
CORPORATION

FOR NATIONAL

 SERVICE

OFFICE OF THE INSPECTOR GENERAL

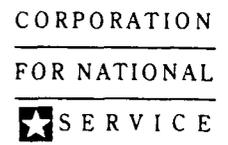
Semiannual Report to the Congress

April 1, 1995 - September 30, 1995

Fiscal Year 1995
Report No. 2

October 31, 1995

Harris Wofford
Chief Executive Officer
Corporation for National
and Community Service
1201 New York Avenue, NW
Washington, DC 20525



Dear Senator Wofford,

Enclosed is the Office of Inspector General Semiannual Report for the six-month period ending September 30, 1995. For my office, this period marked the first implementation of a new approach toward our audit work, as well as a concerted effort to work with CNS management to prevent fraud, waste and abuse in our Corporation's operations and programs.

This report features summaries of several significant projects. Foremost among them are the audit and investigation of ACORN Housing Corporation, which culminated in testimony by CNS management and the OIG before Congress. That testimony reflected a cooperative approach to assess and terminate a grant in which Federal dollars were misused. Our other audits and investigations underscore our goal to provide cooperative and responsible oversight of CNS' and our grantees' operations.

In pursuit of that goal, we continued to visit CNS grantees to review their accounting and Federal reporting systems for newly awarded grants. We began these reviews in the belief that it is more effective to assess the vulnerability of grantee systems, and prevent the loss of Federal funds, than to try to recover misspent funds after a grant has been terminated. Overall, the reviews have supported the premise that those of our grantees who have had experience with Federal funding, and have a history of audit under Federal requirements, are not likely to have significant problems in their accounting and reporting for grants. Nonetheless, in many of the reviews, we found issues that could be resolved to improve grantee financial reporting as well as other matters to be considered in program oversight activities. Overall, we have concluded that, in the absence of pre-award assessments of grantee accounting systems and Federal reporting compliance, the reviews are an important risk assessment mechanism. Management appears to concur since more than ten reviews currently in progress were requested by CNS program officials.

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

Getting Things Done.
AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

Presently, performance measures for Inspectors General are a subject of debate, and there is no consensus on how to measure our effectiveness. I have included, as a final section of this report, a summary of our accomplishments and expenditures for the fiscal year. I am proud of our efforts and accomplishments during our first full year of operations as part of CNS.

As you are aware, the Inspector General Act of 1978, as amended, requires that you submit this report, along with any comments you may wish to make, and other statistical tables and reports required by the law, to the Congress within 30 days. In addition, the Act requires that you submit this report, with your comments and the other required information, to CNS' Board of Directors no later than the date on which you submit the report to the Congress.

Yours truly,

A handwritten signature in cursive script that reads "Luise S. Jordan".

Luise S. Jordan
Inspector General

OFFICE OF INSPECTOR GENERAL

Semiannual Report to the Congress

April 1, 1995 - September 30, 1995

CORPORATION FOR NATIONAL SERVICE
OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT TO THE CONGRESS

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INTRODUCTION

The Corporation for National and Community Service was created under the National and Community Service Trust Act of 1993. Through several programs, the Corporation for National Service offers Americans of all ages and backgrounds the opportunity to participate in community-based service programs. These programs include AmeriCorps State and National Direct grants, VISTA, the National Civilian Community Corps, Learn and Serve America, and the Senior Volunteer Program. The Corporation also oversees those continuing activities initiated by two predecessor agencies, the Commission for National and Community Service and ACTION.

AUDITING ACTIVITIES

Annual Financial Statement Audit

Under the Government Corporation Control Act, the OIG is responsible for the audit of CNS' financial statements. To meet our responsibilities under the Act we contracted with Williams, Adley & Company and Arthur Andersen & Company to perform a financial audit of the Corporation's fiscal year 1994 financial statements. The contractors began the audit in June 1995, and are in the process of documenting and assessing the Corporation's internal control structure, and determining the auditability of the financial statements that have been completed. The OIG is also providing staff and technical support for the Corporation's effort to reconcile its cash accounts.

