

**Office Of Inspector General
Corporation For National And
Community Service**

**Semiannual Report
To Congress
October 1, 2003 – March 31, 2004
Fiscal Year 2004 Semiannual Report No. 1**



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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OFFICE OF INSPECTOR GENERAL

April 30, 2004

I am pleased to submit to you the Office of Inspector General's *Semiannual Report to Congress* for the period October 1, 2003, to March 31, 2004, which details the findings of our investigations and audits.

Our major efforts during this reporting period include the annual audit report on the Corporation's financial statements and the accompanying management letter. The Corporation received an unqualified opinion on its financial statements; however, auditors considered the Corporation's monitoring of grantee activity to be a reportable condition.

The OIG Audit Section reviewed the Corporation's implementation of new enrollment procedures for AmeriCorps members. We found that, generally, the Corporation has implemented the new enrollment procedures. We also revisited the Corporation's management of the National Service Trust. The audit team reviewed the Corporation's implementation of the recommendations made in our 2003 National Service Trust Report. We determined that the Corporation has improved its monitoring of AmeriCorps enrollment and its management of National Service Trust funds. I believe that both of these positive developments have enhanced the Corporation's ability to track AmeriCorps enrollment and protect the fiscal integrity of the Trust.

Our Investigations Section handled a wide variety of issues during the reporting period, opening 21 actions and closing 26 cases. As a result of its investigative work and its cooperative efforts with Federal and local prosecutors, the Investigations Section recovered more than \$36,000 in Corporation funds.

The new Evaluation Section went into full operation during this reporting period, embarking on a comprehensive, five-part examination of the AmeriCorps program and its major program offices. This review will focus on the Corporation's processes for awarding grants, reporting on performance, and monitoring programs and members.

This office strives to continue to provide findings and recommendations to the Corporation that are instructive to Congress, Corporation management, and grant recipients. The Office of Inspector General will continue to work with Corporation management and its State and local programs as a proactive, independent partner in the effort to maximize both the effective expenditure of taxpayer dollars and the expansion of community service opportunities nationwide.

Sincerely,

J. Russell George
Inspector General



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Executive Summary

Audit Section

During this reporting period, the Office of Inspector General (OIG) conducted audits required by statute, as well as several reviews aimed to improve the operations of the Corporation for National and Community Service (Corporation). The Audit Section issued eight audit reports and three reviews.

Of central importance to the Corporation's fiscal integrity, the OIG issued its audit report on the Corporation's fiscal year 2003 financial statements on November 14, 2003. We are pleased to report that the Corporation received an unqualified opinion on its financial statements, and no material weaknesses were identified. However, auditors considered the Corporation's monitoring of grantee activities to be a reportable condition. As part of the financial statements audit, the OIG issued the fiscal year 2003 management letter, which identified issues not required to be reported in the financial statements audit. The management letter provided constructive recommendations to management for corrective action.

In accordance with the Strengthen AmeriCorps Program Act, the OIG audited Corporation accounts containing appropriated funds for national service positions. This audit concluded that the Corporation's National Service Trust Schedule of Fiscal 2003 Budgetary Resources and Obligations were presented fairly, in all material respects.

Also during this period, the OIG completed pre-audit surveys of State commissions in Georgia, Louisiana, Nebraska, Oklahoma, and Puerto Rico. The OIG's pre-audit surveys provide a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, and monitoring of subgrantees. The information gathered allows the OIG to determine the timing and extent of audit work necessary at each State commission.

The Office of Inspector General also completed a review of the Corporation's implementation of new enrollment procedures for AmeriCorps members. This review determined that, generally, the new enrollment procedures have been implemented. Additionally, the OIG completed a review of the Corporation's implementation of recommendations made in a prior OIG report on the National Service Trust. This review determined that the Corporation has made improvements in its monitoring of enrollment and its management of National Service Trust funds.

As part of our continuing effort to educate grantees on the audit process, the Audit Section gave a presentation at the annual Learn and Service America grantee meeting on how to prepare for an audit. Our auditors also gave this presentation to new State commission executive directors visiting Corporation headquarters. Furthering our goal to better educate Corporation stakeholders on the role of the OIG Audit Section, we prepared a brochure, entitled "All About Audits," for distribution to grantees. This brochure provides a broad overview of the audit process.

Investigations Section

The OIG Investigations Section continued to investigate allegations of fraud and abuse in Corporation programs and operations. During this reporting period, the Investigations Section received and processed 44 Hotline contacts, opened 21 investigative actions, and closed 26 investigative actions. Four matters were referred to the U.S. Department of Justice for prosecution, and five matters were referred to Corporation management for its action. Through the judicial system, OIG investigators were responsible for recovering \$36,952.31 in Corporation funds.

Executive Summary

As part of our ongoing effort to prevent fraud, the Investigations Section made seven presentations during this reporting period to staff members of grantees, State commissions, and the Corporation. The presentations defined fraud, identified indicators of fraud, and discussed prevalent types of fraud. The Office of Inspector General investigative staff continued to visit AmeriCorps members at their service sites to discuss their community service experiences. The purpose of this initiative is twofold: it increases the visibility of the OIG, and it helps the OIG verify member information submitted to, and maintained by, the Corporation.

