

Office of Inspector General

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

*Semiannual Report To Congress*

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## **About The Office of Inspector General**

In 1993, Congress created the Corporation for National and Community Service (Corporation), along with this Office of Inspector General (OIG), in the National and Community Service Trust Act (42 U.S.C. §§ 12501-681). Independent of the agency we oversee, and led by a presidential appointee, the OIG conducts audits and investigations of Corporation programs, including AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, and Senior Corps. The OIG also examines Corporation operations, and State community service programs that receive and distribute the majority of Corporation grant funds. Based on the results of our work, and in addition to its audit reports and criminal and civil referrals based on our investigations, the OIG recommends to the Corporation policies to promote economy and efficiency.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the first six months of Fiscal Year (FY) 2012. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

March 31, 2012

I am pleased to share with you this Semiannual Report to Congress, which highlights activities of the Office of Inspector General (OIG) for the first half of Fiscal Year (FY) 2012. During this reporting period our Investigations Section opened 12 investigations, closed 20 investigations, 11 of these had significant findings, and recovered more than \$2.4 million of misused federal funds. In addition our Audit Section issued 8 reports which identified \$334,000 in funds that could be put to better use.

In this report you will find highlights of specific investigations and audits that resulted in savings to the taxpayer, along with recommendations we made to the agency that are designed to strengthen internal controls and agency programs.

I wish to thank the staff of the OIG for their hard work and dedication during a difficult first half of Fiscal Year 2012.



Kenneth C. Bach  
Deputy Inspector General

## Audit Section

*The Office of Inspector General Audit Section is responsible for reviewing the financial, administrative, and programmatic operations of the Corporation for National and Community Service. The Audit Section's responsibilities include auditing the Corporation's annual financial statements, assessing the Corporation's management controls, reviewing the Corporation's operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are issued to Corporation management for its action or information.*



## Audit Section

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### Audit Results

During this reporting period, the OIG Audit Section issued 8 reports, as listed on page 9. There were three grantee audits issued during this period, which included a Social Innovation Fund grantee, a Senior Corps grantee, and a VISTA grantee. There were nine agreed-upon procedures/audits in process at the end of this reporting period. Our efforts also included the following reviews designed to improve overall Corporation operations

- An in-process audit of National Service Trust Payments to Financial and Education Institutions;
- An evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)
- An audit of Earned Education Awards Resulting from Compelling Personal Circumstances; and
- An in-process evaluation of the Corporation's Oversight and Resolution of OMB A-133 Reports.

### Significant Audit Activity

#### **Audit of the Corporation for National and Community Service's Fiscal Year 2011 Financial Statements and National Service Trust Schedules**

This statutory audit of the Corporation's FY 2011 Financial Statements and National Service Trust Schedules resulted in unqualified ("clean") opinions, indicating that the financial statements and National Service Trust schedules were fairly presented, in all material respects, in conformity with generally accepted accounting principles, and that there were no instances of noncompliance with laws and regulations. However, the auditors identified a material weakness, which was last reported in FY 2000, for the grant accrual estimates. This was due to the Corporation's inadequate review process of its accrual calculation and resulted in a \$177.7 million restatement of the FY 2010 Financial Statements. This material weakness was related to the Corporation's overall internal control environment and assessment process, in which we expressed our concerns to the Corporation's management throughout the fiscal year.

### **Evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)**

In response to the President's July 2010 mandate on implementing the IPERA, we performed an evaluation of the Corporation's compliance with IPERA. We found that the Corporation's reporting of its improper payment assessment in the Fiscal Year (FY) 2011 Agency Financial Report was in compliance with the reporting requirements prescribed by IPERA. However, we concluded that the Corporation's finding of a single improper payment of \$2.14, with projected estimated improper payments of \$3,947, is underestimated and unreliable, based on the following findings: (1) a key attribute for testing improper payments was removed from the testing work papers and was not tested or considered in assessing improper payments; and (2) the Corporation's efforts to estimate improper payments did not address all known weaknesses. The estimate reported by the Corporation was in significant contrast to the significant improper payments identified by our audits and investigations.

Based on our findings, we recommended that the Corporation refine its testing plan to include attributes to verify that it did not make payments for unintended and unallowable activities. We also recommended that the Corporation ensure that the sample size utilized to analyze improper payments allows for sufficient and comprehensive testing. We further recommended that the Corporation implement testing procedures that completely and accurately identify the full extent of improper payments by capturing improper payments identified in OIG audits and investigations. We also recommended that the Corporation utilize its existing monitoring tools, including quarterly reviews, internal control reviews, and grantee/subgrantee monitoring reviews, to enhance the process of identifying and recovering improper payments. The Corporation stated that our recommendations will be considered in planning future IPERA assessments.