Grant Audits

The OIG issued four audit reports on grants during this period. The most significant of these were on ACORN Housing, City Year of Boston, and the Delta Service Corps. Additionally, to supplement the OIG's audit resources, we established interagency agreements with the Department of State Inspector General and Department of Labor Inspector General to use their contracted CPA firms to conduct audits and other reviews of Corporation grantees when needed. Under these agreements we contracted for closeout audits of five grants awarded by the former Commission on National and Community Service and two grants awarded by CNS. We also contracted for a final audit for the terminated grant to ACORN Housing Corporation. These audits will be completed during the next reporting period.

ACORN Housing Corporation. The Corporation requested that we examine certain activities and financial records regarding the CNS AmeriCorps grant to ACORN Housing Corporation (AHC). Although we found no evidence that AmeriCorps Members participated in the March 6 demonstration sponsored by the Association of Community Organizations for Reform Now (ACORN), the scope of our work in this area was impeded, because AHC placed conditions on our interviews that limited our ability to develop reliable information. We determined that AHC and ACORN are separate corporate entities, but that they do not always operate at "arms length." Finally, we questioned approximately \$95 thousand of costs charged to the grant because the documentation and information to support the costs was inadequate to establish that they were allowable under the grant and applicable regulations. CNS terminated the grant because evidence obtained in a separate OIG investigation (see page 6) indicated that AHC violated the National and Community Service

Act, as amended, CNS Regulations and policies as well as the grant agreement. As discussed above, we have contracted for a final closeout audit of this grant to determine whether additional costs should be questioned.

City Year of Boston. Our audit found that City Year's reported accomplishments accurately reflect their activities and that City Year's internal evaluations fostered program improvement. However, we also found that fiscal oversight of City Year requires improvement, and that during fiscal years 1993 and 1994, City Year's accounting system and financial management controls did not meet Federal standards. These conditions were first detected during the audit of City Year's 1993 financial statement by KPMG Peat Marwick, City Year's independent auditing firm.

A joint OIG and Corporation management team made audit follow-up visits in January and September 1995 to assess City Year's progress in correcting the deficiencies reported in the audits. Our reviews revealed that City Year has made significant progress in installing a new financial management system and in correcting many of the deficiencies reported. Our report on City Year discusses conditions and issues found in our audit, and recommends additional actions needed to improve financial oversight and to resolve issues relating to the reprogramming of unused education benefits.

Delta Service Corps. Our audit disclosed that the Arkansas Division of Volunteerism adequately monitored the grant and related subrecipient activities. However, we noted weaknesses in Delta Service Corps' financial reporting and its system of internal controls. Specifically, Delta Service Corps did not submit timely Financial Status Reports nor record costs (or maintain accounting records and other detail) related to the non-Federal financial activity associated with the grant.

Additionally, Delta Service Corps drew down over \$800 thousand in excess of its reported expenditures in violation of the grant award and Federal cash management policies. These funds are primarily related to Delta Service Corps' accrued liability for post service education benefits. However, Delta Service Corps does not need to draw down amounts for the accrued liability. First, it is unclear as to how many post service education benefit claims will actually be made. Further, in the case of this grant, participants can make claims for education benefits over a six-year period. We recommended the CNS take action to immediately recover all excess Federal cash held by Delta Service Corps.

Reviews

In January, we initiated efforts to assess AmeriCorps grantees' management controls and procedures to determine these organizations' ability to comply with Federal fiscal accounting and reporting requirements and to safeguard related funds. We issued final reports on five such reviews and draft reports on two during this period. Four reviews were in process at September 30, 1995.

During the period we also contracted for 13 reviews under our agreements with the Departments of State and Labor. These reviews will be completed during the next reporting period.

As illustrated below, the reviews have revealed issues in several areas. We have recommended corrective actions and brought the issues to the Corporation's attention for resolution.

Initial Reviews Performed

Grantee	Grant Amount*	Issues Related to			Report Status
		Mgmt. Controls	Federal Reporting	Other	
National Association of Child Care Resource and Referral Agencies	\$ 5,873,218	✓		✓	Issued
Magic Me	734,401			✓	Issued
Public Education Fund Network	701,167	✓			Issued
Neighborhood Green Corps	805,000	✓			Issued
Association of Farmworkers Opportunity Programs	1,120,441	✓	✓		Issued
Local Initiatives, Inc.	998,247	✓			Draft
Woodrow Wilson National Fellowship Foundation	1,503,206	✓	✓	✓	Draft

* \$ 5,298,482 of the grant amount reported for NACCRR relates to child care benefits administered for all AmeriCorps programs. The amounts reported for other grants do not include child care or post-service education benefits.

