

Office of Inspector General

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

*Semiannual Report To Congress*



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

The Corporation for National and Community Service (CNCS or the 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) 2016, the Corporation plans on investing over \$1 billion in these service organizations: AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, Senior Corps and Innovation and Demonstration programs. A substantial portion of these funds will be distributed through public service commissions in each U.S. State and territory.

## ***and The Office of Inspector General***

Along with CNCS, Congress established the CNCS Office of Inspector General (CNCS-OIG or the Office), to promote economy, efficiency and effectiveness in the Corporation's programs. The Office also prevents and detects waste, fraud, and abuse within CNCS or the entities that receive and distribute Corporation grant funds. CNCS-OIG is an independent organization, led by a Presidential appointee, which 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 CNCS-OIG's work for the first six months of FY 2016. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.



Deborah J. Jeffrey  
Inspector General

## ***Message from the Inspector General***

On behalf of the Office of Inspector General (CNCS-OIG), I am pleased to submit this Semiannual Report highlighting the work of this office for the period ended March 31, 2016. The staff and leadership of this office remain committed to our mission and appreciate the continuing support of the Congress.

With grants throughout the United States, Territories and Tribes and multiple mission objectives, the Corporation for National and Community Service (CNCS) struggles to provide effective oversight for the \$750,000,000 that it devotes annually to grants. For years, CNCS-OIG has highlighted the urgent need to strengthen grant management and monitoring, through technology, and through a disciplined, validated risk-based approach. During the past four years, the Corporation's leadership has moved from over-estimating the effectiveness of its existing methodology to recognizing its inadequacy and promising to re-engineer grant oversight, with technological support. Action, however, has yet to occur.

In the meantime, taxpayer funds and national service program operations remain unnecessarily vulnerable to waste, fraud, mismanagement and abuse, because CNCS management has not committed resources commensurate with the depth, magnitude and urgency of the agency's deficiencies. We are pleased at the hiring of a Chief Risk Officer, which CNCS-OIG has long championed, but the creation of this position is only the beginning. Moreover, CNCS has never attempted to assess the effectiveness the grant monitoring by which it oversees 75 percent of its appropriated funds, a fact criticized in the independent financial statement audit summarized in this report. In Fiscal Year (FY) 2015, the financial statement auditors went so far as to say that the entire governance and oversight of CNCS's "Integrity Assurance Program" (risk management and internal controls) was ineffective, meaning that the agency's senior leadership was not giving it sufficient attention or driving the necessary changes.

CNCS-OIG continues to find basic gaps in grant management and other internal controls. Some of them are reported in the attached Semiannual Report. Others have already come to the attention of the public and the Congress. The Corporation must also re-commit itself to strong accountability and enforcement of basic grant requirements, and no longer lightly excuse grantees from consequences.

Simply put, CNCS must accelerate substantially the pace of developing better risk management, internal controls and accountability, or the next Administration and its appointees will inherit the same legacy problems bequeathed to this Administration by its predecessors.

Respectfully submitted,



## ***Audits and Assessments***

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 annual financial statements, assessing management controls, reviewing agency operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. CNCS-OIG audit reports and reviews are issued to CNCS Management for its action or information and are publicly available on the CNCS-OIG website.

## ***Management Alert: Weaknesses in Financial Monitoring of Social Innovation Fund Grants***

In the course of planning an audit of a five-year \$28.5 million Social Innovation Fund (SIF) grant awarded to the Mayor's Fund to Advance New York City (Mayor's Fund), CNCS-OIG became increasingly concerned regarding the manner in which CNCS monitors all SIF grant awards. Auditors quickly discovered that CNCS has little appreciation for the unique risks presented by the SIF and no targeted strategy to respond to them. As they discovered with respect to the Mayor's Fund, CNCS performed no oversight of the entity to whom the Mayor's Fund outsourced many critical responsibilities.

The SIF grant model relies heavily on "intermediaries," *i.e.*, grantees, large, experienced grantees that are responsible for making appropriate subgrants and monitoring the subgrantees' programmatic and financial implementation of the mission. The Mayor's Fund, although listed as the prime grantee/intermediary in the Corporation's records, had only four full-time employees, one of whom is paid with Corporation funds, responsible for supervising 18 subgrants. Effectively, the Mayor's Fund outsourced most of its operational, oversight functions to an entity identified as MDRC, a nonprofit, nonpartisan, education and social policy research organization, which selected the subgrantees, conducted the program evaluations, and undertook programmatic and financial oversight of the subgrantees. Although Mayor's Fund employees retained authority over final decisions, MDRC discharged most of the intermediary's duties.

Because intermediaries in other SIF grants may also have outsourced their responsibilities, CNCS-OIG sent a Management Alert to CNCS leadership to highlight certain implications.

