Office of Inspector General
Corporation for National and Community Service

Semiannual Report to Congress
for the period
October 1, 2002 - March 31, 2003

Fiscal Year 2003
Semiannual Report No. 1

Pursuant to the Inspector General Act of 1978, as amended, this report describes activities and accomplishments for the first half of the fiscal year. Section 5 of the Act requires that the Corporation's Chief Executive Officer submit this report to Congress and the Corporation's Board of Directors within thirty days of its receipt.

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Office of Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW., Suite 830
Washington, D.C. 20525

Telephone (202) 606-5000, extension 390
Facsimile (202) 565-2795
Hotline (800) 452-8210

EXECUTIVE SUMMARY

AUDIT SECTION

During this semiannual reporting period, the Office of Inspector General (OIG) issued nine (9) audit reports, including the audit of the Corporation for National and Community Service's fiscal year 2002 financial statements. Summaries of all audit reports issued from October 1, 2002, to March 31, 2003, are on pages 1 through 4.

Financial Management

The audit of the Corporation's fiscal year 2002 financial statements resulted in an unqualified opinion on the Statement of Financial Position as of September 30, 2002, and the related Statements of Operations and Changes in Net Position and Cash Flows for the year then ended. No material weaknesses were identified. However, the Corporation violated § 12581(f) of the National and Community Service Act (42 U.S.C. §§ 12501-681) by approving AmeriCorps national service positions in excess of the number of positions for which the Corporation had budgeted.

Grant Management and Oversight

During this period, the OIG completed one State commission audit. The incurred cost audit of the Indiana Commission for Community Service and Volunteerism resulted in questioned costs of approximately $1 million (7 percent) of the $14.1 million in costs claimed. The audit included recommendations on improving compliance and internal controls.

The Office of Inspector General also issued six (6) reports pertaining to audits of grants awarded to other Corporation grantees to determine whether costs incurred and claimed were allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations.

Information Systems

In response to congressional requirements, the OIG researched and developed an approach to fulfill its responsibility of concurring with the Corporation's certification that adequate cost accounting and grants management systems have been acquired, implemented, and conform to Federal requirements, as appropriate.

EVALUATION SECTION

During this reporting period, the OIG established an Evaluation Section, which will be staffed with an assistant inspector general and three evaluators. The mission of the unit is to review various functions of the Corporation and make recommendations for improvement. It will also assist grantees and other beneficiaries of the Corporation's programs to avoid potential pitfalls through proactive educational initiatives. An evaluator from the Office of Inspector General, Health and Human Services has been detailed to the OIG for three months to assist this new section.

INVESTIGATIONS SECTION

During this reporting period, the OIG received and processed seventy (70) Hotline contacts, opened sixteen (16) investigative actions, and completed ten (10) investigative actions. Seven (7) matters were referred to the Department of Justice for prosecution or civil enforcement. One (1) matter was referred to management of the Corporation for corrective action. Highlights of investigations closed during this period are presented on pages 7 through 11.

OUTREACH EFFORTS

As part of our ongoing fraud prevention effort, the OIG made four presentations during this reporting period. One was made by the Deputy Inspector General, two were made by the Assistant Inspector General for Investigations and two others were made by investigative staff. These presentations were made to staff members of grantees, State commission staff and Corporation staff. The presentations defined fraud, discussed prevalent types of abuses, and identified indicators of fraud.

The Office of Inspector General investigative staff has begun identifying all Education Award Only AmeriCorps members and their service sites. Field locations are visited and members are contacted to discuss their community service experiences. This new initiative increases the visibility of the OIG and verifies member information submitted to, and maintained by, the Corporation.

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.

