

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF EARNED EDUCATION AWARDS
RESULTING FROM COMPELLING
PERSONAL CIRCUMSTANCES**

OIG REPORT 12-04



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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This report was issued to Corporation management on November 9, 2011. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than May 9, 2012 and complete its corrective actions by November 9, 2012. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



November 9, 2011

TO: Margaret Rosenberry
Director, Office of Grants Management

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General (OIG) Report 12-04: *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances*

Attached is the final report on the OIG's *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances*. This audit was performed by OIG staff in accordance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by May 9, 2012. Notice of final action is due by November 9, 2012.

If you have questions pertaining to this report, please contact Thomas Chin, Audit Manager, at (202) 606-9362 or t.chin@cncsoig.gov; or me at (202) 606-9360 or s.axenfeld@cncsoig.gov.

Attachment

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CONTENTS

Section	Page
Executive Summary	1
Results of Audit	4
Objectives, Scope, and Methodology	10
Background	12
Exit Conference	14
Corporation Response	14
OIG Comment	15

Appendices

- A: Details of Finding No. 1: Improperly Certified Awards and Disbursed Costs by Invalid Compelling Personal Circumstance Justification Subcategories
- B: Summary of Findings Sorted by Type of Program
- C: OIG Reports Issued from January 2010 to August 2011 with Compelling Personal Circumstances Findings
- D: Corporation's Response to Draft Report

TABLE OF ACRONYMS

ACL	Audit Command Language
AUP	Agreed-Upon Procedures
CFR	Code of Federal Regulations
CPC	Compelling Personal Circumstance
NCCC	National Civilian Community Corps
OIG	Office of Inspector General
OMB	Office of Management and Budget
VISTA	Volunteers in Service to America
WBRS	Web-Based Reporting System

EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation) performed the *Audit of Earned Education Awards Resulting from Compelling Personal Circumstances* to determine whether the AmeriCorps members exited the program based on a valid compelling personal circumstance (CPCs) justification according to Title 45 of the Code of Federal Regulations (C.F.R.) § 2522.230. Additionally, we evaluated whether the AmeriCorps programs maintained adequate supporting documentation to validate the CPC. We also assessed the Corporation's internal controls surrounding the CPC's review and authorization process. Based on our results, we noted a wide-spread noncompliance for 75 percent of our tested population, resulting in total questioned costs of \$328,574, of which \$120,352 was identified as improper payments.

The Corporation provides grants to its State Commissions, National Direct grantees, Volunteers in Service to America (VISTA), and National Civilian Community Corps (NCCC) programs in order to administer the AmeriCorps education award program. The AmeriCorps program is a network of partnerships with local and national nonprofit organizations that offer opportunities for people to dedicate themselves for a period of time to volunteer service in their local communities. Members who complete their full term of service in accordance with the member contract can earn a Segal AmeriCorps education award to pay for college, graduate school, or to pay back qualified student loans. According to Title 45 C.F.R. § 2522.230, a pro-rated education award is only available to a participant who is released by the program for a CPC and who completes at least 15 percent of the required term of service.

As the C.F.R. states, an AmeriCorps program may release a participant from completing a term of service for a CPC as demonstrated by the participant, or for cause. A CPC includes critical situations that are beyond the participant's control, such as a participant's or the participant's family member's disability or serious illness, or conditions attributable to the program that make completing a term unreasonably difficult or impossible. A CPC may also include situations that the Corporation has determined for public policy reasons, such as military service obligations, employment opportunities by a participant serving in a program that promotes employment among its participants, or employment opportunities for a participant to transition from welfare to work. All other employment reasons do not qualify as a CPC.

Recent OIG audits and investigations repeatedly revealed CPC-related findings and questioned costs whereby the AmeriCorps programs approved partial education awards to early-exited members in spite of improper CPC justifications in accordance with Title 45 C.F.R. § 2522.230 and insufficient supporting documentation. For these reasons, the OIG has conducted this audit.

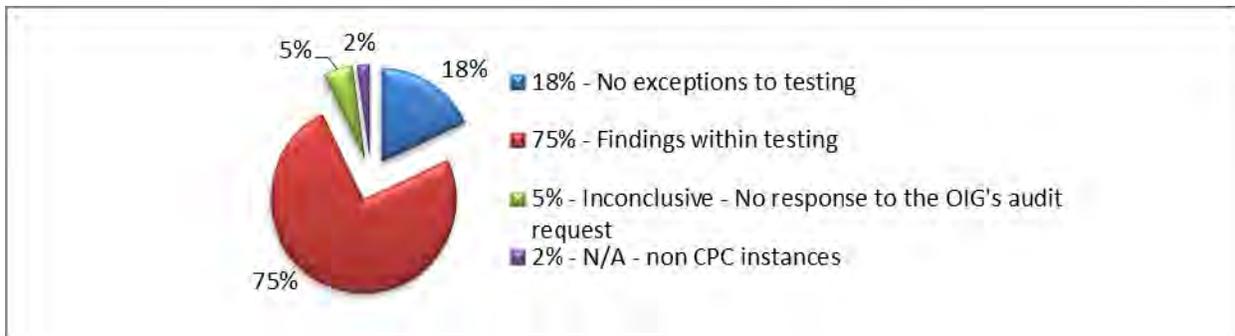
The OIG performed a risk assessment over the entire population of CPC cases from July 1, 2007, to June 30, 2009 in order to determine the audit's sample size. In total, we tested 188 CPC cases and performed a walkthrough of five CPC cases for members who received a partial education award during our audit period from the Corporation's programs – AmeriCorps State and National (State Commission, National Direct, and Tribes), VISTA, and NCCC. During our testing, we reviewed each member's CPC justification for compliance with Federal regulations (Title 45 C.F.R. § 2522.230) and assessed whether the AmeriCorps program's and the Corporation's system possessed adequate controls over the CPC documentation, authorization, and review process. We noted only 18 percent of our tested population properly administered the members' exit from the AmeriCorps program in compliance with Federal regulations and

AmeriCorps provisions over CPC. Some of the examples of improperly certified partial education awards due to CPC included: members returned to school; member left the program due to alcohol/substance abuse or bad behavior; members did not complete the program due to late enrollment or errors made by programs.

The following graphs and tables illustrate a summary of the audit results for our tested population.

