CORPORATION

FOR NATIONAL

SERVICE

OFFICE OF THE INSPECTOR GENERAL

Semiannual Report to the Congress

October 1, 1994 - March 31, 1995

Fiscal Year 1995

April 21, 1995

CORPORATION
FOR NATIONAL
SERVICE

The Honorable Eli J. Segal
Chief Executive Officer
Corporation for National
and Community Service
1201 New York Avenue, NW
Washington, DC 20525

Dear Mr. Segal:

I have enclosed the Office of Inspector General semiannual report for the six-month period ending March 31, 1995, required by the *Inspector General Act of 1978*, as amended (the Act). You are to submit this report, along with any comments you may wish to make, and other statistical tables and reports required by the law, to the Congress within 30 days. In addition, the Act requires that you submit this report (with your comments and the other required information) to the Corporation's Board of Directors no later than the date on which you submit the report to the Congress.

This reporting period has been one of change. We have changed our audit plan for the year to redirect our resources to areas of high risk, carry out the Government Corporation Control Act's requirement for an audit of CNS financial statements, and better learn CNS' operations. We have changed our methods for performing audits and our reports. And, we have experienced changes in personnel. Consequently, much of the work begun in the first half of the year is still in progress and at March 31st, three audits begun in the prior period are still in the reporting stage.

Yours truly,

Luise S. Jordan
Inspector General

Enclosure

1201 New York Avenue, NW
Washington, DC 20525
Telephone 202-606-5000

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AmeriCorps, National Service
Learn and Serve America
National Senior Service Corps

OFFICE OF INSPECTOR GENERAL

Semiannual Report to the Congress

October 1, 1994 - March 31, 1995

CORPORATION FOR NATIONAL SERVICE

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

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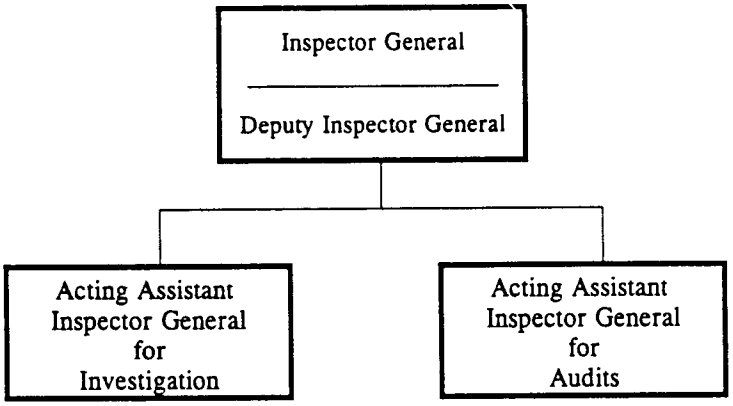
ORGANIZATION AND MANAGEMENT

The National Service Trust Act of 1993 created the Corporation for National and Community Service (CNS). Formed in conjunction with the White House Office of National Service, built upon the foundation of the former Commission on National and Community Service and the former ACTION agency, CNS engages Americans of all backgrounds in community-based service to address the nation's education, human, public safety, and environmental needs. CNS operations began in FY 1994.

The Office of the Inspector General presently has fourteen positions. Luise S. Jordan was confirmed by the Senate on October 6, 1994 and assumed her duties as the first CNS Inspector General on October 17th. Mr. Joseph M. Suszko is Deputy Inspector General. Because of personnel changes and a greater focus on financial and financial-related audits, we have reorganized our office as illustrated below. On April 16, 1995, Mr. William Anderson assumed the position of Acting Assistant IG for Audit and Mr. Robert Shadowens, the position of Acting Assistant IG for Investigations.



We have revised our approach to auditing at CNS to concentrate on CNS' newly established AmeriCorps programs, to support the audit of CNS' financial statements and focus on other areas of risk to CNS. To learn about the new programs we have attended CNS training sessions and, in the third quarter, will participate with CNS grants management staff in reviewing State Commissions. Under the National Service Trust Act, State Commissions administer the competition for AmeriCorps programs, develop the state's service plan and are responsible for oversight and monitoring of funded AmeriCorps programs. Approximately two-thirds of the AmeriCorps grants funding is through CNS/State Commission partnerships, and State Commissions also receive administrative grants in support of their operations.

