


**Office of Inspector General
Corporation for National and
Community Service**

**Semiannual Report
to Congress**

October 1, 2007 - March 31, 2008
Fiscal Year 2008 Semiannual Report No. 1



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

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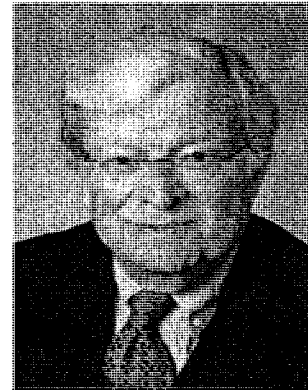
In 1993, Congress created the Corporation for National and Community Service ("Corporation"), along with this Office of Inspector General ("OIG"), in the National and Community Service Trust Act (42 U.S.C. §§ 12501-681). Independent of the agency we oversee and led by a presidential appointee, the OIG conducts audits and investigations of Corporation programs, including AmeriCorps, Volunteers In Service to America ("VISTA"), the National Civilian Community Corps, Learn and Serve America, and Senior Corps. The OIG also examines Corporation operations, and State community service programs that receive and distribute the majority of Corporation grant funds. Based on the results of our work, and in addition to our audit reports and criminal and civil referrals based on our investigations, the OIG recommends to the Corporation policies to promote economy and efficiency.

This semiannual report, as required by the Inspector General Act of 1978, details our work for the first six months of Fiscal Year 2008. It is being transmitted to the Corporation's Chief Executive Officer, Board of Directors, and Members of Congress.

A Message From Inspector General Gerald Walpin

April 30, 2008

I'm pleased to present the Office of Inspector General's ("OIG") Semiannual Report to Congress and share with you the achievements and challenges my staff and I have experienced during the period October 1, 2007, through March 31, 2008.



There was good news on two major oversight fronts during this reporting period. Our audit of the Corporation for National and Community Service's ("Corporation") 2007 Financial Statements resulted in a clean opinion and, for the first time, found no significant deficiencies or material weaknesses. This result can be attributed to efforts by Corporation management to improve its financial reporting, combined with the diligent work of the OIG Audit Section in ensuring prompt and full disclosure by the Corporation. Also, our Federal Information Security Management Act ("FISMA") Independent Evaluation found significant improvements in the Corporation's information technology security compared to prior OIG evaluations. The enhancements included increased information technology staffing and security awareness training for all system users, as well as improved monitoring and testing of Corporation systems. Our report did recommend, however, that the Corporation improve its oversight of contractors and grantees that store and process information on its behalf.

Overall, our Audit Section issued 13 reports during this period and identified questioned costs totaling \$332,000, as well as \$499,000 in taxpayer funds that could be put to better use. We expect those numbers to increase as a result of our proactive stance in the audit resolution process. Working with Corporation officials, we are seeking to maximize monetary recoveries resulting from audit findings and to identify the parties directly responsible for errors and therefore liable for the reimbursement of misspent funds.

We are also working with the Corporation to expedite the process of audit report resolution and conclusions, which depend on Corporation decisions based on our audit findings. This process has too often dragged on beyond the schedule set forth in Corporation policy. The quicker that the Final Management Decision is made on an OIG audit, the sooner improperly charged funds can be returned to the Corporation for proper use.

Our Investigations Section opened 17 cases and closed 25 actions, resulting in the recovery of more than \$523,000 in Corporation funds, with work continuing towards the potential recovery of an additional \$2.314 million.

In our ongoing effort to put wrongdoers on notice that there is no such thing as a small fraud or offense committed against the public's trust and purse, our investigations led to five successful criminal prosecutions, three indictments in pending cases, and the debarment of four convicted persons from participation in Federal grant programs. Three additional OIG referrals for debarment are awaiting Corporation action.

Our outreach to the prosecutorial community, including the presentation of detailed and compelling referrals, also continued to bear fruit. Overcoming longstanding arguments that our cases tend to involve "low-dollar amounts," we had five cases accepted for prosecution by United States Attorneys and local jurisdictions, and experienced only one declination.

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Both our audits and investigations noted troubling problems with member eligibility and the recording and reporting of member service hours. The causes for these problems range from human error and ignorance of regulations to outright fraud. We have expressed our concerns to Corporation management and its grantees, stressing that service hour compilation and reporting is the basis for determining member eligibility for education awards and accrued interest awards. We are working with the Corporation to strengthen oversight, controls, and grantee accountability regarding service hours and member eligibility.

The OIG also has been working with Corporation officials to strengthen the requirement that criminal background checks be conducted prior to deployment for all volunteers who will be serving with children, the disabled, elderly and other vulnerable persons. During this reporting period, the Corporation expanded its background check requirement to cover all Foster Grandparent and Senior Companion volunteers, as well as AmeriCorps members, under a new regulation which effectively supports our audit work. All members or volunteers who were enrolled after November 23, 2007, and who work with vulnerable persons, must undergo pre-service criminal background checks in order to be eligible for service and member benefits. The regulation also covers grant-funded program staff. Grantees which fail to adhere to the rules face sanctions, including refunding to the Corporation the costs of living allowances and education awards given to ineligible members, and stipends and other benefits given to volunteers and grant-supported program staff. In egregious cases of noncompliance, grantees can have their grants suspended or withdrawn.