Evaluation Section

In 2003, the Office of Inspector General established its Evaluation Section. The purpose of the Evaluation Section is to conduct reviews and program analyses that lead to valuable recommendations to the Corporation for National and Community Service. The recommendations will identify improvements and procedures to maximize the efficiency of Corporation programs and operations and minimize the potential for waste, fraud, and abuse.

This year, the Evaluation Section began preliminary work on the first segment of a comprehensive, five-part evaluation of AmeriCorps. The review will include an evaluation of Corporation processes for awarding grants, reporting on performance, and monitoring controls in place for both programs and members. The first phase of this evaluation will provide an overview of AmeriCorps and compare the major program offices: AmeriCorps*State, AmeriCorps*National, AmeriCorps*NCCC, and AmeriCorps*VISTA. This phase of the evaluation will result in a report that should be included in the next *Semiannual Report to Congress*.

From this overview, the Evaluation Section will issue four subsequent reports. Each report will address one of the AmeriCorps components, detail the specific processes of the program offices, and describe how these processes are implemented. The Evaluation Section may also initiate additional cross-program studies as needed.

About The Office Of Inspector General

In 1993, Congress created the Corporation for National and Community Service, along with this Office of Inspector General, in the National and Community Service Trust Act. Like all Federal OIG operations, our office is independent of the agency it oversees. Led by a presidential appointee, we audit, investigate, and evaluate the Corporation's programs, including AmeriCorps, Volunteers In Service to America (VISTA), the National Civilian Community Corps, Learn and Serve America, and the Senior Volunteer Corps.

The Office of Inspector General's team of professional investigators, evaluators, and auditors examine the Corporation's operations. We also examine State community service programs that receive and distribute the majority of Corporation funds, as well as local recipients of Federal funds.

Based on the results of our audits, investigations, and reviews, the OIG recommends Corporation policies to promote economy and efficiency. We also strive to prevent and detect fraud and abuse of taxpayer dollars that have been invested in Corporation programs.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the first six months of fiscal year 2004. The report is being transmitted to the Chief Executive Officer of the Corporation, the Corporation's Board of Directors, and Members of Congress. It will also be made available to the public.

All of our work is conducted in strict adherence to the Privacy Act and the Freedom of Information Act. Our efforts are often aided by information supplied via the OIG Hotline (800-452-8210). The Hotline allows Corporation employees, grantees, and program beneficiaries, among others, to report concerns and suspected fraud.

For more information on the OIG and its work, please visit our Internet website: www.cnctsig.gov, or telephone us at (202) 606-5000, extension 390.

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 the audit of the Corporation's annual financial statements, assessing the Corporation's management controls, reviewing Corporation operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are referred to Corporation management for its action or information.



Financial Management

Audit of the Corporation for National and Community Service's Fiscal Year 2003 Financial Statements (Audit Report 04-01)

The Government Corporation Control Act (31 U.S.C. §§ 9101-10) requires the OIG to audit the Corporation's annual financial statements. The OIG contracted with Cotton & Company LLP to audit the Corporation's fiscal year 2003 statements. This audit, conducted in accordance with government auditing standards, resulted in an unqualified opinion on the Corporation's Statement of Financial Position as of September 30, 2003, and the related Statements of Operations, Changes in Net Position, and Cash Flows for the year then ended.

The Corporation expends the majority of its appropriated funds on grants to State and local governments, institutions of higher education, and other not-for-profit organizations. Since grant activities result in the most significant component of the Corporation's financial statements, it is critical that the Corporation closely monitor grantee activity to ensure that grantees are complying with applicable laws and regulations related to the administration of grant awards. With that noted, auditors considered the Corporation's monitoring of grantee activity to be a reportable condition. However, Cotton & Company and the OIG agreed that this reportable condition did not rise to the level of a material weakness.

Independent Audit of the Corporation for National and Community Service's Fiscal Year 2003 Financial Statements – Management Letter (Audit Report 04-02)

During the annual audit of the Corporation's financial statements, the auditors became aware of several areas that present opportunities for the Corporation to strengthen internal control and operational efficiency. The OIG reported these areas for improvement to the Corporation in our management letter, issued on January 20, 2004. The letter made 31 recommendations in 6 areas: grants management, the National Service Trust, accounts receivable and debt collection, human resources and payroll, vendor payments, and information technology.