We have redirected our audit plan to include surveys of grantees who are in their initial year of receiving AmeriCorps funding to determine their capability to comply with Federal fiscal accounting and reporting requirements and to safeguard Federal funds.

We are working with CNS management to coordinate the compilation of the FY 1994 financial statements and intend to award a contract for their audit to an independent accounting firm. In support of the financial statement audit and to determine areas for future OIG audits we conducted pre-audit surveys to document the controls structure for CNS grants and non-grant procurement.

We will consider the results of these projects in establishing the office's strategic plan to ensure that its focus is risk-based and congruent with CNS' strategic plan.

Peer Review

The OIG is required by statute to have a peer review performed of its audit operations every three years. The review was conducted by auditors from the Peace Corps Inspector General's Office. The resulting report was issued in January 1995 and concluded that this office fully complied with generally accepted government auditing standards issued by the Comptroller General of the United States

AUDITING ACTIVITIES

Overview

During this reporting period, although much of our efforts were directed toward CNS' first financial statement audit, we initiated nine separate audits, surveys and other projects. We completed field work on three audits that were in progress at the start of the period. We issued three final and four draft reports.

Annual Financial Statement Audit

The Government Corporation Control Act requires the Corporation to develop a management report containing audited financial statements. The OIG completed a statement of work to solicit bids from an independent accounting firm to audit these statements. Oversight of the CPA's efforts will be coordinated by the CNS/OIG. The audit is expected to commence during May with a anticipated completion date by August 31, 1995. OIG will monitor the audit. In support of the audit we initiated two pre-audit surveys to assess management controls over the CNS procurement and grants processes.

Grant Audits

OIG completed fieldwork for the audits of three grants during this period: City Year of Boston, Delta Service Corps and the American Institute of Public Service (AIPS). Draft reports for the City Year and the AIPS audits have been issued for comment by those involved; and we expect to issue the final reports in April. We are currently drafting the Delta Service Corps audit report.

Initial Year Reviews

In January, the Inspector General initiated efforts to assess AmeriCorps and Learn 'n Serve grantee management controls and procedures to determine organizations' ability to comply with Federal fiscal accounting and reporting requirements and to safeguard related funds. We performed three such reviews during this period. We are also in the process of working with Corporation officials to identify the best grantee and subrecipient candidates for future application of this review effort.

Our reviews have identified some control weaknesses, budget omissions, and other issues. We have recommended correction actions and brought the issues to CNS' attention for resolution.

Initial Year Reviews Performed

Grantee	Issues			Report Status
	Accounting	Budgetary	Other	
National Association of Child Care Resource and Referral Agencies	X	X	X	Draft Report issued for response by CNS and Grantee
MAGIC ME, Inc.			X	Draft Report issued for response by CNS and Grantee
The ASPIRA Association, Inc.		No issues		Final Report

Pre-Audit Surveys--CNS Procurement and Grant Processes

To assist the independent CPA firm in the audit of the CNS financial statements and to identify areas for future OIG audits, we initiated pre-audit surveys of the grants and non-grant procurement processes. Both surveys were completed in April and we have issued draft reports to management for their response and for their use in assessing management controls. The OIG auditors who performed the surveys will work with the accounting firm so that our work can be used to facilitate the financial statement audit. We will also work with management so that improvements and corrections of control weaknesses are addressed in light of additional recommendations that may arise from the audit, management's assessment of its control structure, and the National Performance Review's recommendations for reinventing government's processes.

Efforts to Supplement Audit Resources

To supplement the OIG's audit resources, we established an interagency agreement with the Department of Labor Inspector General to use their contracted CPA firms to conduct audits and other reviews of Corporation grantees when needed. Actual use of these firms is anticipated during the next reporting period.

Single Audit Act Reports

The Single Audit Act and related OMB Circulars require state and local governments, nonprofit organizations, and institutions of higher education to provide annual or biennial audit reports to government agencies responsible for their Federal funding. During this period, the OIG processed 359 such reports. Of that total, none contained findings relevant to Corporation programs.

INVESTIGATIONS

We opened three new investigations during this reporting period and carried forward four previously-opened cases. We closed a total of five cases.

