

Table of Contents

ABOUT THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE	2
MESSAGE FROM THE INSPECTOR GENERAL.....	3
AUDITS AND REVIEWS	5
PENDING AUDITS AND EVALUATIONS.....	6
GRANT MANAGEMENT AND OVERSIGHT	6
PROPOSED MANAGEMENT DECISIONS	11
AUDIT OUTREACH ACTIVITY	13
INVESTIGATIONS.....	15
SIGNIFICANT CASES AND ACTIVITY.....	16
SUSPENSION AND DEBARMENT	21
PEER REVIEW	23
INVESTIGATIONS.....	24
AUDIT	24
REVIEW OF LEGISLATION AND REGULATIONS	25
EXTENSION OF WHISTLEBLOWER PROTECTIONS TO GRANTEE STAFF	26
CONFERENCE SPENDING	26
CORPORATION POLICIES.....	27
STATISTICAL AND SUMMARY TABLES.....	31
I. INSPECTOR GENERAL ACT REPORTING REQUIREMENTS	32
II. REPORTS WITH QUESTIONED COSTS.....	33
III. REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE.....	34
IV. SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS	35
V. REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION	36
VI. AUDIT REPORTS ISSUED.....	37

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) 2012, the Corporation invested \$752 million 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 . . .

Established along with the Corporation in 1993, the Office of Inspector General (OIG or 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 last six months of FY 2012. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.



Message from the Inspector General

Spending the public's money wisely and well is a fundamental responsibility of government. The audits, investigations and related work summarized in this Semiannual Report to the Congress for the period ending September 30, 2013, reflect the unwavering commitment of the Office of Inspector General (OIG) for the Corporation for National and Community Service (Corporation) to the accountability, integrity and efficiency of national service programs.

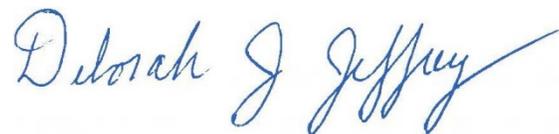
With OIG's support and encouragement, the Corporation is reinforcing the importance of accountability for its grantees. Developing and maintaining strong fiscal responsibility was the central theme of this year's AmeriCorps symposium and featured prominently in Senior Corps training for program officers and grant applicants. CEO Wendy Spencer has underscored the need for a culture of accountability, endorsing specific measures to ensure responsible stewardship of the public's investment in national service. The Corporation's decision to evaluate potential grantees' financial stability and capability as a key criterion for awarding funds will help to ensure that grantees have the capacity to manage Federal funds and attract additional resources to support national service programs. The need for rigorous financial criteria could not be clearer; in the past six months, two of the Corporation's grantees have filed for protection in bankruptcy, each owing the Corporation more than \$1 million¹. In another case, a grantee ceased operations after overcharging the Corporation and misdirecting grant funds totaling \$1.4 million.

Along with its messaging about accountability, the Corporation must strengthen its grant oversight. Our evaluation of fixed amount grants, in which funding depends on the number of volunteers

¹ The Corporation demanded \$1,040,003 in repayment from Digital Opportunities Trust and the single audit of Communities in Schools of Arizona Inc. questioned \$2.2 million in grant costs.

serving rather than on the grantee's costs, discovered that these grants lack elementary safeguards to prevent and detect mismanagement. Although the Corporation has adopted certain stopgap measures, the funds remain vulnerable, because the Corporation has not developed the comprehensive risk-based measures necessary to safeguard them. Similarly, an audit of a longstanding Senior Corps grantee uncovered a protracted course of fundamental financial mismanagement, which went undetected by the Corporation for many years. The severity, duration and pervasiveness of the grantee's mismanagement raise serious questions about the adequacy of the Corporation's grant oversight, which was compromised by failure to act on red flags and require correction of improper expenditures detected in the course of monitoring.

Much remains to be done to improve the Corporation's accountability. OIG is dedicated to this task, encouraging where possible and prodding where necessary. We appreciate the continuing support of the Congress and the increased commitment of the Corporation's senior executives to this vital objective.

A handwritten signature in blue ink that reads "Deborah J. Jeffrey". The signature is written in a cursive style with a long, sweeping tail on the final letter.



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.

Audits and Reviews

Pending Audits and Evaluations

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, an audit of consultant services, and two grantee agreed-upon procedures engagements were in process. Also underway were five grantee audits, as well as the legally required audits of the Corporation's financial statements and the National Service Trust, and as well as the FISMA evaluation.

Below are highlights of particular evaluations and audits.

Grant Management and Oversight

More than One Third of Single Audit Reports Contain Significant Negative Findings

To safeguard the integrity of Federal funds, Federal law requires an annual financial and compliance audit of any entity that expends 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.

As a means of ensuring timely review, every quarter, OIG furnishes the Corporation with a list of the A-133 reports pertaining to grantees for which the Corporation is the largest source of Federal funds, identifying those that contain findings of material weaknesses, significant deficiencies or other findings of comparable gravity. As in the past, more than one-third (46 out of 123) of the A-133 audit reports issued during this reporting period disclose at least one material weakness, significant deficiency or other adverse audit finding that warranted corrective action. OMB Circular A-50, *Audit Follow Up*, requires that agencies prioritize resolution of A-133 audit issues, to include resolving audit recommendations and taking corrective action, ensuring that resolution actions are consistent with law, regulation and administration policy, and 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. It now documents A-133 audit findings in eGrants and addresses audit findings and questioned costs with grantees. 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.