Requirement		Page
Section 4 (a)(2)	Review of legislation and regulations	None this period
Section 5 (a)(1)	Significant problems, abuses, and deficiencies related to the administration of Corporation programs and operations	Throughout
Section 5 (a)(2)	Recommendations for corrective action with respect to significant problems, abuses, and deficiencies found in the administration of Corporation programs and operations	Throughout
Section 5 (a)(3)	Prior significant recommendations on which corrective action has not been completed	17
Section 5 (a)(4)	Matters referred to prosecutorial authorities	12
Section 5 (a)(5)	Summary of instances where information was refused	None this period
Section 5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and dollar value of recommendations that funds be put to better use	1 – 4, 6
Section 5 (a)(7)	Summary of significant reports	Throughout
Section 5 (a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs	13
Section 5 (a)(9)	Statistical table showing number of audit reports and dollar value of recommendations that funds be put to better use	14
Section 5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period	15 – 16
Section 5 (a)(11)	Significant revised management decisions	None this period
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees	None this period

ABOUT THE OFFICE OF INSPECTOR GENERAL

The Office of Inspector General and the Corporation for National and Community Service were both established by the National and Community Service Trust Act of 1993.

Like all Federal OIG operations, our office is independent of the agency it oversees. It is led by a presidential appointee. We conduct and supervise objective audits and investigations of CNCS programs, including AmeriCorps, VISTA, the National Civilian Community Corps, Learn and Serve America and the Senior Volunteer Program.

The OIG team of professional investigators and auditors also examines State community service programs that receive and distribute the majority of CNCS funds, as well as local grantees.

Based on the results of these audits, reviews and investigations, the OIG recommends CNCS policies to promote economy and efficiency. It also strives to prevent and detect fraud and abuse of taxpayer dollars that have been invested in CNCS programs.

This Semiannual Report, as required under the Inspector General Act of 1978, details our work for the first six months of Fiscal Year 2003. The report is being transmitted to the Chief Executive Officer of CNCS, all members of the CNCS 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 abetted by information supplied via the OIG Hotline (800-452-8210). The Hotline allows CNCS 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.cncsig.gov).

THE OIG TEAM

J. Russell George
Inspector General

Robert Shadowens *Deputy Inspector General*	Vince Mulloy *Counsel to the OIG*	Matt Rupp *Counselor to the IG*	William Hillburg *Senior Advisor – Director of Communications*
Dan Lybert *Assistant IG for Audits*	Alan Boehm *Assistant IG for Investigations*		Linda Wallis *Assistant IG for Support*
Carol Bates *Audit Manager*	Ken Bach *Senior Special Agent/ISSO*		Karen Howard *Office Manager*
Monica Cely-Rodriguez *Auditor*	Robert Walters *Senior Special Agent*		Stewart Leathwood *Information Technology Specialist*
Arnel Cortez *Evaluator*			Shirleen Chittams *Administrative Assistant*
			Wendy Wingers *Administrative Assistant*

AUDIT SECTION

The Office of Inspector General Audit Section is responsible for reviewing financial, administrative, and programmatic operations of the Corporation for National and Community Service (the Corporation). It carries out these responsibilities by conducting the audit of the Corporation's annual financial statements, assessing management controls, auditing operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are referred to the Corporation's management for action or information. A list of the reports issued by the Audit Section during this period can be found on page 6.

FINANCIAL MANAGEMENT

Audit of the Corporation for National and Community Service's Fiscal Year 2002 Financial Statements (Audit Report Number 03-01)

The Government Corporation Control Act (31 U.S.C. §§ 9101-10) requires the OIG to annually audit the Corporation's financial statements. The Office of Inspector General contracted with KPMG LLP to audit the Corporation's fiscal year 2002 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, 2002, and the related Statements of Operations, Changes in Net Position, and Cash Flows for the year then ended.

The auditors considered certain matters involving the internal control of financial reporting and operations to be a reportable condition. The Office of Inspector General and KPMG agreed, however, that this reportable condition, related to grants management, did not constitute a material weakness.

Additionally, the auditors noted that the Corporation violated § 12581(f) of the National and Community Service Act (42 U.S.C. §§ 12501-681), which prohibits the Corporation from approving national service positions unless there are sufficient funds in the National Service Trust to support the projected number of enrollments. As a result, in November 2002, the Corporation temporarily suspended the ability of its grantees to enroll members into positions that had already been authorized.

