



Working with Grantees to
Ensure Oversight and
Safeguarding Federal Funds

Office of Inspector General



AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 



Purpose

- Understand the Mission of the OIG
- Learn From Common Audit and Investigative Findings
- Preventing Fraud in Your Organization
- Obligation to Report Fraud When Identified
- Know How to Contact the OIG



OIG Mission

- Improve efficiency and effectiveness of CNCS programs and operations
- Prevent and detect waste, fraud, and abuse by:
 - Conducting audits, evaluations, and investigations;
 - Recommending policies; and
 - 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 and sub-grantees.





AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



What is an OIG Audit

- An OIG audit is a comprehensive review of an organization
- It measures the organization's compliance with the grant terms and conditions according to laws, regulations, and grant provisions
- OIG personnel also reviews financial management standards
- OIG does not comment on programmatic aspects of grants



OIG Audit Plan

- Legislative required audits/reviews
- OIG Risk Assessment which includes:
 - Materiality
 - Single Audit Report Results
 - New Program
 - Extent of Prior CNCS OIG Audits
 - CNCS grant monitoring results
 - OIG Hotline Tips
- Publicly Available



The Audit Process



AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



The Audit Process

- Audits are performed by OIG in-house auditors or external contracted auditors (CPA firms).
- Contracted auditors have the same rights to access grantee data and records, and make copies, as OIG in-house auditors.



Audit Planning

- Auditor
 - Gather auditee information.
 - Perform risk assessment (includes selecting sub-grantees for testing).
 - Create the audit program.
- Auditee
 - Coordinate entrance conference with sub-grantees and others.
 - Timely assemble documentation requested by the auditor.
 - Provide full access to documentation, staff, members/volunteers.



Audit Preparation

Question:

What is the best way to prepare for an audit?

Answer:

- Understand your grant's criteria and budget.
- Have adequate financial management systems, policies, and procedures in place *prior to* the grant award (2 CFR 200, Uniform Grant Guidance).
- Maintain all grant supporting documents.
- Provide timely responses to audit requests.
- Provide OIG full access to your files, staff and members.



Oops, we don't have documentation

If the auditors ask for documentation that you don't have:

- It could be a difference between what the auditor asks for and what you call it – discuss what they are asking for.
- If the documents do not exist, tell the auditor. Do not try to create documents – that is worse than not having them.



Audit Fieldwork

- Provide grantee a PBC (Prepared by Client) list of audit requests.
- Coordinate an Entrance Conference between the grantees, sub-grantees (as applicable), CNCS OIG, CNCS personnel.
- Audit fieldwork is typically 1-2 weeks at each grantee site.
- Audit testing includes reviewing Federal and Match transactions, member/volunteers files, and interviewing auditee staff and members/volunteers.



Exit Conference and Draft Report

- An Exit Conference is held to discuss the results of the audit (this should not be the first time findings are discussed with the auditee).
- A draft report is issued for CNCS management and grantee management to provide their views (agree or disagree with findings and recommendations).



Final Report

- CNCS management and grantee respond to the draft report.
- The auditors incorporate the responses and comments on those responses.
- The final report is issued to CNCS, and posted to the OIG's website www.cncsoig.gov and to www.oversight.gov for the viewing public.
- A copy is provided to the grantee.



Audit Resolution

- CNCS management and grantee respond to the draft report.
- The auditors incorporate the responses and comments on those responses.
- The final report is issued to CNCS, and posted to the OIG's website www.cncsoig.gov and to www.oversight.gov for the viewing public.
- A copy is provided to the grantee.



You feel like this after your organization addressed all audit recommendations and resolved all corrective actions...



AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Common Audit Findings

Criminal History Check

National Sex Offender Public Website and
Criminal History Checks

Conduct thorough and timely checks; document the checks properly
for both staff and members/volunteers



Common Audit Findings

- Timesheets or timekeeping documents cannot be based on budgeted amounts - actual work only.
- System of internal controls should exist for timekeeping under Uniform Grant Guidance (2 CFR 200.430 – Compensation).
- Suggestion 1 - periodically conduct your own timekeeping review or audit.
- Suggestion 2 – provide mandatory training on how to accurately and timely maintain timekeeping documents.