### ***1. CNCS conducted no review of outsourced oversight to MDRC on this \$28 million grant.***

The Corporation's oversight of this SIF grant did not take into account the outsourcing of key intermediary functions, including financial monitoring. MDRC's oversight role was described to CNCS in the grant application; however, CNCS's Office of Grant Management did not perform any oversight of MDRC. Without visibility into MDRC's role and performance, CNCS had no information about whether the subgrants were being properly overseen, whether the subgrantees practiced appropriate financial management, and whether financial risks were identified and addressed.

### ***2. CNCS monitors SIF grants like AmeriCorps grants, despite SIF's unique risks.***

Five factors differentiate SIF grant awards from AmeriCorps State & National grants: (a) larger awards; (b) SIF grantees have higher one-to-one dollar match requirements; (c) 80 percent of the Federal share of SIF grants are devoted to subawards; (d) CNCS's lack of familiarity with the subgrantees and SIF partners; and (e) intermediaries may be composed of multiple parties and

organizations. These features mean that SIF grants carry unique risks, some of which are clearly greater than the risks associated with AmeriCorps grants.

Despite these differences, CNCS applies the same financial monitoring procedures to SIF grants that it uses for AmeriCorps, even using the same monitoring tool. That tool includes 11 general areas under the heading of financial management, many of which are compliance “check-the-box” type issues, such as whether the grantee/intermediary has a chart of accounts, policies and procedures and segregation of duties. The tool also provides a space to confirm that the grantee is on track to meet its unique SIF dollar-for-dollar match requirements by the end of the project period; there is no subsequent review to confirm that the requirements were in fact met, or for that matter, whether the subgrantees will meet or have met their own dollar-for-dollar match requirements.

Since inception of the SIF grant to the Mayor’s Fund, there has been no review of the completeness or effectiveness of MDRC’s financial monitoring of the subgrantees. CNCS thus has no assurance that MDRC’s practices are sound or that the SIF subgrantees are meeting match requirements. CNCS likewise has no corroboration regarding the financial information submitted by subgrantees, which account for 80 percent of the awarded funds.

### ***3. OGM Staffing Limitations Contribute to Inadequate Financial Oversight.***

The entire SIF grant portfolio of \$241 million was managed by a single Senior Grant Officer, who had many other supervisory responsibilities. CNCS has never devoted more than two Grants Officers (GOs) part-time to oversight of the SIF.

These GOs had little guidance as to the SIF’s risks and appear to have devoted limited time to this novel program, whose lack of any track record presents an elevated risk. With respect to the Mayor’s Fund, the responsible GO either lacked awareness of MDRC’s financial oversight responsibilities or simply ignored it, notwithstanding its importance.

Awarding a total of \$241 million through the SIF without an understanding the risks and a detailed, targeted strategy for managing and monitoring them is an invitation to mismanagement.

Based on these preliminary observations, CNCS-OIG recommended that CNCS take the following actions:

- Perform a comprehensive risk assessment of the SIF program by identifying and developing risk indicators in accordance with the specific requirements of SIF grants, distinguishing between financial risk and programmatic risk. The risk assessment should include an analysis of intermediaries and subgrantees.
- Develop a monitoring plan with risk-based priorities. The plan should identify the intermediary and subgrantees that warrant visits.

## Audits and Assessments

- Develop a SIF-specific financial monitoring tool to address SIF-specific risks. The tool should include steps to review drawdown and match requirements (both at the grantee and subgrantee levels).
- Reduce GO portfolio size by hiring additional staff.
- Perform the financial scans and FMS<sup>1</sup> reviews on the intermediaries and any third parties that are expected to play a significant role in managing the grants, including those with subgrantee oversight responsibilities.

### ***Grant Audits***

#### ***Audit of Corporation for National and Community Service Grants Awarded to Hoopa Valley Tribe ([Audit Report 16-05](#))***

Between June 2012 and June 2014, the Corporation awarded the Hoopa Valley Tribe in California (Hoopa) over \$2.8 million from AmeriCorps to support two programs, the Tribal Citizen Community Corps (TCCC) and Hoopa AmeriCorps Native Land (ANL). CNCS-OIG performed an audit of these AmeriCorps grants and questioned \$184,885, or approximately 7.4 percent of the total costs charged. These questioned costs originated from ANL and TCCC's failure to timely perform complete criminal history checks on grantee staff and AmeriCorps members, needed to protect vulnerable populations from violent predators. In addition to disallowing and recovering the costs, CNCS-OIG recommend that Hoopa develop better processes and controls to ensure the proper performance of these critical public safety checks and that the grant staff be trained and familiarized with the precise requirements of their grants.

