

# Office of Inspector General

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## Safeguarding & Accountability of Corporation & Recovery Act Funds



Corporation for  
NATIONAL &  
COMMUNITY  
SERVICE



Financial & Grants Management Institute  
November 15 - 17, 2010



# Session Objectives

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- ❑ Understanding the Mission of the OIG
- ❑ Safeguarding Recovery Act Funds
- ❑ Preventing Fraud in Your Organization
- ❑ Know How to Contact the OIG



# What the OIG Does . . .

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



# What the OIG Does Not Do . . .

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## **Manage or Direct Agency Programs and Operations**



# OIG's ARRA Mission

(American Recovery and Reinvestment Act)

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- ❑ Prevent/Deter Fraud, Waste and Abuse
- ❑ Validate/Monitor Corporation Oversight
- ❑ Conduct Data Reviews and Audits
- ❑ Investigate Reports of Fraud Involving  
Program Funds & Members
- ❑ Provide Training



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# Audits



# Why Audit?

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To ensure that an organization has the internal controls, or processes and procedures in place to comply with the grant terms and conditions (laws, regulations, grant provisions).

- An audit can help an organization become stronger in terms of compliance.



# Office of Inspector General Audits

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Performed by an OIG Auditor

OR

Performed by an OIG-selected  
Independent Public Accounting Firm (IPA)



# How are Subjects for OIG Audits Selected?

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- Legislation
- Risk:
  - Federal dollars expended
  - New program
  - No recent monitoring
- Audit Leads: Requests from Corporation Program or Grants Officers, leads from investigations, news reports, FOIA requests
- OIG Hotline reports (whistleblowers)



# Audit Preparation

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## Question:

What is the best way to prepare for an audit?

## Answer:

Have systems, policies and procedures in place, before grant award, to ensure the organization operates within the rules of its Federal assistance (laws, regulations and grant provisions).



# The Audit Process

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- Notification
- Planning
- Entrance Conference
- Fieldwork/Testing
- Exit Conference
- Draft Report
- Corporation and Grantee Response
- Final Report



# TIP

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- Know which guidelines apply to your grants
  - Annual changes to provisions
  - ARRA or non-ARRA
  - Provisions
  - Code of Federal Regulations (Title 45, Chapters 12 & 25)
  - OMB Circulars
  - Program Handbooks



# Late Data

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- ❑ OIG resources rarely allow the auditor(s) to accommodate late submission of data. The support should be available when requested.
- ❑ What is late? It depends on when the auditor asked for the data and the organization agreed to have it available. Communication is key.



# Exit Conference

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- This discussion takes place when fieldwork is finished and the results are compiled. It provides Corporation and auditee officials with an opportunity to confirm information, ask questions, and provide *clarifying* data.
- An exit briefing also takes place at each subgrantee/site if any were tested. Parent organizations should attend or otherwise find out what the findings are at each subgrantee or site.



# Draft Report and Responses to Draft Reports

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- The draft report is issued to the auditee and Corporation officials with a request that they provide written comments, usually within 30 days. The Draft Audit Report is a “work-in-progress” and is not a public document.
- The Grantee and Corporation each have the opportunity to comment on the draft report. Responses are included as attachments to the final report (a public document).



# Response Suggestions

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## **Make it Meaningful and Something You Want the Public to Understand**

- If there is agreement with a finding, say so, and include a corrective action plan.
- If there is disagreement, state the case based on controlling rules (law, regulations, grant provisions).
- If the audit report recommendation does not work for your organization, propose an alternative.



# Final Report

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- The auditor(s) incorporate the responses or comments and include their views on them.
- The final report is
  - issued to the Corporation,
  - with a copy to the grantee, and
  - is posted to the OIG's publicly accessible website: [www.cncsoig.gov](http://www.cncsoig.gov).



# Audit Resolution

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- The Corporation 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 the Corporation.
- Corporation 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 Audit Findings

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- ❑ Organizations do not keep separate accounting records for each grant.
- ❑ Federal Financial Reports (FFRs) do not reconcile to the accounting records.
- ❑ Staff time sheets do not comply with OMB Circular/Code of Federal Regulations requirements.
- ❑ National Sex Offender Criminal History Checks not performed, not performed in a timely manner, or not documented (tip).
- ❑ Volunteer or member eligibility not documented.
- ❑ Match is not properly documented and/or not allowable.



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# Investigations



# Common Crimes

## Identified During OIG Fraud Investigations

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- ❑ Misuse of Grant Funds
- ❑ Timesheet Fraud
- ❑ Embezzlement
- ❑ Misuse of Members
- ❑ Theft



# Misuse of Grant Funds

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- ❑ Corporation is the major or only funding source.
- ❑ Grant funds are misapplied.
- ❑ Grant funds are fully expended before grant end.
- ❑ Unauthorized costs are charged to the grant.
- ❑ Funds are drawn down on unfilled member slots.
- ❑ Employee salaries not funded under the grant are charged against the grant.



# Time Sheet Fraud

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- ❑ Service hours are not properly documented.
- ❑ Hours are not reasonable or allowable.
- ❑ Program officials are not verifying the hours or type of service claimed.
- ❑ Individuals hand-carry their time sheet from sub-sites to grantee's office.
- ❑ Multiple documents prepared at the same time.
- ❑ Staff employee's time incorrectly allocated.



# Embezzlement

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- ❑ Lack of secondary endorsements on checks.
- ❑ Volunteers and staff are not being paid.
- ❑ Payments are made to “ghosts”.
- ❑ Frequent use of white out, changes or additions on timesheets.
- ❑ Documents are missing, copies used instead of originals, fabricated receipts.
- ❑ Constant excuses or a chronic shortage of funds.



# Misuse of Members

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- ❑ Members are not properly enrolled.
- ❑ Members are not properly serving.
- ❑ Members are serving in staff positions.
- ❑ Members are not properly supervised.
- ❑ VISTA members are working or paid.
- ❑ Members are not available.



# Theft

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- ❑ Lack of receipts for claimed items purchased.
- ❑ Lack of inventory control or accountability.
- ❑ Credit/Debit card usage is not reconciled.
- ❑ Excessive mileage claimed or no mileage is claimed.
- ❑ Lack of managerial controls in place to safeguard program funds.



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# Prevention



# Things You Can Do to Prevent Fraud

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- ❑ Review the grant terms and conditions.
- ❑ Establish written policies and guidance.
- ❑ Ensure internal controls and checks and balances are in place.
- ❑ Ensure Board of Directors are engaged in program oversight.
- ❑ Conduct Fraud Awareness training.



# ALERT: Recovery Act Grant Scam

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- The scheme promises a \$50,000 Recovery Act grant from the Corporation for National and Community Service to recipients.
- The fictitious offer by “RMD Agency,” which falsely claims to be sponsored by a legitimate business, includes a negotiable check for \$2,950. Recipients must call RMD to “activate” check.
- RMD instructs recipients to send, via Western Union, \$2,650 to RMD for “administration fees,” with the promise that their grant money will be delivered to them within two days via FEDEX.

# Contact the OIG

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**Your identity can be kept  
confidential**

# Hotline

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

Visit the Web Page at [www.cncsig.gov](http://www.cncsig.gov) or at [www.twitter.com/CNCISOIG](http://www.twitter.com/CNCISOIG)



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





# Questions?

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Open

Wrap Up

Evaluation