

OFFICE OF INSPECTOR GENERAL

Semiannual Report to the Congress

October 1, 1993 - March 31, 1994

**Fiscal Year 1994
Report No. 1**

OFFICE OF INSPECTOR GENERAL

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Corporation for National and Community Service
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EXECUTIVE SUMMARY

Corporation Start-up

The Corporation for National and Community Service was established by the *National and Community Service Trust Act of 1993*, signed by the President on September 21, 1993. It combines the volunteer service programs of ACTION and the Commission on National and Community Service. The Corporation began operations in October 1993 with a core staff from the Commission and the White House Office of National Service. The effective date of the merger of ACTION with the Corporation was April 4, 1994. (See page 1.)

The Chief Executive Officer established the Corporation Office of Inspector General (OIG) on December 14, 1993, and named the ACTION Inspector General as Acting Inspector General of the Corporation. A permanent Inspector General will be appointed by the President and confirmed by the Senate. The Acting Inspector General of the Corporation was authorized to utilize the staff of the ACTION OIG. Therefore, in practice, there has been one Office of Inspector General for both the Corporation and ACTION since December 14. (See page 1.)

During this six-month period, the OIG assisted in many Corporation start-up projects, including reviewing regulations and applications and serving on task forces to design new financial and information systems. (See pages 11-12.)

Audit planning for the Corporation was by necessity abbreviated for FY 1994, but we hope to complete a five-year strategic plan for FY 1995. We will work with the Corporation as it designs its own strategic plan and participates in one of the pilot projects authorized by the *Government Performance and Results Act of 1993*. (See page 5.)

Investigations

Two investigations of alleged official misconduct by regional employees resulted in (1) state criminal charges in one case, with administrative action by the Corporation pending and (2) potential state criminal charges in the other case, after the employee resigned. (See pages 8-10.)

Audits

We issued 14 final in-house reports on grant audits. In addition, we issued 25 reports as a result of our review of 325 audit reports performed under *OMB Circulars A-128* and *A-133*. (See pages 5-6.)

ORGANIZATION AND MANAGEMENT

The *National and Community Service Trust Act of 1993* created the Corporation for National and Community Service, established new national service programs, and enhanced programs which had been administered by ACTION and the Commission on National and Community Service. The Corporation began operations in October 1993 with a core staff from the Commission and the White House Office of National Service. The effective date of ACTION's merger with the Corporation was April 4, 1994.

The *Inspector General Act of 1978*, as amended, requires the Corporation to have a Presidentially-appointed, Senate-confirmed Inspector General. On December 14, 1993, the Chief Executive Officer of the Corporation appointed the ACTION Inspector General as the Acting Inspector General of the Corporation, with authority to utilize the staff of the ACTION OIG. The entire ACTION OIG officially transferred to the Corporation OIG on April 4.

The Inspector General Act requires that the Inspector General submit a report to Congress every six months.

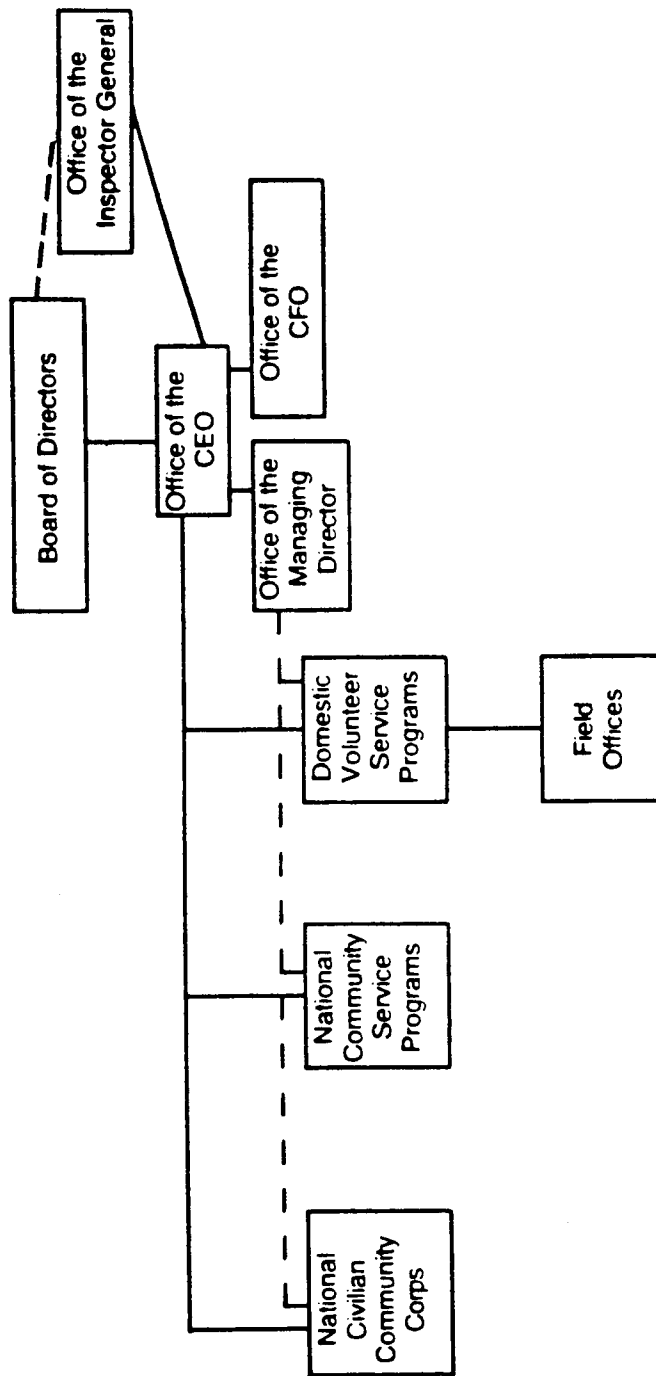
THE MISSION OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