GRANT MANAGEMENT AND OVERSIGHT

The Corporation awards National and Community Service Act and Domestic Volunteer Service Act grants to State and local governments, State commissions, institutions of higher education, and other not-for-profit organizations. Grantees are required, among other things, 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, including those related to Federal cash management requirements.

The Office of Inspector General Audit Section conducts audits of the Corporation's oversight of grantees and grants 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 non-compliance, and improve internal controls. We also make recommendations for increased oversight by the Corporation and improvements in the Corporation's grants management operations.

State Commission Audits

The Corporation, pursuant to the authority of the National and Community Service Act, as amended, awards grants and cooperative agreements to State commissions, nonprofit entities, Native American tribes, and U.S. territories to assist in the creation of full- and part-time national and community service programs. The Corporation awards approximately two-thirds of its AmeriCorps State and National funds to State commissions. In turn, the State commissions fund and are responsible for the oversight of the subgrantees who execute the programs. Working for these subgrantees, AmeriCorps members help their communities meet educational, human, environmental, and public safety needs.

Incurred Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism (Audit Report Number 03-03)

The Office of Inspector General retained Cotton & Company LLP to audit Corporation grants to the Indiana Commission for Community Service and Volunteerism from October 1, 1997, through September 30, 2001. Of the $14,107,062 in total costs claimed during the audit period, questioned costs of $330,400 and unsupported costs of $689,726 were identified. The report included nine (9) recommendations to the Commission to address weaknesses in compliance and internal controls, such as facilitating the timely submission of Financial Status Reports and grant closeout documents, and strengthening the Commission's program monitoring procedures. The auditors concluded that the Schedules of Award Costs present fairly the costs claimed by the Commission, except for the questioned and unsupported costs identified in the report, and the effects of any adjustments.

Grants Awarded to Entities Other Than State Commissions

Audit of the Points of Light Foundation Grant Numbers 01POLDC002 and 01POLDC003 (Audit Report Number 03-09)

The Office of Inspector General staff completed an audit of Corporation funds awarded to the Points of Light Foundation. The audit examined the costs incurred to determine whether the amounts incurred and claimed were allowable under the grant agreement, its terms and conditions, and applicable Federal laws and regulations. It also evaluated the internal control structure to determine whether it was adequate to safeguard Federal funds. The audit identified questioned costs of $6,242 out of the $208,075 of costs claimed on the Foundation's National Conference Grant. The questioned costs were incurred prior to and after the grant period. Such costs are allowable only with written approval of the Corporation. The audit discovered instances of noncompliance with laws and regulations, and recommended that progress reports and A-133 audit reports be submitted in a timely manner.

Audit of the AmeriCorps Education Awards Program (Audit Report Number 03-10)

The Office of Inspector General completed an audit of the AmeriCorps Education Awards Program. The audit evaluated Corporation and grantee compliance with AmeriCorps Education Awards Program grant requirements, including a review of management controls. It found that the Corporation has adequate controls in place to ensure AmeriCorps Education Awards Program grant expenditures are made in accordance with program requirements. The audit did not include an analysis of the potential education awards that could be earned or the resultant liability that would be recorded to the Trust Liability Account.

Audit of America's Promise – The Alliance for Youth Grant Number 01SPHVA001 (Audit Report Number 03-11)

The Office of Inspector General completed an audit of Corporation for National and Community Service Grants to America's Promise – The Alliance for Youth Grant Number 01SPHVA001. It examined the costs incurred to determine whether the amounts incurred and claimed were allowable under the grant agreement, its terms and conditions, and applicable Federal law and regulations. The audit also evaluated the internal control structure to determine whether it adequately safeguards Federal funds. The audit identified questioned costs of $23,432 out of $7,483,000 of costs claimed. The questioned costs included salaries, benefits, and travel expenses incurred prior to the effective date of the award. Additionally, $911 of interest earned on Federal funds were questioned.