### **Audit of Awards of Partial Education Awards to AmeriCorps members for Compelling Personal Circumstances**

Recent OIG audits and investigations have repeatedly questioned costs for partial education awards to AmeriCorps members who were early-exited by the programs from their terms of service based on compelling personal circumstances (CPC). In response to these repetitive findings, we initiated a cross-cutting, global audit covering the entire population of CPC cases over a two-year period.

Our audit sought to determine whether the AmeriCorps members who exited the program and were awarded a partial education award, received such an award based on a valid CPC justification, as defined by Title 45 of the Code of Federal Regulations § 2522.230. Additionally, we evaluated whether the AmeriCorps programs maintained adequate supporting documentation to validate the CPC award. We also assessed the Corporation's internal controls surrounding the CPC's review and authorization process.

## Audit Section

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Based on our results, we noted wide-spread noncompliance for 75 percent of the tested population, resulting in total questioned costs of \$328,574, of which \$120,352 was identified as improper payments. Our findings cited invalid CPC justifications for the award, lack of supporting documentation, and monitoring control discrepancies. We also noted weaknesses in the Corporation's and the AmeriCorps program's ability to validate, review, and approve CPC cases. We recommended the Corporation disallow and recover the questioned costs, and implement monitoring controls requiring a secondary level of review of each approved CPC case. We also recommended the Corporation implement the text description functionality in its MyAmeriCorps Portal system to allow grantee and Corporation personnel to document the CPC justification.

The Corporation disagreed with our recommendation to require secondary review of all CPC determinations. We believe that the Corporation currently lacks controls that would detect and prevent, on a real-time basis, the improper payments of partial education awards for ineligible members. Implementing a secondary review immediately following the AmeriCorps program's submission of its' members' CPC approvals would allow the Corporation and State Commissions to independently evaluate and monitor CPC cases. In addition, errors could be identified in a timely manner, thereby minimizing the risk of improper payments, and preventing the Corporation from "paying and chasing" grant money for improperly certified awards.

### **Fiscal Year 2011 Federal Information System Management Act (FISMA) Independent Evaluation**

We found that the Corporation took significant steps to enhance its information security program. Our evaluation included five recommendations to further improve the Corporation's information security posture, including:

- Conduct annual assessments in a more structured, planned process;
- Develop a Service Level Agreement or provide an Information Security Certification and Accreditation documentation for a facility location;
- Include the ServiceNow server as part of the Corporation's network boundary;
- Require all office directors to conduct semiannual office walkthroughs to detect instances of unsecured Personally Identifiable Information (PII); and
- Develop a record retention policy that directs the procedures required by National Archives and Records Administration and issue the policy to field office directors.

The OIG agreed to the Corporation responses to our findings and recommendations.

### **Management Alert – Audit of the Corporation's Grants Awarded to Operation REACH, Inc. (ORI)**

The OIG presented a management alert to the Corporation in October 2011 to discuss our concerns and preliminary audit findings on an ongoing audit of grants awarded to New Orleans-based Operation REACH, Inc. (ORI). Representatives from

the Alabama, Georgia, and Louisiana Commissions were also briefed. The audit covers all of the Corporation's grants held by ORI (National Direct, State grants received from the Alabama, Georgia, and Louisiana State Commissions, Learn & Serve, and VISTA), for program years 2008-2009, 2009-2010, and 2010-2011. The management alert presented significant findings including: unreconciled differences between ORI's general ledger and Federal Financial Reports, lack of central financial oversight, unallowable expenses, unsupported match expenses program costs, and in-kind valuation, improperly allocated expenses, unallowable and unsupported hours for ORI staff and AmeriCorps members, unsupported eligibility of AmeriCorps members, and unallowable service activities conducted by a VISTA member. We expect to issue a final ORI audit report during the next reporting period.

### **Peer Review of National Science Foundation Office of Inspector General**

We conducted a quality control review of the audit operations of the Office of Inspector General, National Science Foundation (NSF). External peer reviews are conducted within the OIG community to evaluate the audit organization's system of internal quality control and to ensure that it complies with generally accepted government auditing standards (the GAO Yellow Book). As part of the peer review, we evaluated the NSF OIG's staff qualifications, their independence, audit work, training, and quality control procedures. NSF received a pass rating, the results of this peer review can be found on the NSF OIG's website at [www.nsf.gov/oig](http://www.nsf.gov/oig).

### **Audit Outreach Activity**

The Audit Section continued its efforts to keep the grantee community informed on OIG audit activities and systemic concerns impacting our mission of preventing and detecting waste, fraud and abuse in Corporation programs. In October 2011, we participated in a conference for recipients of Social Innovation Fund grant awards in fiscal year 2011. This conference, designed specifically for SIF awardees, presented critical information to the 27 attendees on effective financial management, allowable costs and internal controls. The OIG, represented by a veteran audit manager, reviewed SIF grant audit objectives, accounting system requirements, and the reporting and resolution processes. Our presentation also included a discussion of so-called "red flags" that typically trigger audits and investigations, as well as new compliance requirements for properly conducting criminal background checks on program participants.

