Office of the Inspector General
Corporation for National and Community Service

Semiannual Report to the Congress
for the period
April 1, 1999 - September 30, 1999

Fiscal Year 1999
Semiannual Report No. 2

As required by the Inspector General Act of 1978, as amended, this report describes our activities and accomplishments for the second half of fiscal year 1999. Section 5 of the Act requires that the Corporation's Chief Executive Officer submit this report to the Congress and the Corporation's Board of Directors by November 30, 1999 (within 30 days of its receipt).

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IG 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
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AUDIT SECTION

The Office of the Inspector General Audit Section is responsible for reviewing financial, administrative, and program aspects of Corporation operations. It carries out these responsibilities by conducting the audit of the Corporation's annual financial statements, evaluating the Corporation's management controls, auditing Corporation operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. All OIG audit reports are referred to Corporation management for action or information. Additionally, the Audit Section advises and assists the Corporation in resolving audit recommendations. A list of the reports issued by the Audit Section during this period can be found on page 12.

FINANCIAL MANAGEMENT

Audit of the Corporation for National and Community Service's Fiscal Year 1998 Financial Statements (OIG Audit Report 99-12)

As required by the Government Corporation Control Act (31 U.S.C. 9101 *et seq.*), OIG engaged KPMG to audit the fiscal year 1998 financial statements of the Corporation for National and Community Service. The audit, conducted in accordance with government auditing standards, included extensive audit procedures to overcome known material weaknesses and other pervasive systems deficiencies. As a result, KPMG was able to issue an unqualified opinion on the Corporation's Statement of Financial Position at September 30, 1998; however, due to deficiencies in the Corporation's financial systems and management's inability to explain certain adjustments made to the accounting records, KPMG was unable to render an opinion on the Statement of Operations and Changes in Net Position, and the Statement of Cash Flows for the fiscal year.

The audit found that, although the Corporation has made some progress toward producing auditable financial reports, serious financial management issues remain. KPMG reported that eight areas of the Corporation's financial operations are materially weak: financial management and reporting, the Corporation's general control environment,[3] grants management, financial systems, the National Service Trust, fund balance with Treasury, net position reporting,[4] and the recording and reporting of revenue from reimbursable agreements. Systems, internal controls, record keeping and accounting procedures in these areas were first reported as material weaknesses in 1996.

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[3] Control environment factors include commitment to competence, management philosophy and operating style, organizational structure, and assignment of authority and responsibility. The control environment sets the tone of an organization, influences the level of control consciousness, and provides the discipline and structure of an organization.

[4] The report cites the Corporation's failure to properly adjust obligations for expired grants and other expired obligations as well as errors in reporting results of operations. Material adjustments were required to correct the financial statements for both of these conditions.

The financial management weaknesses resulted in the need to record material adjustments, ranging from $1.4 million to $106 million, to the financial statements. Certain of the adjustments also affect the Corporation's budgetary accounts and reports; for example, an adjustment of $106 million was made to reduce the service award liability in the National Service Trust at September 30, 1998. The Corporation's initial calculation of the service award liability was made on a very conservative basis, assuming that all members enrolled as of September 30, 1998, had earned awards, and that all awards earned would ultimately be used. Historical experience now indicates that not all member slots result in earned awards, and only about 80 percent of earned awards will be used. Calculation of the service award liability on a more realistic basis will provide the Corporation with a better indication of the available Trust Fund surplus that should be considered in the annual budget process.

The report also reiterated[5] two areas of non-compliance with laws and regulations: the Corporation's failure to establish an effective system to assess its internal controls and report as required by the Government Corporation Control Act, and the Corporation's substantial non-compliance with Federal financial systems requirements.

During the engagement, the auditors also noted certain matters involving the Corporation's internal controls that were not considered material weaknesses or reportable conditions. We issued a management letter, *Recommended Improvements to the Corporation's Internal Controls – Fiscal Year 1998 Management Letter (OIG Audit Report 99-24)* which discusses these conditions and included 70 recommendations for corrective action.

Analysis of the Corporation for National and Community Service's Net Position Balance as of September 30, 1997 and 1998 (OIG Audit Report 99-14)

In support of the audit of the Corporation's fiscal year 1998 financial statements (see above), OIG requested that KPMG perform certain procedures related the Corporation's net position balances. This work was essential to produce auditable financial statements for fiscal year 1999. As a result, the Corporation's financial statements were revised to reflect approximately $48 million of adjustments to the component balances of net position at September 30, 1998.

Review of the Corporation's August 21, 1999 Action Plan Progress Report (OIG Audit Report 99-38)

During this Semiannual Reporting period, in compliance with the requirements established in the House of Representatives Conference Committee Report accompanying P.L. 105-27, we issued three reports on the Corporation's progress to improve its financial management. In the Committee

[5] See also OIG Audit Report 99-01, *Audit of the Corporation's Fiscal Year 1997 Statement of Financial Position,* issued on October 9, 1999.

Report, the Conferees required that the Office of the Inspector General review and comment on the Plan and subsequent updates within 30 days of their submission to the Congress.[6]

Although the Corporation has reported continued progress on accomplishing tasks delineated in the Action Plan, our assessments revealed that none of the nine goals identified in the Plan have been attained, and important objectives remain to be completed under each goal.

In October we completed a more comprehensive review of the Corporation's progress and a review of the Corporation's reported expenditures on Plan activities as of August 21, 1999. We plan to issue this report in November 1999 (OIG Audit Report 00-13).

PROCUREMENT MANAGEMENT

During fiscal year 1998 OIG audited the Corporation's procurement operations (OIG Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Processes and Procedures*). That audit revealed material weaknesses in the Corporation's award, monitoring, and oversight of its contracts and cooperative agreements. The number, nature, and significance of the audit's findings indicate that the Corporation's procurement process is vulnerable to fraud, waste, and abuse. Because of the nature of the reported deficiencies, OIG began a series of audits of the Corporation's individual contracts and cooperative agreements. These audits are intended to assess whether the costs are allowable, adequately supported, and charged in accordance with the terms of the contract or training and technical assistance agreements, and applicable laws and regulations. Results from the first seven of these audits follow.