The OIG made specific recommendations for improvement to the Corporation's internal controls in the following areas:

1. *Grants Management* – Improvements should be made to ensure that grantee internal control weaknesses and noncompliance issues are identified and properly resolved in a timely manner. In addition, the Corporation should improve the process for determining that all applicable administrative actions and required work of the grant have been completed. This improvement is needed to ensure that grants are closed in a timely manner.
2. *National Service Trust* – The process of reviewing Web-Based Reporting System reconciliation reports should be strengthened. The Corporation should reemphasize the importance of processing member end-of-term forms in a timely manner. Trust personnel did not always follow interest forbearance procedures. Furthermore, the Corporation did not reconcile Trust investments in a timely manner. Trust personnel should also ensure that Trust disbursements occur within the allotted 30-day period.
3. *Accounts Receivable and Debt Collection* – The Corporation should, among other things, document procedures for executing write-offs of VISTA receivables under \$30. Also, the Corporation should review and emphasize debt collection policies to Corporation staff to ensure that they are consistently conducted. In addition, the Corporation should establish reconciliation criteria for cost-share agreements.
4. *Human Resources and Payroll* – The Corporation should clearly document the policy that overtime be approved in writing and in advance. The Corporation should also implement procedures to improve the accuracy of time sheet reporting.

5. *Vendor Payments* – The Corporation should place stricter controls on responsible offices to ensure that procurement disbursements are made in a timely manner.
6. *Information Technology* – Improvements could be made in the information security general control environment, and within the technical controls and practices in the network operating systems.

Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2003 Budgetary Resources and Obligations (Audit Report Number 04-03)

The Office of Inspector General retained Cotton & Company LLP to conduct an audit of the Corporation's National Service Trust Schedule of Fiscal 2003 Budgetary Resources and Obligations in accordance with the Strengthen AmeriCorps Program Act. The Strengthen AmeriCorps Program Act directs that, beginning in fiscal year 2003, Trust obligations be recorded at the time the Corporation enters into an enforceable agreement with a National Civilian Community Corps (NCCC) member or a member of Volunteers in Service to America (VISTA). In addition, the Act requires the Corporation to record Trust obligations when it awards a grant to an AmeriCorps*State or AmeriCorps*National program. The Act also directs that the obligational amount be based on the estimated value of the education benefit, factoring in enrollment estimates, earning and usage rates, and the time value of funds. The Act further requires the Corporation to establish a reserve account in the event that estimates used to calculate obligational amounts are insufficient to pay for earned education awards.

In summary, the audit concluded that the Corporation's fiscal year 2003 Trust budgetary resources and obligations are fairly presented in all material respects.

Grant Management and Oversight

The Corporation awards grants to State and local governments, State commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required to expend funds only for allowable costs and to provide periodic reports to the Corporation to demonstrate programmatic and financial compliance with the terms of their grant agreements. The Corporation is responsible for ensuring that grantees comply with applicable laws and regulations related to the administration of grant awards in the areas of Federal cash management, human resources, and information technology.

The Office of Inspector General Audit Section conducts audits of Corporation grants and grantees to assess whether reported costs are allowable under Federal regulations and whether grantees are complying with the terms and conditions of their awards. Our reports on Corporation grants also include recommendations for correcting deficiencies. Typically, the recommendations call for grantees to reimburse questioned costs, establish and implement policies and procedures to prevent future instances of noncompliance, and improve internal controls. We also make recommendations for more effective Corporation oversight, and improvements in Corporation grants management.

The Corporation awards grants and cooperative agreements to State commissions to assist national and community service programs in each State. The Corporation awards approximately three-quarters of its AmeriCorps*State and National funds to State commissions. In turn, the State commissions fund and are responsible for the oversight of the sub-grantees that execute the programs. Working for these sub-grantees, AmeriCorps members help their communities meet educational, human, environmental, and public safety needs.

At the close of this reporting period, six State commission audits are currently in progress: South Carolina, Rhode Island, Colorado, Nevada, Vermont, and Hawaii.

State Commission Pre-Audit Surveys

Beginning in Fiscal Year 1999, the OIG initiated a series of pre-audit surveys intended to assess risk and to gather basic information on State commission operations and funding. The pre-audit surveys are designed to provide a preliminary assessment of the commissions' pre-award and grant selection procedures, fiscal administration, and monitoring of subgrantees. The surveys are also intended to provide information on other audit coverage that may be afforded by the Single Audit Act (31 U.S.C. §§ 7501-07). The information gathered allows the OIG to determine the timing and extent of audit work necessary at each State commission.

During this reporting period, the OIG issued pre-audit survey reports for the State commissions of Georgia, Nebraska, Louisiana, Oklahoma, and Puerto Rico. The Office of Inspector General has commenced work on pre-audit surveys for an additional eight State commissions. Once these eight reports are issued, the OIG will have completed our initiative to conduct pre-audit surveys of all State commissions.

For each pre-audit survey, the OIG issued a report communicating the results and recommendations for improvement at each commission. The reports also recommend that the Corporation follow up with each commission to determine whether the commission has taken appropriate corrective actions to address the conditions identified.

Other Reviews Completed

Interim Report on the Assessment of the Implementation of New Enrollment Procedures (Report 04-05)

The Office of Inspector General completed an initial assessment of the Corporation's recently implemented AmeriCorps enrollment procedures. The purpose of the assessment was to determine the status of the enrollment procedures and whether the procedures are effective for tracking AmeriCorps member enrollment. We determined that, generally, the new enrollment procedures have been implemented. The new enrollment procedures allow the Corporation to track the number of slots that can be awarded, and to track the number of enrollees who count against those slots. This is a significant improvement over past practices.