Our technical staff continues to find ways to help the OIG work smarter and faster. During this reporting period, we began work on a Computer Management System that will assist our investigators in their efforts to bring wrongdoers to justice. Our information technology staff has also assisted its Corporation counterparts in addressing problems with system implementation, shared its expertise on detecting employee travel card fraud, and participated in joint efforts to improve database and system security and user awareness.

All of this fine work has been achieved despite increasing budget restraints which I fear could eventually jeopardize continuation of the OIG's excellent record as a steward of taxpayer funds invested in National Service. After years of expanding our oversight activity, including the careful budgeting of two-year money (which is no longer available) to fulfill and enhance our audit and investigative missions, the OIG in Fiscal Year 2008 has had to absorb a 15 percent funding reduction, from \$6.9 million to \$5.828 million.

This cut has greatly impacted our ability to conduct the contracted random audits of grantees that are so essential to our oversight duties and are mandated by Congress. We were able to award contracts for 14 grant audits in FY 2007. Several of these audits, along with reports issued under contracts initiated during the previous fiscal year, resulted during FY 2007 in the questioning of more than \$5 million in claimed grant costs and in more than 180 recommendations to improve program and Corporation operations.

For FY 2008, our reduced financial circumstances allow for only three grant audit contracts.

Our Audit Section is working hard to offset the impact of the shortfall, conducting more staff-produced audits and focusing on key issues and on grantees shown to have the highest risk of financial irregularities. But there is no way totally to offset the loss of large-scale, contract grant audits which play a crucial role in monitoring and improving grantee performance, both through uncovering improprieties at the entity being audited, and through the deterrent effect on all grantees from the knowledge that the OIG engages in random audits and that any grantee might be next.

The outlook for effective and proactive OIG oversight is no brighter for FY 2009. Our carefully considered request to the Office of Management and Budget ("OMB") for \$7.245 million would have allowed for seven contract audits during the coming fiscal year. OMB's initial passback number for OIG was \$6.935 million. While we thought that our performance and plans warranted our request in full, we decided not to appeal. Unfortunately, in negotiating the Corporation's independent appeal from its passback number, OMB reallocated \$423,000 of the amount OMB had initially agreed to

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provide to OIG, and used it to increase the Corporation's FY 2009 budget allocation, resulting in OIG's number being whittled down to \$6.512 million by OMB. This amount, if allowed to stand, would again allow for only three contracted grant audits.

When I questioned this action, OMB officials suggested that the OIG ask Corporation officials for the disputed \$423,000. I rejected this suggested course of action of going hat-in-hand to the Corporation as totally inconsistent with the OIG's independence. My staff and I will continue, through this report and discussions with Congressional staff, to inform Congress of – as we are statutorily required to do – the adverse impact of the reduced appropriations on the OIG's ability to perform the duties which Congress has assigned it.

Finally, while guarding our independence, I have actively pursued efforts during this period to interact with Corporation officials and employees in an effort to inform them about our role and work, obtain knowledge of the Corporation's operations and problems, and engender a cooperative atmosphere.

It is imperative that the OIG demonstrate that, while it acts independently of the Corporation, it is motivated to assist the Corporation in its service endeavor. For that purpose, I meet every two weeks separately with the Corporation's Chief Executive Officer and Chief Financial Officer, permitting with each a very candid discussion of my views and recommendations on how the Corporation can more effectively operate and ensure against waste, fraud and abuse, while providing the best service to needy persons and communities. The relationship is excellent: The Corporation has welcomed our input, accepted our recommendations with few exceptions and, as to those, we have frankly discussed our differences without being disagreeable. I applaud the Corporation management in its overall attitude towards the OIG and its recognition that a candid relationship with the OIG is in the Corporation's best interests.

My staff and I also continue to give fraud awareness and audit briefing presentations at Corporation gatherings across the country. The OIG was also an active participant in the Corporation's holiday celebration and charity fund drive, as well as its annual employee recognition event at which, to inform Corporation staff of the individual talents and qualities that exist in the OIG staff, I presented our first annual "Inspector General Award" to Senior Budget Analyst Karen Howard.

I am proud of the very able, conscientious, and dedicated OIG staff with whom I am privileged to serve. I find that morale is magnificent, primarily because they all feel that our office is accomplishing its purpose: to root out the small number of bad apples in the Corporation's operations while helping the vast preponderance of Corporation employees, grantee personnel and volunteers in reaching the goal of best utilizing every penny Congress has appropriated for National Service.