Results of Agreed-Upon Procedures to the Retired and Senior Volunteer Program of Bergen County Incorporated Grant Numbers 340A047-19, -20 and -21 (Report Number 03-12)

The Office of Inspector General completed an agreed-upon procedures report on the Retired and Senior Volunteer Program of Bergen County (New Jersey)[1]. The purpose of the agreed-upon procedures was to determine if grant funds were used to promote and support volunteer activity in a manner that complied with the terms and conditions of the grants. The Office of Inspector General report identified that Corporation funds were used to promote retired and senior volunteerism and volunteer activities. However, our report further identified that the Retired and Senior Volunteer Program of Bergen County failed to recruit and retain the total number of volunteers that were projected in its budget requests. The program also did not meet the award requirement that at least 25 percent of Corporation funding be used for volunteer expenses and cost reimbursements.

Interim Audit of Costs Claimed by Parents as Teachers National Center, Incorporated Under Grant Agreement No. 01SPHMO004 (Audit Report Number 03-13)

The Office of Inspector General engaged Cotton & Company LLP to audit costs claimed by the Parents as Teachers National Center, Incorporated under Grant Number 01SPHMO004. The audit included procedures to determine if costs claimed in financial reports were allowable, if internal controls were adequate to safeguard Federal funds, and if policies and procedures were in place to ensure compliance with Federal laws, applicable regulations and award conditions. Costs claimed were $926,976. The audit found $91,760 of questioned costs. Of the questioned costs, $47,539 resulted from costs that were incurred prior to the grant period. Such costs are allowable only with the written approval of the Corporation.

[1] In an agreed-upon procedures engagement, the auditor carries out procedures of an audit nature to which the auditor and the Office of Inspector General have agreed, and the auditor reports on factual findings.

Audit of Costs Claimed by The Navajo Nation Under Grant No. 339W023-21 Foster Grandparent Program (Audit Report Number 03-14)

The Office of Inspector General engaged Cotton & Company LLP to audit costs claimed by the Navajo Nation under Grant Number 339W023-21 for the Foster Grandparent Program. The audit included procedures to determine if costs claimed in financial reports were allowable, if internal controls were adequate to safeguard Federal funds, and if the Navajo Nation had policies and procedures to ensure compliance with Federal laws, applicable regulations and award provisions. The audit identified questioned costs of $151,203 of the $570,473 of costs claimed. Of the questioned costs, $114,271 resulted from salary and applicable fringe benefits charged to the grant with no periodic certifications. We also found no after-the-fact determination of actual activity for employees working on multiple cost objectives.

INFORMATION SYSTEMS

Letter Report Regarding Plan for OIG Concurrence with the Certification of New Grants Management and Cost Accounting Systems (Letter Report Number 03-15)

The Office of Inspector General (OIG) engaged KPMG LLP to assist in developing a plan to satisfy the Congressional requirements expressed in the conference report for the Corporation's fiscal year 2001 appropriations. The objective was to develop and recommend an approach that would enable the OIG to fulfill the responsibilities, as assigned by Congress, to concur with the Corporation's certification that adequate cost accounting and grants management systems have been acquired and implemented. The report provided recommendations establishing the scope of the procedures to be completed, tasks that should be completed, methodology for performing the work, and timing of procedures to be completed.[2]

AUDIT RESOLUTION

The Corporation's audit resolution process essentially consists of four steps. After the Office of Inspector General (OIG) issues an audit report, the Corporation normally issues a Proposed Management Decision (PMD), responding to the report's findings and recommendations, generally within five months of the report's issuance. If the OIG disagrees with management's proposed corrective actions, the OIG submits written comments within thirty days of receiving the PMD. Not more than six months after an audit report is issued, the Corporation's policy requires that the 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 twelve months of the audit report's publication. 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 considers the audit report to be fully resolved.

[2] This letter report is a type of an agreed-upon procedures engagement. In an agreed-upon procedures engagement, the auditor carries out procedures of an audit nature to which the auditor and the Office of Inspector General have agreed, and the auditor reports on factual findings.

Management Decisions

During this semiannual reporting period, the Corporation notified the OIG of five (5) proposed management decisions. The Corporation considered the proposed management decisions to be their notices of final action and are listed on the following page.

Notices of Final Action

The Office of Inspector General has received and concurred in the following Notices of Final Actions. Management has reported that its corrective actions have been completed.