The following highlights our investigative activity during this reporting period:

Allegations of Employee Misconduct

We completed an investigation into allegations that an employee in one of the Corporation's field offices had an improper personal relationship with a grantee. Our investigation established that the employee had accepted gifts of hospitality from the grantee and had engaged in other activities which created the appearance that the employee was not carrying out his duties in an impartial manner. We made several recommendations in our report of investigation, and management has initiated administrative action to correct the situation.

Alleged Irregularities in Printing Procurement

We worked with the Office of Inspector General of the Government Printing Office to investigate an allegation that a Corporation employee had engaged in bid collusion with a private printing contractor in the procurement of a printing job. The investigation revealed no evidence of criminal wrongdoing on the part of the employee or the contractor. We made several recommendations for administrative improvement of the printing procurement process.

Other Cases Closed During this Period

We closed three other cases, which had been opened previously, with no significant findings. (One of these cases, which had been pending with the U.S. Attorney's Office for quite some time, was closed after we were advised that prosecution was being declined). Administrative action had previously been taken in the case.

Building Security

We are assisting the Federal Protective Service in the investigation of several thefts of Government and personal property from Corporation headquarters. Management has adopted some of our preliminary recommendations for increasing the physical security in the headquarters building. Our investigation is ongoing.

Alleged Irregularities in VISTA Project

We are pursuing an allegation that a VISTA volunteer may have received financial benefits from the Government for service that was not performed. This case was opened during the previous period and is nearing completion.

Statistical Summary of Investigations

Number of cases open at beginning of reporting period 4

Number of new cases opened during this reporting period 3

Number of cases closed during this reporting period
with significant findings 2

Number of cases closed during this reporting period
with no significant findings 3

Total cases closed during this reporting period 5

Number of cases open at end of reporting period 2

No cases were referred for prosecution during this reporting period.

REVIEW OF LEGISLATION AND REGULATIONS

The OIG reviewed and offered comments on CNS' proposed final rule to incorporate changes to OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations*, notices of proposed rulemaking, and other matters.

TABLE I

INSPECTOR GENERAL ISSUED REPORTS WITH QUESTIONED COSTS FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1995*

		Number	Dollar Value (000)	
			Questioned Costs	Unsupported Costs
1	For which no management decision has been made by the commencement of the reporting period	5	22.7	0
2	Which were issued during the reporting period	1	2.4	0.9
3	**Subtotals (1 plus 2)**	**6**	**25.1**	**0.9**
4	For which a management decision was made during the reporting period	2	16.3	0.9
	(i) dollar value of disallowed costs		0.8	0.3
	(ii) dollar value of costs not disallowed		15.5	0.6
5	For which no management decision has been made by the end of the reporting period (3 minus 4)	4	8.8	0
6	Reports for which no management decision was made within six months of issuance	4	8.8	0

* These totals have been adjusted from prior semi-annual reports to include only reports with questioned costs.

TABLE II

INSPECTOR GENERAL ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE FOR THE SIX-MONTH PERIOD ENDING MARCH 31, 1995

		Number	Dollar Value
A.	For which no management decision has been made by the commencement of the reporting period	0	0
B.	Which were issued during the reporting period	0	0
C.	For which a management decision was made during the reporting period	0	0
	(i) dollar value of recommendations that were agreed to by management		0
	- based on proposed management action		0
	- based on proposed legislative action		0
	(ii) dollar value of recommendations that were not agreed to by management		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 during six months of issuance	0	0

TABLE III

AUDIT REPORTS ISSUED DURING THE PERIOD OCTOBER 1, 1994 - MARCH 31, 1995

Internal Control Number	Audit Report Date	Name of Grantee	Federal Dollars Questioned	Federal Dollars Unquestioned	City	State
94-09-60	10/07/94	Fresno Adult Literacy Council	$ 2,440.00	$ 916.00	Fresno	CA
95-05	02/03/95	CNS Compliance with Lobbying Restrictions	0.00	0.00	Washington	DC
95-08	03/31/95	ASPIRA, Inc	0.00	0.00	Washington	DC
Total			**$ 2,440.00**	**$916.00**		