Senior Corps Audit Reveals Significant Financial Mismanagement by Grantee and Weaknesses in Grant Monitoring by Corporation

Our prior Semiannual Report described the Corporation's response to OIG's management alert regarding the urgent findings of an in-progress audit of Senior Corps grantee Atlantic Human Resources, Inc. (AHR), a Corporation grantee since 1974. That audit, since completed, details a long course of fundamental financial mismanagement by AHR, which went undetected by the Corporation until recently.

Our audit determined that pervasive mismanagement by the grantee seriously threatened the integrity of grant funds awarded to AHR and the Senior Corps program. More than \$868,000 in Federal costs and \$567,000 in match costs claimed by AHR during 2008-2011 under grants by Senior Corps' Foster Grandparents Program (FGP) and Retired and Senior Volunteer Program (RSVP) were duplicative, unsubstantiated and/or incurred improperly, in violation of applicable laws, regulations and grant provisions. These overcharges, which reflect fundamental weaknesses in internal controls, represent 43 percent of the total Federal costs charged under the grant. The audit revealed deficient financial management by AHR, including:

- Double-charging of travel expenses;
- Charges for meals that were not provided;
- Failure to ensure income-eligibility for means-tested benefits, as well as other missing Senior Corps volunteer eligibility documentation;
- Inconsistencies between AHR's internal records and its periodic financial reports to the Federal government reflecting overcharges to the grants;
- Direct charges for items that were already included in AHR's negotiated indirect cost rate;
- Misapplication of the indirect cost rates; and
- Complete lack of basic documentation for the RSVP grant, including the names of volunteers and records of their activities.

A copy of the report is available on the OIG website at <http://www.cncsoig.gov/news-entry/13-05a>.

In addition, following up on a hotline call, OIG learned that AHR had issued 36 worthless stipend checks to FGP volunteers while our audit was pending and was continuing to do so. At the same time, the grantee was obtaining access to grant funds by representing falsely that the

Audits and Reviews

money would be used to pay the volunteers. Investigators also determined that AHR was not reimbursing volunteer travel costs, but was charging the grant for some of those costs. These and other related developments were the subject of a second report issued jointly by OIG auditors and investigators, available at <http://www.cncsoig.gov/news-entry/13-05b-1>. That report also described the grantee's lack of candor with the Corporation, auditors and investigators.

This second report also noted that the severity, duration and pervasiveness of AHR's mismanagement raised questions about the adequacy of the Corporation's grant oversight. That report summarized a lack of action on red flags and failure to require correction of at least one cost principle violation that was detected in the course of monitoring. We recommended a comprehensive review of the Corporation's grant monitoring procedures.

Further, OIG took the unusual step of recommending that the Corporation review the costs charged by AHR against the FGP and RSVP grants for the years preceding the audit period, to determine whether the irregularities found by OIG also occurred during those years and disallow any improper amounts. The specific policies and practices that resulted in substantial overcharges during the audit period were also in effect during those prior years. We also recommended that the Corporation expand review of volunteer eligibility beyond our sample and that of a prior A-133 audit, because both of those samples showed a high incidence of failure to establish income eligibility or conduct statutorily required criminal history checks. A substantial portion of the \$1.1 million in stipends that AHR paid out during the audit period may be disallowable.

The Corporation has since cut ties with AHR and is attempting to recoup the questioned grant costs found in our audit report. The prospects for collection are uncertain. According to public reports, another Federal program has also terminated its relationship with AHR, and a lien was placed on its bank accounts in connection with an unrelated civil suit. AHR's Executive Director also resigned from his position shortly before the issuance of our final audit report.

SIF Subgrantees Did Not Conduct Adequate Background Checks, and One Subgrantee Allowed Sex Offender to Staff Grant-Funded Program

A review of Social Innovation Fund (SIF) intermediary grantee Edna McConnell Clark Foundation (EMCF) and three of its subgrantees questioned grant costs totaling \$647,535 (consisting of \$348,413 in Federal share, EMCF match costs of \$83,270, and subgrantee match costs of \$215,852). The majority of these costs stem from deficiencies in the criminal history and sex offender registry checks that are statutorily prescribed for staff and volunteers. Our audit found a few other discrete instances of noncompliance with applicable requirements but no other

Audits and Reviews

major financial weaknesses in either ECMF or the subgrantees. ECMF appears to exercise responsible oversight of its subgrantees, including engaging an accounting firm to conduct many of its financial monitoring activities, including periodic site visits and desk audits to review payroll, indirect costs, travel and supplies expenses.

One of the subgrantees, however, permitted two employees with disqualifying criminal histories (one of them a sex offender) to work on a program funded by the grant. In both cases, the organization's management recognized that they were ineligible, but they were nevertheless assigned to work on the grant-funded program. The subgrantee removed the two individuals just prior to the auditors' site visit. Allowing these two employees to work on the grant exposed the public and their coworkers to unnecessary risk.

Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program

In 2009, Edward M. Kennedy Serve America Act for the first time authorized the Corporation to award grants in fixed amounts, based on the hours worked by members to be enrolled in national service positions, without a matching requirement. 42 U.S.C. § 12581(l). Unlike the Corporation's traditional grants, which reimburse a grantee for program costs, a fixed grant awards a specified amount (not to exceed \$13,000 for AmeriCorps, \$4,600 for Senior Corps) for each full-time national service member. The structure was intended to minimize the administrative burdens on grantees and thus encourage smaller organizations to participate in national service.