#### ***Audit of Corporation for National and Community Service Grants Awarded to Reading Partners ([Audit Report 16-07](#))***

Between April 2012 and March 2015, the Corporation awarded Reading Partners approximately \$9 million in Federal funds for five AmeriCorps State Commission subgrants, one national direct grant, two Social Innovation (SIF) subgrants, three Volunteers in Service to America (VISTA) grants and two fixed price grants. CNCS-OIG audited the costs incurred by Reading Partners during this period, questioning Federal costs of \$14,495. The questioned costs are the result of non-compliance with background check requirements for one staff person and lack of citizenship documentation for one AmeriCorps member. We also determined that the grantee did not adequately document the value of the classroom space that it claimed as an in-kind match cost.

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<sup>1</sup> OGM was unable to provide CNCS-OIG with the financial management survey for the Mayor's Fund.

We recommended that the Corporation disallow and recover the questioned costs, and that Reading Partners improve compliance with the grant rules by: (1) developing and implementing procedures to ensure that required background checks are conducted for its AmeriCorps staff in a timely manner; and (2) familiarizing staff with the grant agreement terms and applicable laws and regulations.

### ***Financial Statements Audit & FISMA Evaluation***

#### ***Fiscal Year 2015 Corporation for National and Community Service Financial Statements Audit and National Service Trust Financial Statements Audit: Persistent Internal Control Weaknesses Constitute a Significant Deficiency***

The statutorily required audits of the Corporation's Financial Statements and the National Service Trust's Financial Statements ([Audit Report 16-02](#)) for fiscal year 2015 marked the sixteenth consecutive year the Corporation received unmodified ("clean") opinions from the independent auditors, who stated that the Corporation's and National Service Trust's financial statements were fairly presented in all material respects, in conformity with generally accepted accounting principles.

However, longstanding internal control weaknesses have not been cured and have, in some cases, deteriorated further, leaving the Corporation seriously at risk. For the sixth year in a row, the independent auditors criticized the inadequacy of the internal control and annual assessment process, deeming this recurring issue a significant deficiency<sup>2</sup> that they were required to report.

The Corporation has struggled with meeting statutory and Executive Branch requirements for implementing a fully functioning internal control monitoring process to determine the effectiveness of internal controls and support management's required annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (FMFIA). We note the following financial and operational weaknesses;

- **Ineffective Governance and Oversight of Integrity Assurance Program:** In short, the agency's leaders have still not give sufficient attention to their oversight of the measures intended to guard the taxpayers' investment in national service against fraud, waste and abuse. The two governing bodies of the Integrity Assurance Program did not operate as prescribed and did respond effectively to the seriousness of the issues or provide sufficient direction to subordinates responsible for developing, testing and improving internal controls. The governing bodies did not meet as prescribed in their charters and made no decisions regarding risk management. They failed to follow up on the corrective action plans that resulted from CNCS-OIG audits, some of which were not implemented as promised. Despite being on notice of critical weaknesses from prior years, and despite

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<sup>2</sup> A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

repeated commitments to pursue a dedicated course of improvement, the leadership failed to ensure that improvements actually occurred.

- Ongoing Vacancies and Resource Constraints: CNCS's Office of Accountability and Oversight (OAO) was understaffed throughout FY 2015. CNCS assigned unrealistic responsibilities to OAO, including grants monitoring and developing a new monitoring approach, improper payment assessments, audit resolutions, and resolutions of corrective actions to the financial statements audit and FISMA evaluation, which had few if any staff members with sufficient training or experience. The office was under-resourced and plagued by vacancies, including the departure of key staff members at the beginning of FY 2016.
- Incomplete Risk Assessment Process: The Corporation's risk assessment process remains incomplete and needs to be more comprehensive in identifying the range of risks, especially fraud risks, faced by the Corporation. For example, CNCS does not have an effective program to assess the effectiveness of its grants monitoring. Rather than test the entire spectrum of material risks, OAO focused solely on compliance and documentation, such as the timeliness of documentation and approvals. Grants represent approximately 75 percent of CNCS's budget, and the Corporation cannot provide assurance that its management of those resources is effective. In particular there was no assessment of grants monitoring and grants management and no review of Single Audit results or drawdowns, nor was there any testing of the grant application process, a key process for limiting the Corporation's risk.
- Deterioration of Quality Control: A number of internal control gaps in the financial management directly affected the audit performance. The lack of cross-training among the Corporation's financial management staff negatively impacted the progress of the FY 2015 financial statement audit; the departure of a single manager gave rise to an extraordinarily high number of poor quality or late responses to the audit requests.