Graph 1 depicts the overall audit results. Among 193 CPC cases (including five walkthrough items), we noted 144 cases (75 percent) with at least one or more audit findings, 35 cases (18 percent) with no audit findings; 10 cases (5 percent) where the programs did not respond to our audit request; and 4 cases (2 percent) where members exited from the AmeriCorps program for a non-CPC reason.

Graph 1: Overall CPC Audit Results



Graph 2 illustrates the audit finding categories and the relationship between each finding and the deficient population (within the above 75 percent). We noted that 55 percent of the deficient CPC cases possessed two or more findings.

Graph 2: CPC Audit Finding Details

LEGEND

- 36% - (1): Members with Invalid CPC Justifications ONLY
- 8% - (2): Members with Supporting Documentation Deficiencies ONLY
- 1% - (3): Members with Monitoring Control Deficiencies ONLY
- 47% - (1) & (2): Members with Invalid CPC Justifications AND Supporting Documentation Deficiencies
- 5% - (1) & (3) Members with Invalid CPC Justifications AND Monitoring Control Deficiencies
- 3% - (1), (2), & (3): Members with ALL three Deficiencies

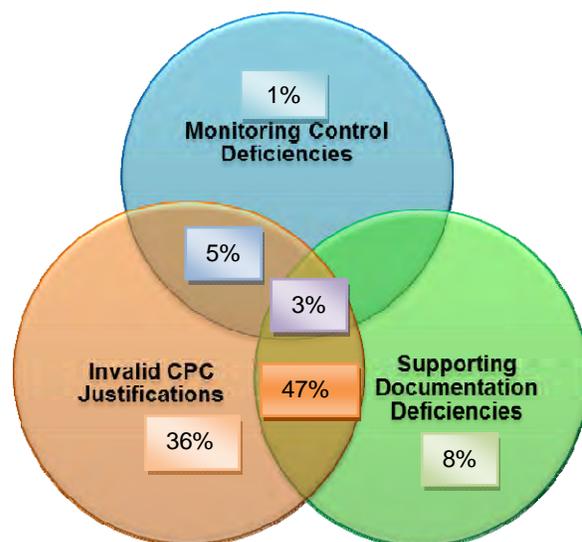


Table 1 quantifies the total improperly certified awards¹ and the total disbursed costs² according to the audit findings. We questioned a total of \$328,574 for partial education awards resulting from invalid CPC justifications or inadequate support and approval for the education awards. Additionally, we identified \$120,352 of disbursed costs (improper payments) which were paid to AmeriCorps members' financial or education institutions as of May 30, 2011.

Table 1: Summary of Improperly Certified Awards (Questioned Costs) & Disbursed Costs

Audit Findings	Improperly Certified Awards	Disbursed Costs
Invalid CPC Justifications Supporting Documentation Deficiencies	\$298,798	\$100,889
Monitoring Control Discrepancies	182,956	76,704
Two or more audit findings ³	20,029	7,836
	(173,209)	(65,077)
Total Amount	<u>\$328,574</u>	<u>\$120,352</u>

Table 2 summarizes the OIG's recommendations according to the audit findings. Our recommendations aim to strengthen the Corporation's controls in order to better safeguard Federal assets.

Table 2: Summary of Audit Recommendations

Audit Findings	Audit Recommendations
1) Invalid CPC Justifications	a) Disallow and recoup questioned costs of \$298,798 b) Provide training over the CPC criteria c) Review CPC criteria interpretation and language
2) Supporting Documentation Deficiencies	a) Disallow and recoup questioned costs of \$27,508 b) Provide training over CPC proper documentation requirements
3) Monitoring Control Deficiencies	a) Disallow and recoup questioned costs of \$2,268 b) Implement the MyAmeriCorps Portal functionality to document CPC c) Implement additional monitoring controls which include a secondary level of review, submission of supporting documentation to the secondary reviewer, and implementation of the review over CPC

¹ *Improperly Certified Awards* refers to the amount of partial education awards that were improperly approved and obligated to AmeriCorps members by the AmeriCorps programs. They represent the total questioned cost in this audit.

² *Disbursed Costs* refers to the amount of improper payments that have been disbursed at the completion of our fieldwork. These were improperly certified awards approved by the AmeriCorps programs and subsequently disbursed to the members' financial or education institutions. According to the Improper Payments Elimination and Recovery Act of 2010, improper payments are defined as "any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements."

³ This line item accounts for tested CPC cases that resulted with more than one audit finding category. In this report, the improperly certified awards and disbursed costs are classified by finding category; therefore, if one CPC case is noncompliant under two finding categories, the improperly certified awards and disbursed costs are included in each finding category. To prevent double counting, we offset the improperly certified awards and disbursed costs for cases with multiple audit findings against this line item.

RESULTS OF AUDIT

Finding 1. Invalid CPC Justifications

During our audit testing, we requested the grantees to provide all CPC-related documents from the members' file to the OIG. Based on our review of the members' CPC documents, we identified 131 members who exited the program for reasons that did not qualify as a valid CPC in accordance with the Title 45 C.F.R. § 2522.230. Subsequently, those members were improperly granted a partial education award. Based on our audit results, we categorized the following reasons as invalid CPC justifications:

1. Member experienced absences or enrolled into the program late and could not complete his/her full-term service hours;
2. Non-welfare member voluntarily left the program to find a full-time job or to move out of the area due to economic, financial, or housing hardships. Additionally, the program did not qualify as one that included as its objectives the promotion of employment among its participants;
3. Member returned to school;
4. Member voluntarily left the program due to difficult personal circumstances, which are not consistent with the CPC criteria set out in the C.F.R.;
5. Member experienced a short-term medical condition, and the medical documents did not indicate if it was unreasonably difficult or impossible for the member to complete his/her remaining term of service;
6. Member was pregnant and could not complete her service term;
7. Member left the program due to cause (for example, alcohol or substance abuse, bad behavior);
8. Member could not find a suitable alternative AmeriCorps assignment, after being removed from a previous program due to cause;
9. Member was suspended from the program, but was subsequently provided a partial education award;
10. Member noted a medical condition with no external supporting documentation – documents outside of the AmeriCorps program and member to validate the CPC; therefore, the member's CPC could not be determined or justified; and
11. Member did not provide or program did not maintain any internal or external supporting documentation to validate the member's CPC justification; therefore, member's CPC could not be determined or justified.