Audit of Corporation for National and Community Service Contracts No. 93-743-1005 and 96-743-1008 with Ogilvy, Adams & Rinehart (OIG Audit Report 99-07)

OIG engaged Cotton & Company, LLP, to audit the amounts claimed by Ogilvy, Adams & Rinehart under two contracts with the Corporation to plan and implement a marketing campaign designed to strengthen public awareness of national service and the Corporation's programs. The audit covered the costs claimed under the contracts during the period from October 1, 1993 to September 30, 1996

[6] In the House of Representatives Conference Committee Report accompanying P.L. 105-276, the Conferees stated that $3 million of the Corporation's fiscal year 1999 administrative appropriation was earmarked for funding financial management reforms. The Conferees stipulated that within 60 days of enactment, the Corporation must submit to the House and Senate Committees on Appropriation a detailed Plan for the expenditure of the funds and provide Plan updates every 60 days on the use of the funds. The Corporation's OIG is to independently review and comment upon the Plan and each update within 30 days of their submission to the Congress. OIG Audit Reports 99-17, 99-23, 99-25, and 99-30 contain OIG's comments on the Corporation's December, February, April, and June submissions, respectively.

under Contract No. 93-743-1005, and from October 1, 1996 to December 31, 1998 under Contract No. 96-743-1008 ($4,842,296 and $2,062,547, respectively). The audit included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the respective contracts. OIG reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors found that Ogilvy, Adams & Rinehart underbilled the Corporation by $17,042, net of questioned costs, under the two contracts. The under billings resulted from Ogilvy's use of provisional overhead rates that were substantially less than their actual rates. The auditors also reported that Ogilvy, Adams & Rinehart:

- claimed direct labor, travel, and other direct costs that were unallowable and unallocable under the contract terms and conditions and the *Federal Acquisition Regulation*;
- did not maintain an accounting system that could identify direct and indirect labor costs or allowable and unallowable indirect expenses in accordance with the *Federal Acquisition Regulation*;
- billed the Corporation for some types of costs as "standard costs" but did not document in writing the calculation of the standard costs or support the reasonableness of the rate used by periodic comparisons to actual costs; and
- did not have adequate timekeeping procedures.

Ogilvy, Adams & Rinehart generally agreed with the findings and most of the recommendations. The Corporation did not provide specific comments on the report.

Audit of Corporation for National and Community Service Contract No. 97-743-1002 with R.O.W. Sciences, Inc. (OIG Audit Report 99-08)

OIG engaged Cotton & Company, LLP, to audit the amounts claimed by R.O.W. Sciences, Inc. under a contract to provide labor support for the Corporation's wide-area network, automation help desk, and Oracle development and maintenance support services. The audit covered the costs ($2,173,613) claimed during the period from January 21, 1997 through September 30, 1998, and included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the contract. We reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors found that R.O.W. claimed costs for work:

- performed by individuals employed by temporary help agencies without obtaining the required prior written approval of the U.S. Small Business Administration and the designated Corporation contracting officer;
- performed by R.O.W. employees using higher subcontractor labor rates;
- performed by R.O.W. employees and subcontractors using contractual labor rates for incorrect labor categories; and
- performed by R.O.W. employees and subcontractors using labor rates not included in the contract or contract modifications.

As a result, we questioned $161,893 (7 percent) of costs claimed under the contract. In its response to the report, the Corporation stated that it had reviewed the draft but did not have specific comments. R.O.W. disagreed with the questioned costs related to the work performed by temporary agencies. R.O.W. partially agreed with the questioned costs based on employee versus subcontractor labor rates, incorrect labor categories, and erroneous labor rates.

Audit of Corporation for National and Community Service Contract No. 95-743-1009 with Biospherics, Inc. (OIG Audit Report 99-09)

OIG engaged Cotton & Company, LLP, to audit the amounts claimed by Biospherics, Inc. under a contract to provide toll-free public access and other recruitment services for the AmeriCorps program. The audit covered the costs ($4,475,214) claimed during the period from June 22, 1995 through October 31, 1998, and included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the contract. We have reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors found that Biospherics, Inc.:

- claimed costs for work performed by employees at labor rates not included in the contract or contract modifications;
- claimed other direct costs as "standard costs" based on unsupported standard rates in lieu of billing other direct costs based on actual costs as required by the contract; and
- claimed costs for direct mailing services under a subcontract that was not approved by the contracting officer, as required by the contract.

As a result, we questioned $739,458 (17 percent) in costs claimed under the contract. Biospherics, Inc. disagreed with the questioned costs. The Corporation did not provide specific comments on the report.

Audit of Corporation for National and Community Service Contract No. 95-001 with TvT Associates, Inc. (OIG Audit Report 99-10)

OIG engaged Cotton & Company, LLP, to audit the amounts claimed by TvT Associates, Inc., under a contract to provide assistance to the Corporation in developing and performing evaluations and management studies of Corporation grants, programs, and activities. The audit covered the costs ($4,094,004) claimed during the period from December 28, 1994 through December 31, 1998 and included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the contract. OIG reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors found that TvT Associates, Inc., did not use contract-specified billing rates and claimed labor, consultant, and other direct costs that were unallowable and unallocable in accordance with contract terms and conditions and the *Federal Acquisition Regulation*. As a result, we questioned $294,094 (7.2 percent) in costs claimed under the contract.

As part of the audit, the auditors requested that TvT provide written representations related to the contract. However, TvT's July 20, 1999 letter failed to include one of the representations: specifically, that no events had occurred subsequent to the audit period that would require an adjustment to the amounts claimed by TvT under the contract. TvT representatives stated that, subsequent to the audit, TvT submitted revised invoices to the Corporation. Cotton & Company regards TvT's failure to provide all of the requested representations as a limitation on the scope of its work, and qualified its opinion on the Schedule of Contract Costs.

In its response to a draft of this report, TvT asserted that the Corporation mismanaged the contract and directed TvT to bill incorrectly under the contract. In its response to the audit report, the Corporation indicated that it would address the issues raised in the report and TvT's response in its final management decision.

Audit of the Corporation's Oversight and Monitoring of the Health Benefits Program (OIG Audit Report 99-15)

OIG engaged PricewaterhouseCoopers, LLP, to audit and report on the Corporation's oversight and monitoring of its health benefits program, administered by Outsourced Administrative Systems, Inc. (OASYS). The audit covered the Corporation's oversight and monitoring practices of this contract during the period October 1, 1994 through September 30, 1998. We reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors concluded that the Corporation does not adequately oversee and monitor the health benefits program. The conditions leading to this conclusion included:

- The Corporation lacks formal policies and procedures to adequately oversee and monitor the services provided by OASYS.
- The Corporation does not perform annual compliance reviews of OASYS or perform adequate alternative procedures to review billed costs for accuracy and reasonableness.
- The Corporation does not provide OASYS with updated eligibility data on a timely basis or maintain a log of participant claimed appeals.
- The Corporation does not receive and review all management reports required under the contract.

In addition, the auditors found that the Health Benefit Analyst, assigned the responsibility for oversight and monitoring of the program, lacked the clinical knowledge and experience needed to perform all of the responsibilities of the position and inappropriately overruled decisions made by the OASYS medical review team to deny payments of claims. The report discusses these conditions in detail and provides other information related to the health benefits program.