The fixed amount grant program has placed \$240 million at financial risk, due to a lack of meaningful safeguards against waste, fraud or mismanagement. Over the past four years, the Corporation expanded this program without evaluating the risks inherent in its structure or mitigating those risks with measures to prevent or promptly detect excessive drawdowns of grant funds. A grantee is able to access the funds at will, and to expend its entire award even if it falls far short of the volunteer enrollment levels on which the award is based. The Corporation continues these grants from one year to the next, essentially advancing funds, without reassessing the grantee's creditworthiness or compliance with financial requirements. Taxpayers have been fortunate to escape losses, despite this vulnerability.

This luck ran out, however, in the case of Digital Opportunities Trust (DOT), one of AmeriCorps' largest fixed amount grantees. DOT never maintained the contemplated level of enrollment, but the Corporation continued to fund the grant for three years, while the organization's

Audits and Reviews

financial condition deteriorated. Each year, DOT spent all of the funds, far more than it was entitled to spend based on its enrollment.

At the end of the grant's second year, DOT was \$687,427 in debt to the Corporation. Instead of taking immediate collection steps, the Corporation deferred the problem and optimistically extended funding. It hoped to recover the difference by continuing the grant for a third year, while expecting DOT to: (1) reach a retention level of 280 members, which DOT had failed to achieve in years one and two; and (2) shoulder a greater share of the program costs, sufficient to offset the prior excessive drawdowns. Both of these expectations proved unrealistic.

Before the end of the third year, DOT expended the entire grant amount, owed the Corporation more than \$1 million, shut down the program and declared bankruptcy. This left the community underserved and the taxpayers holding the bag.

To avoid further losses on other fixed amount grants, OIG recommended that the Corporation adopt effective, risk-based monitoring, internal controls and other measures. Our 17 detailed recommendations included suggesting that the Corporation, like other grant-making agencies, cap the portion of a grant that can be expended each quarter and more frequently reconcile expenditures vs. enrollment.

Grantee Financial Distress Threatens Performance, Demonstrates Need for Ongoing Evaluation of Financial Risks

OIG oversight has revealed signs of financial distress in the grantee community during the reporting period. Two grantees have sought protection in bankruptcy, leaving substantial debts to the Corporation, while others are in dissolution or have ceased operations. The Corporation has begun to use third-party vendors for information concerning whether prospective grantees are financially stable at the time of an award, an innovation that OIG hopes will help to mitigate these financial risks. However, recent experience shows that a grantee's financial condition can deteriorate quickly within a single grant cycle, we believe that the Corporation should verify the grantee's continued stability as part of its monitoring, especially before funding successive years of a three-year grant. This precaution would have averted some of the losses detailed in our report on fixed amount grants.

Audits and Reviews

OIG Audit Report No. 12-04 –Still Awaiting Response to FY 2011 Audit Finding that AmeriCorps Grantees Unjustifiably Certify Partial Education Awards for Individuals Who Do Not Fulfill Their Service Commitments Without Compelling Personal Circumstances

An AmeriCorps grantee may approve a partial education award to an individual who does not complete the full term of service because of “compelling personal circumstances” (CPC), as set defined forth in 45 C.F.R 2522.230. OIG undertook an audit of CPC determinations in FY 2011 because of recurring findings in prior audits and investigations that grantees were approving such awards for early-exited members who did not meet the criteria. Our audit found widespread noncompliance — for 75 percent of the tested population did not meet the standard for CPC partial awards. Our findings cited invalid CPC justifications, supporting documentation deficiencies, and a lack of monitoring controls, discrepancies, resulting in total questioned costs of \$328,574, of which \$120,352 was identified as improper payments. We recommended that the Corporation disallow and recover the questioned costs, and require centralized review of CPC determinations, to ensure accuracy and consistency, and implement monitoring controls requiring a secondary level of review of each approved CPC case. Moreover, grantees did not document the basis for these decisions.

Consistent with OMB Circular 50, *Audit Follow up*, and the Corporation’s policies, management was expected to resolve OIG’s findings and recommendations issue its decision, indicating agreement or disagreement on reported findings and recommendations, no later than May 9, 2012. OIG is still awaiting that decision.

The delay is unfortunate. OIG audits continue to find that AmeriCorps programs are authorizing partial education awards in circumstances that do not meet the standard of CPC. The Corporation currently lacks controls to prevent improper payment of partial education awards or to detect and recover them after the fact.

Proposed Management Decisions

Draft Management Decisions with Which the OIG Disagreed

OIG did not entirely concur with the Corporation’s Draft Management Decisions for the following reports:

Report No. 11-16, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Guam Commission.

Audits and Reviews

Report No. 12-11, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to The New Teacher Project

Report No. 12-12, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to AIDS United.

Audits and Reviews

Management Decision for the First Audit of a SIF Grantee

OIG received the Corporation's management decision for a prior agreed-upon procedures review performed of AIDS United, a Washington-based non-profit. We recommended a number of improvements, including strengthening controls over the grantee's monitoring of its subgrantees, enhancing policies and procedures for administering both the AmeriCorps and SIF grants, and adhering to the grantee's negotiated agreement for claiming indirect costs. We also recommended that the Corporation calculate and recover the appropriate amount of disallowed costs based on the questioned costs reported.

The Corporation agreed with 11 of the 13 recommendations and \$148,000 of the \$395,000 questioned costs. The Corporation decided to allow the costs relating to required criminal history checks for subgrantee staff because the Corporation had concluded that its prior guidance to the grantee community had been unclear. It has since provided training to the SIF grantee community and continues to develop further guidance. OIG is satisfied with this approach. Both the Corporation and AIDS United have responded to the remaining recommendations and have advised us of measures to prevent recurrence of these issues.