The Corporation awards grants and sponsors programs for national service and community volunteer programs to address the nation's education, human, public safety, and environmental needs. The Corporation's major programs include:

- AmeriCorps
 - AmeriCorps grants
 - Volunteers in Service to America (VISTA)
 - National Civilian Community Corps (NCCC)
- Learn and Serve America
 - K-12 Programs
 - Higher Education Programs
- National Senior Volunteer Corps
 - Retired and Senior Volunteer Program (RSVP)
 - Foster Grandparent Program (FGP)
 - Senior Companion Program (SCP)
- Other Innovative Service Programs

The chart on the following page shows the organization of the Corporation.

Corporation Organization Chart



THE ROLE OF THE INSPECTOR GENERAL

The Office of the Inspector General (OIG) reviews Corporation programs and operations through audits, investigations, and other initiatives to:

- (a) promote economy and efficiency in the Corporation's programs and operations and
- (b) prevent and detect fraud, waste, and abuse.

Our primary goal is to encourage constructive, systemic changes that will lead to improvements within the Corporation's programs and operations. The chart on the following page shows the functional responsibilities assigned within the office.

MANAGEMENT ISSUES

OIG Staffing and Budget

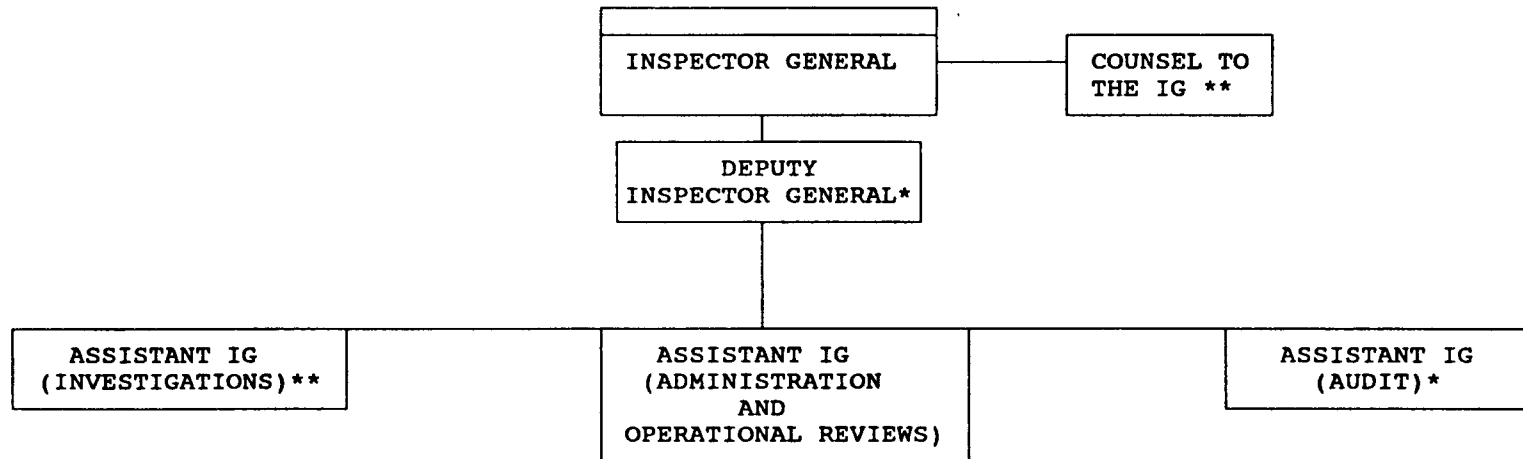
Staffing and budget issues for the Corporation OIG have not been fully addressed because a permanent Inspector General is not yet appointed. For FY 1994, the ACTION OIG had a staffing level of 12 and a budget of \$944,000. The Corporation OIG's separate account in the FY 1995 President's request has a staffing level of 12 and a \$1 million budget. There are, however, other resources within the Corporation's budget for FY 1995 that may be allocated to OIG activities.

Corporation Appropriations Jurisdiction

The split of the Corporation's budget for review between two Congressional subcommittees is a concern. For many years, and also in FY 1994, the ACTION budget was reviewed by the Senate and House Appropriations Subcommittees on Labor, Health and Human Services, Education, and Related Agencies (Labor/HHS). In FY 1994, the Corporation's budget (as the successor to the Commission on National and Community Service) was reviewed by the Senate and House Subcommittees on VA, HUD, and Independent Agencies (VA/HUD).

Despite the official merger of ACTION with the Corporation on April 4, 1994, the Corporation's FY 1995 budget remains split between the two subcommittees. There are precedents for splitting budgets of much larger departments and agencies, where a multifaceted budget might require review by subcommittees with vastly different expertise. But the FY 1995 total request of \$850 million is an extremely small amount to be split between two subcommittees. The issue is complicated by the fact that not even administrative costs are consolidated. This split will present additional challenges and paperwork burdens for the Corporation.

OIG Organization Chart



* The Deputy Inspector General also serves as Assistant Inspector General for Audit.

