

# **Semiannual Report to Congress on Audit Follow-up**

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CORPORATION

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FOR NATIONAL

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 SERVICE

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**April 1, 1994 - September 30, 1994**

*Semiannual Report Number 2*

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## INTRODUCTION

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This is the second semiannual report to the Congress on management decisions and final actions taken by the Corporation for National and Community Service in response to audits issued by the Office of Inspector General. The report covers the six month period ending September 30, 1994, and is required by the Inspector General Act of 1978, as amended.

### Highlights

- By the end of the reporting period, management decisions had been made on all 25 audit reports issued during the preceding 6 months. There were no overdue management decisions.
- Twenty-three (or 92%) of these reports had no disallowed costs.
- None of the 25 audit reports issued during the period had a recommendation that funds be put to better use.
- Of the audit reports for which final action was taken, 92% of the costs that had been disallowed were recovered.
- Of the 20 reports that were pending final action one year or more after the management decisions was issued, 12 have been forwarded to the Department of Justice for further action. Of the remaining eight, only one has disallowed costs.

The following three sections discuss the audit information that is specifically required by the legislation. Tables showing the data are found in the back of this report.

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## AUDIT REPORTS WITH MANAGEMENT DECISIONS

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(see Table 1)

The Corporation considers an audit report to be resolved--or closed--when all corrective actions have been completed. The reporting period began with 30 audit reports for which there had been a management decision but which had no final action. These reports represented \$563,600 in disallowed costs.

During the period, 25 management decisions were made, disallowing \$16,600.

Also during the period, final action was taken on 20 audit reports. Of those, eighteen had no disallowed costs; one made payments totaling \$68,500; and one had \$5,000 of debt written off.

The number of unresolved reports with management decisions which will be carried over to the next reporting period is 35. The \$502,100 in disallowed costs represented by those reports is primarily from twelve debts, originated in the former ACTION Agency, that have been turned over to the Department of Justice for write-off or litigation.

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### **AUDITS WITH MANAGEMENT DECISIONS AND RECOMMENDATIONS TO PUT FUNDS TO BETTER USE**

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(see Table 2)

There were no audit reports with recommendations to put funds to better use.

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### **AUDITS THAT HAD NO FINAL ACTION WITHIN A YEAR OF A MANAGEMENT DECISION**

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(see Table 3)

Twenty audit reports remained open more than a year after the management decision was made. Twelve of these have been turned over to the Department of Justice for write-off or litigation; they represent practically all (98%) of the total disallowed costs for the twenty reports in this category.

Only one of the remaining eight has disallowed costs. The debt collection for that report is currently being pursued by a private debt collection agency. All but approximate \$3,000 has been collected and returned to the government.

The other seven audits were of the former ACTION Agency's internal operations. Resolution for all these involve implementing policy and procedural directives. The completion of the corrective actions for these audit reports has been delayed by start-up activities associated with the formation of the Corporation and the initial major funding cycle for grants, which has just recently been completed. Fiscal year 1995 will find the Corporation addressing these organizational issues more fully.

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## **COMMENTS ON THE INSPECTOR GENERAL'S SEMIANNUAL REPORT**

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Corporation management concurs with the information and discussion contained in the Inspector General's semiannual report covering the period April 1, 1994, through September 30, 1994.

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## **CONCLUSION**

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The Corporation for National Service has in many ways been in a start-up mode throughout fiscal year 1994, hiring staff to handle new and expanding AmeriCorps, Learn and Serve, and National Civilian Community Corps programs; consolidating program and administrative operations; implementing much improved computer links among all elements of the Corporation (including field offices), and with the Department of Agriculture's National Finance Center and the Department of Transportation Computer Center; and streamlining from nine regional offices to five Clusters and Service Centers. Corporation management is working with the Office of Inspector General as envisioned by the National Performance Review to ensure the maintenance of sound systems in this evolutionary environment.

