

Office of Inspector General

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

*Semiannual Report To Congress*



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## ***About the Corporation for National and Community Service...***

The Corporation for National and Community Service provides grants and technical assistance to volunteer organizations throughout the United States to strengthen communities, foster civic engagement, and improve the lives of all Americans serving their local communities and the Nation. For Fiscal Year (FY) 2015, the Corporation invested over \$1 billion in these service organizations: AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, Senior Corps and Innovation and Demonstration programs. A substantial portion of these funds was distributed through public service commissions in each U.S. state and territory.

## ***and The Office of Inspector General***

In 1993, Congress established both the Corporation and the Office of Inspector General (CNCS-OIG or the Office). The Office was created to promote economy, efficiency and effectiveness in administering Corporation programs. The Office also prevents and detects waste, fraud, and abuse within CNCS or from the entities that receive and distribute Corporation grant funds. The Office is an independent organization, led by a Presidential appointee, which operates separately of the Corporation and submits its reports and recommendations to the Corporation's Chief Executive Officer and to the Congress.

Pursuant to the Inspector General Act of 1978, as amended, this semiannual report summarizes CNCS-OIG's work for the last six months of FY 2015. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

## ***Message from the Inspector General***

The final year of a Presidential Administration presents an excellent opportunity to strengthen agency fundamentals, so that current leaders do not pass on to their successors the same problems that they inherited. Having undergone years of temporary and short-term leadership, only in the past few years has the Corporation for National and Community Service (CNCS or the Corporation) stabilized, allowing it to take stock of operations.

The legacy challenges are substantial and represent a significant burden for national service:

1. CNCS's information technology security is inadequate to protect the sensitive data of thousands of current national service participants and one million alumni. The infrastructure is outdated, and greater supervision of contracted services is necessary.
2. Quite apart from security, there is a pressing need to modernize the Corporation's information technology. A study conducted by MITRE Corporation in 2014 confirmed that the systems do not meet current business needs and will not support increasingly sophisticated future demands. The Corporation's systems do not produce reliable data, requiring substantial staff time to validate basic information.
3. As a grant-making organization, CNCS requires accurate, up-to-date information about grantee expenditures and performance. The current approach to grant monitoring is extremely labor-intensive, inefficient and ineffective at predicting and detecting bad outcomes. There is an urgent need to replace it with systems that facilitate comparisons across the grant portfolio (or within segments of it) to identify trends, anomalies and outliers, a more sophisticated and reliable risk analysis that allows early intervention before problems worsen into crises. Data analytics can bring much-needed discipline and savings to the essential task of monitoring grantees' use of public funds.
4. Transformation is necessary to create a culture of accountability, both internally and for grantees. Personnel at all levels, including the executive level, should expect to

be held accountable for results and prudent use of resources. Everyone must understand that their responsibility is not simply to make grants, but rather to maximize the value of national service for the benefit of the American people. Holding grantees accountable, both programmatically and financially, is integral to this endeavor, and it should not be a struggle. True accountability requires action, as well as exhortation.

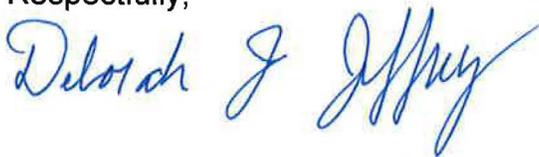
5. Leaders should be willing to question whether the legacy structure of CNCS remains serviceable. Avoiding duplication, combining programs with convergent goals and activities, and reviewing the need for parallel oversight structures might counsel that a different organizational structure would better accomplish the agency's mission. The skills mix of the workforce needed to take national service into the future warrants examination. How best to meet public needs, and not the historical structure or size of national service programs, should drive decisions about the future of national service.

In some of these areas, the Corporation has made a good start; in others, the work has barely begun. But if we miss the current opportunity to re-examine these fundamental issues, it may be many years before we have another chance. I and my Office stand ready to assist, to sustain and support the public's investment in national service.

Let me close by reporting with pride the recognition that our work has received from the Inspector General community. Our office has recently been honored with two Awards for Excellence by the Council of Inspectors General on Integrity and Efficiency (CIGIE), one for our audit of Blanket Purchase Agreements and the other for the Project Ayuda, Maricopa County investigation, which produced the largest fraud recovery in the history of CNCS. We know that our work makes a difference, and it is gratifying to know that others recognize it, as well.

On behalf of the Office of Inspector General, I am pleased to submit this Semiannual Report detailing the contributions of this office for the six months ended September 30, 2015. We appreciate the continuing support of the Congress and look forward to further constructive engagement with CNCS management on these vital issues.

Respectfully,

A handwritten signature in blue ink, reading "Deborah J. Jeffrey". The signature is written in a cursive style with a large, stylized "J" and "E".



## *Audits and Assessments*

The Office of Inspector General Audit Section reviews the financial, administrative, and programmatic operations of the Corporation for National and Community Service. The Audit Section's responsibilities include supervising the audit of the annual financial statements, assessing, management controls, reviewing agency operations, and auditing individual grants, contracts, and cooperative agreements funded by the Corporation. CNCS-OIG audit reports and reviews are issued to CNCS management for its action or information and are publicly available on the CNCS-OIG website.

## ***Pending Audits and Evaluations***

At the end of the reporting period, the Audit Section had in process evaluations of the Corporation's National Civilian Conservation Corps and VISTA program; an audit of the Corporation's FY2015 compliance with the Improper Payments Elimination and Recovery Act, as amended; the FY 2015 Federal Information Security and Management Act evaluation; the FY 2015 Financial Statement audits; and eight grantee audits and/or agreed-upon procedures engagements. Below are highlights of particular evaluations and audits for this reporting period.