Deficiencies in the design and operation of critical internal controls went undetected. The auditors found significant deficiencies in the area of information security that management's Internal Control or Information Technology Assurance Program<sup>3</sup> failed to detect. The adequacy and effectiveness of the Corporation's internal controls depends in large measure on the effectiveness of a risk assessment and integrity assurance process that remains flawed. Improving these processes is urgent, as the revised government-wide internal control standards in effect beginning in FY 2016 have become increasingly prescriptive and demanding. The lack of

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<sup>3</sup> Similar to FY 2014, due to the serious nature and extent of the Corporation's Information Technology (IT) issues noted in its FY 2015 Federal Information Security Modernization Act (FISMA) Independent Evaluation, the external independent auditors continued to raise the Corporation's IT Assurance Program as the second significant deficiency and a noncompliance with laws and regulations finding of the FY 2015 financial statements audit. Details on the Corporation's IT issues are discussed in the next section on the evaluation of the Corporation's compliance of FISMA.

an effective internal control monitoring program means that financial, operational, and compliance objectives may not be met and risks may not be adequately identified and mitigated.

We have briefed the CEO, the Corporation's management, and the Corporation's Board of Directors concerning our concerns of the Corporation's internal control issues and our recommendations for increased investment in protecting the taxpayers' interests.

***Federal Information Security Modernization Act (FISMA) Independent Evaluation for FY 2015: Information Security Weaknesses Persist and Needs Continued Attention ([Audit Report 16-03](#))***

This statutorily required evaluation of the Corporation's information security management program revealed that recurring issues from prior years' evaluations remain unresolved, providing limited assurance that the Corporation's Information Assurance Program (IAP) complies with statutory requirements, applicable guidance from the Office of Management and Budget (OMB), and standards established by the National Institute of Standards and Technology (NIST). CNCS resolved three out of sixteen findings from the FY 2014 FISMA evaluation, hiring a Chief Information Security Officer (CISO) and Security Analyst during the third quarter of FY 2015, and participating the Department of Homeland Security's Continuous Diagnostics and Mitigation Program.

Despite these preliminary steps, progress towards resolving fundamental weaknesses within the CNCS Information Security Program has been limited, and serious vulnerabilities remain. The information security and privacy measures at CNCS did not meet minimum standards and require continued improvement across the board. The independent evaluators found new or repeated weaknesses in all 11 areas tested. The controls were found to be ineffective in eight of these areas, and, in two of them (Continuous Monitoring Management and Risk Management), the defects were severe enough to constitute a "significant deficiency," warranting immediate corrective action and attention by agency leadership. Eight of these findings, including the two significant deficiencies, were recurring from the FY 2014 FISMA evaluation. The independent evaluators also identified four new weaknesses: (1) IT procurement; (2) access controls; (3) strategic planning, and (4) inventory management.

As part of the FISMA evaluation, the independent evaluators assessed the Corporation's information security against 100 Government-wide security metric standards and discovered 54 control deficiencies, representing noncompliance with OMB guidance and NIST guidance. These 54 control deficiencies were consolidated into 17 reported findings within the FY 2015 FISMA evaluation report. Collectively, these control deficiencies in CNCS's information security and privacy program increase the risk of fraud, waste, and abuse and the likelihood that an information security breach may occur and result in loss of sensitive information. The loss of sensitive information, such as PII, could result in significant financial liabilities for the Corporation to investigate and remediate the security breach, as well as require the purchase of credit monitoring and fraud protection services for the affected individuals.

## Audits and Assessments

In addition, a new standard for assessing Continuous Monitoring Management, using a maturity model, went into effect for the FY 2015 FISMA evaluation. This model centers on the maturity and effectiveness of Federal agencies' Information Security Continuous Monitoring (ISCM) capabilities and practices. The maturity model, on a scale of 1 to 5, yields the Corporation the lowest score of "1 – Ad Hoc" in each of the three areas (People, Process, and Technology) evaluated. CNCS has not developed meaningful and reportable performance metrics to evaluate the IT contractors' performance and incorporated such performance metrics into its IT contracts. An ISCM strategy is a critical first step in identifying and rectifying these and other gaps to ensure that sensitive systems and information remain secure.

Based on the aforementioned information, the independent evaluators concluded that the Corporation's information security and privacy program does not meet the standards established by FISMA, which are intended to protect the interests of the Federal government and of individuals in information security and privacy. These weakened security controls jeopardize the confidentiality, integrity, and availability of information and information systems.

### ***Audit Outreach Activity***

The Audit Section continued its active participation in events designed to keep Corporation staff and the grantee community informed about CNCS-OIG's initiatives and findings.

On February 25, 2016, the Audit Section made a presentation regarding common audit findings and how to avoid them at the "AmeriCorps Texas All-Grantee Meeting" hosted by the Texas State Commission and facilitated by the AmeriCorps headquarters staff from Washington, D.C. Over 80 attendees from 26 AmeriCorps subgrantees attended the CNCS-OIG workshop session, the CNCS-OIG Assistant Inspector General for Audit gave concrete advice regarding safeguarding of Federal funds, including audit processes, common accountability findings, and key highlights on the recently-issued Uniform Grant Guidance as a result of the Administration's grants reform. These presentations were well received, with a robust question-and-answer session during and after the presentations.