Single Audit Act Reports

The Single Audit Act and related OMB Circulars require state and local governments, nonprofit organizations, and institutions of higher education to provide annual or biennial audit reports to government agencies responsible for their Federal funding. During this period, the OIG processed 329 such reports. Of that total, four contained findings relevant to Corporation programs.

INVESTIGATIONS

We began this reporting period with five previously-opened investigative actions. During the reporting period we opened twenty new investigative actions and closed nine. We had sixteen investigative actions pending at the end of this reporting period.

The following highlight our investigative activity during this reporting period:

Alleged Violation of Grant Provisions - Grant Subsequently Terminated

We completed an investigation, opened subsequent to receipt of a Hotline complaint from a former AmeriCorps Member, where we found evidence that ACORN Housing Corporation (AHC), a Corporation grantee, violated the provisions of the National and Community Service Act, as amended, Corporation for National and Community Service regulations, and the AmeriCorps grant agreement prohibiting AHC from using AmeriCorps positions to benefit advocacy organizations. Our investigation determined that AHC directed, condoned and allowed the use of some of its AmeriCorps Members as conduits for recruiting new Association of Community Organizations for Reform Now (ACORN) members, thereby providing a direct benefit to ACORN, an organization that engages in substantial advocacy activities. Moreover, the evidence indicated that this practice was not limited to just one AHC office. In two cities where AHC had AmeriCorps loan counselors co-located with ACORN recruiters, there was evidence that specific pressure was placed on AmeriCorps Members to assist in recruiting new ACORN members. Further, AmeriCorps Members in a third city (where there were no ACORN recruiters) specifically recalled being told in AHC training sessions that they should tell prospective clients about ACORN's goals and activities.

Based upon the findings of our investigation, the Corporation suspended and proposed to terminate the grant to AHC. After the Corporation reviewed AHC's response to the proposed termination, the Corporation and AHC mutually agreed to terminate the grant.

Alleged False Statement - Prosecution Declined - Referred to Management

We completed an investigation into an allegation that an employee at one of the Corporation's state offices falsified his Confidential Financial Disclosure Report form (SF 450) by not reporting his outside employment. Our investigation disclosed evidence to support the allegation and the matter was referred to the cognizant U.S. Attorney's office for prosecutorial review. The U.S. Attorney's office declined criminal prosecution and we referred the incident to the Corporation for whatever action they deem appropriate. The investigation is pending management's response as to the course of action they intend to pursue.

Building Security - Thefts of Corporation Property

We completed our efforts in support of the Federal Protective Service's (FPS) investigation into several thefts of Corporation and personal property from the Corporation office space. Due to the circumstances surrounding the thefts, namely that the items stolen were not secured in any manner, and in most cases were left out in plain view, the FPS was unable to develop any investigative leads that would assist in identifying the perpetrators or aid in

recovering the stolen property. Their investigation was ultimately placed in an inactive status for lack of investigative leads.

The FPS provided the Corporation a comprehensive Physical Security Survey that included several recommendations designed to enhance security within the Corporation's work space. Of the thirteen recommendations made by the FPS, the Corporation adopted two and plans to adopt a third during fiscal year 1996. While the frequency of the thefts appears to have decreased, during one recent two-day period Corporation property (a camera, a notebook computer, and cellular telephones) valued at approximately \$5000 was stolen from Corporation work spaces. We are presently conducting a follow-up inquiry into the circumstances surrounding these recent thefts.

Postal Violations - Referred

We completed a preliminary inquiry into allegations of various postal violations by a former VISTA volunteer and, upon determining the matter was outside the purview of the OIG, provided our findings to the U.S. Postal Inspection Service for whatever action they deem appropriate.

Other Complaints

We closed five actions after our preliminary inquiry determined they lacked sufficient merit to warrant further investigation. We referred an additional matter to Corporation program management after determining the allegations were not within the purview of the OIG.