Refer to Appendix A for the details of improperly certified awards and disbursed costs for the above invalid CPC justification subcategories.

We noted that 79 of 131 members (60 percent) with this finding also had at least one other audit finding(s). Table 3 below illustrates the number of members and associated costs for each invalid CPC finding combination.

Table 3: Summary of Finding No. 1 and its Finding Combination

Audit Finding Combination	Number of Members	Improperly Certified Awards	Disbursed Cost
(1) Invalid CPC Justifications only	52	\$137,338	\$40,490
(1) Invalid CPC Justifications and (2) Supporting Documentation Deficiencies	67	143,699	54,831
(1) Invalid CPC Justifications and (3) Monitoring Control Deficiencies	7	6,012	890
(1) Invalid CPC Justifications, (2) Supporting Documentation Deficiencies, and (3) Monitoring Control Deficiencies	5	11,749	4,678
Total	131	\$298,798	\$100,889

Title 45 C.F.R. § 2522.230(a)(5) (2008), “Under what circumstances may AmeriCorps participants be released from completing a term of service, and what are the consequences?” states, in part:

- (5) *Compelling personal circumstances include:*
- (i) *Those that are beyond the participant's control, such as, but not limited to:*
- (A) *A participant's disability or serious illness;*
 - (B) *Disability, serious illness, or death of a participant's family member if this makes completing a term unreasonably difficult or impossible; or*
 - (C) *Conditions attributable to the program or otherwise unforeseeable and beyond the participant's control, such as a natural disaster, a strike, relocation of a spouse, or the nonrenewal or premature closing of a project or program, that make completing a term unreasonably difficult or impossible;*
- (ii) *Those that the Corporation, has for public policy reasons, determined as such, including:*
- (A) *Military service obligations;*
 - (B) *Acceptance by a participant of an opportunity to make the transition from welfare to work; or*
 - (C) *Acceptance of an employment opportunity by a participant serving in a program that includes in its approved objectives the promotion of employment among its participants.*

2008 AmeriCorps Special Provisions Section IV.E. *Release from Participation*, states:

Grantees may release members from participation for two reasons: (a) for compelling personal circumstances; and (b) for cause. See 45 CFR §2522.230 for requirements. In addition to the regulations, the following applies:

No Automatic Disqualification if Released for Cause: A release for cause covers all circumstances in which a member does not successfully complete his/her term of service for reasons other than compelling personal circumstances. Therefore, it is possible for a member to receive a satisfactory performance review and be released for cause. For example, a member who is released for cause for a first term for personal reasons—e.g. he/she has decided to take a job offer—but who, otherwise, was performing well up until the time he/she decided to leave, would not be disqualified for a subsequent term as long as he/she received a satisfactory performance evaluation for the period he/she served.

During our testing, we determined the AmeriCorps programs' misinterpretation of the C.F.R. criteria attributed to 91 percent of the audit's total improperly certified awards. We also noted inconsistency of judgment made by different programs on CPC. As a result, we question a total of \$298,798 due to invalid CPC justifications combination.

Recommendations

We recommend the Corporation:

- 1a) Disallow and recoup the questioned cost of \$298,798;
- 1b) Provide training to Corporation and grantee personnel on the CPC regulations. The training should focus on:
 - 1) Defining the Federal regulations for CPC:
 - release for cause versus CPC;
 - the Provision's "no automatic disqualification if released for cause;"
 - the severity of medical and personal conditions that qualify as CPC;
 - the C.F.R.'s language "beyond the participants control."
 - 2) Partial education awards:
 - examples of situations where programs can issue partial education awards;
 - examples of qualified and nonqualified recipients of partial education awards.
 - 3) Available alternatives for a member to temporarily leave the program and complete his/her term of service at a future date to receive the full education award:
 - temporary suspension;
 - member slot adjustment; and
- 1c) Update Provisions and provide guidance (for example, FAQ and memorandum) on interpretations to the Title 45 C.F.R. §2522.230 related to CPC and cause that properly reflect the Corporation's position for granting partial education awards.

Finding 2. Supporting Documentation Deficiencies

During our audit, we identified 84 CPC cases with insufficient documentation to validate the AmeriCorps members' CPC. We noted the following attributes as supporting documentation deficiencies:

1. No supporting documentation related to CPC at all in the member file;
2. Lack of sufficient internal documentation supporting the program's approval of the partial education award resulting from CPC (for example: lack of the member's exit form, e-mail correspondence between the member and program director authorizing the CPC exit, resignation letter, etc.);
3. Lack of sufficient external supporting documentation to validate the member's CPC (for example, lack of doctor's notes⁴ supporting a severe illness or disability in accordance with Title 45 C.F.R. §2522.230, court orders, new employment letters, death certificates, etc.); and
4. Doctor's notes indicated that the member was excused from short-term service; however, doctor's notes did not state or confirm the members' medical condition prevented him/her from completing the full term of service after the short-term medical condition.

We noted 72 of 84 members (86 percent) with this finding had at least one other audit finding(s). Table 4 below illustrates the number of members and associated costs for each supporting documentation finding combination.

Table 4: Summary of Finding No. 2 and its Finding Combination

Audit Finding Combination	Number of Members	Improperly Certified Awards	Disbursed Cost
(2) Supporting Documentation Deficiencies only	12	\$27,508	\$17,195
(1) Invalid CPC Justifications and (2) Supporting Documentation Deficiencies	67	143,699	54,831
(1) Invalid CPC Justifications, (2) Supporting Documentation Deficiencies, and (3) Monitoring Control Deficiencies	5	11,748	4,678
Audit Finding included in Finding No. 1	(72)	(155,447)	(59,509)
Total	12	\$27,508	\$17,195

⁴ Most organizations require a doctor's note to support eligibility for paid sick leave in excess of three days (Absence Management Practices Survey dated June 2010 conducted by the Employers Resource Council).

Title 45 C.F.R. § 2522.230(3),(4) (2008), “Under what circumstances may AmeriCorps participants be released from completing a term of service, and what are the consequences?” states, in part:

(3) The participant has the primary responsibility for demonstrating that compelling personal circumstances prevent the participant from completing the term of service.

(4) The program must document the basis for any determination that compelling personal circumstances prevent a participant from completing a term of service.