** The Counsel to the Inspector General also serves as Assistant Inspector General for Investigations.

AUDITING ACTIVITIES

AUDIT PLANNING

Since the Corporation was only recently authorized (in September 1993) and is in the process of being fully implemented, audit planning is not on a normal cycle. During the transition period, both before the official establishment of the Corporation OIG and afterwards, this office has continued to respond to requests from ACTION officials and has worked with other Corporation officials to determine high priority audits.

The FY 1994 audit plan was largely an interim measure and was not issued until February 1994. It contained an outline of the major priorities for the OIG in FY 1994, i.e., technical assistance to the Corporation, strategic planning, conducting significant audits, and conducting investigations as necessary.

We expect that the FY 1995 audit plan will include at least a preliminary strategic five-year plan and will incorporate a broader variety of both program and grant audits. We will be working with the Corporation as it designs its own strategic plan and participates in one of the pilot projects authorized by the *Government Performance and Results Act*.

AUDITS IN PROGRESS

During this semiannual period, we began audits of two programs funded by the former Commission on National and Community Service. One program was funded through a grant and one through a cooperative agreement. The two audits represent different issues of quantifying efficiencies in projected grant delivery systems and sponsoring other innovative programs. We expect that the findings will affect future grant decisions.

Also, during this semiannual period, we began two operational audits of ACTION systems. Both audits will examine issues that will be important for the Corporation as it develops systems to handle Federal audit and financial requirements.

GRANT AUDITS

OIG auditors audited ACTION grants for Foster Grandparent, Senior Companion, and Retired and Senior Volunteer Programs, as well as VISTA sponsors. The selection of grants for audit was based on requests from management officials, high dollar amounts, lack of prior audits, or closeouts. We issued 14 audit reports during this semiannual period and questioned approximately \$220,000 in grant costs.

REVIEW OF A-128 AND A-133 AUDITS

OMB Circulars A-128 and *A-133* require State and local governments, nonprofit organizations, and institutions of higher education to provide annual or biennial audit reports to those Government agencies responsible for their Federal funding. During this period, the OIG reviewed 153 A-128 reports and 172 A-133 reports. Of the total reviewed, 25 contained findings relevant to ACTION programs and were included in the Agency's audit resolution tracking system.

A major responsibility for the future is to work with Corporation officials to (1) assure that all Corporation grantees are aware of their responsibilities under these Circulars and (2) set up a system to review and track findings from these audits.

SIGNIFICANT REVISED MANAGEMENT DECISION AND SIGNIFICANT MANAGEMENT DECISION WITH WHICH THE INSPECTOR GENERAL DISAGREES

An ACTION grantee appealed a management decision which had disallowed over \$50,000 in personnel costs that could not be documented. Despite a complete and thorough audit resolution process that gave the grantee credit for all available indirect documentation, the current ACTION Appeals Official revised the management decision and accepted all of the previously disallowed personnel costs.

This revised management decision is significant for two reasons: (1) accepting 100% of the disallowed costs is inconsistent with required accountability of Federal funds and increases our difficulty in compelling future grantees to comply with Federal recordkeeping requirements and (2) there was a major procedural lapse during the appeals process by not allowing input from the Inspector General or the Deputy Inspector General prior to revising the management decision.

When the statutory Office of Inspector General was established at ACTION in 1989, the audit resolution system for the Agency was in disarray. There were often huge variances between the OIG's questioned costs and management's disallowed costs. Overturned management decisions on appeal were commonplace. As chronicled in previous semiannual reports, beginning in 1989, both the OIG and management officials worked to create a model audit resolution system, including establishing procedures that gave the OIG an opportunity to comment on each appeal of a management decision. For over two years, the process worked well. This recent procedural lapse is a puzzle.

It is critical for us to work with the Chief Executive Officer and the Chief Financial Officer of the Corporation to establish an audit resolution process that (1) will uphold Federal requirements while being fair to all parties and (2) very importantly, assure Inspector General input into all management decisions, including revised management decisions.

PRIOR SIGNIFICANT RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED

The most significant recommendation that has not yet been acted upon is one that ACTION management officials have for the last several years agreed is necessary: to revise the grants management handbook for grantees. The current handbook was published in 1983, with only one update in 1990 to incorporate the *OMB Circular A-133* requirements.

All Corporation grantees deserve clear grant-management procedures. The best way to achieve this goal is to revise and expand one or a series of grants management handbooks.

Other audit recommendations that have not been completed by the ACTION Agency are reported in management's report of overdue final actions.

INVESTIGATIONS

We opened three new investigations and closed three investigations during this reporting period. Two cases remain open, including one in which further prosecutive action is pending.

The following highlights our investigative activity during this reporting period:

Falsification of Government Travel Order

We investigated an allegation that an employee in a regional office falsified official Government travel orders to rent an automobile for personal use and later extend the rental agreement. We substantiated the allegation, and the employee has since resigned. The U.S. Attorney's office declined Federal prosecution, but we have been advised that the rental car company intends to pursue State criminal charges against the individual.

Unauthorized Credit Card Charges

We investigated allegations that an employee in another regional office accumulated a substantial amount of charges for personal goods and services on a Government-issued credit card and charged personal travel to a Government travel account. State charges have been filed against the employee, and Federal prosecution has been declined. We recommended appropriate disciplinary action against the employee.

Alleged Falsification of SF-171

We completed an investigation into allegations that an employee furnished false information on an Application for Federal Employment, SF-171. The allegations were not substantiated.

Alleged Impropriety in Commission-Funded Program

We have completed our investigation of alleged impropriety involving a program funded by the Commission on National and Community Service. We began this investigation in late FY 1993 pursuant to an interagency agreement between the Commission and the ACTION OIG. We found no evidence of fraud or criminal wrongdoing, but made several recommendations for administrative improvement and are currently conducting an audit of the Federally-funded program.