In its response to a draft of this report, the Corporation stated that it agreed with the findings related to performing oversight functions for OASYS and described planned corrective actions. The Corporation disagreed with the findings related to activities performed by the Health Benefit Analyst.

Audit of Corporation Contract No. 97-743-1001 with GS Tech, Inc. (OIG Audit Report 99-18)

OIG engaged Cotton & Company, LLP, to audit the amounts claimed by GS Tech, Inc., under the indefinite-quantity portion of its contract with the Corporation to provide operation, maintenance, repair, and other miscellaneous services for the AmeriCorps*National Civilian Community Corps Southeast campus in Charleston, South Carolina. The audit covered the costs ($158,830) claimed during the period from October 1, 1996 through February 28, 1999 and included tests to determine whether costs reported to the Corporation were documented and allowable in accordance with the terms and conditions of the contract. We reviewed the report and work papers supporting its conclusions and agreed with the findings and recommendations presented.

The auditors found that GS Tech, Inc.:

- billed for work performed by employees at labor rates that did not agree with rates in the contract or contract modifications;
- billed for services under the time and material portion of the contract that were included in the firm-fixed-price portion of the contract;
- was unable to provide copies of work order requests from the contracting officer's technical representative for some of the work performed under the contract; and
- was unable to provide documentation supporting its G&A rate.

As a result, we questioned $50,850 (32 percent) of costs claimed under the indefinite-quantity portion of the contract. In its response to the report, GS Tech, Inc., disagreed with all questioned costs. However, GS Tech, Inc., failed to provide evidence to support its arguments. The Corporation did not provide specific comments on the report.

Letter Report on Review of ETR Associates Audits that Cover Corporation for National Service Cooperative Agreement Number CA95-06 (OIG Audit Report 99-19)

OIG engaged Cotton & Company, LLP, to audit costs claimed under the terms of a cooperative agreement between the Corporation and Education, Training, and Research Associates (Cooperative Agreement CA95-06). The cooperative agreement was effective for the period February 1, 1995 through April 30, 1998. Under the cooperative agreement, ETR Associates provided training and technical assistance to the Corporation by developing, operating, and managing its National Service Resource Center.

In planning the audit of the Corporation's cooperative agreement, Cotton & Company was required to review and consider the audits of ETR Associates performed by its independent accountants, Coopers & Lybrand, LLP, for fiscal years 1995 through 1997, and PricewaterhouseCoopers, LLP, for fiscal year 1998. The audits were conducted in accordance with *Government Auditing Standards* and Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

Cotton & Company's review indicated that the Corporation's cooperative agreement with ETR Associates was considered and tested as a major program under the Circular's requirements and that direct costs related to the agreement were also tested. The auditors reported no findings or questioned costs related to the Corporation's cooperative agreement as defined by Circular A-133 in any of the four fiscal years.

Based on their review of the Circular A-133 audit reports and supporting workpapers, Cotton & Company recommended that OIG rely on the reports rather than conduct a separate audit of the costs claimed under the agreement. OIG reviewed the audit reports and the workpapers documenting Cotton & Company's review. We concurred with the conclusion reached and recommended that the Corporation use the Circular A-133 audit reports as the basis for closing out the agreement.

GRANT MANAGEMENT AND OVERSIGHT

The Corporation awards National and Community Service Act (NCSA) and Domestic Volunteer Service Act (DVSA) grants to state and local governments, 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 the respective 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 Audit Section performs both audits of the Corporation's oversight of grantees and audits of specific grants to assess whether reported costs were allowable under Federal regulations and whether grantees complied with the terms and conditions of the award. During this reporting period, we issued one report assessing the results of an audit of a Corporation grantee conducted under Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Nonprofit Organizations.*

Letter Report on Review of HANCI Audits that Cover Corporation for National Service Grants (OIG Audit Report Number 99-27)

OIG engaged Leonard G. Birnbaum & Company, LLP, to review the entity-wide audit report and related audit programs and workpapers prepared by Simpson, Kling, Quarantillo and Frosolone, PLLC, which covered Federal assistance programs administered by Health Association of Niagara County, Inc. HANCI), for the year ended December 31, 1997. The review was performed to determine the extent of reliance that could be placed on the work performed by HANCI's independent auditor in the areas of internal control, compliance with laws and regulations, and transaction testing.

Although the firm stated that it performed the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and*

Other Nonprofit Organizations, Birnbaum & Company noted several deficiencies in the audit work including:

- The auditor used an outdated audit guide issued by the Corporation rather than the OMB Circular A-133 compliance supplement, which became effective for audits of entities with fiscal years ending after July 1, 1996;

- There was no evidence in the audit workpapers that tests were made to determine that HANCI provided its share of funds (matching requirement); that tests were made for compliance with the requirements for filing the *Foster Grandparent Program Project Profile and Volunteer Activity Survey;* or that tests were made for compliance with the requirements for filing the *Senior Companion Program Project Profile and Volunteer Activity Survey;* and

- Despite knowledge of issues related to HANCI's performance of its AmeriCorps grant, which led to a mutual agreement to terminate the grant, awarded by the New York Commission on National and Community Service, and a separate review by the Commission of costs HANCI charged to the AmeriCorps grant, conditions which, in our view, indicate high risk, the auditor did not consider this risk in planning the audit and did not provide any discrete coverage of the AmeriCorps program.

Although we did not formally refer the firm to the State Board of Accountancy, we requested that HANCI require the firm of Simpson, Kling, Quarantillo & Frosolone, PLLC, to complete these compliance tests for the, as yet unreleased, audit of HANCI's 1998 financial statements and that the auditors receive training on the requirements of OMB Circular A-133. Our separate report on the audit of this grantee will be issued during the first quarter of fiscal year 2000.

AUDIT RESOLUTION

Significant Management Decisions With Which OIG Disagreed

During this reporting period CNS issued two final Management Decisions with which OIG disagreed. The first related to OIG Audit 98-02, *Pre-award Financial Assessments of Grantees*, OIG did not concur with the Management Decision because the decision does not identify specific actions the Corporation intends to take to address the recommendations. Instead, the decision vaguely indicates management plans to do "something" in the future.

The second decision related to OIG Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Process.* OIG disagreed with the Management Decision because the Corporation proposes that the same personnel responsible for the deficiencies in procurement operations disclosed in the report will be responsible for taking the corrective actions, without any indication that these individuals (or anyone else, for that matter) will be held accountable for the serious

mismanagement matters, will receive adequate training and supervision, or why they should be considered capable of developing and implementing effective corrective actions.