Follow-Up Assessment of the Corporation's Implementation of Recommendations in the National Service Trust Report (Report 04-10)

The Office of Inspector General completed a follow-up assessment of recommendations made in the National Service Trust Report. The purpose of this assessment was to provide an update on the status of the Corporation's efforts to implement the five recommendations included in the Trust Report. The recommendations are designed to improve the Corporation's monitoring of AmeriCorps member enrollment. This assessment determined that the Corporation has made essential improvements in its monitoring of enrollment and its management of National Service Trust funds.

Internal Review of Selected Management Controls (Report 04-11)

The Inspector General initiated this internal review as part of the OIG's self-assessment of controls to determine if procedures are effectively designed, documented, and operating as intended within the OIG. This review included OIG procedures associated with property management, travel expenses, funds control, and records management. Opportunities were noted to improve the design and documentation of these controls. Management initiated or completed implementation of controls during the course of the review.

Audit Resolution

The Corporation's audit resolution process essentially consists of four steps. After the Office of Inspector General issues an audit report, the Corporation normally issues a Proposed Management Decision (PMD) responding to the report's findings and recommendations, within five months of the audit report's issuance. If the OIG disagrees with management's proposed corrective actions, the OIG submits written comments to the Corporation within 30 days of receiving the PMD. Not more than six months after an audit report is issued, the audit resolution policy requires that the Corporation's Chief Financial Officer respond to the audit with a Management Decision describing approved corrective actions and a timetable for implementation. Final action on corrective measures must be completed within 12 months of the audit report's issuance. Corporation management subsequently transmits a Notification of Final Action when all corrective measures have been completed and the responsible management official has verified the actions. At this point, management consider the audit to be fully resolved.

Proposed Management Decisions

During this reporting period, the Corporation notified the Office of Inspector General of the following proposed management decisions:

- Audit Report 02-10, *Incurred-Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service*
- Audit Report 02-11, *Incurred-Cost Audit of Grants Awarded to the Missouri Community Service Commission*
- Audit Report 02-14, *Incurred-Cost Audit of Grants Awarded to the Michigan Community Service Commission.*
- Audit Report 02-17, *Audit of Corporation for National and Community Service Grants Awarded to New Jersey Commission on National and Community Service*
- Audit Report 02-20, *Incurred-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service*
- Audit Report 02-21, *Incurred-Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service*
- Audit Report 03-03, *Incurred-Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism*
- Audit Report 03-06, *Incurred-Cost Audit of Grants Awarded to the Maine Commission for Community Service*
- Audit Report 03-08, *Audit of Corporation for National and Community Service Grants Awarded to Connecticut Commission on National & Community Service.*
- Audit Report 03-13, *Interim Audit of Costs Claimed by Parents As Teachers National Center, Incorporated Under Grant Agreement No. 01SPHMO004*
- Audit Report 03-14, *Audit of Costs Claimed by The Navajo Nation Under Grant No. 339W023-21, Foster Grandparent Program*

- Audit Report 04-04, *Pre-Audit Survey of the Georgia Commission for Service and Volunteerism.*
- Audit Report 04-06, *Pre-Audit Survey of the Nebraska Volunteer Service Commission*

Notices of Final Action

A Notice of Final Action is a Corporation management report indicating that it has completed corrective actions. During this reporting period, the Office of Inspector General received the following Notices of Final Action:

- Audit Report 00-24, *Pre-Audit Survey Report of the Alaska State Community Service Commission*
- Audit Report 02-03, *Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to American Association of Community Colleges, Washington D.C.*
- Audit Report 02-10, *Incurred-Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service*
- Audit Report 02-11, *Incurred-Cost Audit of Grants Awarded to the Missouri Community Service Commission.*
- Audit Report 02-14, *Incurred-Cost Audit of Grants Awarded to the Michigan Community Service Commission.*
- Audit Report 02-16, *Audit of Corporation for National and Community Service Grants Awarded to Alaska State Community Service Commission*
- Audit Report 02-20, *Incurred-Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service*
- Audit Report 03-13, *Interim Audit of Costs Claimed by Parents As Teachers National Center, Incorporated Under Grant Agreement No. 01SPHMO004*
- Audit Report 04-04, *Pre-Audit Survey of the Georgia Commission for Service and Volunteerism.*