Timekeeping/Personnel Services Compensation (2 CFR 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.
- Support for payroll costs cannot be based on budget estimates made before services are performed.



Timekeeping (Bad) Example

XYZ Non-Profit Organization					
Employee Timesheet					
Name: <u>Blake A. Lively</u>			Location: <u>San Francisco, CA</u>		
Activity	11/27/2018	11/28/2018	11/29/2018	11/30/2018	11/31/2018
Jobs Corps - DOL grant#: 7843678	2	2	2	2	
AmeriCorps - CNCS grant #: 18ACHSF000	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs.	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs
Senior Corps - CNCS grant (FGP & RSVP)	13	3		3 2	3
Dinner with Ryan Z. Reynolds!! Yeah!			3		
Total	18	8	8	8 7	8
Staff Signature: <u>Blake Lively</u> 11/29/18					
Supervisor Signature: 					

AmeriCorps State and National Symposium

SEPTEMBER 18-20, 2019 | ARLINGTON, VA



Common Audit Findings

Organizations do not:

- Separate accounting records for each Federal grant.
- Submit Federal Financial Reports (FFRs) on schedule.
- Make sure that the FFRs reconcile to internal accounting records (general ledger). FFRs are claims to the Federal Government. Inaccurate claims are false claims under the law (fines and penalties can be assessed).



Common Audit Findings

Organizations do not:

- Record match dollars in general ledger with the same detail/documentation as for grant Federal expenditures.
- Contemporaneously and adequately document source of match contributions.
- Substantiate market value of in-kind match contributions.



Common Audit Findings

Organizations do not:

- Ineligible member/volunteer or lack of supporting documents on member/volunteer eligibility.
- Members issued partial education awards for Compelling Personal Circumstances (CPC) are not eligible or not properly supported.
- Members/volunteers Teleworking (lack of policy or inadequate monitoring).
- Insufficient or deficiencies in sub-grantee monitoring.



Sub-grantee Monitoring (2 CFR 200.330-331)

- Include Pass-Through entities audit responsibilities including responsibilities for Single Audits.
- Include specific information in the sub-award, including the indirect cost rate.
- Evaluate each sub-grantee's risk of noncompliance with Federal statutes/regulations, and terms and conditions.
- Consider if specific sub-award conditions are needed.
- Make any necessary adjustment to the pass-through entity's records based on reviews and audits of sub-grantee.



2 CFR 200: Uniform Grant Guidance

Resources

- eCFR (<http://www.ecfr.gov>); under Title 2: Grants and Agreements; Section 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)
- US Chief Financial Officers Council (<https://cfo.gov/grants/>)
- Grants Training 101 Modules (CFO Council online resources)
- FAQs updated as of July 2017 available on CFO Council web site, (select “Grants”, then select “Uniform Guidance”, then click the hyperlink in the second paragraph)



Resources

- Your Program Officer and Grant Officer
- Learning Management System: Litmos
- CNCS National Service Knowledge Network Website
<http://www.nationalservice.gov/resources>



KNOWLEDGE NETWORK

The National Service Knowledge Network is a repository of training and technical assistance information designed for Corporation for National and Community Service (CNCS) national service programs: Senior Corps and AmeriCorps. This content was created by specialized training and technical assistance providers and CNCS to help national service grantees and service programs succeed and thrive.

The information on the Knowledge Network is subject to change. Please carefully review the content to ensure it aligns with current CNCS grants provisions and regulations.



AMERICORPS
CRIMINAL HISTORY CHECK
EVALUATION RESOURCES AND TRAINING
FINANCIAL AND GRANTS MANAGEMENT
ONLINE COURSES
SENIOR CORPS

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Reminders



**KEEP
CALM
and
May The Compliance
Be With You**

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA





AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Corporation for
NATIONAL &
COMMUNITY
SERVICE



What is your
organization's
policy?



AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA





What is Fraud?

An intentional misrepresentation which causes the suffering of damages and usually monetary losses

- Fraud is cheating for profit. Fraud is characterized by acts of trickery, concealment, or breach of confidence, which are used to gain some unfair or dishonest advantage involving money, property, or services.