In addition, OIG received a Proposed Management Decision (PMD) on our audit of two Corporation contracts with Advanced Systems Technology Corporation (ASTEC). The Corporation's proposed decision allows, by ratification, $716,236 of the $721,663 of questioned costs (99 percent). The Corporation's primary justification for accepting the costs is that, while the Corporation and ASTEC did not follow the Federal Acquisition Regulation in carrying out this contract, the Corporation received and accepted the services, and thus, the government obtained a benefit resulting from performance of the unauthorized commitments. Although we reported, and the PMD lists, numerous instances where Corporation staff did not follow proper procedures in administering the contract, the PMD contains no information about how these management deficiencies will be effectively corrected, and holds no one accountable for the mismanagement. OIG disagreed with the proposed decision and referred it to the Corporation's Chief Operating Officer for a final management decision.

Management Decisions on OIG Audit Reports With Questioned Costs

During this reporting period the Corporation made one final Management Decision on OIG Audit Reports with questioned costs. In the report (OIG Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Operations*) we questioned $547 thousand in costs claimed under Corporation contracts. However, $539 thousand of the questioned costs relate to a contract that was referred to the U.S. States Attorney for civil recovery under the False Claims Act. As directed by OIG, the Corporation's Management Decision on this audit did not address these questioned costs. Consequently, $539 thousand of the $547 in questioned costs is not included in the statistics. As of September 30, 1999 two management decisions on audit reports with questioned costs were overdue.

AUDIT REPORTS ISSUED DURING THE PERIOD APRIL 1, 1999 THROUGH SEPTEMBER 30, 1999

Report Number	Issue Date	Report Name	Federal Dollars Questioned	Federal Dollars Unsupported
			(Dollars in thousands)	
99-07	7/22/99	Audit of Corporation Contracts No. 93-743-1005 and No. 96-743-1008 with Ogilvy Adams & Rinehart	$ 140	$ 85
99-08	6/2/99	Audit of Corporation Contract No. 97-743-1002 with R.O.W. Sciences, Inc.	162	1
99-09	5/6/99	Audit of Corporation Contract No. 95-743-1009 with Biospherics, Inc.	739	325
99-10	8/2/99	Audit of Corporation Contract No. 95-001 with TvT Associates, Inc.	297	0
99-12	4/9/99	Audit of the Corporation's Fiscal Year 1998 Financial Statements	--	--
99-14	4/9/99	Analysis of the Corporation's Net Position Balance as of September 30, 1997 and 1998	--	--
99-15	9/14/99	Audit of the Corporation's Oversight and Monitoring of the Health Benefits Program	--	--
99-18	8/27/99	Audit of Corporation Contract No. 97-743-1001 with GS Tech, Inc.	51	37
99-19	5/25/99	Review of ETR Associates Audits that Cover Corporation Cooperative Agreement Number CA95-06	--	--
99-24	6/30/99	Recommended Improvements to the Corporation's Internal Controls - Fiscal Year 1998 Financial Audit Management Letter	--	--
99-25	5/19/99	Review of the Corporation's April 21, 1999 Action Plan Progress Report	--	--
99-27	6/2/99	Review of HANCI Audits that Cover Corporation for National Service Grants	--	--
99-30	7/21/99	Review of the Corporation's June 21, 1999 Action Plan Progress Report	--	--
99-38	9/20/99	Review of the Corporation's August 21, 1999 Action Plan Progress Report	—	—
		TOTAL	$1,389	$448

INVESTIGATIONS SECTION

We began this reporting period with 24 previously opened investigative actions. During the reporting period we opened 24 new investigative actions and closed 19. We had 29 investigative actions pending at the end of this reporting period.

HIGHLIGHTS OF INVESTIGATIONS CLOSED DURING THIS REPORTING PERIOD

Grantee Comptroller Embezzles Funds & Steals Equipment – Receives 10 Years in Prison

OIG completed an investigation of a reported embezzlement at Workreation, Inc. (Workreation), a Tyler, Texas, based grantee that received an AmeriCorps grant of approximately $575,000 from the Corporation for National and Community Service. During the OIG investigation, the comptroller of Workreation confessed to embezzling money and other misconduct. The comptroller confessed to embezzling approximately $12,230 during the period April through December 1998 by preparing additional Workreation payroll checks, payable to himself, then forging the names of the authorized signatories on the checks and subsequently depositing the checks in his personal bank account or negotiating the checks for cash. To conceal the embezzlement, the comptroller made fraudulent entries in the Workreation check register, indicating that some of the checks were duplicates, issued ostensibly because the originals were lost, and he then apparently destroyed some of the cancelled, duplicate checks that were returned with the bank statement after payment.

The comptroller also confessed to making several purchases for his personal use from Workreation vendors during the April through December 1998 time frame. The purchases were paid for by Workreation with funds from the AmeriCorps grant. These purchases totaled approximately $13,000. The majority of the non-consumable items purchased and stolen by the former comptroller were recovered.

The comptroller pled guilty to all charges and the 114th District Court of Smith County, Texas, sentenced him to 10 years confinement at a state prison, a fine of $5,000.00, and restitution of $17,534.17. (99-018)

Theft of Federal Funds - Court Judgement - Recovery

OIG completed an investigation and found evidence that a VISTA project director for Emmaus House, and a VISTA participant, working jointly and with common intent, stole approximately $4,600 of Federal funds. The evidence indicated the theft was facilitated by the continuance of stipend checks to the VISTA member during an extended period of incarceration.

The Criminal Division of the U.S. Attorney's Office in New York City declined to prosecute this matter criminally. The Affirmative Civil Enforcement (ACE) section of the U.S. Attorney's Office accepted our referral and pursued collection of the Federal funds.

The U.S. District Court, Southern District of New York, found in the favor of the United States and ordered a judgement against Emmaus House in the sum of $133,346.28, plus post-judgement interest. The court further ordered that this judgement be set aside as long as Emmaus House paid the U.S. $5,000 within fifteen days of this judgement. Emmaus House paid the $5,000 to the Financial Litigation Unit, Office of the U.S. Attorney, Southern District of New York, and the $133,346.28 judgement was set aside. (98-004)

Employee Receives Payment from both Corporation and Corporation Contractor

OIG completed an investigation it initiated upon receipt of information indicating that a Corporation employee worked several days for a Corporation contractor during a period of time when she was also claiming on her Corporation time sheets to be working for the Corporation.

Our investigation determined that the Corporation employee had a signed subcontract agreement with a Corporation contractor and had received payment from this contractor as reimbursement associated with a training session.

In a sworn statement, the Corporation employee admitted being an independent contractor working for a Corporation contractor. The employee further admitted signing her time sheets reflecting she was present for duty at the Corporation for 12 days when in fact she was serving as an independent contractor for those 12 days.