Audit Section

Audit Reports Issued				
October 1, 2003 – March 31, 2004				
Report Number	Issue Date	Report Name	Dollars Questioned	Dollars Unsupported
			(Dollars in thousands)	
04-01	11/14/03	<i>Audit of the Corporation for National and Community Service's Fiscal Year 2003 Financial Statements</i>	N/A	N/A
04-02	01/20/04	<i>Independent Audit of the Corporation for National and Community Service's Fiscal Year 2003 Financial Statements Management Letter</i>	N/A	N/A
04-03	11/19/03	<i>Audit of the Corporation for National and Community Service's National Service Trust Schedule of Fiscal 2003 Budgetary Resources and Obligations</i>	0	0
04-04	11/28/03	<i>Pre-Audit Survey of the Georgia Commission for Service and Volunteerism</i>	0	0
04-05	11/03/03	<i>Interim Report on the Assessment of the Implementation of New Enrollment Procedures</i>	N/A	N/A
04-06	01/28/04	<i>Pre-Audit Survey of the Nebraska Volunteer Service Commission</i>	0	0
04-07	02/17/04	<i>Pre-Audit Survey of the Louisiana Serve Commission</i>	\$56	\$45
04-08	02/18/04	<i>Pre-Audit Survey of the Oklahoma Community Service Commission</i>	0	0
04-09	03/09/04	<i>Pre-Audit Survey of the Puerto Rico State Commission on Community Service</i>	4	4
04-10	01/16/04	<i>Follow-Up Assessment of the Corporation's Implementation of Recommendations in the National Service Trust Report</i>	N/A	N/A
04-11	01/07/04	<i>Internal Review of Selected Management Controls</i>	N/A	N/A
TOTAL			<u>\$60</u>	<u>\$49</u>
N/A: Not applicable.				

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.



Summary of Cases

At the beginning of this reporting period, 29 investigative actions were pending in the OIG Investigations Section. During this reporting period, OIG investigators launched 21 investigative actions and closed 26 investigations. Twenty-four investigative actions were pending at the end of the period.

Cases Closed This Period

Improper Expenditures of Grant Funds (OIG Report of Investigation 02-013)

The Office of Inspector General investigated an allegation, reported by a State commission, that a State grant recipient made improper expenditures of grant funds. The OIG investigation disclosed evidence that a former grant administrator and a former executive director prepared, and caused to be submitted, a Periodic Expense Report falsely claiming that a grant recipient paid for a number of laptop computers and cellular telephones. The Office of Inspector General also determined that a third staff member, a former administrative director, diverted a significant amount of AmeriCorps funds to pay the recipient's staff payroll. These funds should not have been used for payroll since they were claimed as reimbursement for a computer purchase, which appears to have never occurred. The U.S. Department of Justice initially accepted this investigation and was pursuing criminal prosecution, but has since declined to prosecute based on the low dollar amount involved. Local prosecutors initially considered this investigation for prosecution but ultimately declined to pursue prosecution, based in part on the low dollar loss. The Corporation is recouping these funds through administrative remedies.

Misuse of Education Award (OIG Report of Investigation 03-042)

The Office of Inspector General investigated an allegation, reported by Corporation management, that a former AmeriCorps member used her education award, properly paid to the member's school account, to purchase textbooks and school supplies that she subsequently sold to another student. The investigation found that the former member could use the education award deposited in her school account to purchase any item at the campus bookstore and that the resale of such items was not a violation of Corporation policy. The Office of Inspector General coordinated with the school, which is monitoring all future purchases by the former member.

Allegations of Improper Grant Award Procedures (OIG Report of Investigation 03-041)

The Office of Inspector General investigated allegations, reported by a nonprofit organization, that its 2002 competitive grant application was denied due to favoritism or improper Corporation grant award procedures. The investigation found no substance to the allegations.

Allegations of Fraudulent Time Sheets (OIG Reports of Investigation 03-038 and 03-039)

The Office of Inspector General investigated allegations, reported by a former AmeriCorps*VISTA member, that AmeriCorps members at the VISTA program had been falsifying their time sheets. The investigation found that one AmeriCorps member had left the program without completing his time sheets but received no credit for the service hours listed on these time sheets. The remaining allegations were found to be without substance, and investigators found no evidence that time sheets were being falsified.

Examination of Gift Fund Use (OIG Report of Investigation 03-034)

The Office of Inspector General investigated allegations, reported by a confidential source, that improper payments might have been made to a Corporation contractor. The investigation found that the payments were made with monies from the Corporation's Gift Fund, a Corporation account created to accept contributions from the private sector. The contractor's documents did not appear to be improper, but the investigation did uncover questions about the manner in which the Gift Fund was being managed. Information obtained in this investigation was provided to the OIG Audit Section, which is conducting a financial and compliance audit of the Gift Fund.

Embezzlement of Program Funds (OIG Report of Investigation 03-026)

The Office of Inspector General investigated allegations, reported by a State commission, that a former program employee and two accomplices embezzled a large sum of money from a program, a small portion of which were AmeriCorps funds. An investigation by local law enforcement and the Federal Bureau of Investigation resulted in the convictions of the former program employee and one of the accomplices. The other accomplice is a fugitive from justice. The OIG recommended that Corporation management consider debarring the former program employee and the accomplice who were found guilty.

AmeriCorps Member Submits Fraudulent Time Sheets (OIG Report of Investigation 03-005)

The Office of Inspector General investigated allegations, reported by a State commission, that a former AmeriCorps member falsified his time sheets and forged his supervisor's signatures on the documents. The former member admitted forging the signatures and offered to repay the program the \$1,692.85 that he wrongfully received as a result of the fraudulent time sheets. Local prosecutors are pursuing prosecution after the U.S. Department of Justice declined to pursue the case because of the low dollar amount involved. The former member has been indicted, and a warrant was issued for his arrest after he failed to appear at his arraignment. The former member is still a fugitive from justice and further information will be reported if he is arrested.