During our testing, we determined that the substantial number of documentation deficiencies was due to the programs’ lack of knowledge of the CPC documents required by the regulation. This attributed to 8 percent of the audit’s total improperly certified awards (for Finding No. 2 only). Sufficient supporting documentation is necessary to ensure partial education awards are properly administered and to minimize the potential abuse over the awards. As a result, we question a total of \$27,508 due to supporting documentation deficiencies.

Recommendations

We recommend the Corporation:

2a) Disallow and recoup the questioned cost of \$27,508; and

2b) Provide training to Corporation and grantee personnel on the CPC documentation requirements. The training should focus on, but are not limited to:

- Identifying and reviewing examples of external documentation to validate CPC;
- Program director’s supporting documentation acknowledging the member’s CPC and authorization over the partial education award; and
- Resignation letters provided by member justifying CPC.

Finding 3. Monitoring Control Deficiencies

The legacy Web-Based Reporting System (WBRS⁵) required the AmeriCorps programs to document the CPC justification for members exiting the program due to CPC. During our audit, we identified 13 cases where the members’ CPC justifications in WBRS were inconsistent with the member’s actual reasons he/she exited the program.

We noted 12 of 13 members (92 percent) with Monitoring Control Deficiencies also had an invalid CPC justification in accordance to the Title 45 C.F.R. § 2522.230. Table 5 below illustrates the number of members and associated costs for each monitoring control finding combination.

⁵ WBRS was a Corporation system that was implemented during fiscal year 2000 and was used to maintain data for National Service Trust and grantees’ financial status reports. WBRS was discontinued in July 2009 and was replaced by the MyAmeriCorps Portal.

Table 5: Summary of Finding No. 3 and its Finding Combination

Audit Finding Combination	Number of Members	Improperly Certified Awards	Disbursed Cost
(3) Monitoring Control Deficiencies only	1	\$2,268	\$2,268
(1) Invalid CPC Justifications and (3) Monitoring Control Deficiencies	7	6,012	890
(1) Invalid CPC Justifications, (2) Supporting documentation Deficiencies, and (3) Monitoring Control Deficiencies	5	11,749	4,678
Audit Finding included in Finding No. 1	(12)	(17,761)	(5,568)
Total	1	\$2,268	\$2,268

The Corporation no longer utilizes the WBRS as the information technology system to record and retain AmeriCorps members' data. While WBRS allowed the AmeriCorps grantee personnel to include the member's CPC justification (in text descriptions) for each CPC-exited member, the MyAmeriCorps Portal currently does not have the functionality to document the justification as text descriptions. This lack of visibility of CPC justifications limits the Corporation's ability to monitor and track the member's CPC justifications for reasonableness.

Based on our review over the authorization process for partial education awards due to CPC, we determined that, subsequent to the programs' request for a partial education award, Corporation personnel process partial education awards based on the assumption that the AmeriCorps program has reviewed and authorized the member's CPC justification in accordance with the Federal regulations and grant provisions. With the exception of NCCC in which its program is administered directly by the Corporation personnel, the Corporation does not perform a review of the individual member CPC justification for reasonableness for grantees from AmeriCorps State and National and VISTA. We also noted that CPC review and approval processes vary among different State Commissions and grantees. As a result, we noted judgment and interpretations of CPC provisions were not applied in a uniform manner among State Commissions and grantees. Without a second-level review conducted by the Corporation, there is a risk that partial education awards could be granted to ineligible members due to invalid CPC justifications.

OMB Circular A-123, Management's Responsibility for Internal Controls, Part II, *Standards, E. Monitoring*, states:

Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations. If an effective continuous monitoring program is in place, it can level the resources needed to maintain effective internal controls throughout the year.

Deficiencies found in internal control should be reported to the appropriate personnel and management responsible for that area. Deficiencies identified, whether through internal review or by an external audit, should be evaluated and corrected. A systematic process should be in place for addressing deficiencies.

We determined that the Monitoring Control Deficiencies were due to the lack of a secondary organization's review outside of the AmeriCorps program over individual CPC cases. Monitoring Control Deficiencies attributed to less than one percent of the overall audit's total improperly certified awards. As a result, we question a total of \$2,268 due to monitoring control deficiencies.

The Corporation, as noted in the internal control improvement plan, plans to conduct reviews over a sample of partial education awards resulting from CPC and send annual reminders to grantees on CPC regulations.

Recommendations

We recommend the Corporation:

- 3a) Disallow and recoup the questioned cost of \$2,268;
- 3b) Implement the text description functionality in the MyAmeriCorps Portal to allow grantee personnel and the Corporation (for NCCC members) to document the CPC justification; and
- 3c) Implement the following monitoring controls over the CPC process:
 - 1) Require a secondary level of review (depending on the grant, either State Commission or the Corporation) to document the review of each individual CPC case for valid justification, proper supporting documentation, and the correct documented justification in the MyAmeriCorps Portal;
 - 2) Revise policy and procedure to require all AmeriCorps programs to provide members' CPC supporting documentation to the secondary level reviewer; and
 - 3) Implement the plan in reviewing a sample of CPC cases as part of the annual internal control review, focusing on the validity of the member's CPC justification in accordance with Title 45 C.F.R. § 2522.230, adequate supporting documentation for a member exited for CPC, and adequate authorization by the program personnel.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government audit standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to determine whether (1) approved justifications for compelling personal circumstances were supported and were consistent with AmeriCorps regulations, and (2) internal controls over Corporation and/or grantee processes related to compelling personal circumstances are sufficient to ensure compliance with laws, regulations, and Corporation policies.

We reviewed AmeriCorps members' CPC cases that were approved from July 1, 2007, to June 30, 2009. As part of our sampling methodology⁶, the OIG performed a risk assessment over the entire population for CPC exited members for the two year period. The population file was generated from the legacy WBRS system for all AmeriCorps members who were approved for a partial education award due to CPC during the audit period. As show in the Table 6 below, we preliminarily assessed the non-VISTA programs' population by classifying each CPC case into four risk categories, beginning with the highest risk. The sample selected was calculated according to the number of CPC cases multiplied by our calculated risk level.