## FINAL ACTION TAKEN ON AUDIT REPORTS WITH DISALLOWED COSTS

(for the period April 1, 1994 - September 30, 1994)

	<u>Number of Audit Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports with management decisions upon which final action had not been taken as of March 31, 1994.	30	563.6 *
B. Audit reports upon which management decisions were made during the six-month reporting period.	25	16.6
C. Total audit reports with management decisions upon which final action was pending during the reporting period (total of A and B).	55	580.2
D. Audit reports upon which final action was taken during the reporting period (total of D.1. through D.4.).	20	78.1
1. Recoveries		
(a) Collections and offsets	1	68.5
(b) Property in lieu of cash	0	0
(c) Other	0	0
2. Write-offs	1	5.0
3. Audits with no disallowed costs	18	0
4. Adjustments to the disallowed costs resulting from one appeal decision		4.6
E. Audit reports with management decisions upon which final action had not been taken as of September 30, 1994.	35	502.1

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

**Table 1.**

**AUDITS WITH RECOMMENDATIONS TO PUT FUNDS  
TO BETTER USE**

(for the period April 1, 1994 - September 30, 1994)

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

**Table 2.**

## Audits That Had No Final Action Within One Year of a Management Decision (as of September 30, 1994)

None of the 20 audit reports in this table had a recommendation that funds be put to better use.

Audit Number	Auditee	Management Decision Date	Amount of Disallowed Costs	Reason No Final Action Was Taken by March 31, 1994
88-10K & 88-10L	American Legion Post #23	6/15/88 6/15/88	\$ 38,347	Debt was forwarded to the Department of Justice on June 21, 1991.
88-20	Carson River Basin Council of Governments	9/15/88	45,057	Debt was forwarded to the Department of Justice on June 16, 1992.
87-1-01	St. Paul's AME Church	7/18/89	16,373	Debt was forwarded to the Department of Justice on July 25, 1991.
89-01	Villa Scalabrini Home for the Aged	11/20/89	182,602	Debt was forwarded to the Department of Justice on December 23, 1991.
89-0 8	Union Temple Baptist Church	9/21/89	15,987	Debt was forwarded to the Department of Justice on September 16, 1991.
89-41	Labor Agency of Metropolitan Washington, Inc.	3/23/90	172,774	Debt was forwarded to the Department of Justice on January 16, 1992.
90-PHIN-06	Personal Computer Utilization and Acquisition	11/27/90	0	This operational audit involved no disallowed costs. Resolution will take place upon the issuance of policies and procedures.

Table 3.

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by March 31, 1994</u>
90-R2I-31	Seneca Center	3/18/91	\$9,231	Private collection agency has been successful in collecting some of this debt. Continued efforts are being pursued.
91-R2I-01	Home of Mercy for the Aged, Inc.	4/10/91	3,702	Debt was forwarded to the Department of Justice on June 16, 1992.
92-04-01 92-04-02	Grandpeople, Inc.	3/31/92	0	While there were no disallowed costs, other debts owed the government (such as unexpended funds) total \$117,256. The grantee is bankrupt. The Department of Justice is attempting to recover these debts through bankruptcy proceedings.
92-HQ-07	The VISTA Health Benefits Plan	8/20/92	0	This operational audit involved no disallowed costs. Resolution will take place upon the issuance of policies and procedures.
92-06-75 92-06-76	Cameron Willacy Counties Community Projects	2/9/93 2/10/93	3,112 885	Additional costs owed the government total more than \$51,000. This grantee is bankrupt. The Department of Justice is attempting to recover these debts through bankruptcy proceedings.
92-10-59	The Corporation's Regional Office in Seattle	1/11/93	0	This operational audit involved no disallowed costs. Final action will occur with the establishment of an automated travel management system.

Table 3. page 2

<u>Audit Number</u>	<u>Auditee</u>	<u>Management Decision Date</u>	<u>Amount of Disallowed Costs</u>	<u>Reason No Final Action Was Taken by March 31, 1994</u>
92-HQ-05	The Foster Grandparent Program Grant-Making Delivery System	3/29/93	\$0	This operational audit involved no disallowed costs. Resolution will take place upon issuance of a handbook and reviewing/revising several policies & procedures.
92-HQ-57	The Procurement Process	2/26/93	0	This operational audit involved no disallowed costs. Resolution will take place upon issuance of revised policies and procedures.
93-HQ-05	Contracted Advisory & Assistance Services	4/26/93	0	This operational audit involved no disallowed costs. Resolution will take place upon issuance of revised policies and procedures.
93-HQ-22	Automated Data Processing of Accounting System	9/29/93	0	This operational audit involved no disallowed costs. Resolution will take place upon the implementation of new policies and procedures.

Table 3. page 3