- Audit Report 99-10, Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc.
- Audit Report 00-22, Audit of Corporation for National and Community Service Contract No. 94-002 with Encore Management Corporation
- Audit Report 01-04, Incurred Cost Audit of Grants Awarded to the Oregon Community Service Commission
- Audit Report 02-08, Incurred Cost Audit of Grants Awarded to the North Carolina Commission on Volunteerism and Community Service
- Audit Report 02-09, Incurred Cost Audit of Grants Awarded to the Washington Commission for National and Community Service
- Audit Report 03-09, Audit of the Points of Light Foundation Grant Numbers 01POLDC002 and 01POLDC003
- Audit Report 03-11, Audit of America's Promise – The Alliance for Youth Grant Number 01SPHVA001

AUDIT REPORTS ISSUED DURING THE PERIOD OCTOBER 1, 2002 THROUGH MARCH 31, 2003

Report Number	Issue Date	Report Name	Federal Dollars Questioned	Federal Dollars Unsupported
			(Dollars in thousands)	
03-01	3/4/03	*Audit of the Corporation for National and Community Service's Fiscal Year 2002 Financial Statements*	N/A	N/A
03-03	3/27/03	*Incurred Cost Audit of Grants Awarded to the Indiana Commission for Community Service and Volunteerism*	1,020,126	689,726
03-09	2/21/03	*Audit of the Points of Light Foundation Grant Numbers 01POLDC002 and 01POLDC003*	6,625	N/A
03-10	1/31/03	*Audit of the AmeriCorps Education Awards Program*	N/A	N/A
03-11	3/17/03	*Audit of Corporation for National and Community Service Grants to America's Promise – The Alliance for Youth*	24,343	N/A
03-12	1/31/03	*Results of Agreed-Upon Procedures to the Retired and Senior Volunteer Program of Bergen County Incorporated, Grant Numbers 340A047-19, -20, and -21*	N/A	N/A
03-13	2/11/03	*Interim Audit of Costs Claimed by Parents as Teachers National Center, Incorporated Under Grant Agreement No. 01SPHMO004*	91,760	N/A
03-14	3/28/03	*Audit of Costs Claimed by the Navajo Nation Under Grant No. 339W023-21 Foster Grandparent Program*	105,177	6,186
03-15	1/31/03	*Letter Report Regarding Plan for OIG Concurrence with the Certification of New Grants Management and Cost Accounting Systems*	N/A	N/A
		TOTAL	$1,248,031	$ 695,912

N/A means not applicable.

INVESTIGATIONS SECTION

At the beginning of this reporting period, there were seventeen (17) investigative actions pending. During this reporting period, sixteen (16) investigative actions were launched and ten (10) were closed. Twenty-three (23) investigative actions were pending at the end of the period.

HIGHLIGHTS OF INVESTIGATIONS

Reported Violation of the Anti-Deficiency Act (OIG Report of Investigation 03-007)

The Office of Inspector General is conducting an investigation regarding the National Service Trust after receiving information that the Corporation had initiated a pause in AmeriCorps enrollments in an attempt to prevent the Trust's liabilities from exceeding its assets. The investigation focused on determining if the provisions of the Anti-Deficiency Act (31 U.S.C. § 1341) were violated and the causes for the pause in AmeriCorps member enrollments.

The Office of Inspector General determined that, based on the legal opinions of the Corporation's General Counsel and the Counsel to the Inspector General, the provisions of the Anti-Deficiency Act appear to have not been violated, and the Trust's liabilities did not exceed its assets. Yet, the OIG did find that, due to a lack of communication and coordination among the Corporation's budget office, the AmeriCorps program office, and the National Service Trust office, there was no effective system for monitoring AmeriCorps member enrollments compared to Trust funding levels. The investigation is ongoing and final results will be reported in subsequent reports.

Review of the Alternative Personnel System (OIG Report of Investigation 02-039)

The Office of Inspector General is conducting a review of the Corporation's Alternative Personnel System (APS). In response to concerns expressed by a number of employees and managers about the effectiveness and fairness of the APS, the review was requested by Congressman Albert R. Wynn (D-MD) and also jointly by members of the Corporation's Board of Directors and the Chief Executive Officer.

