

The Office of Inspector General

Fara Damelin, Deputy Inspector General

September 3, 2020

Purpose

- Understand the Mission of the OIG
- Learn From Common Audit and Investigative Findings
- Preventing Fraud in CNCS Programs and Operations
- Obligation to Report Fraud When Identified
- Whistleblower Protections
- Know How to Contact the OIG

OIG Mission/Oversight

- Improve efficiency and effectiveness of CNCS programs and operations
- Prevent and detect waste, fraud, and abuse by:
 - Conducting audits, evaluations, and investigations;
 - Keeping the CNCS CEO and Congress informed about deficiencies, recommendations, and corrective actions.
 - Perform our work independently and objectively.

Don't Let This Happen to Your Grantees

U.S. Attorneys » Eastern District of Pennsylvania » News

Department of Justice

U.S. Attorney's Office

Eastern District of Pennsylvania

FOR IMMEDIATE RELEASE

Friday, June 28, 2019

Our Lady of Lourdes Agrees to Pay Over \$1.1M to Resolve Claims It Failed to Perform Background Checks, Fraudulently Billed U.S. for Community Service Grants

PHILADELPHIA and CAMDEN – United States Attorneys William M. McSwain for the Eastern District of Pennsylvania and Craig Carpenito for the District of New Jersey jointly announced that Our Lady of Lourdes Health Foundation and two related Our Lady of Lourdes companies have agreed to pay \$1,143,881.19 to resolve claims arising from Lourdes' administration of community service grants funded through the Corporation for National and Community Service (CNCS).

From 2014 until 2017, Lourdes either failed to perform these criminal history checks or failed to keep records of doing so. As a result, 46 individuals were permitted to serve in an FGP or SCP project without any documentation that they received one or more of the required criminal history checks. When a monitoring visit was scheduled in 2017, Lourdes employees cut-and-pasted other background checks in an attempt to conceal this failure from CNCS officials.

In addition, Lourdes employees – including two program supervisors – falsely completed time sheets showing program participants serving hours that were impossible, because the locations at which they were purportedly serving were closed.

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

U.S. Attorneys » Eastern District of Kentucky » News

Department of Justice

U.S. Attorney's Office

Eastern District of Kentucky

FOR IMMEDIATE RELEASE

Tuesday, July 16, 2019

Madison County Woman Agrees to Pay Damages for Submitting False Claims to AmeriCorps Program

LEXINGTON, Ky. – A Madison County woman has agreed to resolve civil allegations that she violated the False Claims Act, a federal law that prohibits the submission of false or fraudulent claims, agreeing to pay the federal government, after admitting that she falsified timesheets that caused her to wrongfully receive federal funds from the AmeriCorps Program.



A hand holding a magnifying glass over the word 'audit'. The background is a dark blue gradient with a decorative header at the top featuring white stars and a line graph. The word 'audit' is centered within the magnifying glass's lens.

audit

What is an OIG Audit

- An OIG audit is a comprehensive review of CNCS or grantees.
- It measures an organization's compliance with laws, regulations, and grant terms and conditions.
- Our work focuses on how CNCS operates and how grantees operate.
- We publish our Audit Plan and Audit Reports on our website.
(<https://www.cncsoig.gov>)

Who Performs the Audits?

- Audits are performed by OIG in-house auditors or external contracted auditors (CPA firms).
- Contracted auditors have the same rights to access grantee data and records, and make copies, as OIG in-house auditors.

Overview of Grantee Audit Process



Early Audit Steps

- Auditors will reach out to Portfolio Managers and ask for input on areas of concern. We will also obtain the results of CNCS monitoring. If you have financial or member or volunteer management concerns, tell the auditors.
- Through your work with grantees, Portfolio Managers assist grantees to implement policies and processes for compliance.
- We contact the grantee and request lots of documents.
- If a grantee asks you questions about the documents, please have them call the auditor.
- The planning phase identifies areas that need to be tested or do not need to be tested.