Statistical Summary of Investigations

Opened and Closed

Number of Cases Open at Beginning of Reporting Period.....	5
Number of New Cases Opened During This Reporting Period.....	20
Number of Cases Closed During This Period With Significant Findings.....	3
Number of Cases Closed During This Period With No Significant Findings.....	6
Total Cases Closed This Reporting Period.....	9
Number of Cases Open at End of Reporting Period.....	16

Referred

Number of Cases Referred for Prosecution During This Reporting Period.....	1
Number of Cases Accepted for Prosecution During This Reporting Period.....	0
Number of Cases Declined for Prosecution During This Reporting Period.....	1
Number of Cases Pending Prosecution Review.....	0

REVIEW OF LEGISLATION AND REGULATIONS

Under Section 4(a)(2) of the Inspector General Act, the Office of the Inspector General has the responsibility to review existing or proposed legislation and regulations relating to the Corporation's programs and operations. Based on that review, the OIG is then to make recommendations in its Semiannual Reports concerning the impact of the legislation and regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Corporation. The OIG is also to make recommendations in its Semiannual Reports concerning the prevention and detection of fraud and abuse in programs and operations administered or financed by the Corporation.

During this reporting period, the OIG reviewed proposed regulations on the solicitation and acceptance of donated property and services by the Corporation. We offered informal comments to the Corporation on the proposed regulations, and we have no specific recommendations to make at this time. During this reporting period, the Corporation began an assessment of its authorizing statutes.

The National and Community Service Trust Act of 1993 currently authorizes appropriations for most of the Corporation's programs and operations through fiscal year 1996. In preparation for the legislative process of reauthorizing the Corporation's programs, Corporation officials have begun to consider how Congress could amend the Corporation's authorizing legislation. OIG will monitor this process, and will make recommendations both to Corporation management and the Congress in future Semiannual Reports and otherwise.

TABLE I

**INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1995**

		Number	Dollar Value	
			<u>Questioned Costs</u>	<u>Unsupported Costs</u>
		(In thousands)		
1	For which no management decision has been made by the commencement of the reporting period	4	\$ 9	0
2	Which were issued during the reporting period	9	232	\$ 99
3	Subtotals (1 plus 2)	13	241	99
			-----	-----
4	For which a management decision was made during the reporting period	0	0	0
	(I) dollar value of disallowed costs		0	0
	(ii) dollar value of costs not disallowed		0	0
5	For which no management decision has been made by the end of the reporting period (3 minus 4)	13	241	99
			-----	-----
6	Reports for which no management decision was made within six months of issuance	4	\$ 9	0

TABLE II

**INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE
FOR THE SIX-MONTH PERIOD ENDING SEPTEMBER 30, 1995**

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

TABLE III

REPORTS ISSUED DURING THE PERIOD APRIL 1, 1995 - SEPTEMBER 30, 1995

Report Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned (In \$ Thousands)	Federal Dollars Unsupported	City	State
95-01	05/08/95	National Association of Child Care & Resource Referral Agencies			Washington	DC
95-02	08/31/95	Commonwealth of Massachusetts City Year of Boston	\$ 51		Boston	MA
95-03	09/29/95	Arkansas Div. of Volunteerism Delta Service Corps	2		Little Rock	AK
95-04	04/24/95	American Institute of Public Service	73	\$ 82	New Castle	DE
95-07	05/26/95	Magic Me, Inc.			Baltimore	MD
95-09	08/31/95	Public Education Fund Network			Washington	DC
95-10	09/29/95	Neighborhood Green Corps			Boston	MA

Report Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned (In \$ Thousands)	Federal Dollars Unsupported	City	State
95-11	08/28/95	Association of Farmworkers Opportunity Programs			Arlington	VA
95-15	05/26/95	Truth or Consequences Housing Authority	4	17	Truth or Conseq.	NM
95-16	08/29/95	Multi-County Community Action Against Poverty, Inc	1		Charleston	WVA
95-17	09/07/95	ACORN Housing Corporation	95		Chicago	IL
95-20	07/26/95	TRI City Opportunity Council	3		Rockfalls	IL
95-23	07/31/95	American Association of Community Colleges			Washington	DC
95-26	08/11/95	Community Action Program of East Central Oregon	2		Pendleton	OR
95-27	09/25/95	Commonwealth of Kentucky	<u>1</u>		Frankfort	KY
Total			<u>\$ 232</u>	<u>\$ 99</u>		

