

Office of Inspector General

Corporation for National and Community Service



Senior Corps Virtual Conference

August 14, 2012



Purpose

- Understand the Mission of the OIG
- Identify Fraud Indicators in Corporation Programs
- Know How and When to Contact the OIG



OIG Mission

- ❑ Conduct audits and investigations on Corporation programs and operations
- ❑ Recommend policies designed to prevent and detect fraud, waste, and abuse, and to promote economy, efficiency and effectiveness of Corporation programs and operations
- ❑ Keep the Corporation's CEO and Congress informed about problems and deficiencies, as well as the need for corrective action.



OIG Independence

- ❑ The Office of Inspector General is independent of the Corporation for National and Community Service. We report directly to the United States Congress, and administratively to the Corporation's Chief Executive Officer.
- ❑ The OIG's authority to conduct audits and investigations comes from the *Inspector General Act of 1978*. Our funding is provided by a separate Congressional appropriation each year.
- ❑ OIG employees must be free of any personal or organizational conflicts of interest with grantees we audit or investigate. We must remain objective at all times in conducting our work.



What the OIG Does

Promote Economy, Efficiency and Effectiveness in
Agency Programs and Operations to 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



What is Fraud

An intentional misrepresentation of facts made by an individual to deprive another of something of value.



How Fraud Impacts a Program

- Negative publicity for the organization
- Undermine community confidence
- Decline in donations
- Increased oversight
- Termination of grants

**Charity
Group
Leader
Exposed
as Fraud**



Misuse of Grant Funds

- Non-grant related expenditures during a time when CNCS grant is the only funding source
- Receipts for what appears to be non-grant expenditures being charged to grant
- Funds drawn down on unoccupied volunteer slots
- Unauthorized personnel expenses charged against grant



Misuse of Grant Funds

(continued)

- Drawdown of all or most of grant funds well before end of grant year
- Documents not signed or dated
- Preparing documents the night before an inspection, site visit, or audit



Time Sheet Fraud

- Documents that appear to have all been prepared at the same time
- Hours claimed reasonable and allowable
- Volunteers hand-carry time sheet from sub-sites to program office – are they authorized by supervisor?
- Time sheet hours do not match payroll records
- Staff percentage of time charged to two or more programs is greater than 100%



Embezzlement

- No secondary endorsements when required
- Members and staff are not being paid
- Double payments or payments to ghost individuals
- Frequent use of white out, pen and ink changes, or strikeouts
- Missing documents or using copies instead of originals
- Funds missing with no sign of break-in or burglary



Theft

- Purchasing items not used by organization
- Receipts for items that can not be traced to a valid purchase request
- Property not controlled or inventoried
- Charge card purchases not monitored
- Excessive mileage claimed for travel to project sites
- Mailing/telephone/supply costs increase suddenly



“Red Flags” - Employees

- Personal problems/pressures
- Dramatic lifestyle increases
- Close relationship with supplies/vendors
- Does not take vacation or sick leave
- Reluctance to share information



You Find Red Flags Within Your Organization.

What Do You Do?



Hotline

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

1-800-452-8210

or

hotline@cncsoig.gov

Visit our Web Page at www.cncsoig.gov



Why Audit?

To be sure that the organization, a recipient of Federal funds, is doing what is required by the terms and conditions of its grant. Ours is a long-term approach, to find and correct weaknesses. This can help a grantee's compliance with grant provisions and Federal regulations become stronger.



OMB Circulars

Federal Cost Principles for Allowable/Unallowable Grant Expenses

- Circular A-87 – State/Local Governments (incl. school districts) (now 2 CFR Part 225)
- Circular A-110 – Uniform Administrative Requirements (now 2 CFR Part 215)
- Circular A-122 – Non-profit Organizations (now 2 CFR Part 230)
- Circular A-133 – Single Audit Act of 1984 (PL 98-502), amended in 1996 (PL 104-156)



OMB Proposed Changes To Administration of Federal Grants

- ❑ Consolidating grants circulars into a single circular (combining principles for all grant types)
- ❑ Creating indirect cost flat rate rather than negotiated rate
- ❑ Raising Single Audit Act threshold from \$500K to \$1 million of Federal award expenditures; between \$1 million and \$3 million, two compliance requirements for major programs; over \$3 million, full Single Audit required.

Proposed rules to be published in Fall 2012 after a second public comment period.



Sound Practices Result in Clean Audits

The keys to achieving a clean audit include:

- Strong internal controls
- Documented systems
- Effective grant management
- Accurate record-keeping
- Adhering to Federal laws, regulations and grant provisions



Getting Ready

What is the best way to prepare for an audit?

Have systems, policies and procedures in place, before the grant is awarded, to ensure the organization operates within the rules of its Federal assistance. Compile and retain full documentation



COMMON AUDIT FINDINGS

- 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 Public Registry and Criminal History Checks not performed, not performed in a timely manner, or not documented
- Volunteer eligibility not documented



COMMON AUDIT FINDINGS

(continued)

- Match dollars are not properly documented in general ledger
- Same level of documentation required as for the grant
- No explanation of valuation method for in-kind match
- No record of match sources (are they legal?)



Audit Resolution

- The Corporation and grantee agree or disagree on proposed corrective actions.
- Corporation and grantee management take action to improve operations or correct deficiencies cited in the Final Audit Report.
- Debts, if applicable, are collected.



Hotline

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

1-800-452-8210

or

hotline@cncsoig.gov

Visit our Web Page at www.cncsoig.gov