In a sworn statement the employee's supervisor admitted not following up on her employee's activities and being unaware her employee had served as an independent contractor. The supervisor certified the employee's inaccurate time sheets.

The U.S. Attorney declined to prosecute due to the low dollar amount involved.

As a result of our investigation, Corporation management suspended the employee, without pay, for 10 days; however, Corporation management took no action to recover the 12 days government salary paid to the employee while the contractor was compensating her. The employee's supervisor received a letter of counseling for her failure to adequately supervise one of her employees. Corporation management has not reported any action against the contractor as of the end of this reporting period. (99-022)

Corporation Employee Assists Corporation Contractor with Sub-Contractor Recruitment

OIG completed an investigation where we found that a Corporation employee serving as the Contracting Officer's Technical Representative (COTR) for a Corporation contract pre-selected five AmeriCorps*Leader Coaches who were ultimately hired as independent contractors by the Corporation's contractor. These individuals received a selection letter sent by the COTR before the formal release of the Statement of Work to the contractor. One of the individuals was a Corporation employee (see OIG Investigation 99-022 above).

The COTR provided a sworn statement wherein she admitted that she did not follow proper contracting procedures and that she lacked knowledge of government contracting procedures.

As a result of our investigation, Corporation management suspended the employee, without pay, for 10 days. (99-023)

Documents Backdated – Prosecution Declined – Pending Action by Management

OIG completed an investigation where we found evidence that a Director of a Corporation Service Center, a Budget Analyst at the Service Center, and a Training Coordinator at the Service Center, backdated three separate purchase requests. This was apparently done in an attempt to enable them to obligate and ultimately expend fiscal year 1998 funds beyond the date the funds were available for obligation.

An Assistant U.S. Attorney (AUSA) with the U.S. Attorney's Office having prosecutive jurisdiction reviewed this matter and opined that a criminal violation of 18 U.S.C. 1001, False Statement, may have occurred. However, he declined to prosecute in lieu of administrative action by the Corporation, requesting that he be informed of any administrative action taken as a result of this investigation.

The above matter was referred to Corporation management on April 19, 1999, for administrative action. Corporation management reported that disciplinary action against the employee was not finalized as of the end of this reporting period. (99-004)

Fraudulent Enrollment – Possession of Counterfeit Documents – Prosecution Declined

OIG completed an investigation into allegations that an individual used a counterfeit social security card to enroll in a state commission-funded AmeriCorps program. Our investigation confirmed that the social security number on the card used by the former AmeriCorps Member was assigned to another individual. Further, our coordination with the Immigration and Naturalization Service (INS) disclosed the resident alien identification card used by this individual was counterfeit. Based upon our coordination with INS, they arrested the individual for violation of immigration laws and initiated deportation procedures.

This matter was presented to the U.S. Attorney's Office and the office declined to prosecute based on the low dollar amount. The U.S. Attorney's Office also declined to pursue the matter civilly, stating there was no real loss of funds concerning the educational award and, although not legally entitled to be employed, the individual did actually perform service hours.

None of the expenses associated with the fraudulent enrollment will be charged against the Corporation grant. Records maintained by the National Service Trust Fund were annotated to prevent payment of an education award based upon the fraudulent enrollment. (99-021)

Attempted Travel Fraud - No Dollar Loss – Prosecution Declined

OIG completed an investigation involving allegations of travel fraud. The program director of an AmeriCorps program (an employee of a Corporation grantee) submitted a request for travel reimbursement that, if paid, would have been paid with Federal funds. This travel request was false and included expenses incurred for personal travel. No Federal funds were lost inasmuch as the attempted fraud was detected prior to payment of the claim and the Assistant U.S. Attorney declined to prosecute because there was no loss. The grantee removed the program director from her position. (99-013)

Misuse of U.S. Government Travel Cards – No Dollar Loss - Referred to Management

OIG completed an investigation involving misuse of U.S. Government travel cards. We found evidence that a State Program Assistant at a Corporation State Program Office used her American Express Government Travel Card to obtain cash advances disguised as charges for food, beverages, and tips. We also found evidence that a Senior Program Officer at the Corporation's Washington, DC Headquarters used her American Express Government Travel Card to purchase jewelry and leather goods.

The State Program Assistant received a letter of counseling and the assistant's use of the travel card is being monitored on a monthly basis for the next year. The Senior Program Officer's supervisor discussed the matter with the Headquarters employee and determined that the employee had made an "honest mistake" and that by sending payment "immediately" for the purchase had acted properly after making the mistake. The Chief Operating Officer and the Office of Administrative and Management Services developed procedures intended to strengthen the review process for monitoring travel card activity. (99-014)

Inaccurate Timesheets - No Dollar Loss - Referred to Management

OIG completed an investigation involving allegations of falsification of timesheets. A Corporation employee at a state office prepared and submitted inaccurate time sheets to reflect he was working a five-day, eight-hour per day work week, when he was actually working four days per week, ten hours each day. No Federal funds were lost inasmuch as the employee did in fact work the total amount of hours that were submitted via the time sheet. This matter was referred to management for their use as appropriate. (99-017)

Alleged Misconduct of Corporation Employee and Relative

OIG received an anonymous letter alleging that a senior Corporation employee and the employee's relative, who is an employee of a contractor providing services to the Corporation, were engaging in "bigotry" and using government equipment to view pornography. The letter further alleged that the relative uses Corporation telephones to make lengthy long-distance telephone calls to his girlfriend during business hours.

The above matter and other similar complaints concerning the same individuals and office were referred to Corporation management on May 6, 1999, for administrative action. Management has not reported any type of action against the employee or the contractor as of the end of this reporting period. (99-026)

STATISTICAL SUMMARY OF INVESTIGATIONS	
Opened and Closed	
Number of Cases Open at Beginning of Reporting Period.....	24
Number of New Cases Opened During This Reporting Period.....	24
Number of Cases Closed During This Period With Significant Findings.....	10
Number of Cases Closed During This Period With No Significant Findings.....	9
Total Cases Closed This Reporting Period.....	19
Number of Cases Open at End of Reporting Period.....	29
Referred	
Number of Cases Referred for Prosecution During This Reporting Period.....	7
Number of Cases Accepted for Prosecution During This Reporting Period.....	4
Number of Cases Declined for Prosecution During This Reporting Period.....	4
Number of Cases Pending Prosecutive Review.....	0

REVIEW OF LEGISLATION & REGULATIONS

Section 4(a)(2) of the Inspector General Act requires the Office of the Inspector General to review and make recommendations about existing or proposed legislation and regulations relating to the Corporation's programs and operations. OIG recommendations are to address the impact of legislation and regulations on the economy and efficiency of the administration of the Corporation's programs and operations. OIG is also to make recommendations concerning the impact of legislation and regulations on the prevention and detection of fraud and abuse in programs and operations administered or financed by the Corporation.