### **Draft Management Decisions With Which The OIG Disagreed**

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

- Report No. 11-07, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Serve Alaska

## Audit Section

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- Report No. 11-18, Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Alabama Governor's Office of Faith-Based and Community Initiatives

Both reports found that the these State Commission's subgrantees lacked adequate procedures for conducting searches of the National Sex Offender Public Registry (NSOPR), because the searches conducted by subgrantees did not cover all 50 states. The Corporation's Management Decision stated that the Federal regulations requiring the NSOPR check were met by the programs.

Corporation guidance in two "Frequently Asked Questions" both state that, for links to States that are temporarily inoperative at the time of the check, it is a best practice to re-check the NSOPR at a later date to verify that the applicant is not a registered sex offender in those states. The OIG believes verifying all 50 states is required by the Kennedy Serve Act.

The Management Decisions acknowledge that "Federal regulations require that the NSOPR check be conducted." However, the management decisions further state, "[t]he regulations do not require that system connectivity be functioning for all 50 states when the NSOPR is conducted".

Report No. 11-07 found that subgrantee NSOPR searches did not include a search of the member's birth name. The Corporation's Management Decision stated that searches based on both birth and married names are not required by the Kennedy Serve Act. The OIG believes performing both searches is a best practice the Corporation should require of its' grantees and subgrantees to meet the intent of the Act.

Given the need to protect vulnerable populations and prevent a sex offender incident from occurring in the Corporation's programs, the Corporation's guidance on the NSOPR searches should be consistent with the requirements of the Kennedy Serve Act. Conducting the NSOPR searches of all 50 states, and on both birth and married names of an applicant will ensure that applicants are suitable for service.

## Audit Section

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October 1, 2011-March 31, 2012					
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use	
		(Dollars in thousands)			
12-01	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2011 Financial Statements</i>	\$0	\$0	\$0	\$0
12-02	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2011 National Service Trust Schedules</i>	\$0	\$0	\$0	\$0
12-03	<i>Audit of US Soccer Federation Foundation's Grant Financial Management System</i>	\$0	\$0	\$0	\$0
12-04	<i>Audit of Earned Education Awards Resulting From Compelling Personal Circumstances</i>	\$0	\$0	\$0	\$329
12-05	<i>Audit of Corporation for National and Community Service Volunteers In Service to America (VISTA) Grants</i>	\$0	\$0	\$0	\$0
12-06	<i>Federal Information Security Management Act (FISMA) Review for FY 2011</i>	\$0	\$0	\$0	\$0
12-07	<i>Audit of Corporation for National and Community Service Grants Awarded to Wayne County Action Program, Inc.</i>	\$2	\$0	\$0	\$5
12-10	<i>Evaluation of the Corporation's Compliance with Improper Payments Elimination and Recovery Act (IPERA)</i>	\$0	\$0	\$0	\$0
TOTAL		<u><u>\$2</u></u>	<u><u>\$0</u></u>	<u><u>\$334</u></u>	

# Investigations Section

*The Office of Inspector General Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in Corporation for National and Community Service programs and operations. The Investigations Section carries out these responsibilities by investigating allegations of criminal activities involving the Corporation's employees, contractors, and grant recipients. Criminal investigations are presented to the U.S. Attorney or, in some cases, the local prosecutor for criminal prosecution and monetary recovery. Some investigative reports are referred to Corporation management for its administrative action or information.*



# *Investigations Section*

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## **Investigative Results**

During this reporting period, the OIG Investigations Section opened 12 new cases and closed 20, including 11 actions with significant findings. Our efforts resulted in the recovery of more than \$2,422,785 in taxpayer funds and the potential recovery of more than \$2 million from persons and programs found to have engaged in fraud, waste, or abuse of Corporation resources.

Our investigations also resulted in the successful prosecutions of eleven targets who misused Federal grant funds for personal gain. All eleven plead guilty to violations of Federal law when confronted with the evidence developed by our Special Agents.

We were assisted in our work during this period by 53 calls, letters and e-mails to our Fraud Hotline and by referrals from Corporation managers, employees and program participants.

## **Significant Cases and Activity**

We received an allegation that the Executive Director of an Oklahoma Foster Grandparent Program was utilizing program staff for services not related to the grant. The OIG, working jointly with personnel from the Corporation's Field Financial Management Center, Philadelphia, PA, and Oklahoma state office determined that the grantee was unable to provide supporting documentation for expenditures it had claimed under its FGP grants between 2008 and 2010. On March 1, 2012, the Corporation issued a demand for payment letter to the grantee to recoup \$1,133,297.76 in disallowed costs.