As part of the legislation creating the Corporation, the Chief Executive Officer was authorized to establish an APS that was excepted from many of the provisions governing Federal employees under Title 5 of the United States Code and other statutes. Pursuant to the legislation, the Chief Executive Officer was authorized to work with the Office of Personnel Management (OPM) to fashion a human resource system with the type of appointments, grade and pay structures, and other elements that would best suit the Corporation's needs. Working with OPM, the Corporation created and implemented the APS in June 1995.

In the coming weeks, a final report will be issued containing recommendations for improvements to the Alternative Personnel System. This review is ongoing and final results will be reported in a subsequent semiannual report.

Former AmeriCorps Member Sentenced for Falsifying Documents (OIG Report of Investigation 01-033)

The Office of Inspector General is completing an investigation opened after Corporation management reported that an AmeriCorps member had fraudulently obtained an education award. The investigation revealed that the former member submitted falsified AmeriCorps documents that allowed him to directly receive $2,362.50 of his education award, rather than having the payment sent to an educational or lending institution, as required by the terms of the member agreement. The former AmeriCorps member was interviewed and admitted preparing the fraudulent documents. He pled guilty to making a false official statement, a violation of 18 U.S.C. § 1001, and was sentenced in the U.S. District Court, Southern District of New York, to make restitution of $2,362.50, pay a court assessment of $100, and placed on two years of supervised probation. The Office of Inspector General will recommend that Corporation management consider debarring the former AmeriCorps member. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

The Office of Inspector General is investigating an AmeriCorps grantee after a member of Corporation management reported that the grantee used Corporation funds for purposes other than in support of the grant. Allegedly, the grantee knowingly withdrew Corporation grant funds in excess of the grantee's needs to keep the grantee 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.

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 received, forged, and cashed several AmeriCorps*VISTA stipend payment checks of a former VISTA participant over a six-month period. 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 grantee embezzled AmeriCorps funds. Evidence indicates that the former director embezzled a significant amount of program funds, a portion of which were AmeriCorps grant funds. 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 grantee that a former AmeriCorps member and her childcare providers submitted false AmeriCorps*Care applications, knowing that the providers would not be furnishing the services as claimed. The investigation revealed evidence that the former member and the providers submitted false monthly attendance reports. This allowed the 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 providers to defraud the State system in the same manner. The State providers received a significant amount of Federal funds in childcare subsidies, which they also shared with the former member. All

the providers admitted to their involvement in the fraud. The former member admitted to some involvement. 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 service hours were documented. Of these hours, 185 hours were on time sheets that bore the forged signature of the member's supervisor. The U.S. Department of Justice accepted this investigation and is pursuing criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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 charge 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 declined to accept this investigation for prosecution based on the low amount of money involved. Local law enforcement and the local prosecutor intend to charge the former director with a felony theft violation. The investigation is ongoing and final 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 criminal prosecution. The investigation is ongoing and final results will be reported in a subsequent semiannual report.

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

The Office of Inspector General is investigating an allegation reported by a State commission that a State grantee made improper expenditures of grant funds. An investigation disclosed evidence that a former grant administrator and a former executive director prepared, and caused to be submitted, a Periodic Expense Report claiming that the grantee paid for a number of laptop computers and cellular telephones. These items were not purchased. A third staff member, a former administrative director, then diverted a significant amount of AmeriCorps funds to pay the grantee's staff payroll. The U.S. Department of Justice 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 02-028)

The Office of Inspector General is investigating an allegation reported by Corporation management that an executive director of a grantee was diverting Corporation program funds to cover personal expenditures and business expenses unrelated to program operation. The investigation found evidence that the executive director and the director's spouse 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.

Personal Checks Stolen From the U.S. Mail (OIG Report of Investigation 03-012)

The Office of Inspector General completed an investigation into allegations by a Corporation employee that an unknown individual stole her blank personal checks from the U.S. mail prior to their being delivered to her at the Corporation. Made payable to a name that may be fictitious, the unknown individual forged the employee's signature on a check for $100 and cashed it at a bank in the Washington, D.C., area.