Vulnerabilities/Fraud Indicators

- No separation of duties
(common weakness)
- Inadequate or missing documents
- No prior audits
- One person in control
- Lack of internal controls
(virtually inevitable theft)
- High turnover of personnel
- Altered records



Who Commits Grant Fraud?

- Grant recipients
- Business partners
- Board members
- Program managers/employees
- Bookkeepers
- Financial staff
- Members

People that embezzle funds can be extremely creative and appear very trustworthy



Year in Review

Member Did Not Serve for Two Months but Received Living Allowances	Volunteer/Member Sexually Assaulted Student/Client	Program Staff Charged 100% of Their Time to the Grant but Performed Other Duties
Service Hours Added/Paid on Days the Site was Closed and No Service Performed	Program Staff Forged Criminal History Checks	Double Billing
Program Staff Added False Hours to Member/Volunteer Timesheets	Grantee Staff Embezzled Funds	False Education Award Certification



Our Lady of Lourdes Agrees to Pay Over \$1.1M to Resolve Claims It Failed to Perform Background Checks, Fraudulently Billed U.S. for Community Service Grants

AmeriCorps Member Falsified Timesheets – Agrees to Repay Living Allowances

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Corporation for
NATIONAL &
COMMUNITY
SERVICE



Why Should You Report Fraud?

- You have to! Grant terms and conditions require **immediate** notification to OIG when fraud suspected (and to take no further action/investigation)
- You have to! Required under the UGG (2 CFR § 200.113)
- To deter others from committing fraud/waste/abuse
- To protect the integrity of the Federal, State, and Local programs
- To avoid being part of the fraudulent/criminal activities
- We may refer you for suspension/debarment if you failed to report fraud
- To protect the programs in your community from closing if fraudulent activity continues



The Investigative Process

- Hotline or Direct Reporting
- Review Information – Personnel, Program, or Fraud
- Determine Who Handles – OIG, CNCS, or Grantee
- Coordinate with Complainant (If known)
- Conduct Preliminary Inquiry or Investigation
- Site Visit
- Coordinate with U.S. Attorney's Office, CNCS (Program/Grants), Commission, or Grantee
- Report of Investigation
- Resolution



Site Visit Notification

OIG investigator informed you they will be in your office next week to investigate an allegation regarding the management of a CNCS grant.

What would you do?

What should you do?

What shouldn't you do?



Site Visit



- In Brief
- Review Member and Fiscal Documents
- Interview Staff (individually)
- Interview Members (individually)
- Visit Service Site
- Interview Recipient of Services
- Out Brief (at discretion of Investigator)

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Two Types of Fraud

Civil

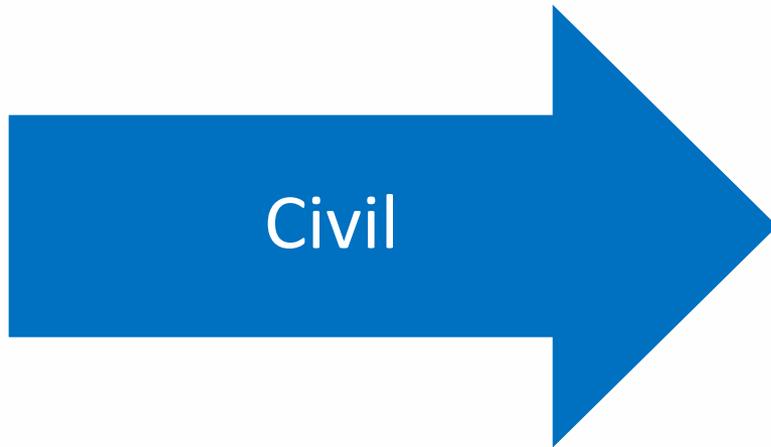
- False Claims Act - 31 U.S.C. § 3729
- Presents a false claim for government payment
- Makes a false record or statement to support a false claim
- Conspires to get a false claim paid
- Makes a false record or statement