Allegations of Improper Hiring Action (OIG Report of Investigation 03-035)

The Office of Inspector General investigated allegations that merit principles had not been followed during the hiring of two Corporation management employees. Investigation found that these allegations were without substance and merit principles had been followed.

Travel Card Review (OIG Reports of Investigation 04-003, 04-018, and 04-014)

The Office of Inspector General completed a review of the use of the government travel credit card by Corporation employees during fiscal year 2003. OIG investigators found that one Corporation employee mistakenly used the travel card to make a small personal purchase. Investigators found that another Corporation employee allowed his government travel card to be used by a friend while on vacation in Mexico. The Office of Inspector General reported the misuses of the travel card to Corporation management for appropriate action.

Allegations of an Improper Contract Award/Time and Attendance Fraud (OIG Report of Investigation 04-006)

The Office of Inspector General completed an investigation into allegations that a Corporation employee committed time and attendance fraud by preparing fraudulent time sheets and improperly hiring a temporary employee. The investigation determined that the employee did not prepare fraudulent time sheets, but did violate Corporation policy by hiring a temporary employee for days in excess of the period allowed by Corporation policy. This information was provided to Corporation management for appropriate action.

Allegations of Improper Hiring Action (OIG Report of Investigation 03-024)

The Office of Inspector General completed an investigation into allegations that a member of Corporation management was improperly hired. The investigation determined that it appeared the employee was noncompetitively hired for the position. The Counsel to the Office of Inspector General expressed the opinion that the hiring was improper and contrary to Federal regulations and the Corporation Personnel System Handbook. This investigation was reported to Corporation management for its action.

Allegations of Legislative Lobbying (OIG Report of Investigation 03-031)

The Office of Inspector General completed an inquiry into allegations that AmeriCorps grantees were wrongfully involved in lobbying efforts designed to sway elected officials to support national service. This inquiry found that none of the monitored activities constituted a violation of lobbying laws.

Cases Open at End of Period

False Claims Violation (OIG Report of Investigation 01-095)

The Office of Inspector General is investigating an AmeriCorps grant recipient after a member of Corporation management reported that the grant recipient used Corporation funds for purposes other than in support of the grant. The recipient is alleged to have knowingly withdrawn Corporation grant funds in excess of grant support needs to keep his program operating. The U.S. Department of Justice's Affirmative Civil Enforcement Coordinator accepted this investigation for prosecution as a civil false claims matter. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Embezzlement of AmeriCorps Funds (OIG Report of Investigation 03-009)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that a former program director of an AmeriCorps grant recipient embezzled AmeriCorps funds. Evidence indicates that the former director embezzled a significant amount of program funds, a portion of which were AmeriCorps grant funds. Evidence also indicates that the former director utilized AmeriCorps members to perform services outside the scope of the grant at the former director's private businesses and organizations. AmeriCorps members also wrongly received credit toward their education awards for this service. The U.S. Department of Justice initially accepted this investigation for criminal prosecution and then declined based on the low dollar loss of the theft. The Office of Inspector General presented this investigation to local authorities, who are pursuing prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Childcare Fraud (OIG Report of Investigation 02-008)

The Office of Inspector General is investigating an allegation, reported by a grant recipient, that a former AmeriCorps member and her childcare providers submitted false AmeriCorps*Care applications, while knowing that the providers would not be furnishing the services as claimed. The investigation revealed evidence that the former member and the childcare providers submitted false monthly attendance reports. This allowed the childcare providers to receive thousands of dollars in AmeriCorps*Care subsidies, which they shared with the former member. Further investigation disclosed evidence that the former member received State childcare subsidies during the same period by conspiring with two different childcare providers to defraud the State system in the same manner. These childcare providers received a significant amount of Federal funds as part of their State childcare subsidies, which they also shared with the former member.

All the childcare providers admitted to their involvement in the fraud and conspiracy. The former member admitted to some involvement. In addition, a review of the former member's time sheets revealed that, although the former member was certified as eligible to receive an education award, only a small portion of the former member's service hours were documented. Of these hours, 185 were on time sheets that bore the forged signature of the former member's supervisor. The U.S. Department of Justice accepted this investigation and pursued criminal prosecution. The former member pled guilty in the U.S. District Court of Connecticut. The former member was sentenced to five years probation, restitution of \$19,979.61, and a \$100 court fee. The Office of Inspector General has recommended that management consider debarment, and the Corporation is pursuing debarment. The results will be reported in a subsequent semiannual report.

VISTA Stipend Checks Theft (OIG Report of Investigation 03-016)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that an unknown person intercepted, forged, and cashed the AmeriCorps*VISTA stipend payment checks of a former VISTA member over a six-month period. A suspect was identified and the information was provided to the Federal Bureau of Investigation, which has assumed responsibility as the lead investigative agency.