TABLE IV

SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Name of Grantee	Federal Dollars Questioned	Federal Dollars Non-supported	Status	Management Decision Due Date
94/02/38	Senior Service Corps, Inc.	\$ 614	0	RPT	09/29/94
94/02/37	Senior Service Corps, Inc.	871	0	RPT	09/29/94
94/02/36	Senior Service Corps, Inc.	242	0	RPT	09/29/94
94/02/35	Senior Service Corps, Inc.	7,181	0	RPT	09/29/94
94/HQ/54	Portland Youth Service Corps	0	0	RPT	11/04/94
94/HQ/57	Youth Volunteer Corps of America	0	0	RPT	11/29/94
94/HQ/59	Public Allies	0	0	RPT	12/19/94

INDEX TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL

IG Act Reference ¹	Reporting Requirement	Page
Section 4 (a)(2)	Review of Legislation and Regulations.	9
Section 5 (a)(1)	Significant problems, abuses, and deficiencies.	N/A
Section 5 (a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	N/A
Section 5 (a)(3)	Prior significant recommendations on which corrective action has not been completed.	N/A
Section 5 (a)(4)	Matters referred to prosecutive authorities.	6
Section 5 (a)(5)	Summary of instances where information was refused	N/A
Section 5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and recommendations that funds be put to better use.	12
Section 5 (a)(7)	Summary of each particularly significant report.	3
Section 5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	10
Section 5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better us.	11

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

IG Act Reference	Reporting Requirement	Page
Section 5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period.	14
Section 5 (a)(11)	Significant revised management decisions.	N/A
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees.	N/A

Resources provided:

Our FY 1995 appropriation was \$2 million. The Summary of Obligations and Expenditures (page 22) reports how we spent our budgeted funds.

The OIG was allowed a staff level of 13 FTEs. We operated with an average of less than 12 FTEs during the year due to turnover and inability to fill an open position toward the end of the fiscal year. Our inability to fill the open position was due to uncertainty regarding the continued existence of CNS and its OIG. During the year, we performed our work with eight auditors, two investigators, and two administrative staff.

What we accomplished *vis a vis* what we proposed to do:

In requesting its FY 1995 budget, the OIG indicated it would use its appropriation for activities in several areas. The table below presents our accomplishments in those areas.

Proposed in FY 1995 Budget Request	Accomplished	Questioned Costs
1 Audit CNS' financial statements as required by the Government Corporation Control Act.	The OIG contracted with Williams, Adley & Co. and Arthur Anderson LLP to perform the audit of CNS FY 1994 financial statements. At 9/30/95, neither the financial statements nor the audit had been completed.	
2 Provide oversight of CNS' management controls assessment process. Conduct operational audits of CNS operations to provide management useful information for streamlining operations.	CNS has not completed its management controls assessments. We have emphasized the need for completing them and worked with CNS suggesting methodologies and techniques for assessing risk and documenting control techniques. Our contract for the financial statement audit provides for the audit firms to document as well as test financial control systems. This information is to be given to CNS for use in its management control assessment process. OIG staff performed pre-audit surveys of CNS' procurement and grants process. The surveys found several areas which warranted corrective actions in both management controls and efficiencies. The reports, which remain in draft form pending conclusion of the FY 1994 financial statement audit, include recommendations for improving management controls and the operations themselves. As a follow-on to the procurement review, OIG is taking the lead on a project to "re-engineer" the procurement process.	

Proposed in FY 1995 Budget Request	Accomplished	Questioned Costs
<p>3 Review grantees and sub-recipients receiving large Corporation grants or those determined to be of high risk to determine the adequacy of their accounting controls; e.g. their ability to comply with CNS & Federal reporting and other requirements.</p>	<p>Believing that it can be more effective to assess the vulnerability of grantee systems and prevent the loss of Federal funds, rather than trying to recover misspent funds after the fact, we reviewed grantee accounting and Federal reporting systems for a number of newly awarded CNS grants. Overall, the reviews have supported the premise that those of our grantees who have had experience with Federal funding, and have a history of audit under Federal requirements, are not likely to have significant problems in their accounting and reporting for grants. Nonetheless, in most of the reviews, we found financial issues that could be resolved to improve grantee financial reporting. In each case, we brought these financial issues or other matters to the attention of CNS grants management, to be considered in CNS oversight activities. Overall, we have concluded that, in the absence of pre-award assessments of grantee accounting systems and Federal reporting compliance, the reviews are an important risk assessment mechanism. Management appears to concur since more than ten reviews currently in progress were requested by CNS program officials.</p> <p><i>Final reports were issued for :</i></p> <p>National Assoc. Of Child Care; Report Number 95-01 Magic Me, Inc.; Report Number 95-07 ASPIRA Inc.; Report Number 95-08 Public Education Network; Report Number 95-09 Neighborhood Green Corps; Report Number 95-10 Association of Farm Workers Opportunity Programs; Report Number 95-11</p> <p><i>Work in progress includes reviews of :</i></p> <p>Local Initiatives Support Corporation Woodrow Wilson National Fellowship Youth Build, USA National Aids Fund (NCAP)</p> <p><i>In addition, the OIG contracted with independent public accounting firms for reviews of 13 AmeriCorps grantees. The OIG expects to receive final reports for these reviews during the 1st half of FY 96.</i></p>	

