



# 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



# What the OIG Does Not Do

Manage

or

Direct Agency Programs or  
Operations

<http://www.cncsoig.gov>

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# 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

# OIG Independence

- 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

# Audits



**Auditor**



**Auditees**



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# What is an OIG Audit?

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

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# 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

# Audit Preparation

## 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



# 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

# Common Accountability Problems

## 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)



# Common Accountability Problems

## 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](http://www.nationalservice.gov/resources)

The screenshot displays the 'Resources' page of the National Service Knowledge Network. On the left is a vertical sidebar menu with a blue header 'Resources' and a list of categories including AmeriCorps, Capacity Building, Criminal History Check, Disability Inclusion, Disaster Services, Economic Opportunity, Education, Education Award, Environmental Stewardship, Financial Management, Healthy Futures, Marketing and Media, Member & Volunteer Development, Mentoring, Online Courses, Out-of-School Time, Performance Measurement, Recruitment, Senior Corps, Tutoring, Uniform Guidance, and Veterans & Military Families. The main content area is titled 'Knowledge Networks' and features a section for 'Focus Area Resources' with five entries, each accompanied by a small image and a brief description: Disaster Services, Economic Opportunity, Education, Environmental Stewardship, and Healthy Futures. To the right of the main content is a search box labeled 'Find Resources' with fields for 'Keywords' and 'Resource Type' (set to '- Any -') and a red 'Search' button. Below the search box is a Facebook link and a 'Feedback or to Report a Missing Page' section with an email address and a 'Send Email Now' button.

# Grant Reform

## 2 CFR 200: Uniform Guidance

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

### Resources:

- Council on Financial Assistance Reform (COFAR)  
(<https://cfo.gov/cofar>)
- 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)

# 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



# Timekeeping/Personal Services Compensation (Section 200.430)

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



# Subgrantee Monitoring (continued)



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# Subgrantee Monitoring (continued)