Personal Use of AmeriCorps Program Credit Card (OIG Report of Investigation 03-014)

The Office of Inspector General is investigating an allegation, reported by a State commission, that a former AmeriCorps program director used the AmeriCorps program's credit card for personal use. Evidence indicates that the former director used the card to obtain cash advances and to purchase personal items. The U.S. Department of Justice, citing the low dollar amount involved, declined to accept this investigation for prosecution. Local law enforcement and the local prosecutor charged the former director with felony theft. The former director pled guilty to one felony count of theft and has already made restitution of \$2,073.76. The former director received a 14-month sentence, which was set aside pending successful completion of three years' probation. The Office of Inspector General will recommend that Corporation management consider debarring the former director. The results will be reported in a subsequent semiannual report.

Personal Use of AmeriCorps Program Credit Card and Embezzlement (OIG Report of Investigation 03-015)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that a former associate director of an AmeriCorps program misused the program's credit card. Evidence indicates that the former director used the card for personal use and embezzled a significant amount of program funds. The U.S. Department of Justice has accepted this investigation and is pursuing a criminal prosecution. The former associate director has been indicted. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Theft of Program Funds (OIG Report of Investigation 02-028)

The Office of Inspector General is investigating an allegation, reported by Corporation management, that an executive director of a grant recipient was diverting Corporation program funds to cover personal expenditures and business expenses unrelated to program operations. The investigation found evidence that the executive director and the director's spouse had diverted a significant amount of Corporation funds. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Theft of Program Funds (OIG Report of Investigation 03-018)

The Office of Inspector General is investigating an allegation, reported by a Corporation State Office, that a former bookkeeper at a program embezzled a significant amount of program funds, a small portion of which were Foster Grandparent Program funds. Local law enforcement and prosecutors are pursuing prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Fraudulent Receipt of VISTA Stipend (OIG Report of Investigation 03-040)

The Office of Inspector General is investigating an allegation, reported by a Corporation State Office, that an AmeriCorps*VISTA member left the program but continued to receive her stipend, allowing her to collect a significant amount of Corporation funds to which she was not entitled. The investigation found that the program failed to verify member attendance and also failed to provide written documentation of member attendance in its biweekly reports. The U.S. Department of Justice has accepted this investigation for criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Allegations of Fraud (OIG Report of Investigation 02-007)

The Office of Inspector General is investigating allegations, reported by a State commission, that a program executive director and the chief financial officer used program funds for their personal use. The investigation found evidence supporting this allegation. Initially, the Federal Bureau of Investigation was the lead investigative agency but, due to other commitments, was unable to pursue this matter fully. The U.S. Department of Justice has since declined to prosecute this matter in favor of local prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Investigations Section

Fraudulent Receipt of an Education Award (OIG Report of Investigation 04-009)

The Office of Inspector General is investigating allegations, reported by Corporation management, that a former AmeriCorps member obtained his education award using fraudulent paperwork. The investigation determined that the member prepared fraudulent paperwork that allowed him to use his education award to purchase an automobile. The U.S. Department of Justice has accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Fraudulent AmeriCorps Application Fees (OIG Report of Investigation 04-015)

The Office of Inspector General is investigating allegations that a former program director charged prospective AmeriCorps members an "application fee" of \$50-\$100 to participate in the program. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

Investigations Section

Summary Of Cases	
Opened and Closed	
Number of Cases Open at Beginning of Reporting Period	29
Number of New Cases Opened this Reporting Period	21
Number of Cases Closed this Period with Significant Findings	9
Number of Cases Closed this Period with no Significant Findings	17
Total Cases Closed this Reporting Period	26
Number of Cases Open at End of Reporting Period	24
Referred	
Number of Cases Referred for Prosecution this Reporting Period	4
Number of Cases Accepted for Prosecution this Reporting Period	3
Number of Cases Declined for Prosecution this Reporting Period	1
Number of Cases Pending Prosecutorial Review	1
Number of Cases Pending Adjudication	11
Recommendations to Management	
Number of Investigative Recommendations Referred to Management	9 *
Number of Investigative Recommendations Pending from Previous Reporting Periods	12 **
<p>* These recommendations derive from five different investigative matters. The OIG recommended debarring five individuals, including two individuals from one investigation. The remaining four recommendations pertain to a loss of funds.</p> <p>** These recommendations derive from three different investigative matters, including one recommendation to consider debarring an individual. The remaining recommendations were made in the National Service Trust Report and the Alternative Personnel System Report.</p>	

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. The Office of Inspector General 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 audit and investigative experience as the basis for its comments.



Review Of Legislation And Regulations

Appropriations

During this reporting period, the OIG monitored and reviewed several pieces of legislation related to the Corporation, including the annual appropriations act and conference report which directed the OIG to engage in additional audit activity. In accordance with these new requirements, the OIG modified its fiscal year 2004 audit plan to include audits of the top ten percent of AmeriCorps grantees receiving the most grant funds. The OIG plans to continue to audit State commissions, but will also expand its focus to include audits of Corporation grants awarded directly to other entities.