Audit Outreach Activity

The Audit Section continued its active participation in a variety of events designed to keep the grantee community and general public informed of OIG initiatives and other activities. In July, we were pleased to be included in the second Internet Virtual Conference sponsored by the Senior Corps program office. This live conference, a unique experience for the OIG, employed the latest technology to convert the OIG conference room into a virtual broadcasting studio. It featured the Inspector General in a 60-minute nationwide presentation to Senior Corps grantees and program sites. Her presentation highlighted the mission and structure of the OIG, common audit findings, fraud indicators, and examples of recent audits and investigations. More than 600 participants viewed our presentation live, with others watching the recorded session.

Our outreach activities were capped off in September with multiple presentations at the 2013 AmeriCorps State and National Grantee Meeting in Washington, DC. The large audience for this meeting was comprised of intermediaries and subgrantees that were awarded AmeriCorps funding in each of the last three grant cycles. The Inspector General took part in a plenary panel discussion about accountability at the Corporation, setting the tone for specific working sessions about particular compliance and oversight subjects. The OIG Assistant Inspector General for Audit conducted a detailed presentation focused on grantee accountability,

Audits and Reviews

describing common audit problems and ways to prevent them. He also answered general questions about recent AmeriCorps audits and their findings, the Office of Management and Budget grant reform and other topics. The Inspector General also met with the State Directors and other staff of the Office of Field Liaison, responsible for overseeing Senior Corps and VISTA programs throughout the United States. Considering the inherent risk of the Corporation's large grant portfolios, we appreciate the opportunity to attend these annual meetings and communicate directly with grantees and key Corporation personnel regarding our approach and methodology to enhance the effectiveness of their grant administration.



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.

Investigations

The Investigations Section processed sixty-eight (68) Hotline reports, opened sixteen (17) investigations and completed twenty-three (23) investigative actions. Three (3) matters were referred to the Department of Justice or local prosecutors for criminal or civil enforcement. Management reported back to us regarding twenty-three (23) investigations previously referred to them by the Section. Highlights of selected investigations closed during this period are reported below.

We continue to see an increase in reported incidents of fraud, waste and abuse. For FY 2013, we processed a total of 142 hotline actions compared to 95 for FY 2012, an increase of 33 percent. Although some Hotline inquiries can be resolved quickly, many require more substantial attention. This has led to a pronounced upswing in investigations from FY 2012. The Section's three investigators have initiated 43 investigations for FY 2013, as compared to 22 investigations for all of FY 2012.

In the face of this increasing demand, decreasing resources have impacted our ability to fully pursue wrongdoers and obtain recoveries. Together, the increased workload and shrinking budget have impaired our ability to interview witnesses and potential targets in timely fashion and develop facts thoroughly. Consequently, OIG has been compelled to forgo or defer criminal investigations and to rely on Corporation management, State Commission personnel and grantees to review and take appropriate actions on some matters reported to the OIG.

Significant Cases and Activity

VISTA Supervisor Conspired with Members to Conceal Members' Status as Full-Time Students

Ms. Rosaluz Molina, a VISTA supervisor with the Municipality of Caguas, PR, conspired with 11 AmeriCorps VISTA members to conceal the fact that these individuals were enrolled as full-time students and therefore ineligible for participation as VISTA members. Ms. Molina also falsely certified their eligibility for education awards that can be used to pay college tuition or repay student loans. The 11 VISTA members received \$142,003.30 of living allowances and education awards to which they were not entitled. Ms. Molina pled guilty to making a false statement, was sentenced to 18 months' probation and was also debarred from doing business with the Federal Government for a period of three years. The 11 former VISTA members were placed in the U.S. Attorney's pretrial diversion program. The Municipality of Caguas agreed to a settlement of \$160,000 to reimburse the Corporation.

AmeriCorps Director and Staff Conspired to Steal Federal Program Funds

Working with the Federal Bureau of Investigation in Miami, FL, OIG discovered that Ms. Shante Sweet, Executive Director of the Miami AmeriCorps Community Emergency Support (ACES) Program, Miami, FL, conspired with Ms. Ashley Rolle and Ms. Simone West to steal \$31,632.90 in federal program funds. Ms. Sweet allowed Ms. West and Ms. Rolle to enroll in the AmeriCorps program without performing services, in return for half of their living stipends.

Following trial in the U.S. District Court for the Southern District of Florida, Ms. Sweet was convicted of Theft of Federal Program Funds and sentenced to three years probation, 180 days' home detention with electronic monitoring and ordered to perform 100 hours of community service and make restitution in the amount of \$21,932. Ms. Rolle and Ms. West were also convicted, sentenced to 18 months probation and ordered to perform 80 hours of community service and make restitution of \$4,801 in the case of Ms. Rolle and \$4,899.90 in the case of Ms. West.

Ms. Rolle, Ms. West and Ms. Sweet were debarred by the Corporation's Suspension and Debarment Official from doing business with the Federal Government for a period of three years.

Alaskan Grantee Fails to Support its Grant Expenditures

Working with staff from the Corporation's Field Financial Management Center, OIG investigated allegations of serious financial misconduct by Alaska Community Service (ACS), Anchorage, AK, sponsor of four Senior Corps programs. The investigation identified \$266,020.40 in unallowable costs and determined that the grantee improperly transferred funds between grants to pay non-allowable operational expenses and paid staff from funds reserved for volunteer stipends and expenses. Corporation management issued a debt letter to the grantee for \$266,020.40 to recoup the unallowable costs.