Grantee Audit Preparation

You can ensure that your grantee is prepared for an audit by :

- Making sure the grantee understands its obligations to comply with the grant;
- Work with the grantee to keep an adequate financial management system, policies, and procedures;
- Make sure the grantee maintains supporting documents for all Federal and match costs; and
- Be sure grantees keep required member and volunteer files (such as eligibility, criminal history check, position description etc.).

Oops, we don't have documentation

If auditors ask for documentation that the grantee doesn't have:

- We encourage grantee employees to discuss any questions with the auditor.
- If the documents do not exist, tell the auditor. Do not try to create documents – that is worse than not having them.

Entrance Conference and Audit Fieldwork

- Provide grantee a PBC (Prepared by Client) list of audit requests.
- Coordinate an Entrance Conference between the grantees, sub-grantees (as applicable), CNCS OIG, CNCS personnel.
- Audit fieldwork is typically 1-2 weeks at each grantee site.
- Audit testing includes reviewing Federal and match transactions, member/volunteers files, and interviewing auditee staff and members/volunteers.

What are the Auditors Looking For?

- Auditors are testing for compliance with grant requirements the same as is done in grantee monitoring.
- You are the first line of defense. Send up a flare if monitoring shows significant noncompliance or fraud.
- The requirements:
 - 2 CFR or Uniform Grant Guidance
 - CNCS Regulations in 45 CFR, Chapter XXV
 - Grant Terms and Conditions

Exit Conference and Draft Report

- An Exit Conference is held to discuss the results of the audit.
- A draft report is issued for CNCS management and grantee management to provide their views (agree or disagree with findings and recommendations).

Final Report

- CNCS management and grantee respond to the draft report.
- The auditors incorporate the responses and comments on those responses.
- The final report is issued to CNCS, and posted to the OIG's website www.cncsoig.gov and to www.oversight.gov for the viewing public.
- A copy is provided to the grantee.

Common Audit Findings

- Insufficient sub-grantee monitoring.
- Criminal history check noncompliance.
- FFRs (Federal Financial Report) do not reconcile to accounting records (general ledger).
- Inadequate match documentation – match must be documented in the same level of detail as Federal expenditures.
- Time and Attendance Irregularities including Fraud
- Incomplete member/volunteer paperwork supporting eligibility

Grantee Audit Resolution

- CNCS and grantee management decide on proposed corrective actions.
- The OIG is given an opportunity to review the proposed corrective actions. However, final decisions are made by CNCS.
- CNCS works with the grantee to resolve recommendations and making sure recommendations are implemented.
- We work with CNCS's Office of Audit and Debt Resolution to ensure the corrective actions fully resolve the problems.



INVESTIGATIONS

FRAUD



What is Fraud?

Fraud is Lying/Cheating for Profit

- Fraud is characterized by acts of trickery, concealment, or breach of confidence, which are used to gain some unfair or dishonest advantage involving money, property, or services
- Fraud is a Silent Crime
- Examples: Embezzlement, False Claims, False Statement, Kickbacks, Destruction of Records
- Does not have to involve loss of funds

Vulnerabilities/Fraud Indicators

- No separation of duties (**common weakness**)
- Inadequate or missing documents
- No prior audits
- One person in control
- Lack of internal controls (**virtually inevitable theft**)
- High turnover of personnel
- Altered records

Who Commits Grant Fraud?

- Grant recipients
- Business partners
- Board members
- Program managers/employees
- Bookkeepers
- Financial staff
- Members/Volunteers

**People that embezzle
funds can be extremely
creative and appear
very trustworthy**

Year in Review

Member did not Serve for Two Months but Received Stipend Payments	Volunteer/Member Sexually Assaulted Student/Client	Program Staff Charged 100% of their Time to the Grant but Performed Other Duties
Members Directed to Perform Service Outside the Scope of the Grant	Program Staff Forged Criminal History Checks	Double Billing-Charged the Grant for Service Paid Through Another Entity
Program Staff Added False Hours to Member/Volunteer Timesheets	Grantee Staff Embezzled Funds	False Education Award Certification

Reporting Fraud, Waste, & Abuse

- Notify OIG right away
- Reasonable or Actual Suspicion
- Operations, programs, activities, contracts, or grants
- **Take no further steps to investigate**

All CNCS personnel are required to report to the OIG, without delay, any reasonable or actual suspicion of, or information or evidence that suggests, waste, fraud, or abuse in connection with CNCS operations, programs, activities, contracts, or grants at any level. *See Standards of Ethical Conduct for Employees of the Executive Branch, 5 CFR § 2635.101(b)(11) (requiring CNCS Board members and employees to “disclose waste, fraud, abuse, and corruption to appropriate authorities”).* The person reporting should take no further steps to investigate any suspected misconduct, except as directed by the OIG or to prevent the destruction of evidence or information.