Proposed in FY 1995 Budget Request	Accomplished	Questioned Costs
<p>4 Perform audits of grants or contracts including those where noncompliance is suspected.</p>	<p><i>Final Reports have been issued for:</i></p> <p>American Institute for Public Service; Report Number 95-04 Multi-County Action Against Poverty; Report Number 95-16 City Year of Boston; Report Number 95-02 Acorn Housing Corporation; Report Number 95-17 Truth or Consequences Housing Authority; Report Number 95-15</p> <p><i>Work in progress includes:</i></p> <p>Arizona-Mexico Commission: Border Volunteer Corps, and eight audits to be performed by independent accounting firms (included among them is a final "close-out" audit of the Acorn Housing Corporation grant which was terminated as of 9/1/95).</p> <p><i>* City Year's original questioned costs were \$1,915,594. However, CNS management and OIG, working as a joint team, accepted an alternative methodology to document certain personnel-related costs, developed by City Year and audited by its independent accountants, to support salaries and benefits charged to the grant; thereby reducing the questioned costs. City Year has agreed to remit \$250,000 to resolve the questioned costs, interest earned on Federal funds and the issue of reprogramming excess educational benefits.</i></p>	<p>\$ 219,900 800 50,700 * 95,300 4,400</p>

Proposed in FY 1995 Budget Request	Accomplished	Questioned Costs
<p>5 Conduct investigations as needed and operate the Hotline.</p>	<p>We began FY 95 with 2 previously-opened investigative actions. During FY 95 we opened 28 investigative actions and closed 14, leaving 16 actions pending at the end of the fiscal year. Two criminal investigations were referred for Federal prosecution during the year; both were declined and the matters were referred to Corporation management for administrative resolution. Three additional investigative matters were also referred to management for administrative resolution. One criminal action was referred to the U.S. Postal Service inasmuch as we lacked investigative jurisdiction to pursue the matter. We received 79 Hotline calls during FY 95, resolving the majority upon receipt or shortly thereafter.</p> <p>Our most significant investigation during FY 95 involved the Corporation's \$945 thousand grant to ACORN Housing Corporation (AHC) and was initiated as a result of a Hotline call. We found evidence that AHC had violated provisions of the National and Community Service Act, the Corporation's regulations, and the AmeriCorps grant agreement prohibiting AHC from using AmeriCorps positions to benefit advocacy organizations. As a result of our findings, the Corporation and AHC mutually agreed to terminate the grant.</p>	

Proposed in FY 1995 Budget Request	Accomplished	Questioned Costs
6 Review Single Audit Act reports for CNS' grantees.	We processed 683 reports; of these, four contained findings relevant to CNS grantees.	\$ 6,000
7 Review of Proposed Management Decisions.	We reviewed less than ten proposed management decisions. At 9/30/95, there were seven audits with overdue management decisions.	
8 Maintain training for auditors to meet government auditing standards.	<p>We assessed training levels throughout the Office, established training requirements, and made them a part of each auditor's annual performance plan. As a result, all auditors meet the training requirements of GAO's <i>Government Auditing Standards</i>.</p> <p>Further, the Assistant IG for Investigations established a training policy under which our investigators have been sent to FLETC and receive other training to improve their skills.</p>	
9 Maintain up-to-date technical tools and continue to increase efficiency with training and experience.	<p>All staff have received training in software applications to allow them to increase their appropriate use of CNS' and OIG software.</p> <p>In addition, we purchased "state of the art" software applications for audit, investigation, and research use, developed new and more efficient databases for analysis in support of audit and investigative evidence, and developed more efficient databases for reporting OIG statistics.</p>	