### ***Audit Statistical and Summary Tables***

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

**I. Audit Reports Issued**

October 1, 2015-March 31, 2016				
Report Number Issued	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
		(Dollars in thousands)		
16-01	Audit of the Corporation for National and Community Service's Fiscal Year 2015 Financial Statements	\$0	\$0	\$0
16-02	Audit of the Corporation for National and Community Service's Fiscal Year 2015 National Service Trust Fund Financial Statements	\$0	\$0	\$0
16-03	Fiscal Year 2015 Federal Information Security Modernization Act Evaluation of the Corporation for National and Community Service	\$0	\$0	\$0
16-05	Audit of Corporation for National and Community Service Grants Awarded to Hoopa Valley Tribe	\$185	\$171	\$0
16-06	Audit of Corporation for National and Community Service Grants Awarded to the Student Conservation Association (SCA)	\$3	\$0	\$0
16-07	Audit of Corporation for National and Community Service Grants Awarded to Reading Partners	\$15	\$0	\$0
	<b>TOTAL</b>	<b>\$203</b>	<b>\$171</b>	<b>\$0</b>

## II Reports with Questioned Costs

Report Category		Number of Reports	Federal Costs	
			Questioned	Unsupported
			(Dollars in thousands)	
A.	Reports for which no management decision had been made by the commencement of the reporting period	6	\$4,618	\$2,476
B.	Reports issued during the reporting period	3	\$190	\$171
C.	Total Reports (A + B)	9	\$4,808	\$2,647
D.	Reports for which a management decision was made during the reporting period	1	\$394	\$350
	I. Value of disallowed costs		\$60	\$43
	II. Value of costs not disallowed		\$334	\$307
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	8	\$4,413	\$2,297
F.	Reports with questioned costs for which no management decision was made within six months of issuance	5	\$4,423	\$2,126

**III Summary of Audits with Overdue Management Decisions**

<b>Report Category</b>		<b>Number</b>	<b>Dollar Value</b> (In thousands)
A.	Reports for which no management decision had been made by the commencement of the reporting period	1	\$329
B.	Reports issued during the reporting period	1	\$12
C.	Total Reports (A + B)	2	\$341
D.	Reports for which a management decision was made during the reporting period	0	\$0
	i. Value of recommendations agreed to by management		\$0
	ii. Value of recommendations not agreed to by management		\$0
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	2	\$341
F.	Reports for which no management decision was made within six months of issuance	1	\$329

#### **IV Audits with Overdue Management Decisions**

<b>Report Number</b>	<b>Title</b>	<b>Federal Dollars Questioned (in thousands)</b>	<b>Mgmt. Decision Due</b>	<b>Status at End of Reporting Period 03/31/2016</b>
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	\$0	5/9/2012	OIG responded to the DMD on September 30, 2015 and are reviewing additional information provided by the Corporation.
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 issued a Draft Management Decision for this report on March 27, 2015.
14-05	Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts	\$1,738	6/11/2014	OIG issued a response to the Draft Management Decision for this report on March 3, 2016 and are waiting for the Final Management Decision.
14-09	Audit of Blanket Purchase Agreements for Professional Services	\$81	12/22/2014	CNCS-OIG issued a response to the Draft Management Decision for this report on January 20, 2016.
15-05	Audit of Corporation for National and Community Service Grants Awarded to Tufts University/Massachusetts Campus Compact	\$129	11/16/2015	The Corporation has not issued a Draft Management Decision for this report.
15-06	Audit of Corporation for National and Community Service Cooperative Agreements Awarded to AFYA Incorporated and Education Northwest	\$380	12/28/2015	The Corporation issued a Draft Management Decision for this report on March 17, 2016.
	<b>Total</b>	<b>\$4,223</b>		

***V Reports with Recommendations That Funds Be Put To Better Use***

<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Final Action Due*</b>
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/9/2011	11/9/2012
12-16	Agreed-Upon Procedures for Corporation Grants Awarded to New Jersey Commission on National and Community Service	9/27/2012	1/15/2014
14-05	Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts	12/11/2013	12/11/2014
14-09	Audit of Blanket Purchase Agreements for Professional Services	6/20/2014	6/20/2015
<p>*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.</p>			



## *Investigations*

The Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in CNCS programs and operations. The Investigative Section probes allegations of serious—sometimes criminal—misconduct involving CNCS employees, contractors and grant recipients that threatens the integrity of Corporation 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 Summary***

During the first half of FY 2016, the Investigation Section conducted 14 investigations, closed 12 actions, recovered more than \$97,600 and identified more than \$784,272 of funds that could be put to better use.

