Office of Inspector General

Safeguarding Federal Funds

AmeriCorps State and National Symposium 2016
Purpose

• Understand the mission of the OIG
• Preventing fraud in your organization
• Know how to contact the OIG
What the OIG Does

Promotes Economy, Efficiency, and Effectiveness in Agency Programs and Operations

Prevent and Detect Fraud, Waste, and Abuse

Two Operational Units: Audits & Investigations

http://www.cncsoig.gov
What the OIG Does Not Do

Manage

or

Direct Agency Programs or Operations
OIG Mission

• Improve efficiency and effectiveness of CNCS programs and operations

• Prevent and detect waste, fraud, and abuse by:
  1. Conducting audits and investigations
  2. Recommending policies
  3. Keeping the CNCS CEO and Congress informed about deficiencies, recommendations, and corrective actions

http://www.cncsoig.gov
By law, OIG is independent of CNCS.
We report directly to Congress and are funded by a separate appropriation.
OIG personnel must remain objective at all times in conducting our work and must be free of personal or organizational conflicts of interest with grantees.

http://www.cncsoig.gov
An OIG audit is a comprehensive review of any organization. It measures the organization’s compliance with the grant terms and conditions according to laws, regulations, and grant provisions.

OIG personnel also review financial management standards.
OIG Audit Plan

- Publicly Available
- OIG Risk Assessment
- Legislation
- Materiality
- Single Audit Report Results
- New Program
- Extent of Prior CNCS OIG Audits
- OIG Hotline Tips
The Audit Process

- Planning
- Entrance Conference
- Fieldwork/Testing
- Exit Conference
- Draft Report
- CNCS and Grantee Response
- Final Report
- Resolution of Findings, Recommendations, and Questioned Cost
Audit Planning

OIG Auditor

- Gather Auditee Information
- Perform Risk Assessment
- Create the Audit Program

Auditee

- Receive OIG Notification
- Coordinate Entrance Conference
- Assemble Documentation Requested by Auditor in a Timely Manner

http://www.cncsoig.gov
Question: What is the best way to prepare for an audit?

Answer:

• Understand your grant’s criteria and budget
• Maintain adequate accounting systems, policies, and procedures prior to the grant award
• Maintain all grant supporting documents
  – Records should be retained at a minimum of 3 years after the grant closed
  – Each program’s internal controls is responsible for its own record retention policy

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Final Report

• Grantee response to the draft report
• The OIG auditor(s) incorporates the organization’s responses and comments on those responses
• The final report is issued to CNCS, and posted to the OIG’s website for the public viewing
• A copy is provided to the grantee
Audit Resolution

• CNCS and Grantee management agree or disagree on proposed corrective actions

• The OIG is given an opportunity to review the proposed corrective actions; however, final decisions are made by CNCS

• CNCS and Grantee management take action to improve operations or correct deficiencies identified in the Final Audit Report

• Debts, if applicable, are established:
  - Collected
  - Payment Schedule
Criminal History Checks

National Sex Offender Public Website and Criminal History Checks—conduct thoroughly, timely, and document properly, for both staff and volunteers.
Common Accountability Problems

Timesheets

• Timesheets cannot be based on budgeted amounts — actual work only
• Suggestion - periodically, conduct your own timesheet review or audit
• Staff and member timesheets must be completed accurately and on schedule, signed by a supervisor after completion, and submitted in a timely manner
Common Accountability Problems

Reporting - FFRs

- Organizations do not separate accounting records for each federal grant
- Submit Federal Financial Reports (FFRs) on schedule
- Ensure FFRs reconcile to internal accounting records (general ledger)
Supporting Documentation

- Record match dollars in general ledger, with same detail/documentation as for grant expenditures
- Document source of match contributions
- Substantiate market value of in-kind match contributions
- Members issued partial education awards for Compelling Personal Circumstances are not eligible or not properly supported
Resources

- Your CNCS Program Officer and Grant Officer
- National Service Knowledge Network: www.nationalservice.gov/resources
Grant Reform

2 CFR 200: Uniform Guidance

• Indirect Rates
• Single Audit Threshold
• Procurement
• Timekeeping
• Subgrantee Monitoring