We found that the Executive Director of an AmeriCorps program, which had been awarded more than \$2 million in Federal funds through both State and National Direct grants during the period September 2005 and October 2008, could not account for more than \$950,000 of those funds. This matter was referred to the Department of Justice (DOJ) Criminal Division, which declined prosecution due to the insufficiency of evidence and the availability of civil or administrative alternatives. The DOJ Civil Division also declined to take action based on the fact the neither the Executive Director nor the organization had assets sufficient to satisfy a judgment at any level. On January 4, 2011, we referred this matter to the Corporation for administrative action to recoup the funds. On October 13, 2011, the Corporation issued a demand for payment letter to the grantee to recoup \$325,136.12, in unsupported grant funds. On November 28, 2011, the Texas OneStar Foundation issued a demand for payment letter to the grantee to recoup \$569,131.41, in unsupported AmeriCorps State grant funds.

An anonymous caller reported that a VISTA Executive Director in Arkansas submitted false documentation concerning the services being performed by the

VISTA members. Our investigators found evidence that the Executive Director made false statements to cause the disbursement of \$122,284.60 of Federal funds when he assigned VISTA members to service not authorized under the grant terms. The United States Attorney's Office declined to take criminal prosecution and also declined civil action on the ground that that it did not appear economical to pursue such action. The Corporation subsequently issued a demand for payment letter to the grantee to recoup \$96,059.16. This matter was referred to Corporation's Suspension and Debarment Official requesting debarment of the Executive Director.

Corporation management reported receiving information that an official at a VISTA project in Puerto Rico was allowing its VISTA members to enroll at the local university without having to perform full-time service in violation of the VISTA policy. Our investigation disclosed that the VISTA supervisor knowingly enrolled VISTA members that were also enrolled at the university in violation of the terms and conditions of the VISTA program. The supervisor conspired with the VISTA members to hide the fact that they were enrolled in the university when they attended the VISTA orientation training. The VISTA supervisor and members admitted they did not perform required service, resulting in a loss to the Government. The United States Attorney's Office (USAO) accepted this investigation for prosecution. The supervisor plead guilty to the offense of False Statement and was sentenced to 18 months of probation. The grantee, a Puerto Rican municipal government, agreed to a settlement in the amount of \$160,000 and the USAO agreed to defer prosecution for eleven VISTA members under its Pretrial Diversion Program (PDP) for a period of six months for the offenses of False Statement.

We received information that a GSA-approved contractor had submitted fraudulent information in its contract proposal to the OIG. We found evidence that the president of the contracting firm knowingly made misrepresentations and submitted false documents to the OIG and the OIG relied on this fraudulent information when it awarded the firm an audit contract in the amount of \$141,693.49. The OIG issued a termination for cause letter to the contractor and requested reimbursement of the \$85,683.03 already paid to it. The OIG duly received the reimbursement. The United States Attorney's Office declined to prosecute, citing the low-dollar amount involved. We referred the matter to GSA, requesting they consider removing the contractor from the GSA schedule.

The Georgia State Commission reported that, during a site visit, it discovered that an AmeriCorps sub-grantee was failing to document the eligibility and background checks of its' members. Our investigation found that the sub-grantee lacked proper eligibility documents, and had not conducted National Sex Offender Public Registry and/or State criminal registry checks prior to the members' enrollment. The OIG questioned \$59,000 in education awards made to the ineligible members. The Corporation subsequently disallowed \$23,905 and issued a demand for payment letter to the grantee.

The OIG received a Fraud Hotline report that a Retired Senior Volunteer Program (RSVP), in Louisiana was submitting false timesheets. Our Special Agents found

## *Investigations Section*

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that the RSVP Executive Director had allowed the program's Project Director to leave work early and record on her time sheet that she had completed a full work day, resulting in a loss of \$3,391.50. The United States Attorney's Office declined to prosecute, citing the low-dollar amount. The Corporation issued a demand for payment letter to the grantee to recoup the \$3,391.50.

The Corporation's Florida State Office reported that a grantee operating two Retired Senior Volunteer Programs (RSVP) was falsely reporting the number of volunteers enrolled in its program. We reviewed the grantee's financial drawdowns and expenditures found no indications of misuse of Federal program funds. However, we found that the grantee had failed to update its RSVP station rosters to actually reflect current number of volunteers and the locations they were serving. During our investigation we found that several of the service locations listed as active site reported not having any RSVP volunteers for several years. Some stations reported never having had RSVP volunteers at their location. Corporation management reported that the grantee relinquished its RSVP grants.