REVIEW OF LEGISLATIVE MATTERS

Government Waste Corrections Act of 1999

OIG reviewed the Government Waste Corrections Act of 1999, concluding that it might conflict with the IG Act in that it is susceptible to an interpretation that would allow agencies to conduct audits that would overlap with traditional OIG audits. The Act concerns "recovery audits" under which the Corporation seeks to identify and recover overpayments to vendors and other commercial entities. The bill would include audits for recovery of payments made that were not authorized by law, regulation or other applicable requirements.

Paperwork Reduction Act

OIG responded to a request of the President's Council on Integrity and Efficiency and of a Congressional staff member for comment on a legislative proposal concerning OIG independence and the Paperwork Reduction Act. OIG advised that, generally, to the extent the Paperwork Reduction Act requires agency or Office of Management and Budget approval of OIG information collection efforts, OIG independence is vulnerable. OIG proposed draft language to a Congressional staff member to amend the Inspector General Act to obviate the potential loss of independence caused by the Paperwork Reduction Act.

Report on Diversity

U.S. House of Representatives Committee on Appropriations report language included a requirement that all OIGs funded under the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act report to the Committee on issues of diversity in OIG staffing levels. In compliance with this requirement, we issued our Report on Issues of Diversity on July 12, 1999 to both the House and Senate committees on appropriations.

Other Legislation

OIG also reviewed and commented on various proposals to amend the Inspector General Act of 1979, as amended; the Duncan Bill, a proposal to make all Inspectors General presidential appointments with Senate confirmation; and the Dodd Amendments, which primarily concerned the U.S. Department of State OIG.

REVIEW OF CORPORATION-PROPOSED REGULATIONS AND POLICIES

Regulations

The Government in the Sunshine Act requires Federal agencies to conduct certain business meetings in a manner that is open to the public. There are specific exceptions to this requirement, and particular procedures to follow for closing and documenting a meeting pursuant to an exception. Under the terms of the Sunshine Act, the Corporation is required to promulgate regulations implementing the Sunshine Act and has not yet done so. The Corporation's OGC agreed with this conclusion and the Corporation has drafted a regulation to implement the Government in the Sunshine Act. During this reporting period, OIG reviewed and commented on the proposed and final versions of the Corporation regulation.

Proposed Policies

During this reporting period, the Corporation proposed, and OIG reviewed and commented on, new policies in the areas of: property management; public use forms clearance and management; Internet and E-mail access and acceptable use; network and computer security; program evaluation; procuring supplies and services; safeguarding sensitive information and documents; maintenance of service years in Foster Grandparent and Senior Corps programs; debt collection practices; financial disclosure; and the National Senior Service Corps field manual.

MANAGEMENT DECISIONS WITH WHICH OIG DISAGREES

This section of the OIG Semiannual Report describes significant management decisions made during this reporting period, with which the Inspector General disagrees, as required by Section 5(a)(12) of the Inspector General Act of 1978, as amended. Although some of the matters discussed below are featured elsewhere in this Semiannual Report, they are repeated here in order to demonstrate a pattern of response by the Corporation to serious issues raised by OIG. In OIG's judgment, these actions, or inactions, continue a permissive management control environment that fails to hold Corporation staff, grantees, and contractors accountable for compliance with laws, regulations, and sound management practices.

Theft of Twelve Day's Pay Nets Ten Day Suspension

As reported in the Investigations Section of this report, a Corporation for National Service employee was paid a daily rate for a period of 12 days by a Corporation contractor while fully employed and paid a regular salary by the Corporation (page 14). The Corporation suspended the employee for ten days (without pay). The Corporation made no attempt to recover the ill-gotten money from the employee and has taken no action against the contractor. The Corporation Contracting Officer's Technical Representative (COTR) played a key role in obtaining the contract work for the employee, making her aware of the opportunity prior to the COTR releasing the statement of work to the contractor. The COTR was also suspended for ten days without pay. OIG does not agree with the actions taken against the employees, believing them to be far too lenient. OIG also continues to recommend action against the contractor that hired a Corporation employee as an independent contractor.

Corporation Stance on the Need for Cost Reporting

During this reporting period, the Corporation implemented a new financial management system. The "off-the-shelf" software system has an optional cost accounting module. However, in response to OIG's recommendation that the Corporation implement, and integrate with its financial management system, a cost allocation methodology (OIG Audit Report 98-12, *Follow up Review of Budgetary Controls*), the Corporation responded that it had decided not to purchase the optional cost accounting module. The Corporation stated, in writing, that "we are not aware of any cost reporting requirements or standards that apply to the Corporation" and that the Corporation has decided not to implement a cost accounting system for fiscal year 2000.

OIG disagrees with this decision. Sound management practices and the requirement to produce meaningful financial statements establish the need to report the costs of the Corporation's programs. Further, the Corporation is under an ongoing Congressional requirement to report on the *expenditure* of $3 million of its fiscal year 1999 administrative appropriation that was earmarked for funding financial management reforms (page 2). In

addition, Congress has, for the second time, requested the General Accounting Office to assess the costs of the AmeriCorps program. Finally, under the Government Performance and Results Act, the Corporation is required, among other things, to report on performance by program activity. The costs of these activities are essential in order to make meaningful comparisons and to evaluate improvements over time.

Audit of Corporation Contract Results in Questioned Costs of $721,663 . . . Corporation Disallows Only $5,427

OIG audited Corporation contractor Advanced Systems Technology (ASTEC) and determined that, among other things, ASTEC provided services outside its contract and supplied personnel at rates not noted in the contract. OIG therefore questioned a total of $721,663. The Corporation, remarkably, determined to allow $716,236 of this total amount, while disallowing a mere $5,427. In so doing, the Corporation ratified over 99% of the costs questioned by OIG (page 11). OIG strongly disagreed with this proposed management decision, which continues a long history of the Corporation allowing costs questioned in OIG audits.

Corporation Requests that Grantee be Allowed to Obtain Its Own Documents from OIG

OIG opened an investigation predicated on certain allegations received about a Congressional Hunger Center subrecipient. During the investigation, OIG investigators copied numerous records of the CHC subrecipient. Subsequently, at the request of the Corporation's Chief Operating Officer, OIG audited the grantee. In the audit report, OIG questioned approximately $240,000 of CHC's claimed costs under the grant. Because CHC lacked copies of its subgrantee's documentation, during audit resolution, the Corporation requested that OIG permit CHC to access the documentation copied by OIG investigators so that CHC might use the documentation to defend the questioned costs. The Corporation's management decision on this matter is over due (due by July 21, 1999).