Through our hotline, CNCS-OIG receives reports of fraud, waste, mismanagement and abuse. The resulting investigations often lead to recovery of misspent grant funds, identification of violations of program regulations, unallowable use of program resources, including national service members and volunteers, and potential criminal violations. To date in FY 2016, the Section processed 57 Hotline actions, leading to 14 investigations, 2 referrals for audits and 22 referrals to CNCS Management or State Commissions for action.

Our investigators also conduct on-site outreach to educate grantees, State Commission personnel and Corporation staff about prevention and detection of fraud, waste and abuse, the importance of strong internal controls, and available reporting channels. During this reporting period, investigators made presentations at CNCS Regional Cluster meetings, the AmeriCorps Symposium and meetings of the Office of Field Liaison, in each case staying after the presentation to answer individual questions. These interactions often result in follow-up contacts by grantees, State Commission staff and Corporation staff to discuss fraud indicators, possible wrongdoing and measures to prevent fraud. CNCS-OIG also continues its social media messaging and actively pursues other outreach opportunities.

Highlights of investigations closed during this period are reported below.

## ***Significant Cases and Activity***

### ***Agency Employee Terminated for False Statement and Timesheet Fraud – Case ID: 2015-008 (Closed 10/19/15)***

CNCS management suspected that an agency employee submitted fraudulent timesheets, on which she claimed hours that she had not worked. CNCS-OIG investigators uncovered evidence to substantiate this allegation, reflecting fraudulent claims between July 2014 and February 2015. Additionally, they discovered that the employee had made false statements on her Declaration of Federal Employment form concerning the circumstances of her departure from her previous Federal employer.

CNCS Management terminated the employee and sought restitution of \$772.96 for the hours falsely claimed.

***Serve DC Officials Misuses Federal Program Funds – Case ID: 2015-021 (Closed 2/25/16)***

A hotline complainant alleged that Serve DC officials used CNCS commission support grant funds for unauthorized purposes. CNCS-OIG investigators substantiated this allegations, finding that the officials used Federal program funds to purchase t-shirts to be distributed at events held by the DC Mayor’s Office that were unrelated to AmeriCorps programs. Additionally, grant officials expended AmeriCorps grant funds for storage space and catering costs unrelated to AmeriCorps. The investigation also found that Serve DC officials failed to track the actual time that employees devoted to AmeriCorps projects and thus misreported their costs to CNCS.

As result of the CNCS-OIG investigation and further review of the grant costs, CNCS management disallowed and recovered \$45,455.29 in misspent funds.

***Allegations of Misconduct against CNCS Manager (Unfounded) – Case ID: 2015-025 (Closed 12/1/15)***

A CNCS State Office employee alleged that his Program Director was intimidated into removing him from oversight of a well-connected grantee. CNCS-OIG investigators determined that the grantee had implemented the oversight recommendations of the employee. Concerned that continuing friction was interfering with an impartial appraisal of the grantee’s compliance, the Program Director tasked another State Office, which had a similar grant in its portfolio, to conduct an independent review. That review confirmed the grantee’s compliance and indicated that concerns about ongoing non-compliance were unfounded. As a result, the Program Director concluded that the continuing friction and mistrust between the grantee and the original State Office would interfere with effective oversight, and therefore transferred oversight of this grantee from the original State Office to the one that had conducted the review. Although the grant was removed from the officer’s portfolio, the Program Director had taken this step based on independent review by an oversight professional.

***Displacement Leads to Disallowed Service Hours - Case ID: 2015-029 (Closed 1/8/16)***

A hotline complainant alleged that VISTA and AmeriCorps members assigned to serve at the High Rocks Educational Corporation (High Rocks), Hillsboro, WV, displaced High Rocks employees from staff duties.

Officials from the West Virginia Commission (Commission) determined that an AmeriCorps member assigned to the High Rocks AmeriCorps grant had performed staff duties when tasked to serve as a cook. The Commission disallowed 100.5 hours of the member’s service. The duties of the VISTA member, however, fell within the scope of the VISTA Summer Associate position funded by the U.S. Department of Agriculture summer food program.

***Foster Grandparent Program Volunteer Removed from Service after Allegations of Sexual Assault on a Minor – Case ID: 2015-030 (Closed 2/17/16)***

CNCS management alerted CNCS-OIG that an FGP volunteer had been arrested by the Laramie County Sheriff’s Office (LCSO), Cheyenne, WY, for allegedly touching a child inappropriately.