Alleged Misapplication of Federal Grant Funds

The OIG is investigating allegations that administrators of an organization receiving grants under ACTION's Older American Volunteer Program misapplied nearly \$80,000 in grant funds. It is alleged that the funds were spent on a highly speculative fund-raising enterprise that failed. Our investigation will continue when more staff resources are available.

Pending Action on Previous Prosecution Referral

The U.S. Attorney's Office has begun plea negotiations with a former Retired Senior Volunteer Program (RSVP) project director suspected of embezzling RSVP grant funds. This case was referred to the U.S. Attorney following an OIG investigation.

Statistical Summary of Investigations

Number of cases open at
beginning of reporting
period.....3

Number of new cases opened
during this reporting period.....3

Number of cases closed during
this reporting period with
significant findings.....2

Number of cases closed during
this reporting period with
no significant findings.....1

Total cases closed during
this reporting period.....3

Number of cases open at end
of reporting period.....3

Prosecution Referrals:

Number of cases referred
for prosecution this period.....2

Number of prosecutions
concluded this period.....2¹

Number of prosecutions pending..... 1

¹ Federal prosecution was declined in both cases. State charges have been filed in one case.

REVIEW OF LEGISLATION AND REGULATIONS

National and Community Service Trust Act of 1993

The Corporation has begun to issue regulations to implement the *National and Community Service Trust Act of 1993*, signed by the President on September 21, 1993. To date, the interim final rules on establishing State Commissions and a very large group of program regulations--including those for AmeriCorps grants and Learn and Serve America grants--have been published. Additional administrative regulations, including regulations to administer the National Service Trust, are now being drafted.

The OIG spent a substantial amount of time reviewing and commenting upon these regulations. However, volume and time pressures prohibited the extensive and thorough discussions and analysis needed for such complex issues.

Other Policy Reviews

The OIG continues to provide comments on new and revised orders and directives affecting ACTION's programs and operations.

We also spent substantial time reviewing draft applications and training materials for AmeriCorps grants, Learn and Serve America grants, and State Commission grants. We are emphasizing to management officials of the Corporation that early review by the Office of Inspector General of policy directives and other internal procedures adds an essential perspective to the process.

SPECIAL PROJECTS

Corporation Start-up

The Office of Inspector General continues to concentrate on proactive technical assistance during the start-up of the Corporation. Numerous new systems are being discussed, and we are participating on task forces that are designing the National Service Trust fund, financial systems, and management information systems.

OIG Presentations

The Acting Inspector General and several staff members presented a series of briefings for headquarters staff about our role and responsibilities in the Corporation. The Acting Inspector General also gave a presentation at a planning retreat for the National Civilian Community Corps leadership.

The major purposes of the briefings were to give information about the OIG and to establish communication links with management officials and staff that will encourage good future working relationships.

Updated Brochures

We have begun to revise former ACTION OIG brochures to include all Corporation programs. The first two--*An Introduction to the Office of Inspector General* and the *Fraud, Waste and Abuse Hotline* were published and distributed in March.

Fraud, Waste, and Abuse Hotline

The Corporation OIG Hotline was advertised to employees through the recently-published brochure. We will distribute the brochure and further advertise the hotline telephone number to grantees within the next few months.

The purpose of the OIG Fraud Hotline is to receive complaints of fraud, waste, and abuse from the public. Callers are permitted to remain anonymous, with their confidentiality protected to the maximum extent permitted by law.

The Corporation OIG Hotline number is 1-800-452-8210.

Increasing Customer Satisfaction

In January 1994, we completed our first customer satisfaction survey which solicited information on the process and impact of a large program audit. Since our mission is to improve the Corporation programs and operations, we feel that we must also focus on continually improving our own work products.

We learned many things from this first survey--including how to improve the survey questions! We also found that State, regional, and headquarters officials perceived the results of the audit in question as very positive. We plan to learn more about this technique from a President's Council on Integrity and Efficiency (PCIE) training session in May and by trying more surveys on different types of audits.

Interagency Activities

When ACTION legally merged with the Corporation on April 4, 1994, the ACTION Inspector General ceased to be a member of the Executive Council on Integrity and Efficiency (ECIE). The Inspector General of the Corporation is a member of the President's Council on Integrity and Efficiency (PCIE). The difference in appointing authority defines the membership of the two councils. ECIE Inspectors General are appointed by the entity head, while PCIE Inspectors General are appointed by the President and confirmed by the Senate.

Both the PCIE and the ECIE work cooperatively to address those issues of integrity, economy, and effectiveness that transcend individual Federal agencies. The councils adopted a Vision Statement and Statement of Reinvention Principles early in January. The Statements demonstrate how Inspectors General can best carry out their statutory duties in harmony with the intent and spirit of the National Performance Review. We wholeheartedly support the Vision Statement:

We are agents of positive change striving for continuous improvement in our agencies' management and program operations and in our own offices.

**TABLE I -- INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED
COSTS FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1994**

	<u>Number</u>	<u>Dollar Value</u> (000)	
		<u>Questioned Cost</u>	<u>Unsupported Cost</u>
A. For which no management decision has been made by the commencement of the reporting period *	23 ¹	42.0	.5
B. Which were issued during the reporting period	<u>39²</u>	<u>253.2</u>	<u>142.4</u>
Subtotals (A + B)	62	295.2	142.9
C. For which a management decision was made during the reporting period	45 ³	119.7	3.4
(i) dollar value of disallowed costs		73.1	0
(ii) dollar value of costs not disallowed		46.6	3.4
D. For which no management decision has been made by the end of the reporting period	17 ⁴	175.5	139.5
Reports for which no management decision was made within six months of issuance	0	0	0

¹ Includes 16 reports with no questioned costs.