The FBI received allegations that the AmeriCorps program official was engaging in fraudulent activity by allowing members to receive living allowances to which they were not entitled. A joint investigation with the FBI found that a few local criminal street gang members had enrolled in a Western New York AmeriCorps program. The gang members were engaged in intimidating other AmeriCorps members into joining their gang and one gang member was in a personal relationship with one of the program officials. Further, we discovered that several members were using illicit drugs and alcohol during their AmeriCorps service. Program management terminated the gang members, as well as the program official who had engaged in the inappropriate behavior. Additionally, program management hired a new controller to improve its internal controls. Finally, our investigation found no evidence that members received unauthorized AmeriCorps living allowance payments. We referred this matter to Corporation management for appropriate action.

## Investigations Section

<b>Summary Of Cases</b>	
<b>Opened and Closed</b>	
Cases Open at Beginning of Reporting Period	35
New Cases Opened	10
Cases Closed this Period With Significant Findings	11
Cases Closed this Period With No Significant Findings	9
Total Cases Closed	20
Cases Open at End of Reporting Period	25
<b>Referred</b>	
Cases Referred for Prosecution	2
Cases Accepted for Prosecution	0
Cases Declined for Prosecution	2*
Cases Pending Prosecutorial Review	1*
Cases Pending Adjudication	3
<b>Recommendations to Management</b>	
Investigative Recommendations Referred to Management	18
Investigative Recommendations Pending this Reporting Period	16
Investigative Recommendations Pending from Previous Reporting Periods	0
* This includes cases referred for prosecution during the previous reporting period.	

# Review of Legislation and Regulations

*Section 4(a) of the Inspector General Act directs the Office of Inspector General to review and make recommendations about existing and proposed legislation and regulations relating to the Corporation's programs and operations. The Office of Inspector General reviews legislation and regulations to determine their impact on the economy and efficiency of the Corporation's administration of its programs and operations. It also reviews and makes recommendations on the impact that legislation and regulations may have on efforts to prevent and detect fraud and abuse in Corporation programs and operations. The Office of Inspector General draws on its experience in audits and investigations as the basis for its recommendations.*

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# *Review Of Legislation And Regulations*

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## **Senior Corps Participation and Citizenship or Legal Residency Requirements**

During this reporting period, the OIG became aware of a rule enacted by the Welfare Reform Act of 1996 requiring that citizenship or legal residency be established for individuals to participate in grant programs that would provide to the individual a so-called “public benefit.” Aware that Senior Corps programs, unlike other Corporation grant programs, have no citizenship or legal residency requirements for individuals to participate, we alerted Senior Corps management of this statutory provision, 8 U.S.C. § 1611, and advised that they undertake an evaluation as to whether the stipends, insurances, transportation assistance, and meals provided to Senior Corps participants constitute a “public benefit,” thereby requiring the program to institute eligibility rules based on citizenship or legal migration status.

Without citing legal authority, the Corporation summarily responded to the OIG that the citizenship rules in the Welfare Reform Act apply only to those receiving “welfare payments” under “entitlement programs,” and that any assistance provided to Senior Corps participants is not such a payment, and so the citizenship rules do not apply. The Corporation then sought OIG’s concurrence for this view.

The OIG declined to provide such a concurrence, and suggested that the Corporation reconsider the question. Pointing out that the U.S. Department of Health and Human Services issued guidance on interpretation of this Welfare Reform Act rule in 1998, -- guidance under which HHS determined that many of its own discretionary grant programs were in fact providing public benefits requiring a citizenship check, and not just HHS administered entitlement programs providing welfare payments -- we observed that one could readily conclude, based on HHS criteria, that Senior Corps assistance payments are also public benefits.

The OIG alerted the Corporation management of this HHS guidance in January of this reporting period, and again in February. We will report on the Corporation’s response in a future reporting period.

## **Corporation Policy Council**

The OIG continued its active participation in the Corporation’s Policy Council, which is charged with developing and amending internal policies covering all operations. During this period, we commented on a number of proposed policies, including its Grant Close-out Policy, its Internal Control Procedures Policy, and its policy on its Grant Application Review Process.

With respect to the Grant Close-out Policy, the Corporation declined to accept our suggested changes, such as requiring that grant’s program staff review any OMB Circular A-133 audits for findings of questioned costs or program compliance violations and resolve those findings as part of the close-out procedure. The Corporation contended such findings are rare.

## *Investigations Section*

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With respect to the Internal Control Procedures Policy, the Corporation reposted the policy without any revisions and indicated that it will reinitiate the process of proposing a new accountability and oversight infrastructure at the Corporation. For the past several years, the OIG has advised the Corporation's Senior Assessment Team (SAT) on various issues related to its internal control assessment process and the SAT functions through participation on the SAT team and through management letters, and will make further recommendations to the revised Internal Control Procedures Policy.