TABLE IV

SUMMARY OF AUDITS WITH OVERDUE MANAGEMENT DECISIONS

Record #	Internal Control Number	Name of Grantee	Federal Dollars Questioned	Federal Questioned Non-supported	Status	Management Decision Due Date
39	94/02/38	Senior Service Corps, Inc.	614	0	RPT	09/29/94
40	94/02/37	Senior Service Corps, Inc.	871	0	RPT	09/29/94
41	94/02/36	Senior Service Corps, Inc.	242	0	RPT	09/29/94
42	94/02/35	Senior Service Corps, Inc.	7181	0	RPT	09/29/94
46	94/HQ/53	Round Rock Chapter of The Navajo Nation	0	0	RPT	10/05/94
48	94/HQ/54	Portland Youth Service Corps	0	0	RPT	11/04/94
49	94/HQ/57	Youth Volunteer Corps of America	0	0	RPT	11/29/94
50	94/HQ/59	Public Allies	0	0	RPT	12/19/94

INDEX TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL

IG Act Reference[1]	Reporting Requirement	Page
Section 4 (a)(2)	Review of legislation and regulations.	8
Section 5 (a)(1)	Significant problems, abuses, and deficiencies.	N/A
Section 5 (a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	N/A
Section 5 (a)(3)	Prior significant recommendations on which corrective action has not been completed.	N/A
Section 5 (a)(4)	Matters referred to prosecutive authorities.	N/A
Section 5 (a)(5)	Summary of instances where information was refused	N/A
Section 5 (a)(6)	List of audit reports by subject matter showing dollar value of questioned costs and recommendations that funds be put to better use.	N/A
Section 5 (a)(7)	Summary of each particularly significant report.	N/A

[1] Refers to sections in the *Inspector General Act of 1978*, as amended.

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IG Act Reference	Reporting Requirement	Page
Section 5 (a)(8)	Statistical table showing number of reports and dollar value of questioned costs	9
Section 5 (a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better us.	10
Section 5 (a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by end of reporting period.	N/A
Section 5 (a)(11)	Significant revised management decisions.	N/A
Section 5 (a)(12)	Significant management decisions with which the Inspector General disagrees.	N/A

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INFORMATION IS CONFIDENTIAL

For general information or to request this report in an alternate format write:

Office of Inspector General
Corporation for National
and Community Service
1201 New York Avenue, NW
Washington, DC 20525

or call:

(202) 606-5000 Ext: 390

MEMORANDUM

DATE: October 27, 1995

TO: Harris Wofford

CNS' response is due within 30 days of the date I issue the OIG report. At that time you send the OIG report and the CNS response to the appropriate committees or subcommittees of the Congress (IG Act, Section 5b). Further, the Section 8F(b) of the IG Act, as amended, requires you to transmit the OIG Report and CNS' response to the Board of Directors on the same day that you send the reports to the Congressional committees. Section 8F(c) requires you to provide copies of certain audits where there has been significant delay in taking final agency action. These audits are to be discussed at the next meeting of the Board of Directors.

Because experience has taught me that it is always best to include a response to a report when the report is made public, I adopted the policy for my office to wait until CNS' response to the report is available before distribution to the general public. Therefore, except for the handful of reports that I send out today, distributions of Semiannual Reports from my office include your response - which is separately bound and titled, "Semiannual Report to Congress on Audit Follow-up."

As I alluded to above, after both reports have been sent to Congress, there are a number of separate mailings and distributions (by the CFO's office, Rhonda Taylor, and my office). The OIG's mailing list includes Congressional committees, certain interested members and staff, and OMB. In total, I estimate that somewhere between 150 - 200 copies of the reports were bound and distributed last time (the March 31, 1995 Semiannual Report). I have reviewed all the mailing lists that I could get my hands on and (to the best of my ability) eliminated duplication.

If you have further questions or wish to discuss the report, I'll be glad to brief you. I am taking some time off but am staying home. You can reach me at (410) 531-6010.

c: Jim Joseph
Chris Gallagher
Gary Kowalczyk
Levon Buller

April 21, 1995

Original

CORPORATION
FOR NATIONAL
SERVICE

The Honorable Eli J. Segal
Chief Executive Officer
Corporation for National
and Community Service
1201 New York Avenue, NW
Washington, DC 20525

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