## ***Highlights of Audits and Evaluations***

### ***No Reliable Risk Assessment or Estimate of Improper Payments by CNCS or its Programs***

The Corporation did not perform a reliable assessment of the susceptibility of its programs and activities to improper payments, nor did it reliably estimate the amount or the rate of improper payments in those programs. As a result, the improper payments information reported in the agency's FY 2014 Agency Financial Report (AFR), including the published estimate of the rate and amount of improper payments in the AmeriCorps program, was unreliable, as well as incomplete in other respects. We found significant flaws at every stage of the improper payments assessment process. Some of those flaws had a tendency to understate improper payments.

For years, the Corporation has struggled unsuccessfully to meet its obligations under the Improper Payments Elimination and Recovery Act of 2010, as amended, and the OMB compliance requirements implementing that law. Indeed, its 2012 assessment relied on stale information and excluded grantees' use of grant funds—\$750,000,000 and 75 percent of the agency's budget—from consideration.

In its FY 2012 Annual Financial Report (AFR), management promised that it would complete a detailed statistical analysis of the payments within each of its programs in FY 2013, use the results to make a new determination about the risk of improper payments in each of them, quantify the improper payments in the AmeriCorps program and report the results in the FY 2013 AFR.

## *Audits and Assessments*

However, as its FY 2014 AFR stated, CNCS was unable to live up to this promise, completing only a preliminary analysis of the AmeriCorps program that could not project the annual amount or rate of improper payments made by AmeriCorps. Again, the AFR promised that the agency would complete the analysis in FY 2014 and publish the results in the 2014 AFR.

Rather than complete the analysis of 2013 data, the Corporation undertook a new assessment in 2014 and concluded that AmeriCorps, the Foster Grandparents Program (FGP) and Retired and Senior Volunteer Program (RSVP) were all susceptible to improper payments of more than \$10 million per year. For the first time, CNCS also offered in its AFR an estimate of the amount of improper payments in AmeriCorps \$12.4 million.<sup>1</sup> Then, contrary to its prior practices and the IPERA assessment plan submitted by CNCS and approved by the Office of Management and Budget (OMB), attempted to redefine which payments should be considered improper.

As required by IPERA, CNCS-OIG evaluated the agency's IPERA reporting and the analysis underlying it. Recognizing that the Corporation has come a long way since 2012, the evaluators nevertheless found fundamental flaws throughout the agency's IPERA assessment that undermined the reliability of the results. In addition, the AFR omitted information required by IPERA and OMB guidance. The evaluators found that:

- The risk assessment failed to consider a number of known risk factors, including findings reported in CNCS-OIG audit reports in such high-risk areas as procurement;
- The Corporation did not provide adequate procedures, supervision, oversight or quality control to ensure that the sample was selected properly and consistently, or to assure that staff actually followed the designated plan. As a result, CNCS did not prepare a statistically valid estimate of improper payments as required by IPERA;
- The work papers were incomplete and often inadequate to allow evaluators to validate Corporation conclusions about whether a payment was proper or improper;

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<sup>1</sup> Contrary to its prior practices and the IPERA assessment plan submitted by the Corporation and approved by the Office of Management and Budget, the AFR then suggested that the majority of these payments should not be treated as improper. OIG disagreed with the Corporation's reinterpretation and departure from its own past practices and the internal procedures in effect in FY 2014.

## *Audits and Assessments*

- CNCS did not correctly identify improper payments, omitted key eligibility and other criteria required by its own policies and procedures, resulting in an under-estimation of improper payments.

Given these infirmities, CNCS-OIG recommended CNCS perform a new analysis of the susceptibility of its programs and activities to improper payments. We also noted CNCS does not have a cost-effective program in place to recover improper payments.

We recommended that the Corporation take the following corrective actions:

- Implement internal controls and review procedures over the Improper Payments reporting in its FY 2015 AFR, to ensure that CNCS public reporting addresses each of the required elements and that the information is complete and accurate;
- Re-perform the IPERA risk assessment/susceptibility analysis in FY 2015, using an improved process to ensure that it is complete, accurate, and supported by a systematic method;
- Engage a qualified statistician to develop a statistically valid sampling plan and provide oversight throughout the planning and estimation process to ensure the results are valid and CNCS is in compliance with IPERA;
- Take appropriate action to improve the statistical sampling process, including ensuring that individual samples with indicia of improper payments are not eliminated from consideration;
- Develop a comprehensive testing methodology supported by appropriate criteria and documentation, and consistently apply that methodology to selected sample items;
- Improve the process for identifying and reporting on high-dollar overpayments; and;
- Implement a cost-effective program to recover improper payments.

The Corporation advised that it “concurred generally” with these recommendations and planned to undertake a number of steps to improve its IPERA assessment and reporting.

Recognizing the seriousness of CNCS-OIG’s IPERA findings, the Honorable David Mader, Controller for the Office of Management and Budget, required CNCS to submit a comprehensive corrective action plan to remediate these findings and address CNCS-OIG’s recommendations for improvement. He noted “[i]t is important to focus on fixing the issues highlighted by your Inspector General in executing sound financial management.” CNCS responded by “acknowledge[ing] more work is needed to resolve

## ***Audits and Assessments***

the various concerns identified in the IPERA Audit,” reiterating the agency’s commitment to identifying and reducing payment errors and reporting on the steps it has taken and is taking to address the recommendations from the IPERA compliance evaluation.

Following publication of the FY 2015 AFR, CNCS-OIG will again evaluate the agency’s compliance with IPERA and report its findings.