CNCS Policy 102

- CNCS employees also must cooperate with OIG and provide records requested

Why Should Grantees Report Fraud?

- They have to! Grant terms and conditions require **immediate** notification to OIG when fraud suspected (and to take no further action/investigation)
- They have to! Required under the UGG (2 CFR § 200.113)
- To deter others from committing fraud/waste/abuse
- To protect the integrity of the Federal, State, and Local programs
- To avoid being part of the fraudulent/criminal activities
 - We may refer grantees for suspension/debarment for failure to report as mandated
- To protect the programs from closing if fraudulent activity continues

The Investigative Process

- Hotline, Direct Reporting, or Proactive Initiative
- Review Information – Personnel, Program, or Fraud
- Determine Who Handles – OIG, CNCS, or Grantee
- Coordinate with Complainant (If known)
- Conduct Preliminary Inquiry or Investigation
- Site Visit
- Coordinate with U.S. Attorney's Office, CNCS (Program/Grants), Commission, or Grantee
- Report of Investigation
- Resolution

Site Visit Notification

OIG investigator informed grantee they will be in their office next week to investigate an allegation regarding the management of a CNCS grant.

Question for grantee:

- What would you do?
- What should you do?
- What shouldn't you do?

Site Visit



- In Brief
- Review Volunteer and Fiscal Documents
- Interview Staff (individually)
- Interview Members/Volunteers (individually)
- Visit Service Site
- Interview Recipient of Services
- Out Brief (at discretion of Investigator)

We may ask you to join us!

What is the
organization's
policy?



Consequences of Fraud

- Lying to Investigators or Auditors is a [crime](#) - 18 USC § 1001, 18 USC § 1516
- Knowingly providing fraudulent or altered documents is a [crime](#)
- False information in grant applications or reporting false data in performance reports is also a [crime](#)


Possible Repercussions:

- Criminal prosecution (jail)
- Civil remedies against the organization
- Suspension/debarment on grantee and/or individuals - administrative
- Debt collection from grantee – administrative remedy

Damages are often statutorily lowered if the grantee self-discloses or makes a voluntary disclosure to the government

Common Findings – Criminal History Checks

- Falsified CHC records/documents
- CHCs conducted late
- CHCs incomplete/missing
- NSOPW search on wrong name (must be legal name)
- CHCs returned but not reviewed



**This is not just a
compliance issue, it is a
matter of public safety**

Time and Attendance Fraud – Red Flags

- Timesheets with excessive hours (15+hrs in one day/weekends) – what are the hours of their service site?
- Timesheets submitted weeks/months late
- Timesheets missing signatures
- Multiple revisions/white-out of hours (vulnerability with paper timesheets)
- Same number of hours everyday (is that typical?)
- Spike in hours at end of service terms

Not just an issue of false documents, the community suffers the most when it loses out on this valuable service

Examples of Bad Timesheets

Member Timesheet -

Approve/Review Timesheets

Day	Fund raising	Training	Direct Service	Total Hours
Thu Apr 1	0	0	0	0
Fri Apr 2	0	0	12	12
Sat Apr 3	0	0	13	13
Sun Apr 4	0	0	0	0
Mon Apr 5	0	0	25	25
Tue Apr 6	0	0	0	0
Wed Apr 7	0	0	0	0
Thu Apr 8	0	0	0	0
Fri Apr 9	0	0	0	0
Sat Apr 10	0	0	0	0
Sun Apr 11	0	0	0	0
Mon Apr 12	0	0	0	0
Tue Apr 13	0	0	8	8
Wed Apr 14	0	0	8.5	8.5
Thu Apr 15	0	8	0	8
Totals:	0	8	66.5	74.5