Table 6: Sample Size by Risk Assessment

Risk assessment	Explanation	Total CPC Cases x by risk level	Sample Size
Stratum A: Very Likely not Justified - High Risk	CPC justification descriptions clearly appeared not in compliance with CPC criteria	363 (9.92%)	15
Stratum B: Likely not Justified - Moderate Risk	CPC justification descriptions likely appeared not in compliance with CPC criteria	311 (8.49%)	13
Stratum C: Appears to be Justified - Low Risk	CPC justification descriptions appeared to be in compliance with CPC criteria	2,201 (60.12%)	90
Stratum D: Insufficient Information / No Justification Provided	CPC justification descriptions do not provide sufficient basis to determine compliance of CPC criteria	786 (21.47%)	32
TOTAL		3,661(100%)	150

⁶ The OIG based its sampling methodology and sample sizes according to the AICPA Codification of Statements on Auditing Standards, AU Section 350, *Audit Sampling* (originally based on SAS 39, as amended by SAS 111); AU Section 9350, *Audit Sampling: Auditing Interpretations of Section 350* and the AICPA Auditing Practice Release, *Audit Sampling*.

The CPC file for VISTA members, as provided by the Corporation, did not contain CPC justification descriptions. For our analysis and sampling purposes, we identified the total number of CPC cases approved for VISTA members and utilized a data analysis software, Audit Command Language (ACL), to randomly select 19 VISTA members.

In order to assess the Corporation's programs overall internal control environment, we selected one member from each of the Corporation's programs – AmeriCorps State and National (including one State Commission, one National Direct, and one National Tribes), VISTA, and NCCC (five members total), and performed a walkthrough of the AmeriCorps program's internal controls over the CPC's justification, documentation, and authorization process.

During our fieldwork, 19 additional AmeriCorps members⁷ were identified by the Virginia Office on Volunteerism and Community Service as ineligible for partial education awards. In total, we tested 193 members. They are classified according to the following program types:

- 112 members from State Commissions
- 57 members from National Directs
- 20 members from VISTA
- 3 members from National Tribes
- 1 member from NCCC

Refer to Appendix B for a summary of the audit findings according to the Corporation's programs.

We excluded cases of audit findings related to CPC that were identified in other OIG's audits, agreed-upon procedures (AUP), and investigations from our population files.

We performed our fieldwork at the Corporation Headquarters between June 2010 and May 2011, as our fieldwork was temporary suspended during the period due to other work priorities. We contacted and interviewed Corporation personnel and grantees, requesting supporting documents from the members' files to validate the CPC justification and authorization of CPC cases. In addition, we obtained an understanding of the AmeriCorps programs' CPC approval process. We also reviewed copies of the members' resignation letters, program directors' authorizations for the member's partial education awards, doctor's notes, and court orders to validate the CPC. We analyzed the information gathered and documented the results and issues noted. We also coordinated with other OIG personnel to identify reported CPC cases in previous or current audits, AUPs, and investigations.

BACKGROUND

According to the Title 45 C.F.R. § 2522.230, the AmeriCorps program may release a participant from completing a term of service due to CPC as demonstrated by the participant, or for cause. If a participant who is released for a CPC, and has completed at least 15 percent of the required term of service, he/she is eligible for a pro-rated education award. The justification to release

⁷ These 19 members who received ineligible partial education awards due to CPC were identified during our recent grant AUP (OIG Report 11-14) of the Virginia Office on Volunteerism and Community Service. Since these ineligible partial education awards were not under the scope of that grant AUP, they were not reported in the OIG Report 11-14. However, the Virginia Office on Volunteerism and Community Service brought to our attention these ineligible partial education awards and we included these findings in this report.

the participant with an education award must be consistent with the criteria for CPC. CPC, as stated in Title 45 C.F.R. § 2522.230, include:

- *Those that are beyond the participant's control, such as, but are not limited to:*
 - 1) *A participant's disability or serious illness;*
 - 2) *Disability, serious illness, or death of a participant's family member if this makes completing a term unreasonably difficult or impossible;*
 - 3) *Conditions attributable to the program or otherwise unforeseeable and beyond the participant's control, such as a natural disaster, strike, relocation of a spouse, or the nonrenewal or premature closing of a project or program, that make completing the term unreasonably difficult or impossible*
- *Those that the Corporation, has for public policy reasons, determined as such including:*
 - 1) *Military service obligations;*
 - 2) *Acceptance by a participant of an opportunity to make the transition from welfare to work;*
 - 3) *Acceptance of an employment opportunity by a participant serving in a program that includes in its approved objectives the promotion of employment amount its participants.*

The C.F.R. further identifies that:

Compelling personal circumstances do not include leaving a program:

- 1) *To enroll in school;*
- 2) *To obtain employment, other than moving from welfare to work or in leaving a program that includes in its approved objectives the promotion of employment among its participants;*
- 3) *Because of dissatisfaction with the program*

Table 7 below shows the number and amount of members who earned education awards from fiscal years 2007 to 2009.

Table 7: Historic Data on Earned Education Awards

Fiscal Year	Members Earned Partial Education Award Due to CPC	Total Amount of Earned Partial Education Awards Due to CPC	Members Earned Education Award	Total Amount of Earned Education Awards
2007	1,851	\$ 4,113,484	54,850	\$ 163,152,542
2008	1,760	\$ 3,833,677	57,817	\$ 174,710,225
2009	1,848	\$ 4,114,227	66,084	\$ 201,684,289

In April 16, 2008, we issued OIG report 08-16, *Review of Bank Street College of Education's Justification for Compelling Personal Circumstances of an AmeriCorps Member*, related to a limited review of a member's CPC justification from a State Commission's subgrantee organization. The audit identified that the program approved a CPC justification, which allowed a \$1,276 partial education award, even though it did not meet the requirements of Title 45 C.F.R. § 2522.230 (a)(5).

Additionally, the OIG continues testing CPC as a standard audit procedure in our State Commission and grantee audits/AUPs⁸. Findings associated with CPCs are often reported. These findings are typically associated with invalid CPC justifications and insufficient documentation to support CPC justifications. Since January 2010, we have questioned \$61,352 due to CPC-related findings. Refer to Appendix C for the list of previous audits and AUPs that reported CPC-related findings.

EXIT CONFERENCE

We discussed the contents of this draft report with Corporation representatives at an exit conference on May 26, 2011. The Corporation's response to the draft report is included in this final report as Appendix D and is also summarized below.