Also during this period, the Corporation accepted our suggested changes and comments to its Staff Communication with Potential Applicants and Applicants during Grant Application Review Process (GARP) Policy. Our comments on that policy were based on the OIG final report *Evaluation of the 2010 Social Innovation Fund GARP* and additional policy review.

During a prior reporting period, the OIG reviewed the Corporation's Conference Planning Policy to determine its adherence to the requirements of the Federal Travel Regulation. The OIG found that the Corporation's policy lacked the essential planning criteria contained in the Federal Travel Regulation, which is designed to ensure that conference costs result in the greatest financial advantage to the Government. The Corporation's policy was limited to instruction that a planner consider three sites, and that the planner minimize administrative and travel costs by limiting the number of Corporation attendees. During this reporting period, the Corporation approved a new policy for this area under the title "Travel – TDY and Conference Planning: CNCS Supplement to the Federal Travel Regulation (FTR)." Other than requiring that the Corporation Chief Financial Officer approve attendees and reimbursements, the new policy incorporates by reference the FTR, and directs staff to consult the FTR for any question one may have regarding Conference Planning.

# Statistical and Summary Tables

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



# Tables

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## I. Inspector General Act Reporting Requirements

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

Section	Requirement	Page
4 (a)(2)	Review of legislation and regulations	19
5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
5 (a)(2)	Recommendations with respect to significant problems, abuses and deficiencies found in the administration of Corporation programs and operations	Throughout
5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	28
5 (a)(4)	Matters referred to prosecutorial authorities	14
5 (a)(5)	Summary of instances where information was refused	None this period
5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs, unsupported costs and the dollar value of recommendations that funds be put to better use	11
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	25
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	26
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	27
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	9

**II. Reports With Questioned Costs**

<b>Federal Costs</b>			
<b>Report Category</b>	<b>Number</b>	<b>Questioned</b>	<b>Unsupported</b>
A. Reports for which no management decision had been made by the commencement of the reporting period	11	\$912	\$262
B. Reports issued during the reporting period	1	<u>\$2</u>	<u>\$0</u>
C. Total Reports (A + B)	12	\$914	\$262
D. Reports for which a management decision was made during the reporting period	3	\$34	\$20
I. Value of disallowed costs		\$20	\$20
II. Value of costs not disallowed		<u>\$14</u>	<u>\$0</u>
E. Reports for which no management decision had been made at the end of the reporting period (C minus D)	9	<u>\$880</u>	<u>\$242</u>
F. Reports with questioned costs for which no management decision or proposed management decision was made within six months of issuance	5	\$428	\$122

## Tables

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### III. Reports With Recommendations That Funds Be Put To Better Use

Report Category	Number*	Dollar Value*
		(Dollars in thousands)
A. Reports for which no management decision had been made by the commencement of the reporting period	9	\$348
B. Reports issued during the reporting period	2	\$334
C. Total Reports (A + B)	11	\$681
D. Reports for which a management decision was made during the reporting period	2	\$22
i. Value of recommendations agreed to by management		\$0
ii. Value of recommendations not agreed to by management		\$22
E. Reports for which no management decision had been made by the end of the reporting period	9	\$658
F. Reports for which no management decision was made within six months of issuance	4	\$192

\*The Audit Section predominately performed cost-incurred and compliance audits that resulted in questioned costs and noncompliance findings. These types of audits typically do not lead to recommendations that funds be put to better use.

\*\* Minor Adjustments due to rounding.

**IV. Summary of Audits with Overdue Management Decisions**

Report Number	Title	Federal Dollars Questioned (Dollars in thousands)	Mgmt. Decision Due	Status at End of Reporting Period (09/30/11)
11-10	Audit of Financial Management Systems of American Recovery and Reinvestment Act Grantees	\$9,313	10/17/2011	The Corporation issued a Draft Management Decision on 3/26/12 for this report and the OIG is reviewing it.
11-11	Audit of the Corporation Grants Awarded to the New York City Office of the Mayor	\$67,222	1/25/2012	The Corporation has issued a Draft Management Decision on 3/1/2012 for this report and the OIG is reviewing it.
11-13	Audit of the Volunteers in Service to America (VISTA) Budget Formulation and Execution Processes	\$0	12/30/2011	The Corporation has issued a Draft Management Decision on 3/7/2012 for this report and the OIG is reviewing it.
11-14	Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the Virginia Office on Volunteerism and Community Service	\$53,131	11/22/2011	The Corporation has not issued a Draft Management Decision for this report.
11-20	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Colorado	\$262,038	3/12/2012	The Corporation has not issued a Draft Management Decision for this report.
11-21	Audit of Corporation Funds Awarded to the West Seneca	35,903	3/29/2012	The Corporation has not issued a Draft Management Decision for this report.
	<b>Total</b>	<b><u>\$427,607</u></b>		