### ***Audit of Corporation for National and Community Service Grants Awarded to Tufts University/Massachusetts Campus Compact***

During the period 2011-2013, the Corporation awarded \$963,062 in two separate grants to the Massachusetts Campus Compact (MACC), a coalition of colleges and universities that encourage student involvement in organizations that assist low-income communities. VISTA provided 88.6 percent of the funds, with the remainder coming from AmeriCorps.

Our audit found:

- VISTA unknowingly renewed its grant to MACC one day after AmeriCorps terminated its grant for cause. The Corporation treats each grant in isolation and lacks systems or processes for sharing critical information about grantees between programs.
- MACC charged the VISTA grant for student labor that was unsupported and not validated by a responsible supervisor.
- Twelve MACC workers were paid \$115,976 from the VISTA grant without ever undergoing required criminal history background checks.
- MACC failed to oversee the service sites and activities to which its 28 VISTA members were assigned.
- MACC overdrew the AmeriCorps grant for more members than it enrolled.

Overall, more than 13 percent of MACC’s claimed costs were overcharges. It lacked effective internal controls to ensure costs charged to grants were correct in amount and properly supported and verified. We recommended CNCS disallow and recover the questioned costs identified in our audit. Any further dealings with MACC should be conditioned on significant improvements in its financial management practices, recordkeeping and host site monitoring.

We also recommended CNCS develop systems and procedures for timely sharing of information across grants and programs and consider transitioning its monitoring and oversight from a grant-centered approach to a grantee-centered approach. There is no justification for unknowingly awarding a grant to a grantee terminated by a sister program because of its failure to remedy grant management deficiencies. Here, the lack of communication between the programs resulted in a missed opportunity for CNCS to prevent further waste of federal funds, as evidenced by the questioned costs identified in this audit report.

Finally, CNCS should determine why the Massachusetts State Office, which conducted a site visit to MACC during the period covered by our audit, failed to uncover the problems identified by our auditors. It is particularly hard to understand how the complete absence of host site monitoring records escaped their notice.

### ***Audit of Corporation for National and Community Service Cooperative Agreements Awarded to AFYA Incorporated (AFYA) and Education Northwest***

During the audit, we found AFYA claimed certain unallowable fringe benefit, overhead, and general and administrative (G&A) costs, while Education Northwest claimed unallowable costs that did not comply with applicable laws and regulations and the terms of its cooperative agreements. Specifically:

- AFYA claimed unallowable fringe benefits, overhead, and G&A costs because it charged rates that exceeded the maximum allowed rates specified in the approved award budgets. AFYA did not obtain Corporation approval of the rate increases.
- Education Northwest paid invoices from its subcontractor, BSC, which included unallowable salary, fringe benefit, and travel costs. Certain salary and fringe benefit costs were unallowable because BSC did not maintain adequate timekeeping documentation. A portion of the claimed fringe benefit costs were also unallowable because BSC used budgeted rates that exceeded the rates specified in its Negotiated Indirect Cost Rate Agreements. Certain travel costs were unallowable because some BSC employees did not comply with BSC's travel policy.

Additionally, we noted CNCS did not address or assess the financial risks and vulnerabilities associated with AFYA's or Education Northwest's award and claimed costs.

## ***Audits and Assessments***

Further, while CNCS had procedures in place to assure the quality of Education Northwest's VISTA training activities and services, its financial oversight of both Education Northwest and AFYA was lacking. The Corporation failed to detect Education Northwest paid BSC for excessive fringe benefit costs for its employees, or AFYA used unapproved rates to calculate its fringe benefit, overhead, and G&A costs.

The generic risk criteria CNCS used to establish its grant monitoring priorities were poorly adapted to identify and measure the risks associated with a cooperative agreement pursuant to which an entity (and in particular a for-profit entity such as AFYA) provides professional services to CNCS. As a result, the Corporation had no reliable assessment of the risks of its long-term cooperative agreements with AFYA and Education Northwest. The Corporation needs to develop risk indicators for contractual and quasi-contractual relationships, such as these, in order to target its oversight resources appropriately.

### ***Risk Assessments of the Corporation Government Charge Card Program***

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) (the Act), which reinforced efforts to prevent waste, fraud and abuse in government-wide charge card programs. This Act requires all Executive Branch agencies to implement safeguards and internal controls for purchase cards (p-cards) and travel cards (t-cards) (collectively referred as "government charge cards"). Under the Act, OMB Circular A-123 Appendix B, *Improving the Management of Government Charge Card Programs*, and OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, Inspectors General are required to:

- Conduct periodic (annual) risk assessments of agencies' charge card programs;
- Identify and analyze the risks of illegal, improper, or erroneous purchases and payments; and
- Develop a plan for using such risk assessments to determine the scope, frequency, and number of periodic audits of government charge card transactions.

Based on the limited review and procedures performed, CNCS-OIG auditors concluded the Corporation has policies and procedures in place to address the requirements identified in the Act.

However, we noted with concern the key controls related to these programs remain entirely manual. Operation of the controls depends in large measure on the availability and attention of individual staff members, which makes these controls fragile and subject to disruption, delays and shifts in priorities. CNCS-OIG recommended the Corporation adopt additional system controls to assist its government charge card monitoring efforts. Such system controls include, for example, utilizing data analysis software, in order to automate monitoring reviews instead of conducting such reviews manually.

Despite this limitation, we assessed the overall risk of significant illegal, improper, and erroneous purchases made through the Corporation's purchase card and travel card program as "low" in FY 2015. Although we do not plan to perform a full scope audit/review of the Corporation's government charge card programs in FY 2016, we continue to monitor their internal control environment for its government charge card programs and conduct the required annual risk assessments.