² Includes 26 reports with no questioned costs.

³ Includes 30 reports with no questioned costs.

⁴ Includes 10 reports with no questioned costs.

* Adjustments were made to reflect the reissuance of a revised audit report, a change of date on a management decision, and a correction in the amount of disallowed costs.

**TABLE II--INSPECTOR GENERAL ISSUED REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER
USE FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1994**

	<u>Number</u>	<u>Dollar Value</u> (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	<u>0</u>	<u>0</u>
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management		
- based on proposed management action		
- based on proposed legislative action		
(ii) dollar value of recommendation that were not agreed to by management		
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made during six months of issuance	0	0

TABLE III--AUDIT REPORTS ISSUED FOR THE PERIOD OCTOBER 1, 1993-MARCH 31, 1994

Internal Control Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned	Federal Dollars Unsupported	City	State
** Program: FGP						
93-03-46	10/14/93	CITY OF HAMPTON FGP	68460	0	HAMPTON	VA
94-08-03	10/21/93	UTAH COUNTY	1600	0	PROVO	UT
94-04-06	11/03/93	FLORIDA SENIOR PROGRAMS, INC.	260	0	ORLANDO	FL
94-03-02	11/03/93	WEST VIRGINIA DEPT. OF HEALTH & HUMAN RESOURCES	0	0	CHARLESTON	WV
93-05-59	11/04/93	LUTHERAN SOCIAL SERVICES OF MINNESOTA	0	0	ST. PAUL	MN
94-10-10	11/05/93	FOSTER GRANDPARENTS OF S.E. IDAHO, INC.	0	0	BLACKFOOT	ID
94-01-12	11/09/93	WEST WARWICK SENIOR CITIZENS' CENTER, INC.	0	0	WEST WARWICK	RI
94-02-14	11/22/93	SENIOR CENTERS, INC.	0	0	TOLEDO	OH
93-01-61	11/23/93	PENQUIS COMMUNITY ACTION PROGRAM	0	0	BANGOR	ME
94-09-09	12/14/93	SENIORS COUNCIL OF SANTA CRUZ & SAN BENITO COS.	16320	16320	APTOS	CA
94-09-08	12/14/93	SENIORS COUNCIL OF SANTA CRUZ & SAN BENITO COS.	59484	59340	APTOS	CA

TABLE III--AUDIT REPORTS ISSUED FOR THE PERIOD OCTOBER 1, 1993-MARCH 31, 1994

Internal Control Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned	Federal Dollars Unsupported	City	State
94-01-01	12/21/93	PEOPLE'S REGIONAL OPPORTUNITY PROGRAM	0	0	PORTLAND	ME
94-05-25	12/28/93	GREAT LAKES INTER-TRIBAL COUNCIL, INC.	2290	0	LAC DU FLAMBEAU	WI
94-08-22	01/04/94	NORTHWEST COMMUNITY ACTION PROGRAMS OF WYOMING	21240	0	CHEYENNE	WY
94-04-40	03/25/94	SOUTHWEST HUMAN RESOURCE AGENCY	0	0	HENDERSON	TN
** Subtotal **			169654	75660		
** Program: RSVP						
94-05-04	11/01/93	RSVP OF WAUKESHA COUNTY, INC.	0	0	WAUKESHA	WI
94-03-13	11/08/93	MEIGS COUNTY COUNCIL ON AGING, INC.	0	0	POMERY	OH
94-03-11	11/08/93	RSVP OF BEDFORD COUNTY	0	0	BEDFORD	PA
94-02-17	11/12/93	COLUMBIA OPPORTUNITIES, INC.	0	0	HUDSON	NY
94-02-18	11/18/93	CORNELL COOPERATIVE EXTENSION ASSN OF SCHUYLER CO.	0	0	MONTOUR FALLS	NY
94-08-23	01/03/94	MEADE COUNTY SENIOR CITIZENS CENTER ASSOCIATION	0	0	STURGIS	SD

TABLE III--AUDIT REPORTS ISSUED FOR THE PERIOD OCTOBER 1, 1993-MARCH 31, 1994

Internal Control Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned	Federal Dollars Unsupported	City	State
94-04-28	01/07/94	TALLADEGA COUNTY COMMISSION	2734	0	TALLEDEGA	AL
94-06-33	01/24/94	HENRY COUNTY COUNCIL ON AGING, INC.	0	0	CLINTON	MO
94-10-31	01/26/94	AMERICAN RED CROSS	0	0	TACOMA	WA
94-09-19	01/27/94	CALIFORNIA PACIFIC MEDICAL CENTER	0	0	SAN FRANCISCO	CA
94-06-32	01/28/94	SIERRA-T/C-WILLIAMSBURG JOINT OFFICE ON AGING	0	0	TRUTH OR CONSEQUENCE	NM
94-04-43	02/18/94	AMERICAN RED CROSS - CENTRAL FLORIDA CHAPTER	0	0	ORLANDO	FL
94-05-39	03/21/94	YWCA OF ELKHART COUNTY	0	0	ELKHART	IN
94-05-41	03/31/94	INTERFAITH COMMUNITY COUNCIL, INC.	0	0	NEW ALBANY	IN
** Subtotal **			2734	0		
** Program: SCP						
93-04-69	11/01/93	METRO INTERFAITH ASSOCIATION	0	0	MEMPHIS	TN
94-04-05	11/03/93	FLORIDA SENIOR PROGRAMS, INC.	1724	0	ORLANDO	FL
94-08-07	11/04/93	SENIORS! INC.	2930	2930	DENVER	CO