Corporation Pursues Recovery of Funds Based on OIG Investigation

As reported in SAR 2013-01, an OIG investigation determined that the United Way of Jefferson County Retired Senior Volunteer Program (RSVP), Pine Bluff, AR, misused \$85,697.40 for expenses not related to the RSVP grant. The program failed to maintain adequate timesheets for RSVP staff, drew down funds for unfilled positions, reprogrammed funds without authority and compensated unauthorized individuals from grant funds. Corporation management has issued a debt letter to the grantee to recoup \$85,697.40.

Investigations

Senior Corps Grantee Diverts Funds from Volunteers

In conjunction with an audit of Senior Corps grantee Atlantic Human Resources (AHR), Atlantic City, NJ, investigators determined that AHR issued approximately \$4,500 in worthless checks to low-income Foster Grandparent Program (FGP) volunteers and did not pay approximately \$2,500 in mileage reimbursements to Retired and Senior Volunteer Program (RSVP) volunteers. These investigatory findings supplemented an ongoing audit, reported at <http://www.cncsoig.gov/news-entry/13-05a> and <http://www.cncsoig.gov/news-entry/13-05b-1>. The Corporation suspended the grants to AHR and found a substitute sponsor for the Foster Grandparents and RSVP programs.

VISTA Project Placed Members at For-Profit Business

OIG discovered that Mr. Kelly Ewing, Jr., Executive Director of Philmont Nonprofit Development Center, Camden NJ, improperly placed VISTA members at JAE Enterprises Inc., a for-profit business run by his wife. Another VISTA member served under the supervision of her father in violation of the program's nepotism policy. Corporation management identified \$48,947.41 in unallowable costs; however, management reported that it would not be recouping the unallowable costs.

National Civilian Community Corps Manager Made Personal Use of Government Vehicle

Following up on a Hotline Report, OIG determined that Mr. Christopher Wade Williams, Deputy Director of Operations of the Vicksburg National Civilian Community Corps (NCCC) violated program rules by repeatedly using a government vehicle for personal purposes. In addition to this program violation by a senior supervisor, the investigation found that the NCCC facility lacked adequate controls to ensure responsible use of vehicles. Mr. Williams was required to complete supervisory training. The staff was required to update the facility's control policies and complete a property inventory within 30 days.

AmeriCorps Member Placed as Teacher Rather Than Volunteer

An AmeriCorps member assigned to the Calumet Public School District, Calumet, OK, was required to serve as a substitute for a classroom teacher out on maternity leave for three months. By law, AmeriCorps members may not be used as substitute employees. School officials deliberately misled AmeriCorps about the assignment by having the AmeriCorps member return to volunteer duties when the AmeriCorps supervisor visited the site. Corporation management disallowed 197.5 member service hours. Further, they decided not to permit AmeriCorps members to serve in the school district in the future.

Program Director Sentenced for Misuse of AmeriCorps Funds

Mr. Richard Parks, the former Salt Lake County Resource and Development Division's AmeriCorps Program Director, Salt Lake, UT, pled guilty to Wire Fraud and Theft of Federal Funds in Federal court, was sentenced to 36 months' probation and required to make restitution in the amount of \$13,907. Working with the Federal Bureau of Investigation, Salt Lake, UT, OIG investigators discovered that Mr. Parks misused more than \$95,000 in Federal program funds when he enrolled ineligible individuals and falsified member time sheets for non-service hours.

Investigations

Investigative Summary of Actions					
Fiscal Year	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Investigative actions opened	40	39	42	22	43
Investigative actions resolved and closed	43	46	35	42	36
Average monthly caseload	32	32	34	26	23
Investigative matters resolved without opening a separate investigative action	40	45	39	51	67
Referrals for prosecution	3	9	8	4	7
Investigative recoveries ²	\$1,317,227	\$634,803	\$447,854	\$2,846,203	\$590,943
Cost avoidance ³	\$300,000	\$1,218,178	\$1,666,294	\$2,321,521	\$1,078,316
Administrative or management action taken	16	20	14	17	23

² Includes money received by the Corporation or other government agencies as a result of OIG investigations, including joint investigations with another OIG, Federal, or State investigative element.

³ When OIG investigative action identifies a systemic practice that has subsequently been stopped or modified due to some type of OIG investigative interdiction, any clear and unmistakable savings to the Corporation are reported as cost avoidance.



Suspension and Debarment

Suspension and debarment are remedies intended to protect the Federal 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, four individuals were debarred upon recommendation by OIG. Seven debarment recommendations are currently pending before the Corporation. Three of the pending matters arose from criminal convictions for embezzlement of grant funds. While the Corporation has made progress clearing its backlog of debarment recommendations, three of our recommendations for debarment have been pending for more than six months.

AmeriCorps Director and Staff Conspired to Steal Federal Program Funds Found Guilty and Debarred

As noted in preceding summary of investigations, the Executive Director of an AmeriCorps program in Miami, FL enrolled two individuals in AmeriCorps with the understanding that they would not perform services, receiving in return a share of the improperly obtained living allowance payments. Based on their criminal convictions, the Corporation debarred all three from doing business with the Federal Government for a period of three years.