### ***Audit Follow-Up Has Become Unreliable, Does Not Meet Federal Standards***

Federal audit standards require that agency officials carefully consider audit findings; explain in writing the basis for any disagreements over findings and recommendations; resolve disagreements in timely fashion; commit in writing to corrective actions; and actually implement the promised corrections. See generally OMB Circular A-50, *Audit Followup*. Each agency must establish systems to assure prompt and proper implementation of audit recommendations, including an accurate and complete record of the steps taken and the status of corrective actions.

Recent audit follow-up has fallen short of these minimal requirements. We summarize below two of the serious deficiencies lately identified by CNCS-OIG.

Based on these and other instances of insufficient audit follow-up, CNCS leadership is re-engineering its audit resolution process, to ensure that all decisions are thoroughly vetted, CNCS discusses any disagreements with CNCS-OIG and that the agency tracks and implements all corrective actions. CNCS-OIG appreciates the candor and constructive manner in which the agency has engaged on these issues and looks forward to improved and timely audit resolution, in accordance with government-wide requirements.

## *Audits and Assessments*

### ***Fixed Amount Grants: Failure to Implement Agreed-Upon Corrective Action***

After one of CNCS's largest fixed amount grantees went bankrupt owing CNCS more than \$1 million, CNCS-OIG examined the monitoring practices and internal controls used to mitigate the risks of fixed amount grants, a growing portion of the agency's grant portfolio. We found that a grantee's ability to access funds at will, and to expend its entire award even if volunteer enrollment falls far short of expectations, exposed CNCS to unnecessary financial risk. As we noted, **only the honor system would prevent a grantee from drawing 100 percent of the grant funds on day one and absconding or misapplying them**, without timely detection by CNCS. In [CNCS-OIG Audit Report 13-07](#), issued in September 2013, CNCS-OIG recommended a number of measures for risk-based monitoring, preventive internal controls and other protections. Our key recommendation was that CNCS establish a cap on the portion of funds that can be expended (drawn down) in each quarter, so that the entire grant amount is not immediately at risk. Prudence dictates adopting such an automated control, because CNCS's manual monitoring is easily subject to error and disruption. Without such preventive measures, CNCS must resort to after-the-fact manual detection and the disfavored pay-and-chase model to recover misspent funds.

CNCS agreed to many of our recommendations but initially declined to adopt this critical preventive measure. Following constructive discussions between CNCS-OIG and agency management, CNCS committed in September 2014 to establish quarterly caps on drawdowns for AmeriCorps grants over \$700,000 and for Senior Corps grants over \$400,000 and to conduct quarterly analyses for those grantees. We considered the audit resolution process to have worked well and commented on it favorably in our Semiannual Report for that period, pp. 17-18, available at [Semiannual Report to Congress 14-02](#).

However, as CNCS-OIG recently discovered, CNCS has failed to implement the drawdown caps to which it committed more than one year ago, and which we identified as essential to mitigate the risk of fraud and mismanagement. Senior executives were unaware that the agency had failed to take the promised corrective action. Although Circular A-50 expressly "emphasize[s] the importance of monitoring the implementation of resolved audit recommendations in order to assure that promised corrective action is actually taken," and requires agencies to establish (and to test periodically) systems for assuring the implementation of recommendations, no such systems exist and no monitoring occurred. Moreover, although CNCS was required to maintain a complete record of actions taken and the status of all pending actions, there were no records to

shed light on whether the failure to implement the drawdown caps was inadvertent or deliberate. Indeed, senior staff within the Office of Grants Management stated that they had never seen the final management decision and were unaware of CNCS's promise to cap drawdowns on large grants. The agency's executive leadership has acknowledged the error and offers no excuses for the lapse.

The Corporation, after acknowledging their error, worked quickly and established the caps to which they had agreed to in September 2014, including quarterly monitoring and analysis. CNCS-OIG commends the Corporation for its candor, collaboration and quick action in addressing this serious error.

### ***No Explanation or Analysis Supports Three-Years-Late Management Decision on Partial Education Awards***

The Serve America Act allows an AmeriCorps grantee to approve a partial education award to an individual who did not complete a full term of service, provided that the member left because of "compelling personal circumstances" (CPC), defined in 45 C.F.R Section 2522.230, *Under what circumstances may an Americorps participant be released from completing a term of service, and what are the consequences*. In FY 2011, CNCS-OIG undertook an audit of CPC determinations because of recurring findings that grantees were approving such awards for early-exited members who did not meet the criteria. That audit found widespread noncompliance. During a three-year period in which grantees certified \$ 12 million of partial education awards based on CPC, 75 percent of the audited population did not meet the CPC standards. Our audit found invalid and inconsistent CPC justifications, absent or deficient documentation, lack of monitoring controls and other poor practices. We recommended that CNCS disallow certain questioned costs, recover funds already expended, and institute better monitoring in the form of a second level of review to ensure accuracy and consistency.

Consistent with OMB Circular A-50 and CNCS policies, management was required to issue a decision on the reported findings and recommendations no later than May 9, 2012. Implementation of all corrective actions should have been completed six months later.

Without explanation, CNCS waited nearly three years before issuing a proposed decision. That draft states in conclusory fashion the amounts that CNCS intends to allow and disallow, without explanation, analysis or justification. The only supporting documentation is a single spreadsheet, which lists the sampled awards and CNCS's

## ***Audits and Assessments***

conclusion as to each, but does not explain the reasons for those decisions. We have been told that CNCS prepared no other documentation to support its conclusions.