Resources:
• eCFR (http://www.ecfr.gov)
Indirect Rates (Sections 200.412-415)

- New de minimis rate
- One time extension of up to four years (for an existing NICRA)

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Single Audit Threshold (Section 200.501)

• Increases audit threshold from $500,000 to $750,000
• Threshold for reporting questioned costs raised to $25,000
• Consider the implications on subgrantee monitoring
Risk Assessments (Section 200.205)

• During grant pre-award process, Federal agency must consider risks posed by applicants

• For competitive grants, Federal agency must have a framework for evaluating risks before applicants receive awards

• Consider risks posed by grantees:
  – Financial Stability
  – Quality of Management Systems
  – History of Performance
  – Audit Findings
Emphasis on internal controls over personnel-related costs. Records on time and effort must:

- Be supported by a system of internal control that charges are accurate, allowable, and properly allocated
- Reasonably reflect total activity for which the employee is compensated
- Support the distribution of employee's salary/wages among specific activities/cost objectives
Timekeeping/Personal Services
Compensation (continued)

- Support for payroll costs cannot be based on budget estimates made before services are performed
- Federal agencies may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records
Subgrantee Monitoring  
(Sections 200.330-332)

- Include pass-through entities audit responsibilities that were in Single Audit
- Include specific information in the subaward, including the indirect cost rate
- Evaluate each subgrantee’s risk of noncompliance with Federal statutes/regulations, terms, and conditions
- Consider if specific subaward conditions are needed
- Make any necessary adjustment to the pass-through entity’s records based on reviews and audits of subgrantee
§ 200.331 Requirements for pass-through entities:

(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

(1) Reviewing financial and programmatic reports required by the pass-through entity

(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means

(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision
§ 200.331 Requirements for pass-through entities:

- (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient, monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals.

- See the following link for the detailed list of required information and factors to consider: http://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/xml/CFR-2014-title2-vol1-sec200-331.xml
Enhanced Whistleblower Protection

Whistleblower protection now extends to employees of contractors, subcontractors, and grantees who disclose information related to:

- Gross mismanagement of a Federal contract or grant
- Waste of Federal funds
- Abuse of authority relating to a Federal contract or grant
- Substantial and specific danger to public health and safety
- Violations of any law, rule, or regulation related to a Federal contract or grant

http://www.cncsoig.gov
Section 828 Public Law 112-239
41 U.S.C § 4712

Contractor, Subcontractor, or Grantee Employee’s Protected Disclosure

Discharge, Demotion, or Discrimination

Reprisal complaint to IG

IG determines that complaint is frivolous, fails to allege a violation of the prohibition against reprisal under subsection (a), or was addressed in a prior proceeding initiated by complainant

IG investigates and submits report of findings to complainant, contractor/grantee, and head of the agency

Within 180 days and up to an additional 180 days if complainant agrees

Head of agency issues order of remedy

Failure of compliance with order of remedy

US District Court

Within 30 days

Within 60 days From date of order

Within 3 year time limitation

Head of agency fails to issue order within 210 days of complaint submission

Head of agency issues order denying relief

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OFFICE OF INSPECTOR GENERAL
Corporation for National & Community Service

http://www.cncsoig.gov
Contact the OIG

Your identity can be kept

http://www.cncsoig.gov
Hotline

- Report suspected fraud, waste, or abuse
- Information is confidential
- You may remain anonymous

1-800-452-8210
or
hotline@cncsoig.gov

Visit us at
www.cncsoig.gov
Questions?

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Office of Inspector General

Investigations

AmeriCorps State and National Symposium 2016
Is there fraud occurring in your organization?
FRAUD DEFINED

• An *intentional* distortion of the truth in an attempt to obtain something of value; does not have to result in monetary loss

• *Layman’s terms:*
  
  Lying, cheating, or stealing
2015/16 Year in Review

- Member(s) Served in Staff Position
- Staff Time and Attendance Improperly Documented
- Member(s) Served from Home
- Member(s) Engaged in Prohibited Activities
- Improper Use of Members
- Member(s) Instructed to Forge Documents
- Member(s) did not Serve but Received Stipend and Education Award
- Sex Offender Allowed to Serve
- Former Member Continued to Receive Benefits
What should you do if you are being investigated?
A complaint can be initiated by **anyone**