Audit and Investigation of American Samoa Leads to Debarment of Former State Commission Chair, now serving as Judge

An OIG audit and investigation determined that Mr. Muasau Tofili, former Chair of the Board of the American Samoa Special Services Commission (Commission) abdicated his oversight responsibilities and thereby allowed Federal grant funds to be fraudulently spent for retreats/personal vacations, including one in which he participated. The audit report summarizing OIG's findings is available at <http://www.cncsoig.gov/news-entry/11-06>. Promptly upon completion of the audit/investigation in January 2011, OIG recommended that Mr. Tofili be debarred. The Corporation did not act upon this recommendation for more than two years, until May 2013, when the Corporation debarred him for a period of one year. In the interim, Mr. Tofili was nominated and confirmed by the legislature as an Associate Judge of the High Court of American Samoa.

Former Michigan Community Service Commission Employee Debarred After Conviction

Based on information developed during an OIG audit, the State of Michigan prosecuted former employee Ms. Michelle Metzmaker for misusing Federal funds awarded to the Michigan Community Service Commission. The Corporation debarred her for a period of two years, following her conviction, on the recommendation of OIG.



Peer Review

Offices of Inspector General (OIG) are required to include in their semiannual reports to Congress the “results” of peer reviews of their offices, as well as outstanding and not fully implemented recommendations from peer reviews the OIG received from another OIG, and outstanding and not fully implemented recommendations the OIG made in any peer review it performed for another OIG. The specific statutory requirements for this reporting is contained in Section 989C of Public Law 111-203, which amended Section 5 of the Inspector General Act of 1978.

Investigations

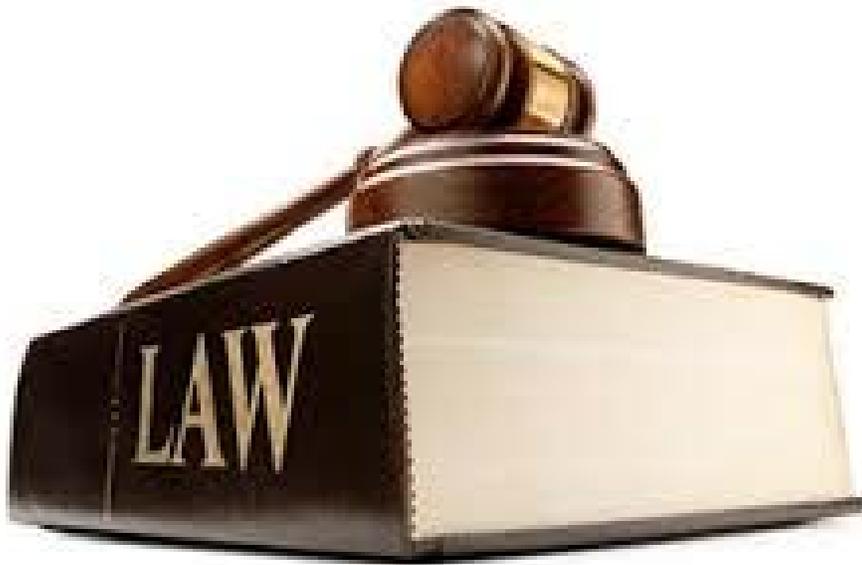
OIG investigators conducted a Peer Review of the U.S. Nuclear Regulatory Commission, Office of Inspector General, investigative operations, (NRC-OIG) in September 2013. The system of internal safeguards and management procedures for the investigative function of the NRC-OIG in effect for the three year period ending August 31, 2013, is in full compliance with the quality standards of the Council of the Inspector General on Integrity and Efficiency (CIGIE) and the Attorney General Guidelines. The safeguards and procedures provide reasonable assurance that the NRC-OIG is conforming to professional standards in the conduct of its investigations. The final report was pending administrative processing at the end of the SAR period. Available at: <http://www.cncsoig.gov/2012-investigations-peer-review>

The most recent report of a peer review of our investigative operations was issued September 19, 2012, by the Federal Reserve Board, Office of Inspector General (FRB OIG). It confirmed that: “the system of internal safeguards and management procedures for the investigative function of the CNCS OIG in effect for the period May 2011, through May 18, 2012, is compliant with the quality standards established by CIGIE and the Attorney General Guidelines. The safeguards and procedures provide reasonable assurance that the CNCS OIG is conforming to professional standards in the planning, execution and reporting of its investigations. Our Investigations Section’s next peer review is scheduled for FY 2015.

Audit

The Audit Section’s most recent Peer Review Report was issued February 27, 2013 by the Smithsonian Institution OIG. External peer reviews are conducted within the OIG community to evaluate the audit organization’s system of internal quality control and to ensure that it complies with generally accepted government auditing standards (the GAO Yellow Book). The report confirmed that: “the system of quality control for the CNCS OIG in effect for the year ending 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.” The CNCS OIG Audit Section received a peer review rating of pass. Available at: <http://www.cncsoig.gov/2012-Peer-Review>

Our Audit Section conducted a quality control review of the audit operations of the Office of Inspector General, National Science Foundation (NSF). As part of the peer review, we evaluated the NSF OIG’s staff qualifications, their independence, audit work, training, and quality control procedures. NSF received a pass rating, the results of this peer review can be found on the NSF OIG’s website at www.nsf.gov/oig. The Audit Section’s next peer review will take place in FY 2015.



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.

Legislation and Regulations

Extension of Whistleblower Protections to Grantee Staff

The Defense Authorization Act of 2013 protects employees of Federal contractors and grantees from retaliation for disclosing wrongdoing and establishes a process to redress violations. The protections apply to grants and contracts executed or modified after July 1, 2013. OIG is charged with responsibility for investigating reprisal allegations, has created a Hotline reporting channel and is explaining these protections in presentations to grantees and Corporation personnel.