§ 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



# Subgrantee Monitoring (continued)

§ 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>



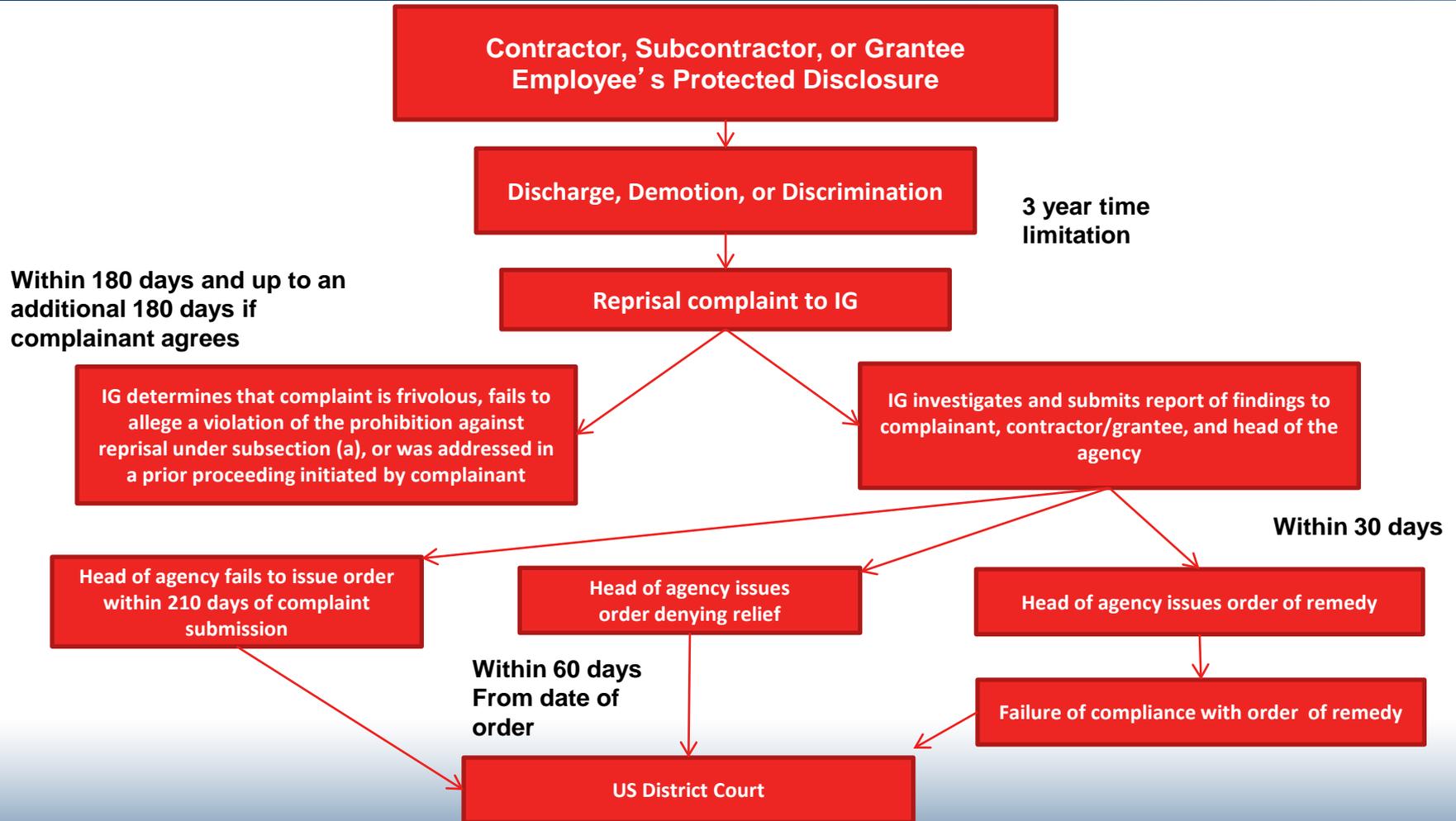
# Enhanced Whistleblower Protection

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



# Section 828 Public Law 112-239 41 U.S.C § 4712



Contact the OIG

Your identity can be kept



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# 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**



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# Questions?



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# Office of Inspector General

## Investigations



## AmeriCorps State and National Symposium 2016



# FRAUD

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

# QUESTION

What should you do if you are being investigated?

# COMPLAINT

- 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

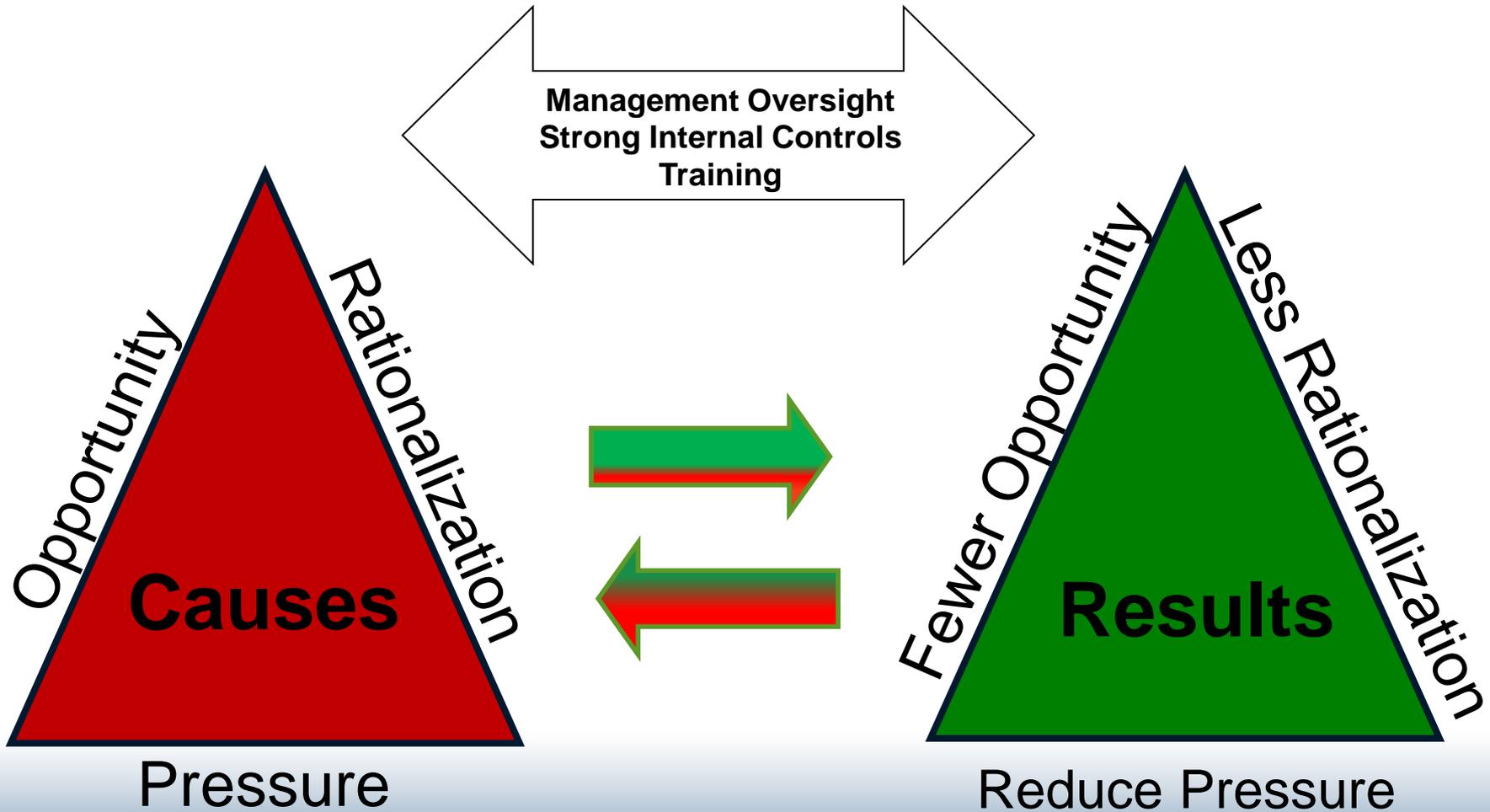
- Members, volunteers, and staff are not being paid.
- Payments are made to member not serving.
- Documents altered.
- Documents are missing, copies used instead of originals, fabricated receipts.