## Tables

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### V. Reports Described in Prior Semiannual Reports Without Final Action

Report Number	Title	Date Issued	Final Action Due
None			

**CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE**

**OFFICE OF INSPECTOR GENERAL**

**Hotline**



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Or write:

**OIG HOTLINE**  
**Corporation for National and Community Service**  
**1201 New York Avenue NW., Suite 830**  
**Washington, DC**

May 31, 2012

The Honorable Joseph R. Biden, Jr.  
President of the Senate  
The Capitol  
Washington, DC 20510

Dear Mr. Vice President:

Enclosed please find the Office of Inspector General's (OIG) Semiannual Report (SAR or Report) to Congress along with the Corporation for National and Community Service's (CNCS) Response and Report on Final Action, as required under Section 5 of the Inspector General Act. These reports cover the six-month period from October 1, 2011 through March 31, 2012.

We are sending copies of this Semiannual Report to interested Congressional committees, the Office of Management and Budget, and the CNCS Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact Robert Velasco, Chief Operating Officer on (202) 606-6632 or Deputy Inspector General, Kenneth Bach, on (202) 606-9377.

Sincerely,



Wendy Spencer  
Chief Executive Officer

Enclosures

Semiannual Report to Congress  
Agency Response to the Semiannual Report to Congress  
Table I  
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Distribution List



1201 New York Avenue, NW  
Washington, DC 20525  
202-606-5000  
[NationalService.gov](http://NationalService.gov)

May 31, 2012

The Honorable John A. Boehner  
Speaker of the House of Representatives  
The Capitol  
Washington, DC 20515

Dear Mr. Speaker:

Enclosed please find the Office of Inspector General's (OIG) Semiannual Report (SAR or Report) to Congress along with the Corporation for National and Community Service's (CNCS) Response and Report on Final Action, as required under Section 5 of the Inspector General Act. These reports cover the six-month period from October 1, 2011 through March 31, 2012.

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If you have any questions concerning these reports, please contact Robert Velasco, Chief Operating Officer on (202) 606-6632 or Deputy Inspector General, Kenneth Bach, on (202) 606-9377.

Sincerely,

A handwritten signature in blue ink that appears to read "Wendy Spencer".

Wendy Spencer  
Chief Executive Officer

Enclosures

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

*October 1, 2011 – March 31, 2012*

*Fiscal Year 2012 Semiannual Report No. 1*

**Corporation for National and Community Service  
Response to the OIG Semiannual Report  
and Report on Final Action**

This Inspector General's (OIG) Semiannual Report to Congress (SAR) covers the six-month period from October 1, 2011 through March 31, 2012. During this period, the Corporation for National and Community Service (CNCS) made management decisions on eight audits and completed final action on or closed eight audits. Subsequent to the end of the reporting period, CNCS made one additional management decision and completed final action on two additional audits. There are no audits overdue for final action. There are four items reported in the SAR about which CNCS wishes to provide additional relevant information.

**Financial Statements Audit (SAR pp. 6-7)**

During this SAR reporting period, the OIG issued its report on the annual audit of CNCS's FY 2011 financial statements (Audit). That audit report contained a finding of a material weakness in CNCS's internal controls over financial reporting on the grounds that CNCS did not discover an error made by the Department of Health and Human Services in the grant expenditure data it reported to CNCS during FY 2010. HHS serves as a Federal shared service provider and processes payments to CNCS grantees. In CNCS' response to the Audit, CNCS disagreed with the OIG's conclusion that by not detecting the error in HHS reporting during FY 2010, CNCS had a material weakness in its internal controls over financial reporting. CNCS did not detect that the reported data was erroneous because the error in HHS's reporting was masked by significantly higher grant activity under the American Recovery and Reinvestment Act of 2009. CNCS discovered the error in FY 2011 as part of its routine internal control process and restated its 2010 end-of-year financial statements as a result. While the incorrect amount reported by HHS was significant, the error never created a risk that CNCS had awarded grants beyond the appropriated amounts or that individual grantees had over-expended their grants. Those critical legal requirements are monitored through other internal controls and the erroneous HHS data never threatened CNCS's ability to monitor its obligations and expenditures. The sole impact of the erroneous HHS data was to misstate the estimate of how much (in the aggregate) CNCS' grantees were going to report that they had expended on their grants as of September 30, 2010. Despite the fact that the erroneous HHS data presented no compliance risk for CNCS, we have instituted additional reviews of HHS's data to detect any such future errors.

