Semiannual Report to Congress on Audit Follow-up

CORPORATION

FOR NATIONAL

SERVICE

April 1, 1995 - September 30, 1995

CNS Semiannual Report Number 4

INDEX OF THE INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

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

SEMIANNUAL REPORT ON AUDIT FOLLOW-UP

Introduction

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

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

During the reporting period:

- Management decisions were made for one audit which did not involved disallowed costs and final action was taken on two audits, one of which had no disallowed costs and the other involved payments of $400.

- None of the audit reports issued during the period involved a recommendation that funds be put to better use.

- Eight audit reports remained open a year after a management decision was made, all of which were with the Department of Justice for action.

Audit Reports with Management Decisions

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

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

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

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

This information is depicted in Table 1.

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

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

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

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

This information is depicted in Table 3.

Comments on the Inspector General's Semiannual Report

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

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

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

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

Management Decisions Not Made Within Six Months

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

Other Items

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

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

Conclusion

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

FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS

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

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

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

Table 1.

AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE

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

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

Table 2.

Audits With Disallowed Costs That Had No Final Action Within One Year of a Management Decision

(as of September 30, 1995)

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

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

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

Table 3