The statute requires every Federal contract or grant to include a clause prohibiting the counterparty from discharging, demoting, or taking other action against a whistleblowing employee. We understand that the Department of Defense, General Services Administration and the National Aeronautics & Space Administration have proposed to revise the Federal Acquisition Regulation to implement these enhanced protections and have informed the Corporation of this activity. We understand the Corporation will await a formal clause approved by the Federal Acquisition Council in lieu of developing a local clause. Further, the Corporation has not yet published an appropriate notice in their grant documents. The Corporation has not yet determined the clause to be included in future grants.

Conference Spending

Earlier this year, Congress enacted new requirements that Federal agencies report to their OIGs detailed information on conference spending. On September 20, 2013, we received a list of all conferences and training sessions which involved Corporation employees and Corporation grantees. By utilizing virtual technologies, as in the case with the Senior Corps Conference, the agency reported a savings of 18% when compared to the 2012. We would encourage the Corporation to continue to use new technologies whenever possible to further reduce these training costs.

By letter dated August 21, 2013, Senator Charles Grassley requested information from CEO Wendy Spencer concerning two cooperative agreements, one for VISTA training and the other for five regional training conferences for AmeriCorps and Senior Corps, reported in our previous Semiannual Report. The letter also seeks historical information on Corporation conference spending since 2008. The request is pending a response.

Corporation Policies

Recommended Changes to the Anti-Fraud Policy

In connection with the Corporation's announced initiative to promote accountability, OIG made recommendations to strengthen and clarify the obligation of Corporation staff and grantees to report potentially criminal misconduct to OIG. Our proposal would bring the Corporation's policy into conformity with the policies of other Federal agencies and would require that OIG be notified of:

information or evidence suggesting criminal conduct, such as, but not limited to:

- (a) dishonesty, fraud, theft, embezzlement, misapplication of misuse of Government funds or property;
- (b) submission of false or fraudulent claims or statements, including to auditors or investigators;
- (c) forgery, falsification or unauthorized destruction of Government records or records relating to Government grants;
- (d) corruption, bribery, kickbacks, acceptance of illegal gratuities or extortion; and
- (e) interference with the administration of a Government grant or program; and
- (f) misconduct by a high-level officer or executive of the Corporation.

We also recommended that Corporation policies address the specific obligations of Corporation personnel, contractors and grantees to cooperate with OIG inquiries and not to impede or retaliate against anyone who provides information. Finally, we proposed clarifying and strengthening the whistleblower protections for grantee and contractor personnel.

In the course of an investigation, OIG became aware that the Corporation has eliminated grant provisions requiring that serious misconduct be reported to OIG. Beginning in 2008, without notice to OIG, the Corporation weakened the reporting requirements contained in the AmeriCorps terms and conditions. The provisions were diluted from **requiring** grantees to notify OIG of waste, fraud, abuse, criminal conduct or losses of Federal funds or

Legislation and Regulations

property/services supported with Federal funds, to merely ***encouraging*** them to inform OIG of undefined criminal violations. The Senior Corps grant provisions contain no reporting requirement (though non-binding guidance encourages reporting). Timely reporting by grantee personnel enables OIG's trained professionals to investigate dishonesty, fraud and other misconduct that threatens the integrity of Corporation grants and ensures that evidence is properly preserved and available in the event of a prosecution. OIG has strongly recommended that the grant terms be restored to their prior scope and strength.

OIG made these recommendations in May 2013. We are awaiting the Corporation's response.

Participation in Corporation's Policy Council

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 suggests revisions to proposed Corporation policies to strengthen the internal controls and to ensure that Federal funding is appropriately spent.

During this reporting period, the OIG reviewed and provided recommended revisions, of which the Corporation accepted and incorporated, for the following finalized policies:

- Records Management Policy
- Monitoring Plan Activity Documentation
- Grant Application Review Procedures Manual

Also during this reporting period, the OIG provided comments to the Corporation for the following policies, which are pending revision:

- Oversight and Monitoring Activities
- Computer Property Management
- Capital Planning and Investment Control Policy
- Structured Systems Development
- Life-Cycle Methodology
- Acceptance and Use of Gift Funds
- Property Management Policy
- Closeout of Grants Awards
- The CNCS Integrity Framework
- Office of Inspector General Investigation Findings
- Grant Fund Holds for Late Reporting

Legislation and Regulations

- Acquisition Policy
- Denial and Reduction of Refunding
- Continuity of Operations Plan

The Corporation made significant changes to the “Denial and Reduction of Refunding” policy listed above based on OIG input. This is a Senior Corps policy on how procedures are implemented when Corporation staff determines that an application from a current Senior Corps grantee should be rejected, or that funding should be reduced by 20 percent or more. Based on our suggestions, the Corporation clarified the relationship of this policy to the new RSVP competition requirements; added language to specify that emergency or immediate actions would be handled through other remedies, including suspension of the grant; and other administrative changes. We also recommended that the Corporation include additional examples for denial of funding, such as, significant findings from OIG audits/investigations, single audits, and Corporation monitoring. The Corporation has denied grantee funding for these issues and incorporating these examples into the policy would be useful. The Corporation agreed to include these additions in the future.

OIG Comments for Corporation’s New Strategic Plan: IT and Accountability

By Federal Register notice in July, the Corporation invited comments from its grantees, partners, and the public on updating the Corporation’s current Strategic Plan. According to OMB guidance, a Strategic Plan should define a Federal agency’s mission, long-term goals, strategies planned, and approaches it will use to monitor its progress in addressing specific national problems, needs, challenges, and opportunities related to its mission. It also should provide context for decisions about performance goals, priorities, strategic human capital planning and budget planning.