Criminal

- Embezzlement
- Bribery
- Contract-related fraud
- Kickbacks
- False statement
- Obstruction of Federal audit
- Destruction of records



Example



- Grant application with false information
- Reports with false data
- Charging fictitious expenditures
- Using grant funds to pay for non grant related expenditures
- Double billing



Advantages of Self Reporting

- Deter others from committing fraud and abuse
- Protects the integrity of the program
- Avoid being part of the fraudulent/criminal activities
- Reduces financial exposure under the False Claims Act

Damages are often statutorily lowered if your agency self-discloses or makes a voluntary disclosure to the government



Example



Criminal

- Lying to investigators and auditors
- Altering documents (i.e. timesheet, CHC)
- Charging fictitious expenditures
- Stealing
- Claiming hours not worked/served
- Inflating travel expenditure



Consequences of Fraud

- Lying to Investigators or Auditors is a **crime** - 18 USC § 1001, 18 USC § 1516
- Knowingly providing fraudulent or altered documents is a **crime**
- False information in grant applications or reporting false data in performance reports is also a **crime**

Possible Repercussions:

- Criminal prosecution (jail)
- Civil remedies against the organization
- Suspension/debarment on grantee and/or individuals
- Debt collection from grantee – administrative remedy



Common Findings - Timesheets

- Supervisor is not reviewing or verifying service hours
- Timesheets with excessive hours (15+ in one day or weekends)
 - what are the hours of their service site?
- Timesheets submitted weeks/months late
- Timesheets missing signatures
- Multiple revisions/white-out of hours (vulnerability with paper timesheets)
- Same number of hours everyday (is that typical?)



Common Findings – Criminal History Checks

- Falsified CHC records/documents
- CHCs conducted late
- CHCs incomplete/missing
- NSOPW search on wrong name (must be legal name)
- CHCs returned but not reviewed



Fraud Prevention

- Periodic review of member files and timesheets
- Unannounced visits to service sites
- Talk to members individually about their service/experience
- Add additional layer of review (CHCs, Timesheets, Expenses)
- Thorough member/site supervisor training
 - Handouts with policies and requirements
- Create Transition Plan/SOPs for future program staff
- Telework policy
- Board oversight

**What good practices do you have in place
to prevent/detect fraud?**



Monitoring/Oversight

- Thoroughly review documents (timesheets, CHCs, mileage claims)
- Meet with members/site supervisors (individually)
 - Compare service to grant/program objectives
 - Ask what they don't like about program/any suggestions for improvement
 - Ask members if they were given guidance on what to say/what not to say
- Review budget - compare to staff positions and timesheets (ask how much time they spend on the program and how they document their hours)
- Document all issues or complaints about members
 - Do you have a policy on handling member complaints?



Whistleblower Protection

Whistleblower protection now extends to employees of contractors, sub-contractors, grantees, and sub-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

<https://www.cncsoig.gov/whistleblower-protection>

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Contact the OIG

Your identity can be kept



AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Reporting Criminal Activity/Ineligibility/Misconduct

Besides reporting suspected fraud/waste/abuse, the OIG should be notified of the following:

- Criminal activity in the program: Member arrested for sexual assault/misconduct (regardless if it was related to the program/during service hours/involved beneficiary)
- Prior fraudulent/criminal incident was discovered later on, but CNCS-OIG was never notified – you still must report this
- Public Health and Safety Matters: Member CHC returned and were found to be ineligible to serve
- If initial report to CNCS-OIG involves fraud along with other issues, we need to know all allegations/issues involved
- Prohibited activities, staff displacement



Where can I find results of OIG Audits and Investigations?

Visit the following websites:

<https://www.cncsoig.gov>

or

<https://www.oversight.gov>

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Hotline

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

Provide all important details

(names, dates, grantee information, etc.)

Call 800-452-8210

Email hotline@cncsoig.gov

Visit our website <https://www.cncsoig.gov/>

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Corporation for
NATIONAL &
COMMUNITY
SERVICE



That's all Folks!

AmeriCorps State and National Symposium

SEPTEMBER 18–20, 2019 | ARLINGTON, VA



Corporation for
NATIONAL &
COMMUNITY
SERVICE 