Longstanding, government-wide requirements dictate that an agency provides a complete explanation of its reasoning when disagreeing with an audit finding or recommendation:

*Comments indicating disagreement shall explain fully the reasons for disagreement. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not to take action, the response must include the legal basis.*

OMB Circular A-50, Section 6(a). A bare statement of the agency's conclusion does not meet this requirement.

The reasons for requiring that an agency explain its decision in writing are obvious. The agency's rationale should be subject to scrutiny, and there should be a clear record of the agency's justification and analysis. This transparency helps to ensure that an agency decision is not arbitrary, internally inconsistent, a product of favoritism or otherwise influenced by factors unrelated to the merits. Moreover, unless the agency shares its reasoning with the auditors, it is difficult to know how the two parties may resolve disagreements and achieve a common understanding, which is a principal objective of the audit follow-up process.<sup>2</sup> As was the case with fixed amount grants, CNCS's internal quality control did not identify and correct these obvious deficiencies before submitting the proposed management decision to the OIG.

## ***Audit Outreach Activity***

The Audit Section continued its active participation in events designed to keep Corporation staff and the grantee community informed about CNCS-OIG's initiatives and findings.

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<sup>2</sup> Because this is a proposed, rather than a final, management decision, we reserve for discussion with CNCS assertions in the draft decision about the financial risk associated with CPC and the cost-effectiveness of our recommendation for additional review. We confine our comments here to the lack of documentary support and analysis underlying CNCS's audit resolution.

## ***Audits and Assessments***

From April to June 2015, the Audit Section made presentations regarding common audit findings and how to avoid them at four Regional National Service Cluster Conferences, which included grantee management and Corporation grant program staff. Our outreach activities culminated in September with a presentation at the 2015 AmeriCorps State and National Symposium in Arlington, VA, attended by State Commissions and National Direct grantee representatives from across the country.

In each of these sessions, the CNCS-OIG Assistant Inspector General for Audit gave concrete advice regarding safeguarding of Federal funds, including audit processes, common accountability findings, and key highlights on the recently-issued *Uniform Grant Guidance* as a result of the Administration's grants reform. These presentations were well received with a robust and spirited question-and-answer session during and after the presentations.

Our auditors have also participated in the IG community's collective efforts to offer suggestions to OMB regarding its planned guidance on Enterprise Risk Management (ERM). We believe that ERM offers potentially great rewards to the Federal government and contributed eagerly to OMB's request for comments. The Inspector General and auditors have encouraged Corporation adoption of an ERM approach and have made a number of suggestions for its development and implementation.

## *Audit Tables*



## *Audit Statistical and Summary Tables*

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

***I. Audit Reports Issued***

April 1, 2015-September 30, 2015				
Report Number	Report Name	Dollars Questioned	Dollars Unsupported	Funds Put To Better Use
		(Dollars in thousands)		
15-04	Performance Audit of the Corporation for National and Community Service's Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA)	\$0	\$0	\$0
15-05	Audit of Corporation for National & Community Service Grants Awarded to Tufts University/Massachusetts Campus Compact	\$129	\$0	\$0
15-06	Audit of Corporation for National and Community Service Cooperative Agreements Awarded to AFYA Incorporated and Education Northwest Incorporated and Education Northwest	\$380	\$17	\$0
	TOTAL	<u>\$509</u>	<u>\$17</u>	<u>\$0</u>

## Audit Tables

### II. Reports with Questioned Costs

	Report Category	Number of Reports	Federal Costs	
			Questioned	Unsupported
			(Dollars in thousands)	
A.	Reports for which no management decision had been made by the commencement of the reporting period	6	\$4,643	\$2,523
B.	Reports issued during the reporting period	2	\$508	\$17
C.	Total Reports (A + B)	8	\$5,151	\$2,540
D.	Reports for which a management decision was made during the reporting period	2	\$533	\$64
	I. Value of disallowed costs		\$84	\$2
	II. Value of costs not disallowed		\$449	\$62
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	6	\$4,618	\$2,476
F.	Reports with questioned costs for which no management decision was made within six months of issuance	4	\$4,109	\$2,459

**III. Summary of Audits with Overdue Management**

<b>Report Number</b>	<b>Title</b>	<b>Federal Dollars Questioned</b>	<b>Mgmt. Decision Due</b>	<b>Status at End of Reporting Period 09/30/2015</b>
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	\$0	5/9/2012	CNCS issued a Draft Management Decision for this report on 3/31/2015. OIG issued the DMD response on 9/30/2015.
12-16	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to the New Jersey Commission	\$1,895,000	3/27/2013	CNCS issued a Draft Management Decision for this report on 3/27/2015.
14-05	Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts	\$1,738,000	6/11/2014	CNCS issued a Draft Management Decision for this report on 3/13/2015.
14-06	Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program	\$394,000	8/4/2014	CNCS issued a Draft Management Decision for this report on 9/29/2015.
14-09	Audit of Blanket Purchase Agreements for Professional Services	\$81,000	12/22/2014	CNCS issued a Draft Management Decision for this report on 10/1/2014 and OIG is attempting to resolve certain open issues.
<b>Total</b>		<b><u>\$4,108,000</u></b>		

## *Audit Tables*

### *IV. Audits with Overdue Management Decisions*

<b>Report Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Final Action Due*</b>
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/9/2011	11/9/2012
12-16	Agreed-Upon Procedures for CNCS Grants Awarded to New Jersey Commission on National and Community Service	9/27/2012	1/15/2014
14-05	Audit of Corporation for National and Community Service Grants Awarded to Family Services of Central Massachusetts	12/11/2013	12/11/2014
14-06	Audit of Corporation for National and Community Service Grants Awarded to Penquis Community Action Program	2/4/2014	2/4/2015
14-09	Audit of Blanket Purchase Agreements for Professional Services	6/20/2014	6/20/2015
<p>*Under section 6009 of the Federal Acquisition Streamlining Act of 1994, as amended, a final management decision must be made within six months of the issuance of the final report and corrective actions must be completed within one year.</p>			