Supervisor Approval Signature: _____

Member: _____ Date: 06/29/2010 20:19:20 Site: _____ School: _____ Period: 04/01/2010 - 04/15/2010

Supervisor 1: _____ Supervisor 2: _____ Supervisor 3: _____ Supervisor 4: _____

Approved: 6/28/2010 7:21:19 PM Approved: Approved: Approved:

EXTRA SERVICE REQUEST

Member Name _____ Date _____

I am requesting to do extra service outside of my normal hours. I understand that this service must be approved before I perform the service. I furthermore understand that the scope of the extra service request must be consistent with the goals of AmeriCorps. All requests must be signed off on by all listed below before work is performed. Any services rendered prior to this form being on file and approved will be disallowed.

Request I took my son, my daughter and two of my Daughter friends to attend Taco night and to watch movies. 5:30pm - 9:30pm.

Date of Service _____
 Site Telephone: (____) - _____
 Address of Service: _____

Requesting Site Supervisor Signature _____

Member Signature _____ Daily Site Supervisor Signature _____

Supervisor Signature _____ Date _____ Director Signature _____ Date _____

☒ APPROVED ☐ NOT APPROVED

"I ... took my son, my daughter and two of my daughter friends to attend taco night and to watch movies 5:30pm-9:30pm"

Fraud Prevention

- Periodic review of member/volunteer files and timesheets
- Unannounced visits to service sites
- Talk to members/volunteers individually about their service/experience
- Add additional layer of review (CHCs, Timesheets, Expenses)
- Thorough member/site supervisor training
 - Handouts with policies and requirements
- Create Transition Plan/SOPs for future program staff
- Telework policy
- Board oversight

Good Oversight/Monitoring Practices

- Thoroughly review documents (timesheets, CHCs, mileage claims)
- Meet with members/volunteers/site supervisors (individually)
 - Compare service to grant/program objectives
 - Ask what they don't like about program/any suggestions for improvement
 - Ask members/volunteers if they were given guidance on what to say/what not to say
- Review budget - compare to staff positions and timesheets (ask how much time they spend on the program and how they document their hours)
- Document all issues or complaints about members/volunteers
 - Do grantees have a policy on handling member/volunteer complaints?

Whistleblower Protection

Whistleblower protection extends to Federal employees as well as employees of contractors, sub-contractors, grantees, and sub-grantees who disclose information related to:

- Gross mismanagement of a Federal contract or grant;
- Waste of Federal funds;
- Abuse of authority relating to a Federal contract or grant;
- Substantial and specific danger to public health and safety; and
- Violations of any law, rule, or regulation related to a Federal contract or grant

<https://www.cncsoig.gov/whistleblower-protection>

coordinator@cncsoig.gov

Whistleblower Protection

- Who is not protected under Federal whistleblower laws?
 - AmeriCorps members
 - Senior Corps volunteers

These groups should still reach out to the OIG!

Reporting Criminal Activity/Ineligibility/Misconduct

Besides reporting suspected fraud/waste/abuse, the OIG should be notified of the following:

- Criminal activity in the program: Member arrested for sexual assault/misconduct (regardless if it was related to the program/during service hours/involved beneficiary)
- Prior fraudulent/criminal incident was discovered later on, but CNCS-OIG was never notified
- Public Health and Safety Matters: Member/Volunteer CHC returned and were found to be ineligible to serve
- Prohibited activities, staff displacement
- If initial report to CNCS-OIG involves fraud along with other issues, we need to know all allegations/issues involved
- Suspected fraud does not have to involve CNCS funds

Where can I find results of OIG Audits and Investigations?

Visit the following websites:

<https://www.cncsoig.gov>

or

<https://www.oversight.gov>

Contact the OIG

Your identity can be kept



Hotline

- Report suspected fraud, waste, or abuse
- Information is confidential
- You may remain anonymous

Provide all important details
(names, dates, grantee information, etc.)

Call 1-800-452-8210

Email hotline@cncsoig.gov