CORPORATION RESPONSE

The Corporation stated that only a small percentage of total members (3.05 percent) and education awards (2.24 percent) were associated with CPC and that CPC determinations are relatively rare. Also, according to the Edward M. Kennedy Serve America Act, Congress gave AmeriCorps programs the authority to handle CPC determinations for their members. Therefore, the Corporation has a limited role in the administration of CPC determinations, with the exception of NCCC and VISTA members.

The Corporation acknowledged that the programs' discretion and subjective judgments are required to evaluate a member's CPC, and that CPC determinations made by the programs are entitled to a degree of deference. The Corporation acknowledged that 49 percent of the CPC determinations questioned by OIG were related to documentation issues, and 26 percent were associated with determinations addressed in the Corporation's regulations.

The Corporation agreed to take the following corrective actions:

- 1) Develop written guidance and frequently asked questions for acceptable and unacceptable CPC examples, alternatives to exit members, and examples of adequate CPC supporting documents;
- 2) Review guidance on releasing members for CPC with grantees and sponsors through technical assistance calls and require the grantees and sponsors to communicate such guidance with all subgrantees and operating sites;
- 3) Instruct State Commissions and National Direct grantees to include a review of supporting documentation for CPC determinations in their site visit monitoring tools;
- 4) Strengthen the Corporation's State/National monitoring tools to consistently include reviews of supporting documentation for CPC determinations; and
- 5) Review a sample of CPC determinations during the first quarter of Fiscal Year 2012 as a part of the Corporation's Internal Control Improvement Plan.

The Corporation stated that it would consider each CPC determination questioned by the OIG on a case-by-case basis; and therefore, it could not agree or disagree with the OIG's recommendation to disallow a total of \$378,574 in questioned education awards at this time.

⁸ Some of the audits and AUPs were performed by independent accounting firms, whose work were contracted and monitored by OIG.

The Corporation stated that, while it may recoup some education awards questioned by the OIG, it would not undertake any action for those CPC cases that were questioned due to the pregnancy of an AmeriCorps member, as such information could potentially prejudice the reputation of the former member.

The Corporation also stated that it would not implement the OIG's recommendation regarding a secondary review of all CPC determinations performed by either the Corporation or the applicable State Commission. The Corporation's reasons are due to the operational responsibility of the AmeriCorps programs on CPC determinations, the relatively rare occurrence of CPC, the very limited financial impact on the National Service Trust, and the low risk involved with CPC determinations. The Corporation also cited OMB Circular A-123, which states, "too many controls can result in inefficient and ineffective government; agency managers much ensure an appropriate balance between the strength of controls and the relative risks associated with particular programs and operations."

OIG COMMENT

We acknowledge the Corporation's planned actions to develop additional guidance, conduct technical assistance calls with grantees, strengthen site visit monitoring tools, and review a sample of CPC cases to address our audit findings. Although these planned actions satisfy the general intent of our recommendations 1b, 1c, 2b, and 3c3, we emphasize that the Corporation should also incorporate the level of detail noted in each of our recommendations (sub bullets) in order to thoroughly address specific aspects of CPC regulations and documentation requirements.

We are concerned that the Corporation has declined to implement key monitoring controls recommended by the OIG. We believe these controls could significantly mitigate the risk of future CPC findings, as noted in our audit report. The Corporation stated that it has no direct role in either making the CPC determinations or the certifications regarding education awards, with the exception of releasing a VISTA volunteer or a NCCC member from completing a term of service. The OIG does not dispute the AmeriCorps programs' operational responsibility and authority to discern its members' CPC cases. However, we believe that the Corporation, as the administrator of the Segal Education awards, has a primary responsibility to safeguard Federal assets from potential misuse and ensure adequate oversight and compliance with the C.F.R. for the CPC authorization and disbursement process.

The OIG's recommendation for a secondary review of the member's CPC determination serves as a monitoring control outside of the AmeriCorps program, not as an operational role. While the Corporation's planned actions include an examination of CPC determinations as part of the site monitoring tool, such an examination is limited to the sites the Corporation selects each year and may or may not include any members exited for CPC. In addition, the timeliness of the CPC review is solely dependent on the timing of Corporation's monitoring site visit in relation to the member's exit from the program. We believe that the Corporation's planned actions lack controls or actions that would detect and prevent, in a real-time basis, the improper certification and payments of partial education awards for potentially ineligible members. Implementing a secondary review immediately following the AmeriCorps program's submission of its member's CPC approval would allow the Corporation or State Commissions to independently evaluate and monitor the CPC justifications' compliance with the C.F.R. guidelines. In addition, errors could be identified in a timely manner, thereby minimizing the risk of improperly disbursed funds from

the National Service Trust, and limiting the potential for the AmeriCorps programs to repay the Corporation for any improperly certified awards. We consider this secondary review to be a key monitoring (not operational) control for the Corporation in detecting potential CPC issues on a timely basis.

We disagree with the Corporation's notion that there are low risks involved with CPC determinations and that such determinations are relatively rare and have a very limited financial impact on the National Service Trust. As explained in the audit methodology, we only tested a sample of 193 members with CPC over a two-year period (accounting for only 5.3 percent of the total population of 3,661 members with CPC). Our sampling resulted in a significant amount, \$328,574, of improperly certified partial education awards and \$120,352 of improper payments. Furthermore, 75 percent of our audit sample included findings related to questionable CPC justifications, insufficient documentation, or monitoring control deficiencies. The amount of improperly certified partial education awards and improper payments could be magnified if a larger sample size was tested.

Title 45 C.F.R. § 2522.230 should be utilized as the criteria for the proper justifications for exiting a member due to CPC. The C.F.R.'s examples of prohibited and allowable CPC show an unforeseen and unavoidable serious circumstance that prevents the member's ability to complete the term of service. As the AmeriCorps program utilizes its discretion, it is the program's responsibility, at a minimum, to adhere to the CPC criteria stated in the C.F.R. If the member's circumstance does not meet the specific criteria, the AmeriCorps member is ineligible for the CPC partial education award and, in turn, the AmeriCorps programs can offer other available options for a member to complete his/her term of service. Also, in response to the Corporation's response in footnote 3 regarding pregnant AmeriCorps members, we recommend that the Corporation consider reviewing these instances on a case-by-case basis as to whether they constitute a "disability or serious illness," whereby supporting documentation from a medical doctor affirms the pregnant member's CPC (for example, doctor's order for bed rest) and specifies the duration when the member cannot serve. All supporting documentation, either prepared by the AmeriCorps program personnel or provided by a third-party outside the program, should be maintained in the member's file.