**Corporation for National Service
Office of Inspector General
Summary of Obligations and Expenditures
For the Fiscal Year Ended 1995**

Salaries and Benefits		\$ 1,028,435
Travel		33,708
Contracted Audit Services:		
CNS Financial Statements	\$ 432,414	
Other Audits and Reviews	<u>354,674</u> *	787,088
Training		6,421
Supplies		10,034
Furniture and EDP Equipment		56,436
Other Office Support		<u>8,002</u>
 Total Obligations and Expenditures		 \$ <u>1,930,124</u>

* *Most of this balance represents the costs of audits and reviews of CNS' AmeriCorps grants. AmeriCorps grants are awarded during the final quarter of each fiscal year; consequently audits and reviews of single year grant activity "overlap" or continue into the following fiscal year. OIG expects to receive final reports for these audits within the first half of FY 1996.*

FRAUD, WASTE, AND ABUSE

HOTLINE

1-800-452-8210

Toll-Free, 24 Hours a Day

INFORMATION IS CONFIDENTIAL

For general information or to request this report in an
alternate format
write:

Office of Inspector General
Corporation for National
and Community Service
1201 New York Avenue, NW
Washington, DC 20525

or call:

(202) 606-5000 Ext: 390

Semiannual Report to Congress on Audit Follow-up

C O R P O R A T I O N

F O R N A T I O N A L

 S E R V I C E

April 1, 1995 - September 30, 1995

CNS Semiannual Report Number 4

INDEX OF THE INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

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

SEMIANNUAL REPORT ON AUDIT FOLLOW-UP

Introduction

This is the fourth semiannual report to the Congress on management decisions and final actions taken by the Corporation for National Service in response to audits issued by the Office of Inspector General. The report covers the six month period ending September 30, 1995 and is required by the Inspector General Act of 1978, as amended, and focuses on audit follow-up activity.

Authorized under the National and Community Services Act, the Corporation engages Americans of all ages and backgrounds in community based service to meet the Nation's educational, human, public safety, and environmental needs. Through three major programs -- AmeriCorps, Learn and Serve America, and the National Senior Service Corps -- the Corporation is working to harness the talents, energy and commitment of America's citizens.

During the reporting period:

- Management decisions were made for one audit which did not involved disallowed costs and final action was taken on two audits, one of which had no disallowed costs and the other involved payments of \$400.
- None of the audit reports issued during the period involved a recommendation that funds be put to better use.
- Eight audit reports remained open a year after a management decision was made, all of which were with the Department of Justice for action.

Audit Reports with Management Decisions

The Corporation considers an audit report resolved, or closed, when all corrective actions have been completed. The reporting period began with 25 audit reports for which there had been a management decision but which had no final action. Those reports involved \$297,000 in disallowed costs.

During the reporting period, one management decision was made which did not involve disallowed costs.

Also during the period, final action was taken on five audit reports. Of those, two had no disallowed costs and three involved payments totaling \$5,200.

There are twenty-one unresolved reports residing with management which will be carried over to the next reporting period. The \$291,800 in disallowed costs represented by those reports is primarily from debts originated in the former ACTION agency that have been turned over to the Department of Justice for write-off or litigation.

This information is depicted in Table 1.

Audits with Management Decisions and Recommendations to Put Funds to Better Use

There were no audit reports with recommendations to put funds to better use (Table 2).

Audits with Disallowed Costs that Had No Final Action within a Year of a Management Decision

Nine audit reports remained open for more than a year after a management decision was made. Prior to the beginning of this reporting period, eight of these audits had been turned over to the Department of Justice for write-off, litigation, or recovery under bankruptcy proceedings.

This information is depicted in Table 3.

Comments on the Inspector General's Semiannual Report

The report is a factual portrayal of the Corporation's audit and audit resolution circumstances.

The Inspector General's report notes that it has stressed assessing grantee vulnerability to accounting and reporting issues when newly awarded grants are made. We believe this emphasis on prevention rather on disallowing costs and after-the-fact collections is a useful and appropriate approach to maximizing benefits from financial management and auditing processes for the government and for Corporation grantees.