Since the checks were mailed to the Corporation's address and may have been processed in the Corporation's mailroom, this investigation was initiated to determine if there was evidence that the theft occurred in the mailroom. No such evidence was found. Coordination with the U.S. Postal Inspection Service (USPIS), Merrifield, Virginia, revealed that USPIS is investigating similar thefts occurring in the Washington, D.C., area. All information developed during the course of this investigation was provided to USPIS for use in their continuing investigation.

AmeriCorps Member Submits Fraudulent Time Sheets (OIG Report of Investigation 03-006)

The Office of Inspector General completed an inquiry into an allegation reported by an AmeriCorps Program Officer, Texas Commission on Volunteerism and Community Service, Austin, Texas. The Program Officer reported that a recently terminated AmeriCorps member submitted fraudulent timesheets claiming service hours for work that was not performed. The former member received no living stipend for the period covered by the timesheets and received no credit for the service hours claimed.

This matter was coordinated with the University of Texas - El Paso, Department of Public Safety, El Paso, Texas. The university police told the OIG that they would not investigate the matter further since there was no monetary loss.

Review of Government Purchase Card Use (OIG Report of Investigation 02-020)

The Office of Inspector General completed a review of government purchase card use by Corporation employees. No evidence was found that employees were abusing the purchase card program.

The review did find some conditions that, if allowed to continue, could result in abuse or the perception of abuse of the program. The conditions included the purchase of computer equipment and software without approval, a lack of documentation used to support the purchase of food, and the payment of sales tax when not required. These conditions were reported to Corporation management, along with recommendations to mitigate each condition.

The review also noted that, in two of the six locations visited, the purchase card records were particularly well organized and cross-referenced to allow for an efficient and thorough review of individual transactions.

Anonymous Allegations of Impropriety Unsubstantiated (OIG Report of Investigation 03-002)

The Office of Inspector General completed an inquiry opened after receiving anonymous information, alleging that Corporation staff of the Public Affairs Office (PAO) improperly paid travel expenses for an individual who was not a Corporation employee, paid the full-time salary of a PAO staff member while the person was enrolled as a resident university student outside the Washington, D.C., area, and that two staff members misused their government small purchase cards by purchasing products for personal use.

The Office of Inspector General inquiry determined that the PAO staff member's travel to and from Salt Lake City, Utah, at Corporation expense and while the staff member was not a Corporation employee was proper and in accordance with Corporation policy and the Federal Travel Regulations. The Office of Inspector General inquiry found that the PAO staff member who enrolled as a resident university student outside the Washington, D.C., area had her employment status changed from full-time to an intermittent consultant and was paid only for work actually performed until she resigned. Further, the inquiry found nothing to indicate PAO staff members were misusing their government small purchase cards.

As a proactive effort, all charges made by all PAO staff to their individual government travel charge card, during the period from January through September 2002, were reviewed. The Office of Inspector General inquiry found nothing to indicate PAO staff members were misusing their government travel cards.

SUMMARY OF INVESTIGATIONS	
Opened and Closed	
Number of Cases Open at Beginning of Reporting Period	17
Number of New Cases Opened this Reporting Period	16
Number of Cases Closed this Period With Significant Findings	3
Number of Cases Closed this Period With No Significant Findings	7
Total Cases Closed this Reporting Period	10
Number of Cases Open at End of Reporting Period	23
Referred	
Number of Cases Referred for Prosecution this Reporting Period	7
Number of Cases Accepted for Prosecution this Reporting Period	5[3]
Number of Cases Declined for Prosecution this Reporting Period	1
Number of Cases Pending Prosecutorial Review	2
Recommendations to Management	
Number of Investigative Recommendations Referred to Management	3

[3] This includes one (1) case referred for prosecution during a previous reporting period.