## Investigations

LCSO developed information that the FGP volunteer met the youth in question years earlier in the course of his FGP volunteer service. The FGP volunteer had a personal relationship with the child's family who occasionally allowed unsupervised contact with the child. There was no evidence that the alleged misconduct took place in connection with the FGP service. This matter was referred to the local prosecutor by the LCSO, but the volunteer passed away before prosecution occurred.

CNCS-OIG determined that the grantee had conducted the proper criminal history checks when the FGP volunteer began service. The individual had no reported criminal history.

### ***Commission Employee Violates Conflict of Interest Policy – Case ID 2016-002 (Closed 2/8/16)***

CNCS-OIG investigators received information from CNCS management that a Commission employee might have received something of value from an AmeriCorps subgrantee.

CNCS-OIG investigators discovered that the commission employee violated the Commission's conflict of interest policy by accepting a small item for his privately owned business from the subgrantee. The employee had informed the Commission's Executive Director of a personal relationship with the subgrantee but failed to report receipt of the item, as required by their conflict of interest policy. The employee was counseled and received a written warning concerning conflicts of interest.

### ***Seniors Serve with Improper Background Checks / Disallowed Grant Costs – Case ID: 2015-010 (Closed 3/25/16)***

A hotline complainant alleged that Elder Care Services (ECS) Tallahassee, FL, officials (1) inaccurately allocated staff costs between the Senior Companion Program (SCP), Foster Grandparent Program (FGP), and Retired and Senior Volunteer Program (RSVP) grants; and (2) charged fees for services performed by SCP volunteers, both of which caused inaccurate charges to the Senior Corps grants and noncompliance with program requirements. During the investigation, CNCS-OIG investigators also determined that ECS had failed to complete a proper check of the National Sex Offender Public Website (NSOPW) for a majority of its Senior Corps volunteers.

The investigation substantiated both of the hotline allegations. ECS staff did not properly record the labor devoted to each grant, but instead allocated their hours according to a fixed percentage. Moreover, ECS charged clients \$300 per month for the services of six SCP volunteers, and used the resulting \$21,570 to fulfill their responsibility to match Federal grant funds. Senior Corps grantees are not permitted to charge a fee for the services of Senior Corps volunteers, (*Domestic Volunteer Service Act of 1973, 404(c)*). The in-kind match costs were disallowed.

While investigating the hotline complaints, CNCS-OIG investigators took the opportunity to review the grantee's compliance with the criminal history checking requirements mandated by the Serve America Act. A random sampling of the active 141 FGP and 98 SCP files disclosed that

ECS had failed to conduct nationwide checks of the NSOPW, but had instead limited its search to the State of Florida or local area. Despite these obvious errors, ECS had certified to CNCS as part of an agency-wide assessment and amnesty that it had reviewed its member files and was in full compliance with the requirements. ECS management could not account for this misstatement and, although the Program Director had recently undergone mandatory training regarding criminal history checks, she could not explain the most basic aspects of those requirements.

As a result of the CNCS-OIG investigative findings, (1) ECS revised its accounting procedures and hired an independent employment law agency to revise its policies and procedures and provide supervisory training on personnel issues, annual audit requirements, and regulatory compliance; (2) CNCS management disallowed the \$21,570 that ECS generated by charging an impermissible fee for SCP services and had claimed as match costs; and (3) CNCS management disallowed \$29,500 for ECS's failure to conduct appropriate NSOPW checks. At CNCS-OIG's recommendation, CNCS undertook a broad review of ECS's volunteer files for additional defective NSOPW checks and related disallowance of costs.

***Displacement and Improper Service Leads to Disallowed Costs – Case ID: 2015-020 (Closed 3/25/16)***

An anonymous hotline complaint alleged that AmeriCorps members (members) were not paid because their supervisor had lost their timesheets. The complaint alleged generally that the program was mismanaged and that members were treated poorly.

Although CNCS-OIG investigators found no evidence that members were not paid due to the loss of their timesheets, they did uncover other significant mismanagement. Specifically, members were assigned staff duties and were also performing activities outside the scope of the grant. Inappropriate tasks including supervising breakfast and lunch periods at schools and cleaning the cafeteria. CNCS-OIG investigators discovered that six members either served from home, with little to show for their time, or were required to devote substantial time to staff responsibilities.

As a result of the investigation, the grantee made immediate changes to the program. These included, prohibiting service from home, retraining site supervisors and members regarding the prohibition on displacing staff and additional follow-up at the sites that assigned members to clean the cafeteria, as well as where members had reported serving hours that were unrealistically high.

CNCS management reported that California Volunteers (Commission) disallowed a total of 301.75 service hours for the six members whose service activities lay outside of the grant, which resulted in a prorated Education Award repayment of \$448.90. The Commission added specific questions regarding staff displacement and service from home to their site visit checklist. The grantee declined to renew subsites that were out of scope. No other members were found to be performing service hours from home, but additional training was provided to members and supervisors that members were prohibited from serving from home.