TABLE III--AUDIT REPORTS ISSUED FOR THE PERIOD OCTOBER 1, 1993-MARCH 31, 1994

Internal Control Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned	Federal Dollars Unsupported	City	State
93-05-58	11/05/93	LUTHERAN SOCIAL SERVICES OF MINNESOTA	0	0	ST. PAUL	MN
94-02-15	11/12/93	HENRY STREET SETTLEMENT	0	0	NEW YORK	NY
94-02-16	11/18/93	SENIOR SERVICE CORPS, INC.	0	0	ORANGE	NJ
** Subtotal **			4654	2930		
** Program: VISTA						
93-03-36	12/03/93	WASHINGTON-GREEN COMMUNITY ACTION CORPORATION	65524	63810	WASHINGTON	PA
94-02-24	02/17/94	SCHENECTADY MUNICIPAL HOUSING AUTHORITY	10418	0	SCHENECTADY	NY
94-05-26	03/01/94	INDIANA ADULT LITERACY COALITION	0	0	INDIANAPOLIS	IN
94-03-29	03/11/94	CITY OF COLUMBUS - DEPARTMENT OF HUMAN SERVICES	238	0	COLUMBUS	OH
** Subtotal **			76180	63810		
*** Total ***			253222	142400		

TABLE IV--SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

None.

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Section 5 (a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	6-7
Section 5 (a)(3)	Prior significant recommendations on which corrective action has not been completed.	7
Section 5 (a)(4)	Matters referred to prosecutive authorities.	8-10
Section 5 (a)(5)	Summary of instances where information was refused.	None
Section 5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and recommendations that funds be put to better use.	16-19
Section 5 (a)(7)	Summary of each particularly significant report.	5-6
Section 5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs.	14

**If you have any questions,
call or write to:**

**(202) 606-5000, Ext. 390 (VOICE)
(202) 606-5266 (TDD)**

**Office of Inspector General
Corporation for National
and Community Service
1100 Vermont Avenue, NW.
Washington, DC 20525**

**ALTERNATE FORMAL
UPON REQUEST**

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IG Act Reference ¹	Reporting Requirement	Page
Section 5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	15
Section 5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period.	None
Section 5 (a)(11)	Significant revised management decisions.	6
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees.	6

¹ Refers to sections in the *Inspector General Act of 1978*, as amended.

**FRAUD, WASTE, AND ABUSE
HOTLINE**

**1 800 452-8210
Toll-Free, 24 Hours a Day**

**INFORMATION IS CONFIDENTIAL
CALLER CAN BE ANONYMOUS**

**Inspector General
Corporation for National
and Community Service
1100 Vermont Avenue, NW.
Washington, DC 20525**

Semiannual Report to Congress on Audit Follow-up



October 1, 1993 - March 31, 1994

Corporation Semiannual Report Number 1

**Prepared by the Office of the
Chief Financial Officer**

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EXECUTIVE SUMMARY

This is the first semiannual report to the Congress on management decisions and final actions taken by the Corporation for National and Community Service and the former ACTION Agency in response to audit reports issued by the Office of the Inspector General. The report covers the 6-month period ending March 31, 1994, and is required by the Inspector General Act Amendments of 1988 (P.L. 100-504).

Management is required to report data on three specific areas: (1) the number of audit reports and the dollar value of disallowed costs, (2) the number of audit reports and the dollar value of recommendations that funds be put to better use, and (3) reports on which management decisions that have been made but final action has not been taken 1 year after the management decisions were made. Management may also provide comments on the Inspector General's report or on audit follow-up in general.

On October 1, 1993, the Corporation for National and Community Service (CNCS) was created. ACTION officially became part of the Corporation on April 4, 1994. The Corporation consists of three former entities--the White House Office of National Service, the Commission on National and Community Service, and ACTION. Since December 14, 1993, ACTION's former Inspector General has been authorized to act as Inspector General to the entire Corporation. Consistent with the Inspector General's report, this report includes audit activities within ACTION prior to that date and activities of both the Corporation and ACTION since that date.

The Corporation has made a top priority both safeguarding the government's resources and correcting weaknesses in a timely manner. Management is committed to issuing management decisions within 6 months of the dates of audit reports and maintaining a quality system for assuring follow-up on corrective actions. Corporation audits are currently being monitored in a computerized tracking system. Revised policies and procedures for audit follow-up are being prepared which soon will be implemented Corporation-wide.

Highlights

- By the end of the reporting period, management decisions had been made on all 45 audit reports that had been issued during the preceding 6 months. There were no overdue management decisions.
- These 45 reports included 42 (or 94%) which had no disallowed costs. (One of these 42 was a result of an appeal decision).

- None of the 39 audit reports issued during the period had recommendations that funds be put to better use.
- For the reports on which management decisions were made, management officials sustained a total of \$73,118 in disallowed costs of the \$122,033 in costs that had been questioned by the Office of the Inspector General. A decision by the Audit Appeals Official which allowed certain salary costs for a full time ACTION project director reduced the total for disallowed costs to \$21,988.
- Of the 20 reports that were pending final action one year or more after the management decisions was issued, two have since been resolved and 12 have been forwarded to the Department of Justice for further action. Of the remaining six, only one has disallowed costs.