A particularly noteworthy aspect of the report is the discussion of both audit and investigatory activity of a grantee, the ACORN Housing Corporation. The Corporation and its Inspector General worked closely on reviewing activities that were eventually found to be outside the scope of the grant and contrary to Corporation regulations. This led to the grant being suspended and, ultimately, to its termination. This was an example of the timely and vigorous manner in which the Corporation acts to ensure the integrity of its grant funds.

The Inspector General's report also mentioned certain audit activity for which final management decisions were not made as of September 30, 1995. Thus, follow-up activity for these audits will be included in the next semi-annual report, i.e., for the reporting period October 1, 1995 to March 31, 1996.

Management Decisions Not Made Within Six Months

The Inspector General's report listed seven audits that had not received management decisions within 6 months of being issued. Four of these were to a single grantee and involve \$8,908. The other three do not involve questioned or non-supported federal funds.

Other Items

While there were no recommendations requiring follow-up, it should be noted that the General Accounting Office also reviewed the Corporation's programs during this reporting period (National Service Programs: AmeriCorps*USA -- Early Program Resource and Benefit Information, August 1995) primarily for the purpose of identifying resource availability and costs. GAO noted that program accomplishments are supporting the legislative goals of AmeriCorps.

The General Accounting Office also reviewed certain planning grants made by the Corporation. There were no recommendations following the review.

Conclusion

The Corporation continues to have a high degree of confidence in the quality of financial and program administration by funds recipients. We remain committed to carrying out responsibilities under the Inspector General Act and other applicable statutes.

FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS
(for the period April 1, 1995 - September 30, 1995)

	<u>Number of</u> <u>Audit Reports</u>	<u>Disallowed</u> <u>Costs (\$000)</u>
A. Audit reports with management decisions upon which final action had not been taken as of March 31, 1995.	25	297.0 *
B. Audit reports upon which management decisions were made during the six-month reporting period.	1	0.0
C. Total audit reports with management decisions upon which final action was pending during the reporting period (total of A and B).	26	297.0
D. Audit reports upon which final action was taken during the reporting period (total of D.1. through D.4.).	5	5.2
1. Recoveries		
(a) Collections and offsets	3	5.2
(b) Property in lieu of cash	0	0
(c) Other	0	0
2. Write-offs	0	0
3. Audits with no disallowed costs	2	0
4. Adjustments to the disallowed costs resulting from appeal decisions		0
E. Audit reports with management decisions upon which no final action had been taken as of September 30, 1995	21	291.8

* These disallowed costs are taken from the original management decisions and do not reflect revised figures resulting from appeals. Revised amounts will be noted in the reporting period in which the reports receive final action.

Table 1.

**AUDITS WITH RECOMMENDATIONS TO PUT FUNDS
TO BETTER USE**

(for the period April 1, 1995 - September 30, 1995)

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

Table 2.

**Audits With Disallowed Costs That Had No Final Action
Within One Year of a Management Decision
(as of September 30, 1995)**

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

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by September 30, 1995</u>
88-10K & 88-10L	American Legion Post #23	6/15/88 6/15/88	\$ 13,064 25,183	Debt was forwarded to the Department of Justice on June 21, 1991.
88-20	Carson River Basin Council of Governments	9/15/88	45,057	Debt was forwarded to the Department of Justice on June 16, 1992.
87-I-01	St. Paul's AME Church	7/18/89	16,373	Debt was forwarded to the Department of Justice on July 25, 1991.
89-4192-06-75 92-06-76	Labor Agency of Metropolitan Washington, Inc.	3/23/90	172,774	Debt was forwarded to the Department of Justice on January 16, 1992.
92-06-75 92-06-76	Cameron Willacy Counties Community Projects	2/9/93 2/10/93	3,112 4,169	\$55,362 is the total amount owed by the grantee (including unexpended funds and earned interest due the government). The grantee is bankrupt. The Department of Justice is attempting to recover these debts through bankruptcy proceedings.
94-02-24	Schenectady Municipal Housing Authority	9/28/94	68	Collection process is underway.

Thirteen additional audits with no disallowed costs have not received final action within one year of a management decision. The corrective actions for most of these audits includes issuing new policies and procedures.

Table 3