***Allegation of Improper Termination (Unfounded) - Case ID: 2015-031 (Closed 3/25/16)***

A former AmeriCorps member contacted the hotline to allege that she was improperly terminated from the AmeriCorps program, which did not follow proper grievance procedures. Investigators determined that the member was properly dismissed for cause, as she had been terminated for unsatisfactory performance by another grantee, which made her ineligible for another term in AmeriCorps. Moreover, CNCS and the grantee had in fact followed the appropriate grievance procedures in handling her complaint.

***Lack of Veteran Clientele Leads to Non-Renewal by Grantee – Case ID: 2016-009 (Closed 3/22/16)***

A hotline complaint alleged that AmeriCorps members assigned to the Veterans Resource Corps (VRC) Program, Weingart Center Association (WCA), Los Angeles, CA, performed services outside the scope of the grant; instead of focusing their efforts on outreach to homeless veterans, as required by their veterans and military families grant, they targeted the general homeless population. In coordination with California Volunteers (the California Commission), WCA acknowledged weaknesses in the VRC program, because WCA was unable to locate and/or service enough veterans in the local communities. Subsequently, WCA decided not to renew their VRC grant at the end of the grant year.

Information developed in the investigation suggested that the out-of-scope hours were very limited. CNCS-OIG forwarded the results to CNCS management, with a recommendation that California Volunteers (1) determine whether the service performed by the members was outside the scope of the grant and (2) if so, disallow the out-of-scope service hours. No further investigation is anticipated by CNCS-OIG.

***Investigative Statistics***

<b>Fiscal Year</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
Investigative actions opened	22	43	28	31	14
Investigative actions resolved and closed	42	36	34	27	12
Average monthly caseload	26	23	17	15	22
Investigative matters resolved without opening a separate investigative action	51	67	64	69	42
Referrals for prosecution	4	7	0	3	5
Investigative questioned costs (in thousands) <sup>4</sup>	\$2,846	\$591	\$430	\$4,240	\$97
Cost avoidance (in thousands) <sup>3</sup>	\$2,322	\$1,078	\$371	\$140	\$784
Administrative or management action taken	17	23	18	10	6
<p><sup>2</sup> Includes money received by the Corporation or other government agencies as a result of CNCS-OIG investigations, including joint investigations with another OIG, Federal, or State investigative element.</p> <p><sup>3</sup> When CNCS-OIG investigative action identifies a systemic practice that has subsequently been stopped or modified due to some type of CNCS-OIG investigative interdiction, any clear and unmistakable savings to the Corporation are reported as cost avoidance.</p> <p><sup>4</sup> FY 2015 Reflects adjustments by CNCS.</p>					



## *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.

***Grandmother and Granddaughter Debarred for Conspiring to Steal AmeriCorps Funds – Case ID: 2015-007 (Closed 10/21/2015)***

An anonymous hotline complaint alleged that an AmeriCorps site supervisor at Civic Works, Baltimore, MD, allowed her granddaughter to remain enrolled in AmeriCorps and receive a living allowance without performing service activities. CNCS-OIG investigators determined that, after the granddaughter obtained employment and ceased all service activities, she and her grandmother continued to submit fraudulent timesheets. As a result, the granddaughter received a total of \$2,464 in living allowance payments to which she was not entitled. After the U.S. Attorney's Office declined criminal prosecution, CNCS management recovered the \$2,464 in living allowance and debarred the two individuals for a period of one year.



## *Peer Review*

Offices of Inspector General undergo periodic peer reviews to ensure their operations meet the professional standards of the IG community. The results of a peer review must be included in the Semiannual Report of the reviewed office, which must also identify any recommendations that have not been fully implemented. The OIG that conducts a peer review must likewise identify the outstanding and unimplemented recommendations pertaining to the office that it reviewed. The specific statutory requirements for this reporting are contained in Section 989C of Public Law 111-203, which amended Section 5 of the Inspector General Act of 1978.

## ***Peer Review Results***

### ***Audit Section***

A peer review conducted by the audit staff of the Library of Congress OIG concluded that our Audit Section met or exceeded applicable professional standards for Federal audit organizations. The peer review report, issued on March 30, 2016, stated “the system of quality control for the audit organization of CNCS-OIG in effect for the year ended September 30, 2015, has been suitably designed and complied with to provide CNCS-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects” and received a rating of “pass” The peer reviewers made no negative findings.

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

### ***Investigations Section***

The Investigation Section’s most recent Peer Review Report was issued in March 2015, by the Peace Corps OIG. The internal safeguards and management procedures for investigative operations were in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency and Attorney General Guidelines.

***Agency Response to the Office of the Inspector General's Semiannual Report to Congress***