**V. Reports with Recommendations That Funds Be Put To Better Use**

	<b>Report Category</b>	<b>Number</b>	<b>Dollar Value (In thousands)</b>
A.	Reports for which no management decision had been made by the commencement of the reporting period	3	\$518
B.	Reports issued during the reporting period	0	0
C.	Total Reports (A + B)	3	\$518
D.	Reports for which a management decision was made during the reporting period	2	\$189
	i. Value of recommendations agreed to by management		\$23
	ii. Value of recommendations not agreed to by management		\$166
E.	Reports for which no management decision had been made by the end of the reporting period (C minus D)	1	\$329
F.	Reports for which no management decision was made within six months of issuance	1	\$329



### *Investigations*

The Investigations Section is responsible for the detection and investigation of fraud, waste, and abuse in Corporation programs and operations. The Investigative Section probes allegations of serious—sometimes criminal—misconduct involving Corporation employees, contractors and grant recipients that threatens the integrity of Corporation service initiatives. Evidence of serious criminal or fraudulent conduct is referred to the appropriate United States Attorney or, in some instances, to a local district attorney for criminal or civil prosecution and monetary recovery. Other investigative results are referred to Corporation management for information or administrative action.

### *Overview*

During FY 2015, the Investigations Section conducted 31 investigations, closed 27 actions, recovered more than \$4.2 million and identified more than \$139,800 in cost avoidance. The Section opened 15 and completed 11 investigative actions between April 1, 2015 and September 30, 2015.

Through our hotline, CNCS-OIG receives reports of fraud, waste, mismanagement and abuse. The resulting investigations often lead to recovery of misspent grant funds and identification of violations of program regulations and unallowable use of program resources, including national service members and volunteers. In FY 2015, the Section processed 139 Hotline actions, leading to 22 investigations and 56 referrals to CNCS management or State Commissions for action.

Our investigators conducted on-site outreach to educate grantees, State Commission personnel and Corporation staff about prevention and detection of fraud, waste, and abuse, the importance of strong internal controls and available reporting channels. Investigators made presentations at Corporation Regional Cluster meetings, the AmeriCorps Symposium and meetings of the Office of Field Liaison, in each case staying after the presentation to answer individual questions. These interactions often result in follow-up contacts by grantees, State Commission staff and Corporation staff to discuss fraud indicators, possible wrongdoing and measures to prevent fraud. CNCS-OIG also continues its social media messaging and actively pursues other outreach opportunities.

Highlights of investigations closed during this period are reported below.

### *Significant Cases and Activity*

#### ***AmeriCorps Members Allowed to Serve from Home without Proper Supervision - Case ID: 2015-017 (Closed 7/20/2015)***

Following a hotline complaint, investigators determined that the American Legion Auxiliary (ALA), a National Direct grantee, allowed AmeriCorps members to serve from their homes without adequate supervision. The service activities consisted of outreach to members of the military, veterans and their families about available benefits and assistance in transitioning into civilian life. The assigned supervisor was located in another state and had no personal knowledge of the members' activities. As a result,

## ***Investigations***

members reported their service hours and the supervisor approved them based solely on an honor system. The Corporation program officer was unaware of this practice.

Corporation management immediately removed those members currently serving from home and advised that it would ensure that the practice did not recur.

### ***AmeriCorps Site Supervisors Failed to Supervise Member's Activity - Case ID: 2015-022 (Closed 7/14/2015)***

Grantee officials from Youth Volunteer Corps, Kansas City, MO, a National Direct grantee, reported a former AmeriCorps member at their Hands-on-Nashville (Tennessee) service site had falsified his timesheets to earn an education award.

Investigators found no evidence that the member deliberately falsified his timesheets, but determined that the Hands-on-Nashville site supervisor provided inadequate supervision. Due to staff turnover and the failure to monitor the member's activity, the member was able to change program sites without the supervisor's knowledge and approval.

Because the member unilaterally chose to work at a service site that was not approved, Youth Volunteer Corps disallowed the hours and the education award. Hands-on-Nashville also revised its timesheet policy to require that the program site supervisor validate the timesheet before approval by their Hands-on-Nashville supervisor. The CNCS program officer, along with Youth Volunteer Corps officials, is monitoring the site to ensure members are properly supervised.

### ***Allegations of Costs Mischarging (Unfounded) - Case ID: 2015-024 (Closed 7/22/2015)***

Corporation management reported allegations that officials at the Greater Texarkana Retired Senior Volunteer Program (GTRSVP), Texarkana, TX/AR, misused grant funds from one CNCS grant as match funds for another Corporation grant. Additionally, Corporation management suspected GTRSVP officials used funds from the wrong grant year for staff termination/retirement payments. Investigators found no evidence to substantiate the allegations. Located on the border of Texas and Arkansas, GTRSVP operates a program that straddles two jurisdictions using funds from separate grants under the supervision of two different Corporation State Offices. For this reason, CNCS program officers intend to monitor closely the grantee's expenditures to ensure that they are charged to the correct grant.