**Federal** funds effected by a fraud may be investigated by the OIG

Grantees are required to report **any** allegations or suspicions of fraud

The OIG determines if an investigation is warranted
THE INVESTIGATIVE PROCESS

• Complaints:
  Telephone, email, or walk-in
• Determine type of complaint/allegation
• Evaluate complaint and credibility
• Initiate preliminary investigation (or)
• Refer to CNCS or State Service Commission
PRELIMINARY INVESTIGATION

• Determine if:
  Criminal or administrative investigation
• Conduct a background check on grantee and/or individual
• If necessary, the OIG will contact CNCS or commission to obtain:
  – Recent monitoring visits and results, and
  – Past performance history
• Grantee Notification
SITE VISIT

• In Brief
• Review Member/Volunteer and Fiscal Documents
• Interview Staff (individually)
• Interview Members/Volunteers (individually)
• Visit Service Site
• Interview Recipient of Services
• Out Brief (at discretion of investigator)
COMMON INVESTIGATIONS

- Displacement
- Improper Use of Members
- Timesheet fraud
- Misuse of Grant Funds
- Embezzlement
DISPLACEMENT

- Members assigned to staff positions
- Staff laid off and replaced by members
- Employee on leave; member assigned the work
- Employee resigns; member assigned the work
IMPROPER USE OF MEMBERS

- Members used as personal assistant.
- Members not performing service.
- Members serving outside the scope of the grant.
- Members used to generate business for non-profit.
- Members used to perform clerical/receptionist duties.
TIMESHEET FRAUD

• Recording hours not actually served
• Service hours are not properly documented
• Member hours are not reasonable or allowable
• Member hours or service not verified
• Timesheets pre-dated or completed in advance
• Members serving from home
• Staff time inaccurately allocated
Misuse of Grant Funds

- Grant funds are fully expended early.
- Unauthorized costs are charged to the grant.
- Funds are borrowed temporarily to pay for unauthorized activities.
- Funds are drawn down on unfilled member slots.
- Funds are drawn down on terminated members.
- Employee claimed under the grant but not working on the grant.
Embezzlement

- Members, volunteers, and staff are not being paid.
- Payments are made to member not serving.
- Documents altered.
- Documents are missing, copies used instead of originals, fabricated receipts.
Prevention
The Fraud Triangle

Causes

Pressure

Rationalization

Opportunity

Results

Less Rationalization

Fewer Opportunity

Reduce Pressure

Management Oversight
Strong Internal Controls
Training
Whistleblower protection now extends to employees of contractors, subcontractors and grantees who disclose information related to:

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- Waste of Federal funds
- Abuse of authority relating to a Federal contract or grant.
- Substantial and specific danger to public health and safety
- Violations of any law, rule or regulation related to a Federal contract or grant
NO REPRISALS AGAINST WHISTLEBLOWERS

- By law, you cannot be retaliated against for reporting waste, fraud, or abuse to the OIG
- You may not retaliate against anyone in your organization for reporting to the OIG
- Victims of retaliation can make a complaint to the OIG, which will be investigated
Within 30 days, Contractor, Subcontractor, or Grantee Employee’s Protected Disclosure.

Discharge, Demotion, or Discrimination

Reprisal complaint to IG

IG investigates and submits report of findings to complainant, contractor/grantee, and head of the agency.

IG determines that complaint is frivolous, fails to allege a violation of the prohibition against reprisal under subsection (a), or was addressed in a prior proceeding initiated by complainant.

Within 180 days and up to an additional 180 days if complainant agrees.

Head of agency fails to issue order within 210 days of complaint submission.

Within 60 days from date of order, US District Court.

Failure of compliance with order of remedy.

Head of agency issues order of remedy.

Head of agency issues order denying relief.

Within 30 days, IG determines that complaint is frivolous, fails to allege a violation of the prohibition against reprisal under subsection (a), or was addressed in a prior proceeding initiated by complainant.

Within 60 days from date of order, US District Court.

Failure of compliance with order of remedy.

3 year time limitation.

41 U.S.C. § 4712

Section 828 Public Law 112-239

Corporation for National and Community Service

AmeriCorps
QUESTIONS?
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