The following three sections discuss the audit information that is specifically required by the legislation. Tables showing the data are found in the back of this report. The final section addresses some audit-related items in the Inspector General's semiannual report.

AUDIT REPORTS WITH MANAGEMENT DECISIONS

(see Table 1)

Although the term "resolution" has various meanings throughout the government, the Corporation considers an audit report to be resolved--or closed--when all corrective actions have been completed. The reporting period began with 30 audit reports for which there had been a management decision but which had no final action. These reports represented \$547,500 in disallowed costs. Nearly half of the 30 are with the Department of Justice for write-off or litigation. However, they comprised much more than half of the total disallowed costs at the beginning of the reporting period (\$484,200 or 89%).

During the period, 45 management decisions were made, disallowing \$73,100.

Also during the period, final action was taken on 45 audit reports. Forty-one of these had no disallowed costs; four made payments totaling \$5,900. One of the four had \$51,100 in disallowed costs overturned in an appeal decision.

The number of unresolved reports with management decisions which will be carried over to the next reporting period is 30. The \$563,600 in disallowed costs represented by those reports, once again, is primarily from debts that have been turned over to the Department of Justice.

AUDITS WITH MANAGEMENT DECISIONS AND RECOMMENDATIONS TO PUT FUNDS TO BETTER USE

(see Table 2)

There were no audit reports with recommendations to put funds to better use.

AUDITS THAT HAD NO FINAL ACTION WITHIN A YEAR OF A MANAGEMENT DECISION

(see Table 3)

Twenty audit reports remained open more than a year after the management decision was made. Twelve of these have been turned over to the Department of Justice for write-off or litigation and two have been resolved since the end of the reporting period. Of the remaining six, only one involves disallowed costs. The debt collection for that report is currently being pursued by a private debt collection agency and has been partially successful. All but approximate \$3,000 has been collected and returned to the government.

The other five audits were of the former ACTION Agency's internal operations. Resolution for all these involve producing policy and procedural directives. Completion of these particular corrective actions has been delayed by the merger of ACTION into the Corporation and the coordination and establishment of unified Corporation-wide policies and procedures. Final action for these internal audits are scheduled to be completed by the end of the fiscal year.

COMMENTS ON THE INSPECTOR GENERAL'S SEMIANNUAL REPORT

Audit Appeals

The Inspector General's report cited an appealed management decision with which the Inspector General did not agree. The revised management decision reversed a disallowance for more than \$50,000 in salary and benefits costs.

These costs for a full-time ACTION project director had been disallowed by auditors because, for a portion of the grant period, exception reporting had been used for recording the project director's time and attendance rather than daily personal activity sheets. These costs were subsequently allowed by the Audit Appeals Official based on additional documentation presented by the grantee and convincing evidence that the project director was in fact on the job and working diligently during the period when salary and benefit costs had been disallowed. The Agency's established procedures were followed by the Audit Appeals Officer in issuing the decision.

The Inspector General's semiannual report related this decision to a time five years ago when the Inspector General indicates that granting relief to grantees upon appeal was too common-place. Our position is that the government has an obligation to recover monies spent outside the scope of a grant, but it also has an obligation to grantees undertaking activities on our behalf to make decisions based on reasoned analysis of the merits of each case. To do otherwise is to challenge the legitimate expectation of grantees that they will be treated reasonably and fairly and to essentially make the appeals process hollow. Management will attempt to develop a meeting of the minds with the Office of the Inspector General on whether changes are needed in the audit resolution process, recognizing that some tension between auditors and managers can appropriately arise during audit appeals.

Prior Significant Unresolved Management Decision

The Inspector General's report discussed a corrective action for an internal audit that had not been completed, revising a grants management handbook. That publication has since been revised to bring it up to date by incorporating new Office of Management and Budget procedures, including revised application forms, and addressing various issues raised in Office of Inspector General audits. Additionally, while the handbook applies only to the National Senior Volunteer Corps and VISTA programs, references to the former ACTION agency have been deleted. The handbook will be distributed during the next reporting period.

CONCLUSION

The Corporation for National and Community Service is dedicated to maintaining an effective and efficient system for following up on audit findings and ensuring the proper use of public funds. Our intention is to continuing managing the system in a streamlined yet comprehensive manner. We also expect to revisit some aspects of the audit resolution system with the Inspector General to ensure its applicability to the broader environment of the Corporation.

More efficient and streamlined operations have recently been aided by improvements implemented following program reviews conducted by the Office of the Inspector General, e.g., reviews of VISTA project applications have been reduced through greater decentralization of decision making and multi-year grants for National Senior Volunteer Programs are now being used.

Finally, a provision of the National and Community Service Trust Act of 1993 specified the appointment by the President (with advice and consent of the U. S. Senate) of a Chief Financial Officer. During the reporting period, the President stated his intention to nominate Larry Wilson, formerly Director of the Office of Finance and Management for the Department of Agriculture, to this position. The Office of the Chief Financial Officer is exercising a broad oversight role with respect to financial management for the programs and operations (including National Service Trust Fund operations) of the Corporation.

FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS

(for the period October 1, 1993 - March 31, 1994)

	<u>Number of Audit Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports with management decisions upon which final action had not been taken as of September 30, 1993.	30	547.5*
B. Audit reports upon which management decisions were made during the six-month reporting period.	28	73.1
C. Total audit reports with management decisions upon which final action was pending during the reporting period (total of A and B).	75	620.6
D. Audit reports upon which final action was taken during the reporting period (total of D.1. through D.4.).	45	57.0
1. Recoveries		
(a) Collections and offsets	4	5.9
(b) Property in lieu of cash	0	0
(c) Other	0	0
2. Write-offs	0	0
3. Audits with no disallowed costs	41	0
4. Adjustments to the disallowed costs resulting from one appeal decision		51.1
E. Audit reports with management decisions upon which no final action had been taken as of March 31, 1994.	30	563.6

* These disallowed costs are taken from the original management decisions and do not reflect revised figures resulting from appeals. Revised amounts will be noted in the reporting period in which the reports receive final action. This figure was adjusted to reflect \$291.6 of "tentative disallowed costs" which, after further review, were allowed.

Table 1.

AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE

(for the period October 1, 1993 - March 31, 1994)

	<u>Number of Audit Reports</u>	<u>Funds to be Put to Better Use (\$000s)</u>
A. Audit reports with management decisions on which final action had not been taken at the beginning of the period.	0	0
B. Audit reports on which management decisions were made during the period.	0	0
C. Total audit reports pending final action during the period (Total of A and B)	0	0
D. Audit reports on which final action was taken during the period.	0	0
1. Value of recommendations that were completed.	0	0
2. Value of recommendations that management concluded should not or could not be implemented or completed.	0	0
3. Total of 1 and 2	0	0
E. Audit reports needing final action at the end of the period (Subtract D3 from C)	0	0

Table 2.

Audits That Had No Final Action Within One Year of a Management Decision (as of March 31, 1994)

None of the 20 audit reports in this table had a recommendation that funds be put to better use.

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by March 31, 1994</u>
88-10K & 88-10L	American Legion Post #23	6/15/88 6/15/88	\$ 38,347	Debt was forwarded to the Department of Justice on June 21, 1991.
88-20	Carson River Basin Council of Governments	9/15/88	45,057	Debt was forwarded to the Department of Justice on June 16, 1992.
87-I-01	St. Paul's AME Church	7/18/89	16,373	Debt was forwarded to the Department of Justice on July 25, 1991.
89-01	Villa Scalabrini Home for the Aged	11/20/89	182,602	Debt was forwarded to the Department of Justice on December 23, 1991.
89-08	Union Temple Baptist Church	9/21/89	15,987	Debt was forwarded to the Department of Justice on September 16, 1991.
89-41	Labor Agency of Metropolitan Washington, Inc.	3/23/90	172,774	Debt was forwarded to the Department of Justice on January 16, 1992.
88-19	Community Runaway and Youth Services	10/3/88	9,817	A private collection agency unsuccessfully attempted to collect this debt. The organization is no longer in business. Since the end of the reporting period, the Corporation has written off this debt.

Table 3.

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by March 31, 1994</u>
90-PHN-06	Personal Computer Utilization and Acquisition	11/27/90	\$ 0	This operational audit involved no disallowed costs. Resolution will take place upon the issuance of policies and procedures, which should occur before the end of FY 1994.
90-R2I-31	Seneca Center	3/18/91	9,231	Private collection agency has been successful in collecting some of this debt. Continued efforts are being pursued.
91-R2I-01	Home of Mercy for the Aged, Inc.	4/10/91	3,702	Debt was forwarded to the Department of Justice on June 16, 1992.
92-04-01 92-04-02	Grandpeople, Inc.	3/31/92	67,893 49,363	This grantee is bankrupt. The Department of Justice is attempting to recover these debts through bankruptcy proceedings.
92-HQ-07	The VISTA Health Benefits Plan	8/20/92	291,576	This operational audit involved no disallowed costs. Resolution will take place upon the issuance of policies and procedures, which should occur during the next reporting period.
92-HQ-39	The Audit Resolution Tracking System	7/20/92	0	This audit was closed subsequent to the end of the reporting period. It involved no questioned costs.

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by March 31, 1994</u>
92-06-75 92-06-76	Cameron Willacy Counties Community Projects	2/9/93 2/10/93	\$50,476 5,071	This grantee is bankrupt. The Department of Justice is attempting to recover these debts through bankruptcy proceedings.
92-10-59	The Corporation's Regional Office in Seattle	1/11/93	0	This operational audit involved no disallowed costs. Final action will occur with the establishment of an automated travel management system. The system should be fully implemented throughout the Corporation by the end of FY 1994.
92-HQ-05	The Foster Grandparent Program Grant-Making Delivery System	3/29/93	0	This operational audit involved no disallowed costs. Resolution involves the issuance of a handbook and reviewing/revising several policies & procedures. They are scheduled to be completed by the end of FY 1994.
92-HQ-57	The Procurement Process	2/26/93	0	This operational audit involved no disallowed costs. Resolution involves revising policies and procedures which are scheduled to be completed by the end of FY 1994.

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IG Act Reference	Reporting Requirements	Table
Section 5 (b)(1)	Comments determined appropriate by the agency head	pages 1 - 4
Section 5 (b)(2)(A-D)	Statistical tables showing the total number of audit reports and disallowed costs:	Table 1
	(A) for which final action had not been taken as of the commencement of the period;	Table 1, Item A
	(B) on which management decisions were made during the period;	Table 1, Item B
	(C) for which final action was taken during the period; and	Table 1, Item D
	(D) for which no final action has been taken by the end of the reporting period.	Table 1, Item E
Section 5 (b)(3)(A-D)	Recommendations from a management decision that funds be put to better use	Table 2
Section 5 (b)(4)(A-D)	List of audit reports on which final action had not been taken within a year of the management decision	Table 3