Corporation Procurement Practices

OIG audited the Corporation's procurement and contracting processes and procedures and found pervasive weaknesses, several of which relate to core competencies of the procurement staff. The number, nature, and significance of the audit's findings indicate that the Corporation's procurement process is vulnerable to fraud, waste, and abuse. In its recently released final management decision on the audit, the Corporation held no one accountable for these serious management problems and assigned implementation of corrective measures to

the very same staff members found lacking in the OIG audit report. OIG strongly disagrees with this response.

Appeal of Corporation Management Decision

In 1995, at the request of the then Chief Executive Officer of the Corporation, OIG audited Corporation grantee ACORN Housing Corporation. OIG questioned $87,556 of claimed grant costs. OIG determined that ACORN Housing leased space from affiliated corporations and lacked adequate documentation to support the lease costs. OIG's audit report also questioned administrative charges against the grant. The Corporation's ultimate decision, after an appeal by ACORN Housing, was to disallow only $16,176 of the questioned costs. Given the underlying facts in the audit report, OIG disagrees with this decision.

TABLE I
INSPECTOR GENERAL REPORTS WITH QUESTIONED COSTS

		Number		Federal Costs Questioned	Federal Costs Unsupported
				(Dollars in thousands)	
1.	For which no management decision had been made by the commencement of the reporting period	3		$1,509	$110
2.	Which were issued during the reporting period	5		1,389	448
3.	Subtotals (1 plus 2)	8		2,898	558
4.	For which a management decision was made during the reporting period	1	*	8	0
	(i) dollar value of disallowed costs			8	0
	(ii) dollar value of costs not disallowed	—		0	0
5.	For which no management decision had been made by the end of the reporting period (3 minus 4)	7		$2,890	$558
6.	Reports with questioned costs for which no management decision was made within six months of issuance	2		$955	

*In OIG Audit Report 98-24, *Audit of the Corporation's Procurement and Contracting Operations*, we questioned $547 thousand in costs claimed under Corporation contracts. However, as requested by OIG, the Corporation's Management Decision on this audit did not address $539 thousand of the questioned costs due to a pending civil recovery action under the False Claims Act by the cognizant U.S. Attorney's Office.

TABLE II
INSPECTOR GENERAL REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

		Number	Dollar Value
		(Dollars in thousands)	
A.	For which no management decision had been made by the commencement of the reporting period	1	$1,609
B.	Which were issued during the reporting period	1 *	$106,000
C.	For which a management decision was made during the reporting period	2	$107,609
	(i) dollar value of recommendations that were agreed to by management		
	based on proposed management action	2	$107,609
	based on proposed legislative action	0	$0
	(ii) dollar value of recommendations that were not agreed to by management	0	$0
D.	For which no management decision has been made by the end of the reporting period	0	$0
	Reports for which no management decision was made within six months of issuance	0	$0

*This amount represents an audit adjustment to reduce the Corporation's service award liability at September 30, 1998, which was agreed to by the Corporation during the fiscal year 1998 financial audit. In Public Law 106-74, the Departments of Veterans Affairs, Housing and Urban Development, and other independent agencies' fiscal year 2000 appropriations bill, Congress included language recognizing this adjustment and rescinded $80 million previously appropriated to the National Service Trust.

TABLE III
SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Report Number	Title	Federal Dollars Questioned	Mgmt Decision Due*	Status as of Sept. 30, 1999
		(Dollars in thousands)		
99-04	Audit of Congressional Hunger Center Cooperative Agreement No. 96ADNDC099	$233	7/21/99	1
99-05	Evaluation of the Corporation's Monitoring and Oversight of Cooperative Agreement Awarded to Congressional Hunger Center	N/A	7/25/99	2
99-06	Review of the Corporation's Liability for Post-service Benefits Related to Former Commission on National and Community Service Grants	N/A	6/21/99	2
99-11	Audit of Contracts No. 96-743-1002 and 97-743-1005 with Advanced Systems Technology Corporation	$722	9/15/99	2

* Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within 6 months of the final report issuance.

Status

1. Management Decision is overdue.
2. As discussed on page 10 of this Semiannual Report, OIG did not concur with the Proposed Management Decision. The Proposed Management Decision was referred to the Chief Operating Officer for a final determination.

TABLE IV
REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due*	Status Of Final Action
97-02	Audit of Oregon Youth Conservation Corps	12/23/96	12/23/97	*Overdue - Final Action has not been completed and/or reported to OIG*
97-12	Review of the National Alliance for Veteran Family Service Organizations	4/11/97	4/11/98	`` ``
98-02	Review of Pre-award Financial Assessment of Grant Applicants	4/27/98	4/27/99	`` ``
98-06	Audit of West Virginia Conservation and Service Corps	1/27/98	1/27/99	`` ``
98-12	Review of Corporation Budgetary Controls	4/6/98	4/6/99	`` ``
98-15	Audit of the Navajo Nation	6/29/98	6/29/99	`` ``
98-16	Audit of the Youth Volunteer Corps of America	6/29/98	6/29/99	`` ``
98-19	Assessment of AmeriCorps Service Hour Reporting	8/27/98	8/27/99	`` ``
98-20	Assessment of Computer Difficulties Associated with the Year 2000	7/7/98	7/7/99	`` ``

TABLE IV – CONTINUED
REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION

Report Number	Title	Date Issued	Final Action Due*	Status Of Final Action
98-23	Auditability Assessment of the Corporation's FY97 Statement of Financial Position**	7/8/98	7/8/99	*Overdue – Final Action has not been completed and/or reported to OIG*
98-24	Audit of the Corporation's Procurement and Contracting Processes and Procedures	9/30/98	9/30/99	`` ``

* Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final action must be completed within 12 months of the report's issuance.

** The findings in this report were included in previous OIG audit assessments, as well as in the audit of the Corporation's fiscal year 1997 Statement of Financial Position. The Corporation has incorporated its corrective action on these reports into its "Action Plan," and considers all open corrective actions related to auditability issues overdue.