***Findings of Employee Displacement at AmeriCorps Service Site Leads to Changes - Case ID: 2015-012 (Closed 9/11/2015)***

An anonymous hotline complaint alleged AmeriCorps members serving at Community Health Alliance of Pasadena (ChapCare), Pasadena, CA, service site were assigned duties typically performed by a paid employee. The Serve America Act and Corporation regulation 45 C.F.R Part 2540.100 *What restrictions govern the use of Corporation assistance*, prohibit grantees from using AmeriCorps members to displace employees or to engage in activities generally undertaken by paid staff. ChapCare was a service site for the Community Clinic Association of Los Angeles, Los Angeles, CA (CCALAC) Community HealthCorps, a sub grantee of the National Association of Community Health Centers (NACHC), Bethesda, MD.

Although investigators found no evidence of employee displacement at ChapCare, they did determine: (1) due to insufficient supervision, members remained idle for an inordinate amount of time, resulting in waste; and (2) rather than limiting members' service activities to the approved purpose of educating the public about options under the Affordable Care Act, ChapCare site officials directed members to solicit business for the clinics.

Expanding the scope of the investigation to other service sites of the same grantee, investigators found two members were performing tasks that would normally have been performed by paid staff, in violation of regulations. Further, investigators determined certain members were assigned tasks that were beyond the scope of the grant. The majority of the members' service was in accordance with the grant provisions. There were also instances where other members engaged in service outside of the scope of the grant making such as making patient appointments and ordering durable good medical supplies for a profit organization.

Advised of the findings, NACHC took action to ensure that members were performing appropriate service and provided additional training to the service sites involved. The corrective actions taken by NACHC were approved by the CNCS program officer.

***Whistleblower Complaint (Unfounded) - Case ID: 2015-013 (Closed 8/7/2015)***

A former project director of the Mississippi FGP claimed she was fired in February 2015 in retaliation for reporting fraud to CNCS-OIG in November 2012. Investigators found insufficient evidence to substantiate the allegation that her termination was retaliatory.

## ***Investigations***

Not only was there a lag of more than three years between her November 2012 report to CNCS-OIG and her termination, the individual who committed the fraud was no longer associated with Mississippi FGP and there was evidence of significant misconduct in the interim. Among other things, the project director had accidentally started a fire at work and then lied to her supervisor and to firefighters to avoid responsibility for the incident. Because the fire department was forced to search unnecessarily for the origin and cause of the fire, the county was required to evacuate its office building and send numerous employees home early, disrupting the operation of local government.

Investigators noted, however, the county failed to follow its own personnel policies when it terminated the project director without procedural due process and grievance requirements. Apprised informally of the preliminary findings, the former project director withdrew her complaint.

### ***Failure to Safeguard Personally Identifiable Information; Assignment of VISTAs to Displace Employees; Restrictions on Communications with CNCS - Case ID: 2015-019 (Closed 8/7/2015)***

An anonymous hotline complaint alleged United Way of Leigh Valley (UWLV), Allentown, PA, was assigning VISTA participants to tasks typically performed by staff. Under 45 C.F.R Part 1216 *Nondisplacement of Employed Workers and Nonimpairment of Contracts for Services*, VISTAs may not be used to perform any services or duties or engage in activities that would otherwise be performed by an employed worker as part of that worker's assigned duties.

The investigation determined UWLV assigned VISTAs to assume the responsibilities of a staff member who was on extended leave, thereby violating 45 C.F.R Part 1216. Moreover, investigators found UWLV jeopardized the VISTAs' personally identifiable information (PII) by storing copies of their Social Security cards, birth certificates, passports and resumes on a server to which access was not restricted. Finally, investigators learned of a written policy that required VISTAs to notify UWLV before contacting CNCS about any program-related matter. Such restriction impinged on 45 C.F.R Part 1218.6, which allows a VISTA to express views about the terms and conditions of his/her service, without affecting that member's standing or performance. UWLV's policy discourages candid communications and chills VISTAs from reporting any misconduct that they observe.

UWLV officials stated the policy in the handbook was not an accurate reflection of the organization's official stance, which is to allow VISTAs unimpeded access to CNCS employees, and further indicated the written policy was unauthorized and disavowed knowledge of this policy. They replaced it with an appropriate policy. Grant officials also implemented security restrictions so only authorized individuals would have access to PII information. The CNCS Pennsylvania State Office staff took immediate action to ensure VISTAs were not serving in staff positions when employees were absent or on leave.

### ***Failure of Agency Program Officer's Oversight Allows Inadequate Criminal History Checks to Persist - Case ID: 2015-011 (Closed 7/8/2015)***

A Senior Corps grantee in Florida failed to complete the required checks of the National Sex Offender Public Website (NSOPW) for the majority of the 230 Senior Corps volunteers that served there between 2010 and 2014. The grantee confined its checks to the local area, instead of completing the nationwide check required by CNCS. Multiple studies have shown that sex offenders commonly seek employment or volunteer opportunities outside the locality in which they were convicted, reinforcing the necessity of a nationwide search. The findings have been referred to Corporation management for appropriate action, including disallowance of costs.

The grantee's failure to meet a fundamental safety requirement remained undetected over many years because the Corporation State Program Officer did not conduct proper oversight. Investigators also discovered that the program officer failed to timely follow up on findings that grantee staff had improperly documented their hours on the CNCS grants. Based upon these findings, Corporation management issued a written reprimand to the employee.

### ***Allegations of Program Funds Theft (Unfounded) - Case ID: 2015-023 (Closed 7/1/2015)***

CNCS-OIG received an allegation that AmeriCorps members at Community in Schools – Miami Reads AmeriCorps Program, Miami, FL, continued to receive a living allowance after completion of their required program service hours. However, investigators determined the program required its members to complete a full year of service, even if the member had completed their required service hours to earn an education award. AmeriCorps officers at CNCS were not aware of this requirement. No funds were misdirected.

