$395,429	1/21/2013	The Corporation issued its Draft Management Decision on March 14, 2012.
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Oregon Commission	\$391,604	2/15/2013	The Corporation has not issued a Draft Management Decision for this report.
12-14	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Michigan Commission	\$243,536	2/27/2013	The Corporation has not issued a Draft Management Decision for this report.
12-15	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Operations Reach, Inc.	\$559,659	2/28/2013	The Corporation has not issued a Draft Management Decision for this report.
12-16	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the New Jersey Commission	1,895,026	3/27/2013	The Corporation has not issued a Draft Management Decision for this report.
	<b>Total</b>	<b><u>\$3,488,080</u></b>		