In response, OIG recommended that two substantive changes for incorporation into the new strategic plan: (1) dramatic improvement of the core Information Technology (IT) enterprise structure to meet current needs and accommodate future requirements; and (2) expanded discussion of accountability as a strategic objective.

The core IT system supporting the Corporation is over 15 years old, comprised of patch-and-fix solutions that have left an increasingly fragile system incapable of efficiently providing information useful to agency senior leadership in making critical business decisions. Extracting information is laborious and time-consuming, resulting in delays while the Corporation’s handful of experts develops scripts to produce new reports. The current strategic plan contemplates marginal and incremental improvements.

Legislation and Regulations

OIG believes that the Corporation's IT system should play an increasingly important role in optimizing grant monitoring, including through the use of data analytics—comparisons across the grant portfolio to detect patterns and trends (both positive and negative) and notify program and grant officers of individual anomalies. Technology better aligned with the Corporation's business processes will enable the organization to deploy its specialists according to where they add the most value. It can also support timely intervention to mitigate risks and minimize losses. The need for more effective monitoring will only increase with the ongoing expansion of national service via partnerships with other Federal agencies, which will, in turn, increase the pressure on already stressed existing systems. Better IT is necessary for more efficient and effective oversight.

Deserving public confidence in the operation of national service is a core value that should underlie every aspect of the Corporation's operations. To that end, accountability should feature more prominently in the next strategic plan. OIG therefore recommended adding a fifth Core Principle to the Strategic Plan: "Holding ourselves and our grantees accountable," with emphasis on stewardship and maintaining the public trust. This should include developing and adhering to strong internal controls. The Corporation should make clear that it will do not merely the minimum required by law but will maintain the high standards expected of stewards of public funds.



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.

Tables

I. Inspector General Act Reporting Requirements

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

Section	Requirement	Page
4 (a)(2)	Review of legislation and regulations	25
5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
5 (a)(2)	Recommendations with respect to significant problems, abuses and deficiencies found in the administration of Corporation programs and operations	Throughout
5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	36
5 (a)(4)	Matters referred to prosecutorial authorities	19
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and unsupported costs.	34
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	33
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	34
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	36
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	11

II. Reports with Questioned Costs

Report Category		Number	Federal Costs	
			Questioned	Unsupported
			(Dollars in thousands)	
A.	Reports for which no management decision had been made by the commencement of the reporting period	7	\$3,560	\$2,728
B.	Reports issued during the reporting period	<u>2</u>	<u>\$1,217</u>	<u>\$734</u>
C.	Total Reports (A + B)	9	\$4,777	\$3,462
D.	Reports for which a management decision was made during the reporting period	3	\$470	\$47
	I. Value of disallowed costs		\$189	\$29
	II. Value of costs not disallowed		<u>\$281</u>	<u>\$18</u>
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	<u>6</u>	<u>\$4,307</u>	<u>\$3,415</u>
F.	Reports with questioned costs for which no management decision was made within six months of issuance	4	\$3,090	\$2,681

Tables

III. Reports with Recommendations That Funds Be Put To Better Use

Report Category	Number	Dollar Value (In thousands)
A. Reports for which no management decision had been made by the commencement of the reporting period	7	\$3,478
B. Reports issued during the reporting period	0	\$0
C. Total Reports (A + B)	7	3,478
D. Reports for which a management decision was made during the reporting period	3	\$144
i. Value of recommendations agreed to by management		\$18
ii. Value of recommendations not agreed to by management		\$126
E. Reports for which no management decision had been made by the end of the reporting period (C minus D)	4	\$3,334
F. Reports for which no management decision was made within six months of issuance	4	\$3,334

IV. Summary of Audits with Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due	Status at End of Reporting Period
		<i>(Dollars in thousands)</i>		(09/30/13)
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.
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.
12-10	IPERA Compliance Evaluation	\$0	9/7/2012	The Corporation has not issued a Draft Management Decision for this.
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Oregon Commission	\$392	2/15/2013	The Corporation has not issued a Draft Management Decision for this.
12-14	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Michigan Commission	\$244	2/27/2013	The Corporation issued a Draft Management Decision on 9/27/2013 for this.
12-15	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the Operations Reach, Inc.	\$560	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	3/27/2013	The Corporation has not issued a Draft Management Decision for this.
	Total	<u>\$3,090</u>		

Tables

V. Reports Described in Prior Semiannual Reports without Final Action

Report Number	Title	Date Issued	Final Action Due*
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/9/2011	11/09/12
12-08	Audit of Trust Payments to Education & Financial Institutions	4/3/2012	04/03/13
12-09	Evaluation of the Corporation's OMB Circular A-133 Report Monitoring Process	5/11/2012	09/30/13
12-10	IPERA Compliance Evaluation	3/7/2012	03/07/13

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

VI. Audit Reports Issued

April 1, 2013-September 30, 2013				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
		(Dollars in thousands)		
13-05A	Performance Audit of Corporation Grants Awarded to Atlantic City Human Resources, Inc.	\$868	\$0	\$734
13-05B	Supplemental Report of Corporation Grants Awarded to Atlantic City Human Resources, Inc.	\$0	\$0	\$0
13-06	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Edna McConnell Clark Foundation	\$348	\$0	\$0
13-07	Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Sisks Inherent in the Fixed Amount Grants Program	\$0	\$0	\$0
	TOTAL	\$1,217	\$0	\$734