TABLE V
STATUS OF RECOMMENDATIONS ON CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports*	Corrective Action Completed**	Open Recommendations
Corporation Financial Management			
Audit of the Corporation's Fiscal Year 1998 Financial Statements and Management Letter (OIG Audit Reports 99-12 and 99-24)	56	3	53
Auditability Survey & Follow-up Reports (OIG Audit Reports 96-38, 97-09, 97-29, 98-23, 99-01, and 99-02)	155	123	32
Audit of the Corporation's Procurement and Contracting Process and Procedures (OIG Audit Report 98-24)	26	8	18
Grant Oversight and Monitoring			
Review of Corporation Pre-Award Financial Assessment of Grant Applicants (OIG Audit Report 98-02, issued April 27, 1998)	3	1	2
Assessment of AmeriCorps Service Hour Reporting (OIG Audit Report 98-19, issued August 27, 1998)	18	14	4
Review of the Corporation's Liability for Post-service Benefits Related to Former Commission on National and Community Service Grants (OIG Audit Report 99-06, issued August 27, 1998)	4	2	2

TABLE V - CONTINUED
STATUS OF RECOMMENDATIONS ON CORPORATION MANAGEMENT ISSUES

	Number of Recommendations in Reports*	Corrective Action Completed**	Open Recommendations
EDP Systems			
Assessment of Computer Difficulties Associated With the Year 2000 (OIG Audit Report 98-20, issued July 7, 1998)	21	14	7
Audit Resolution			
OIG FY97 Semiannual Report 1 (issued April 30, 1997)	5	1	4
Total	288	166	122

*Recommendations made in various OIG auditability studies related to conditions that had not been corrected were, at times, reiterated in subsequent audit reports. We have reduced the number of recommendations to account for these repeated recommendations. Therefore, the number of recommendations in this table is less than the total of all recommendations made in the reports that are listed.

**The Corporation has not implemented an audit resolution system meeting the requirements established in OMB Circular A-50, *Audit Resolution*. Therefore, the information on corrective actions completed is based on OIG records and the results of OIG follow-up audits when available.

FY99 PERFORMANCE INFORMATION

AUDIT PERFORMANCE INFORMATION

One of our strategic goals continues to be improving the quality and delivery of OIG services, reports and other work products. OIG monitors the number of audit reports issued annually, and their cost and their timeliness. The table below illustrates our performance during this reporting period.

AUDIT PERFORMANCE STATISTICS

	Fiscal Year		
	1997	1998	1999
Number of Audit Reports	26	22	22
Questioned Costs *(in thousands)*	$2,024	$1,776	$2,344
Recommendation That Funds Be Put To Better Use *(in thousands)*	$0	$1,618	$106,000[1]
Costs per Audit Hour			
OIG Staff[2]	$75	$70	$68
Contracted Services	$66	$66	$67
Timeliness[3]	223 days	223 days	173 days

(1) This amount represents an audit adjustment to reduce the Corporation's service award liability at September 30, 1998, which was agreed to by the Corporation during the fiscal year 1998 financial audit. In Public Law 106-74, the Departments of Veterans Affairs, Housing and Urban Development, and other independent agencies' fiscal year 2000 appropriations bill, Congress included language recognizing this adjustment and rescinded $80 million previously appropriated to the National Service Trust.

(2) OIG cost per hour estimate is based on the total salary and benefit costs for audit staff divided by the direct hours charged to audit assignments.

(3) From inception of an audit/review through issuance of the final report, which includes a 30 day response period.

As shown above, the time needed to issue OIG audit reports dropped to an average of 173 days in fiscal year 1999. However, much of this decrease is attributable to five reports providing OIG's comments on the Corporation's corrective Action Plan and subsequent updates. As required by Congress, OIG's reports were due within 30 days after the Corporation issued its report. If these reports are removed from the mix, the timeliness of reports improved to an average 214 days during the fiscal year.

INVESTIGATIONS PERFORMANCE INFORMATION

The basic mission of the OIG investigative element is to lawfully determine as many of the facts as possible surrounding a given incident. The incident under review may include allegations of criminal activity, allegations of non-criminal activity, or allegations that include both criminal activity and non-criminal activity. The basic mission of the investigative element remains unchanged regardless of the nature of the incident: determine as many facts as possible surrounding a given incident. How an allegation is developed, i.e., reactively or pro-actively, has no impact on the basic mission.

What occurs after the initial receipt of a complaint, allegation, or information that results in the development of a complaint or allegation, varies, depending primarily upon whether the matter is criminal or non-criminal, and if criminal, whether or not it is accepted by the Department of Justice for prosecution.

All matters involving evidence of Federal criminal violations are referred to the Department of Justice for a prosecutive decision. This does not mean that all allegations of Federal criminal violations are referred; only those with evidence of a Federal criminal violation are referred, with some exceptions. For example, all allegations of significant fraud and all allegations against certain senior government officials are referred to the Department of Justice without regard to the amount of evidence available at the time the allegations are received. The majority of the criminal matters we investigate involving Corporation programs and operations are declined for prosecution by the Department of Justice because of the low dollar amounts involved. We have had no declinations of a criminal matter because of our inability to sufficiently develop evidence of criminal misconduct.

Those matters that are determined to be non-criminal and those matters that have been declined for prosecution by the Department of Justice are often referred to Corporation management for administrative action. This administrative action might involve suspension or even removal of an employee. Administrative action could also involve a redesign or refinement of a process or system that was identified by our efforts as one that could be improved. When OIG refers such matters to management, we usually request that management provide us a brief narrative of what, if any, administrative action was taken as a result of the referral to them.

One other area that deserves mention involves those matters (criminal and non-criminal) that OIG finds did not occur, did not occur as alleged, or were not within our purview. While some of these matters are as important as a founded criminal investigation (and as such are identified and reported separately), the majority are minor and are combined in one quarterly file, without opening a separate investigative action. Regardless of the severity however, each matter requires some degree of preliminary inquiry. The following table presents statistics on OIG's investigative workload.

INVESTIGATIONS PERFORMANCE STATISTICS

	Fiscal Year				
	1995	1996	1997	1998	1999
Investigative Actions Opened	23	39	31	41	46
Investigative Actions Resolved and Closed	14	29	46	29	39
Average Monthly Caseload	Unknown	23	19	17	25
Investigative Matters Resolved Without Opening a Separate Investigative Action	Unknown	48	69	33	48
Referrals for Prosecution	1	7	4	7	12
Administrative or Management Action Taken	2	4	3	6	10

Office of the Inspector General
Corporation for National Service
Summary of Obligations and Expenditures

	1997	1998	1999
	(Dollars in thousands)		
Salaries and Benefits	$1,152	$ 899	$ 954
Travel	27	33	17
Contracted Audit Services:			
Corporation Operations and Activities *(includes the audits of CNS Financial Statements)*	109	1,309[A]	915
Grant Audits and Reviews	582	363	78
Reviews of CNS State Commissions[B]	N/A	N/A	504
Audits of CNS Contracts	N/A	N/A	159
Training	13	17	10
Supplies	10	23	21
Furniture and EDP Equipment	62	10	18
Other Office Support	14	43	54
Corporation Assessment for Administrative Support and Rent	N/A	177	177
Total Obligations	$1,969	$2,874	$2,907

[A] This includes funding for both the 1997 and 1998 Financial Statement Audits.

[B] To be completed in fiscal year 2000.