We recently learned that the Corporation is drafting a memorandum *12-002: Documentation of Early Termination Requests by Members*, which provides guidance to the AmeriCorps VISTA program's appropriate justifications for CPC, and requiring supporting documentation, including doctor's notes for "disability or serious illness." As the Corporation reviews its guidance over CPC, per its planned actions, we encourage the Corporation to develop similar guidance for its AmeriCorps State and National programs in order to remain consistent with the planned VISTA policy on CPC.

We noted that the Corporation's response did not address our recommendation 3b regarding implementing text description functionality in the MyAmeriCorps Portal to document CPC justification. The implementation of this tool would enable the AmeriCorps program personnel to document the CPC justification in the Corporation's system. The text description functionality, similar to the legacy system WBRs, would provide greater visibility of CPC justifications and identify members who exited the programs due to CPC. It would also act as a monitoring tool for the State Commission and Corporation personnel by facilitating their reviews of CPC justifications.

As noted in this audit report as well as prior OIG audits and investigations, the lack of monitoring over CPC determinations and documentation has been identified as a pervasive noncompliance issue across the Corporation's programs; therefore, it should not be categorized as low risk. Our recommendation for a real-time, secondary review of all CPC determinations addresses the need for a monitoring control that can prevent and detect potential risks associated with CPC in the most efficient and timely manner. Our recommendation for such a review is based on the concept of continuous and timely monitoring control, as stated in the Government Accountability Office's Standards for Internal Control in the Federal Government:

Internal control monitoring should assess the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved (emphasis added)... Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities ... and other actions people take in performing their duties.

_____/s/
Stuart Axenfeld, Assistant Inspector General for Audit
Office of Inspector General
Corporation for National and Community Service

Appendix A

**Details of Finding No. 1:
Improperly Certified Awards and Disbursed Costs by
Invalid Compelling Personal Circumstance Justification Subcategories**

Details of Finding No. 1: Improperly Certified Awards and Disbursed Costs by Invalid Compelling Personal Circumstance Subcategories

Subcategories for Invalid CPC Justifications	Improperly Certified Awards	Disbursed Cost as of 5/30/11	Number of Members	% of Tested Sample
Program assigned member into a service term where member could not physically complete all hours due to the member's late enrollment or the program's improper placement of member service term	\$14,107	\$5,877	7	6%
Non-welfare member experienced economic, financial, housing hardships - left the program to find a full time job/moving out of the area	20,341	1,000	15	11%
Member returned to school	78,385	27,693	22	17%
Member experienced difficult personal circumstances that led him/her to voluntarily leave the program on his/her own terms	32,461	13,591	17	13%
Member experienced a short term medical condition, with supporting documents that did not indicate that the member could not finish term of service	36,342	1,859	15	12%
Member was pregnant and could not finish her term of service	15,220	825	6	4%
Member left the program due to cause (alcohol, substance abuse, bad behavior, etc.)	3,631	0	2	2%
Lack of a suitable alternative AmeriCorps assignment, after member was removed from previous program due to member's incapability to fulfill responsibilities	4,375	2,848	2	2%
Member was suspended from the program, but subsequently still issued a partial award	6,960	3,138	2	2%
Member noted a medical condition, with no external supporting documents; therefore, CPC cannot be determined or validated	65,118	23,162	34	25%
Based on no supporting documentation, CPC justification could not be determined and therefore does not qualify	21,858	20,896	9	6%
TOTAL	\$298,798	\$100,889	131	100%

Appendix B

Summary of Findings Sorted by Type of Program

Summary of Findings Sorted by Type of Program

State Commission

Finding Category	Member Instance	Improperly Certified Awards	Disbursed Cost
Findings No. 1, 2, 3	2	\$4,729	\$2,568
Findings No. 1, 2	35	68,564	23,349
Findings No. 1, 3	3	2,407	890
Finding No. 1	35	107,077	33,861
Finding No. 2	7	15,611	13,777
Finding No. 3	1	2,268	2,268
State Commission Total	83	\$200,656	\$76,713

National Direct

Finding Category	Member Instance	Improperly Certified Awards	Disbursed Cost
Findings No. 1, 2, 3	2	\$4,199	\$2,110
Findings No. 1, 2	20	41,618	13,641
Findings No. 1, 3	4	3,605	0
Finding No. 1	11	12,686	2,907
Finding No. 2	4	8,480	0
National Direct Total	41	\$70,588	\$18,658

VISTA

Finding Category	Member Instance	Improperly Certified Awards	Disbursed Cost
Findings No. 1, 2	11	\$30,316	\$14,639
Finding No. 1	5	15,120	3,723
Finding No. 2	1	3,417	3,417
VISTA Total	17	\$48,853	\$21,779

National Tribes

Finding Category	Member Instance	Improperly Certified Awards	Disbursed Cost
Findings No. 1, 2, 3	1	\$2,821	\$0
Findings No. 1, 2	1	3,202	3,202
Finding No. 1	1	2,454	0
National Tribes Total	3	\$8,477	\$3,202

NCCC

No exception noted.

Appendix C

**OIG Reports Issued from January 2010 to August 2011 with
Compelling Personal Circumstances Findings**

**OIG Reports Issued from January 2010 to August 2011 with
Compelling Personal Circumstances Findings**

OIG Report No.	OIG Report Title	Questioned Costs
10-08	Audit for Corporation Grants Awarded to the University of San Francisco – School of Education	\$ 684
10-10	Audit of Corporation for National and Community Service Grant Awarded to Health Federation of Philadelphia	175
10-14	Audit of Corporation Grants Awarded to Missouri Community Service Commission	6,113
10-17	Audit of Corporation Grants Awarded to Greater Pittsburgh Literacy Council	1,759
11-05	Audit of Corporation for National and Community Service AmeriCorps Grants Awarded to US. Committee for Refugees and Immigrants	2,982
11-08	Agreed-Upon Procedures Review of Corporation Grants Awarded to the Child Abuse Prevention Council of Sacramento (CAPC) & Prevent Child Abuse California	9,710
11-14	Agreed-Upon Procedures Review of Corporation Grants Awarded to the Virginia Office on Volunteerism and Community Service	6,058
11-15	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Commonwealth of Northern Mariana Islands Public School System (CNMI)	8,952
11-16	Agreed-Upon Procedures Review for Corporation for National and Community Service Grants Awarded to Serve Guam! Commission	24,919
	Total Questioned Costs	\$ 61,352