# Prevention

PREVENTION



# The Fraud Triangle



# Enhanced Whistleblower Protection

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

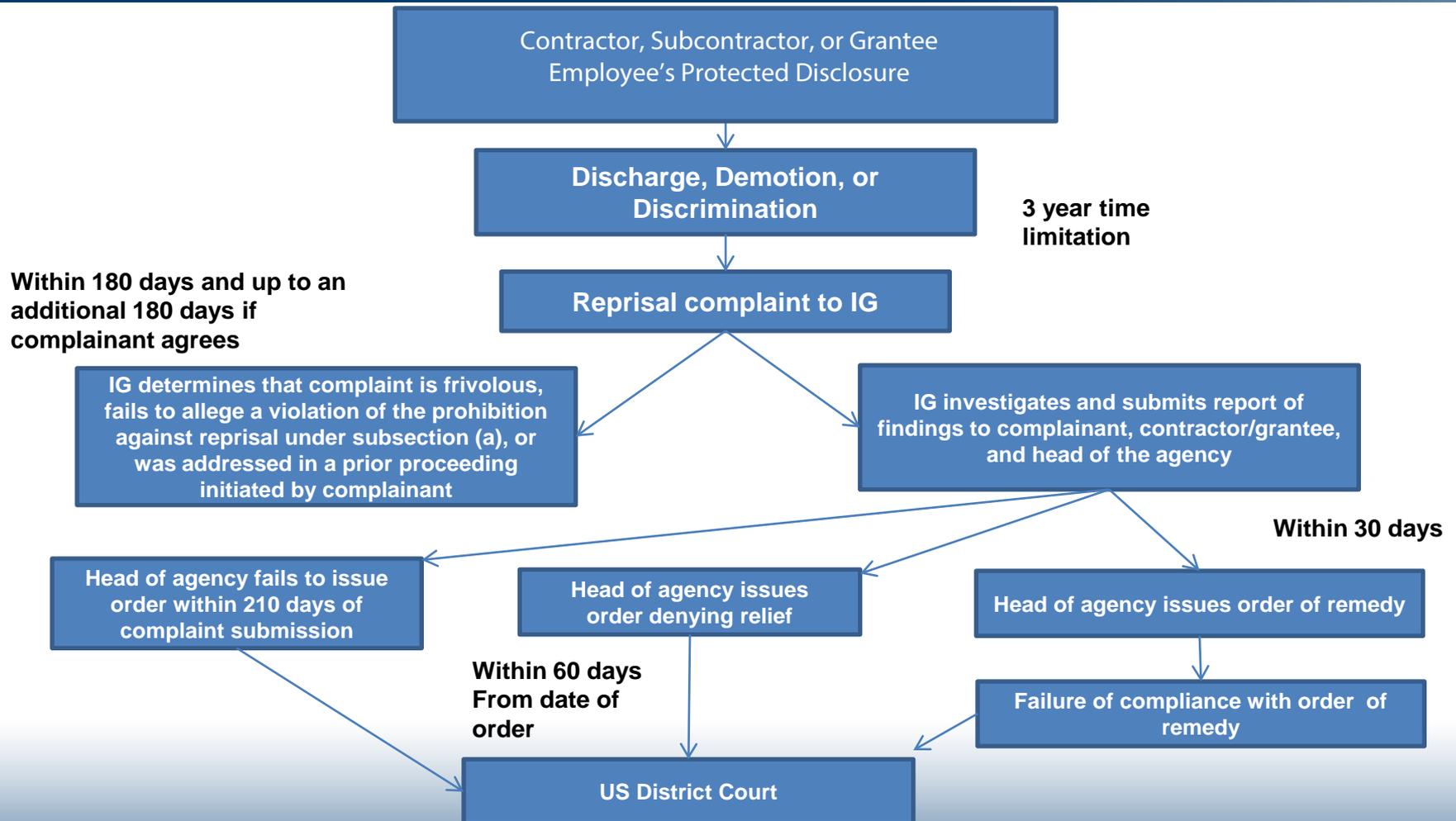
- Gross mismanagement of a Federal contract or grant
- Waste of Federal funds
- Abuse of authority relating to a Federal contract or grant.
- Substantial and specific danger to public health and safety
- Violations of any law, rule or regulation related to a Federal contract or grant

# 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

# Section 828 Public Law 112-239

## 41 U.S.C. § 4712





# QUESTIONS?



# HOTLINE

- Report suspected fraud, waste, or abuse
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