**Compelling Personal Circumstances Audit (SAR pp. 7-8)**

During this reporting period, the OIG completed an audit of education awards provided to AmeriCorps members who were released from their AmeriCorps service after completing only a portion of their term of service due to compelling personal circumstances. While the OIG audit found significant weaknesses in the documentation of reasons programs awarded partial education awards, the number represents a very small portion of education awards provided to members. Only 3.05 percent of all AmeriCorps members are released from completing their terms of service for compelling personal circumstances and partial AmeriCorps Segal Education Awards given to those members represent only 2.24 percent of the total amount of all Segal

Education Awards. As noted in the Report, CNCS did not agree with the OIG’s recommendation for CNCS or the state service commissions to conduct a second level of review of an individual’s compelling circumstances before approving a partial education award. The Kennedy Serve America Act made it clear that the AmeriCorps programs that supervise AmeriCorps members are responsible for determining whether a member should be released for compelling personal circumstances, not the state commissions or CNCS. *See 42 U.S.C. § 12593(c)(1)(A).*

The operation and organizational costs of having AmeriCorps programs submit their determinations to a state service commission or to CNCS for a second level review is inordinately high and not cost-effective compared to the low level of risk involved. In making this decision, CNCS considered the requirements of OMB Circular A-123, which states that “[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 operation.” In addition, it is the AmeriCorps programs that have the direct contact with and knowledge of the personal circumstances that give rise to member requests to be released from service for compelling reasons. The programs, therefore, are much better suited to assess whether a particular set of circumstances is in fact compelling.

### **Criminal History Check (SAR p. 10)**

The SAR also references recommendations the OIG made to CNCS to strengthen its processes for performing the criminal history check on certain national service members and staff that is required by the National and Community Service Act. CNCS takes its responsibility to safeguard vulnerable populations very seriously and requires grantees to comply with our current Criminal History Check regulations at 45 C.F.R. §2540.203(b). CNCS is revising the regulations to address additional requirements in the Kennedy Serve America Act and to incorporate the OIG recommendations described in the SAR. CNCS submitted the final rule to OMB in April and expects to publish it following OMB review.

### **Review of the Welfare Reform Act in the Context of Senior Corps (SAR p. 20)**

As noted in the report, the Office of Inspector General is of the view that the 1996 Welfare Reform Act, 8 U.S.S. § 1611, may be applicable to our Senior Corps programs and participants in those programs may be required to meet the citizenship and/or residency requirements of that Act. Our General Counsel has reviewed the Act thoroughly and discussed the issue with the OIG. The OIG recognizes that the authority to decide whether the Welfare Reform Act applies to Senior Corps (or any other CNCS program) rests solely with CNCS. We provided the OIG with a memo on April 27, 2012 setting forth in detail our position that the Welfare Reform Act does not apply to the Senior Corps programs.

**TABLE I**  
**ACTION TAKEN ON AUDIT REPORTS**  
**(for the Period October 1, 2011 through March 31, 2012)**

	<b><u>Number of Reports</u></b>	<b><u>Disallowed Costs (\$000)</u></b>
A. Audit reports for which final action had not been taken by the commencement of the reporting period	20	\$63
B. Audit reports issued by the OIG during the reporting period	8	\$0
C. Audit reports for which final action was taken during the reporting period	8	\$35
1. Recoveries <sup>1</sup>		
(a) Collections and offsets	5	\$52
(b) Property in lieu of cash	0	0
(c) Other (reduction of questioned costs)	0	0
2. Write-offs	0	0
D. Audit reports for which final action was not taken by the end of the reporting period <sup>2</sup>	20	\$28
E. Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway	6	\$63

<sup>1</sup> Recoveries include audits for which final action was taken in prior reporting periods and offsets reported in management decisions during the reporting period.

<sup>2</sup> Under OMB Circular A-50, final action is due on audits within one year of the date the report is issued. These audits were issued within that period and final action is not overdue.

**TABLE II**  
**REPORTS WITH RECOMMENDATIONS THAT**  
**FUNDS BE PUT TO BETTER USE**  
**ACTION TAKEN ON AUDIT REPORTS**  
**(for the Period October 1, 2011 through March 31, 2012)**

	<u>Number of Audit Reports</u>	<u>Dollar Value (\$000s)</u>
A. Reports for which final action had not been taken by the commencement of the reporting period	11	\$119
B. Reports for which management decisions were made during the reporting period	2	\$0
C. Reports for which final action was taken during the reporting period	2	\$114
i. Dollar value of recommendations completed		\$114
ii. Dollar value of recommendations that management has concluded should not or could not be implemented		\$113
D. Reports for which no final action had been taken by the end of the reporting period. <sup>3</sup>	9	\$5

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<sup>3</sup> Final action is not overdue on these audits.

**Table III**  
**Reports Described in Prior Semiannual Reports Without Final Action**  
**(for the Period October 1, 2011 through March 31, 2012)**

<b>Audit Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Date Due</b>	<b>Disallowed Cost</b>	<b>Status of Action/Reason No Final Action was Taken</b>
	<b>NONE</b>				