TABLES

TABLE I - INSPECTOR GENERAL REPORTS WITH QUESTIONED COSTS

	Report Category	Number	Questioned Costs	Unsupported Costs
			(Dollars in thousands)	
A.	Reports for which no management decision had been made by the commencement of the reporting period	15	35,437	22,446
B.	Reports issued during the reporting period	5	1,248	696
C.	Total Reports (A + B)	20	36,685	23,142
D.	Reports for which a management decision was made during the reporting period	7		
	i. Value of disallowed costs		508	106
	ii. Value of costs not disallowed	__	5,536	4,046
E.	Reports for which no management decision had been made by the end of the reporting period (C – D)	13	$ 30,641	$ 18,990
F.	Reports with questioned costs for which no management decision was made within six (6) months of issuance	10	$ 29,422	$ 18,293

TABLE II - INSPECTOR GENERAL 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	2	1,607
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:		
	based on proposed management action	1	42
	based on proposed legislative action	0	0
	ii. Value of recommendations not agreed to by management	1	20
D.	Reports for which no management decision had been made by the end of the reporting period	1	1,545
E.	Reports for which no management decision was made within six (6) months of issuance	1	1,545

TABLE III - SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Title	Federal Dollars Questioned	Management Decision Due*	Status as of March 31, 2003
99-09	*Audit of the Corporation for National and Community Service Contract No. 95-743-1009 with Biospherics, Inc.*	739,458	11/02/99	*Management has not resolved the questioned costs.*
00-21	*Audit of the Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administration Systems, Inc.*	7,379,847	07/05/00	*Management has not resolved the questioned costs.*
02-03	*Audit of Corporation for National and Community Service Grant Number 97LHEDC001 to the American Association of Community Colleges*	72,542	06/28/02	*A Proposed Management Decision has not been provided to OIG*
02-10	*Incurred Cost Audit of Grants Awarded to the Kentucky Commission on Community Volunteerism and Service*	5,587,955	10/15/02	*A Proposed Management Decision has not been provided to OIG*
02-11	*Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission*	7,903,629	08/20/02	*A Proposed Management Decision has not been provided to OIG*
02-14	*Incurred Cost Audit of Grants Awarded to the Michigan Community Service Commission*	308,842	03/31/03	*A Proposed Management Decision has not been provided to OIG*
02-16	*Incurred Cost Audit of Grants Awarded to the Alaska State Community Service Commission*	127,818	03/26/03	*A Proposed Management Decision has not been provided to OIG*
02-17	*Incurred Cost Audit of Grants Awarded to the New Jersey Commission on National and Community Service*	3,540,540	03/31/03	*A Proposed Management Decision has not been provided to OIG*

TABLE III - SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Title	Federal Dollars Questioned	Management Decision Due*	Status as of March 31, 2003
02-20	*Incurred Cost Audit of Grants Awarded to the New Hampshire Commission on National and Community Service*	2,979,921	01/29/03	*A Proposed Management Decision has not been provided to OIG*
02-21	*Incurred Cost Audit of Grants Awarded to the Alabama Governor's Office on National and Community Service*	780,999	03/31/03	*A Proposed Management Decision has not been provided to OIG*
	Total	$ 29,421,551		

*Under Section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six (6) months of the issuance of the final report and corrective actions completed within one (1) year.

TABLE IV - REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due*
99-09	*Audit of Corporation for National Service Contract No. 95-743-1009 with Biospherics, Inc.*	05/06/99	05/06/00
00-21	*Audit of Corporation for National and Community Service Contract No. 95-743-1005 with Outsourced Administrative Systems, Inc.*	01/06/00	01/06/01
00-24	*Pre-Audit Survey Report of the Alaska State Community Service Commission*	08/08/00	08/08/01
01-31	*Report on the Review of the Corporation for National and Community Service National Direct Grant Application Review Process*	07/09/01	07/09/02
02-03	*Audit of CNCS Grant Number 97LHEDC001 to the American Association of Community Colleges*	12/27/01	12/27/02
02-11	*Incurred Cost Audit of Grants Awarded to the Missouri Community Service Commission*	02/21/02	02/21/03

* Under Section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six (6) months of the issuance of the final report and corrective actions completed within one (1) year.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

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Corporation for National and Community Service
1201 New York Avenue NW., Suite 830
Washington, D.C. 20525