Proposed Corporation Rulemaking

On March 4, 2004, the Corporation published a notice in the Federal Register of its intent to engage in rulemaking to codify Corporation guidance on issues that pertain to grant programs. These issues include sustainability requirements for programs, grantee match requirements, criteria for grantee performance measures and evaluation, qualifications of AmeriCorps members serving as reading tutors, timing of the grant cycle, program selection criteria, the application process, and funding for the second and third years of a three-year grant. The Office of Inspector General will monitor this process, and will make recommendations to both Corporation management and the Congress.

Reviews of Other Corporation Guidance

While Section 4(a)(2) of the Inspector General Act requires only that the OIG review existing laws and proposed regulations, the Corporation often uses less formal means to impose requirements, issue instructions, or provide guidance to Corporation staff, State offices, and program grantees. These less formal means include issuing Notices of Funds Availability, Program Guidelines, Grant Application Instructions, Grant Provisions, as well as OMB-approved forms and other documents. Such guidance can also affect Corporation programs and grantee operations significantly. The Office of Inspector General submits comments and recommendations to the Corporation when a proposed policy could be improved to increase economy or efficiency, or prevent or detect fraud and abuse.

In January, the Corporation invited comment from Corporation managers on proposed revisions to forms used by Corporation grantees to enroll and exit AmeriCorps volunteers. Drawing on our experience in audits of State commissions, the OIG suggested adding questions to the AmeriCorps member enrollment form with respect to eligibility requirements mandated by the National and Community Service Trust Act of 1993. The OIG recommended including additional questions concerning citizenship, post-education commitments, prior service, and release for cause or compelling personal circumstances. The OIG also suggested adding a signature line where members attest to the truthfulness of the information supplied. The OIG also recommended other enhancements to the AmeriCorps member exit form. These include a requirement that the grantee's program director recommend a member for a second term of service, and that the program director and AmeriCorps member attest to the accuracy of the number of service hours completed.

Statistical and Summary Tables

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



I. 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	25
5 (a)(4)	Matters referred to prosecutorial authorities	17
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 and recommendations that funds be put to better use.	10
5 (a)(7)	Summary of significant reports	Throughout
5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	22
5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	23
5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	24
5 (a)(11)	Significant revised management decisions	None this period
5 (a)(12)	Significant management decisions with which the Inspector General disagrees	None this period

II. Reports with Questioned Costs

Report Category	Number	Federal Costs	
		Questioned	Unsupported
		(Dollars in thousands)	
A. Reports for which no management decision had been made by the commencement of the reporting period	13	\$24,653	\$18,582
B. Reports issued during the reporting period	<u>2</u>	<u>60</u>	<u>49</u>
C. Total Reports (A + B)	15	24,713	18,631
D. Reports for which a management decision was made during the reporting period	11		
I. Value of disallowed costs		1,914	1,400
II. Value of costs not disallowed	_____	<u>20,878</u>	<u>15,396</u>
E. Reports for which no management decision had been made by the end of the reporting period (C - D)	<u>4</u>	<u>\$1,921</u>	<u>\$1,835</u>
F. Reports with questioned costs for which no management decision was made within six months of issuance	2	\$1,860	\$1,786

III. Reports with Recommendations that Funds be Put to Better Use

Report Category	Number *	Dollar Value
<i>(Dollars in thousands)</i>		
A. Reports for which no management decision had been made by the commencement of the reporting period	2	\$1,664
B. Reports issued during the reporting period	0	\$0
C. Reports for which a management decision was made during the reporting period		
i. Value of recommendations agreed to by management	2	\$1,664
ii. Value of recommendations not agreed to by management	0	\$0
D. Reports for which no management decision had been made by the end of the reporting period	0	\$0
E. Reports for which no management decision was made within six months of issuance	0	\$0
<p>*The Audit Section performed predominately 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.</p>		

IV. Summary of Audits with Overdue Management Decisions

Report Number	Title	Federal Dollars Questioned	Mgmt. Decision Due*	Status as of March 31, 2004
03-04	<i>Incurred-Cost Audit of Grants Awarded to the Wisconsin National and Community Service Board</i>	\$608,210	01/25/04	<i>A Proposed Management Decision has not been provided to the OIG</i>
03-05	<i>Incurred-Cost Audit of Grants Awarded to the Ohio Community Service Council</i>	1,252,054	03/30/04	<i>A Proposed Management Decision has not been provided to the OIG</i>
	Total	<u>\$1,860,264</u>		
<p>*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the final audit report's issuance and corrective actions must be completed within one year.</p>				

V. Reports Described in Prior Semiannual Reports without Final Action

Report Number	Title	Date Issued	Final Action Due*
01-31	<i>Report on the Review of the Corporation for National and Community Service National Direct Grant Application Review Process</i>	07/09/01	07/09/02
02-17	<i>Audit of Corporation for National and Community Service Grants Awarded to the New Jersey Commission on National and Community Service</i>	09/30/02	09/30/03
02-21	<i>Incurred-Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service</i>	09/30/02	09/30/03
03-03	<i>Incurred-Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism</i>	03/27/03	03/27/04
03-14	<i>Audit of Costs Claimed by The Navajo Nation Under Grant No. 399W023-21, Foster Grandparent Program</i>	03/28/03	03/28/04

*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the final report's issuance and corrective actions must be completed within one year.

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