## ***Investigations***

### ***Texas State Commission Requires Grantee to Strengthen Policy to Avoid Displacement - Case ID: 2015-001 (Closed 6/30/2015)***

At CNCS-OIG's request, the Texas OneStar State Commission (OneStar) inquired into allegations that Advance, Inc., El Paso, TX, was using AmeriCorps members to perform staff tasks. After speaking with AmeriCorps members and school personnel, OneStar staff determined members were required to supervise classes on an *ad hoc* basis during the momentary absence of the teacher. While there was no way to quantify the amount of time that members stepped into a staff role, there was likewise no evidence that it represented a significant amount of time. From their inquiry, however, OneStar identified a weakness in the grantee's policies and procedures, regarding clarity about the prohibition on AmeriCorps members undertaking staff duties. The Commission placed the grantee on a corrective action plan and is monitoring compliance.

### ***AmeriCorps Executive Director Misuses Agency Funds and Falsifies Loan Documents - Case ID: 2015-003 (Closed 6/4/2015)***

Corporation management reported that Appalachia Habitat for Humanity (AHFH), Robbins, TN, an AmeriCorps grantee, may have mismanaged program funds. CNCS-OIG found the Executive Director of the non-profit agency misdirected the non-profit's funds for personal use, with the knowledge of some AHFH board members. There was no evidence that Corporation funds were misused. This matter was referred to the Tennessee Bureau of Investigations and local prosecutor for enforcement.

The investigation also determined that AHFH's Executive Director also directed two AmeriCorps members to falsify Certifications of Completion and Final Inspection documents, which were fraudulently used to secure the release of construction funds from a Federal Home Loan Bank, prior to the completion of the project(s). This information was provided to the Federal Housing Finance Agency, Office of Inspector General.

CNCS-OIG provided the results of the investigation to Volunteer Tennessee (Commission) officials and the Corporation program officer who designated AHFH as a high risk grantee requiring strict monitoring of AmeriCorps grant funds.

***Review of Information Technology Security Leads to Better Vulnerability Scanning - Case ID: 2014-025 (Closed 5/7/2015)***

With the help of CNCS-OIG's information technology professionals, investigators discovered the Corporation's Office of Information Technology Office (OIT) was not conducting periodic vulnerability scans of the desktop computers by which most CNCS employees access the agency's information systems. When linked to the agency's network, the computers could provide a conduit for malicious software and other threats to the overall security and privacy of information.

OIT management advised that it had decided not to undertake desktop scans regularly because of their operational impact. The scans extended the time necessary to boot up desktops, resulting in delays and frustration by Corporation employees. (OIT management did have a system in place to scan its network, but these scans did not include desktop computers.) OIT management has since identified and implemented software that can perform vulnerability scans on a monthly basis without problematic delays.

## Investigations Table

Investigative Statistics					
Fiscal Year	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Investigative actions opened	42	22	43	28	31
Investigative actions resolved and closed	35	42	36	34	27
Average monthly caseload	34	26	23	17	15
Investigative matters resolved without opening a separate investigative action	39	51	67	64	69
Referrals for prosecution	8	4	7	0	3
Investigative recoveries <sup>2,4</sup>	\$447,854	\$2,846,203	\$590,943	\$429,554	\$4,240,133
Cost avoidance <sup>3</sup>	\$1,666,294	\$2,321,521	\$1,078,316	\$371,048	\$139,800
Administrative or management action taken	14	17	23	18	10
<p><sup>2</sup> Includes money received by CNCS or other government agencies as a result of CNCS-OIG investigations, including joint investigations with another OIG, Federal, or State investigative element.</p> <p><sup>3</sup> When OIG investigative action identifies a systemic practice that has subsequently been stopped or modified due to some type of CNCS-OIG investigative interdiction, any clear and unmistakable savings to CNCS are reported as cost avoidance.</p> <p><sup>4</sup> FY 2015 Reflects adjustments by CNCS.</p>					



## *Suspension and Debarment*

Suspension and debarment are remedies intended to protect the Federal Government from doing business with individuals or entities whose conduct has shown that they cannot be trusted to conduct business reliably, in compliance with the law, rules and regulations and with integrity. When the Office of Inspector General discovers serious misconduct that casts doubt on the present responsibility of a grantee, grantee staff or other party, it recommends that the Corporation impose debarment to prevent future harm to Federal programs and operations. If the Corporation begins suspension or debarment proceedings, the respondent has an opportunity to demonstrate that it should not be excluded from transactions with the government.

### ***Requests for Debarment***

Two requests for debarment were pending a decision by the Corporation's Suspension and Debarment Official at the close of this reporting period. We will report the results in our next Semi-Annual Report to Congress.



## *Peer Review*

Offices of Inspector General undergo periodic peer reviews to ensure their operations meet the professional standards of the IG community. The results of a peer review must be included in the Semiannual Report of the reviewed office, which must also identify any recommendations that have not been fully implemented. The OIG that conducts a peer review must likewise identify the outstanding and unimplemented recommendations pertaining to the office that it reviewed. The specific statutory requirements for this reporting are contained in Section 989C of Public Law 111-203, which amended Section 5 of the Inspector General Act of 1978.

### ***Peer Review Results***

The Audit Section's most recent Peer Review was conducted in February 2013, by the Smithsonian Institution OIG, confirmed that the system of quality control for the CNCS-OIG in effect for the year ending September 30, 2012, has been suitably designed and complied with to provide the CNCS-OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

The Investigation Section's most recent Peer Review was conducted in March 2015, by the Peace Corps OIG. The internal safeguards and management procedures for investigative operations were in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency and Attorney General Guidelines.