Appendix D
Corporation's Response to Draft Report

MEMORANDUM

To: Stuart Axenfeld, Assistant Inspector General for Audit

From: *Kim Mansaray for IN*
Idara Nickelson, Chief of Program Operations

Date: October 13, 2011

Subject: Response to OIG Draft Report on the Audit of Earned Education Awards
Resulting from Compelling Personal Circumstances

Thank you for the opportunity to comment on the OIG draft report on the Audit of Earned Education Awards Resulting from Compelling Personal Circumstances. The audit will provide the Corporation with useful information in developing further guidance for AmeriCorps programs and CNCS State Office staff. At the outset, it should be noted that only 3.05% of AmeriCorps members are released from completing their terms of service for compelling personal circumstances, and that partial Segal Education Awards given to those members represent only 2.24% of the total amount of all Segal Education Awards.¹ Thus, compelling personal circumstances determinations are relatively rare.

In passing the Kennedy Serve America Act, Congress made clear that AmeriCorps programs which supervise AmeriCorps members have the authority to determine whether a member should be released for compelling personal circumstances and the authority to certify that members released for compelling personal circumstances are entitled to a partial Segal Education Award.² The Corporation has no direct role in either making the compelling personal circumstances determinations or the certifications regarding education awards, with the exception of releasing a VISTA volunteer or a member of the National Civilian Community Corps (NCCC) from completing a term of service. The Corporation's role is limited to assessing charges against the AmeriCorps program if it determines that the certification regarding the education award was erroneous. Thus, the Corporation's final actions in response to the issues raised in this report will reflect that this is a rare event, in which the Corporation generally has a limited role.

Our role is limited with good reason. Many of the determinations of whether a term of service was ended for a compelling personal circumstance involve the exercise of discretion and subjective judgments which the programs (as the direct supervisors involved) are best able to evaluate. Because of this, the compelling personal circumstance determinations of the programs are entitled to some degree of deference. Nonetheless, in reviewing the information contained in the draft findings, we note that 49% of the compelling personal circumstances determinations questioned by the OIG relate to documentation issues (i.e., lack of documentation, incomplete documentation, or OIG concerns about the detail of medically-based determinations). We also note that about 26% of the determinations questioned by OIG relate to members either leaving their term of service for enrollment in school, a job, or economic hardship. These matters are

¹ See Table 7 of the draft OIG report.

² See sections 139(c) and 146A(a) of the National and Community Service Act, 42 U.S.C. §§12593(c) and 12602a(a).

clearly addressed in the Corporation's regulations related to compelling personal circumstances determinations. Thus, the audit's findings indicate that AmeriCorps programs are not sufficiently familiar with the requirements in the regulations. Accordingly, the Corporation will:

1. Develop and disseminate to grantees, sponsors and staff written guidance and frequently asked questions (FAQs) on the compelling personal circumstances regulations. The guidance will include:
 - Examples of acceptable and unacceptable circumstances for programs to approve releasing an AmeriCorps member for compelling personal circumstances;
 - Options programs have for AmeriCorps members to complete their terms of service instead of leaving prior to completion; and
 - Examples of supporting documentation that adequately support decisions to release an AmeriCorps member from their term of service under compelling personal circumstances.
2. Review guidance on releasing AmeriCorps members from their term of service for compelling personal circumstances in upcoming technical assistance calls with Corporation grantees and sponsors and require them to disseminate the agency's guidance on compelling personal circumstances to all subgrantees and operating sites.
3. Instruct State Service Commissions and AmeriCorps direct grantees to include review of supporting documentation for compelling personal circumstances determinations in their site visit monitoring tools.
4. Strengthen the agency's AmeriCorps State/National monitoring tools to consistently include review of supporting documentation for compelling personal circumstances determinations.

In addition, under its Internal Control Improvement Plan, the Corporation will institute its own review of a sample of compelling personal circumstance determinations during the first quarter of fiscal year 2012.

The report recommends that the Corporation "disallow" \$378,574 of Segal Education Awards related to the compelling personal circumstances determinations it considers to be undocumented or incorrect. The Corporation will have to consider each determination questioned by the OIG on a case-by-case basis, and therefore cannot agree or disagree with the OIG's recommendation at this time. After reviewing the relevant information (including any relevant additional documentation that may be provided by the programs, sponsors and members involved), the Corporation may determine that some education awards need to be recouped.³

Finally, we note that the OIG recommends that the Corporation require that all compelling personal circumstances determinations be reviewed by either the Corporation or the applicable

³ However, the Corporation will not undertake a review of those cases questioned by the OIG solely on the basis that the AmeriCorps member was pregnant. (See pages 4 and 16 of the draft OIG report). As a matter of law and sound public policy, the Corporation will not undertake any action that could potentially prejudice a former AmeriCorps member (or the program or sponsor where the member served) based solely upon the fact of a member's pregnancy.

State Service Commission. For several reasons, the Corporation will not implement this recommendation. First, the Congress has made clear that the compelling personal circumstances determinations are an operational responsibility of the AmeriCorps programs. The statutory role of the Corporation and State Service Commissions is to oversee how those programs and sponsors carry out their responsibilities, not to usurp part of those responsibilities.

Second, as noted above, compelling personal circumstances determinations are relatively rare and have a very limited financial impact on the National Service Trust. The Corporation considers the operational and organizational cost of having AmeriCorps programs submit these determinations for outside review by Commissions or the Corporation to be inordinately high given the low risks involved. As stated in OMB Circular A-123, “[t]oo many controls can result in inefficient and ineffective government; agency managers must ensure an appropriate balance between the strength of controls and the relative risk associated with particular programs and operations.”

cc: Robert Velasco, Acting Chief Executive Officer
William Anderson, Chief Financial Officer
John Gomperts, Director of AmeriCorps State/National
Valerie Green, General Counsel
Mary Strasser, Director of AmeriCorps VISTA