

Office of Inspector General
Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

December 21, 2012

TO: Wendy Spencer
Chief Executive Officer

FROM: Deborah Jeffrey 
Inspector General

SUBJECT: OIG Fiscal Year 2013 Audit Plan

Attached is our Fiscal Year 2013 Audit Plan. This plan assumes an appropriation at the level proposed in the President's budget. A smaller appropriation would therefore require reductions—perhaps substantial reductions—in our audit coverage. The plan is also subject to change based on requests, changes in priorities and new information that comes to OIG's attention. If you have any questions you may call me or Stuart Axenfeld, Assistant Inspector General for Audit, at 202-606-9360.

Attachment

cc: Robert Velasco II, Chief Operating Officer
Valerie Green, General Counsel
David Rebich, Chief Financial Officer
Bill Basl, Director of AmeriCorps
Douglas Hilton, Director, Office of Accountability and Oversight
Erwin Tan, Director, Senior Corps
Mary Strasser, Director, VISTA
Rocco Gaudio, Deputy Chief Financial Officer for Grants and Field Financial Management
Margaret Rosenberry, Director, Office of Grants Management

**Office of Inspector General
Corporation for National and Community Service**

Fiscal Year 2013 Audit Plan

Pursuant to its statutory mandate, the Office of Inspector General (OIG) conducts and supervises independent audits and evaluations of Corporation activities, with the goal of promoting excellence, accountability and integrity in the programs and operations of the Corporation for National and Community Service. Our audits determine the adequacy and reliability of business systems and processes, assess compliance with Federal requirements, and identify opportunities to improve the efficiency and effectiveness of operations of the Corporation and its grantees. Led by Assistant Inspector General for Audit Stuart Axenfeld, the OIG Audit Section is staffed by four experienced auditors.

The Audit Section divides its work into four categories: (1) statutorily required audits and evaluations; (2) audits and evaluations of the Corporation's internal operations; (3) audits and evaluations of program-wide policies and activities; and (4) financial, performance and compliance audits of grants funded by the Corporation. Many of these audits are conducted by the audit staff, but OIG also supplements its resources by contracting with independent public accounting firms and other experts. Whether performed in-house or by outside auditors, OIG's audits conform to Government Auditing Standards.

OIG has designed its Audit Plan for Fiscal Year (FY) 2013 to target high-risk areas and activities and program-wide policies and practices that offer opportunities for substantial savings, consistent with the President's June 13, 2011, Executive Order, *Delivering an Efficient, Effective, and Accountable Government*. We established these audit priorities in consultation with the Corporation's senior management, and through the use of risk-based data analysis. These priorities may shift, and projects may be added or rescheduled, depending on developments throughout the year.

Audits Required by Law

Financial Statements Audit

The Government Corporation Control Act requires the Corporation to issue an annual financial report that includes financial statements audited by an independent public accounting firm under OIG's supervision. This audit includes an assessment of the effectiveness of the Corporation's internal controls for financial reporting, an area that offers many opportunities for improvement. As part of our ongoing audit supervision, OIG will continue to monitor the Corporation's progress toward correcting previously identified internal control weaknesses and deficiencies.

Audit of the National Service Trust

The Strengthen AmeriCorps Program Act of 2003 requires an independent annual audit of the National Service Trust, the repository for monies set aside to fund educational benefits earned by AmeriCorps members through their service. [This audit is performed in conjunction with the Financial Statement Audit. The Trust Audit examines whether Trust obligations are recorded in a timely manner, whether the amount of the Trust obligation is based on the estimated value of the education benefit, and whether the reserve account is maintained to meet the needs of the Trust.

Independent Evaluation of the Corporation's Information System Security

The Federal Information Security Management Act of 2002 (FISMA) requires an annual evaluation to determine the effectiveness of the Corporation's information security program and practices, as well as their compliance with information security policies, standards and guidance, including requirements established by the Office of Management and Budget (OMB).

Review of Improper Payments

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 and implementing guidance by OMB requires OIG to conduct an annual review of the Corporation's reporting of any improper payments and to evaluate its efforts to prevent and reduce improper payments. For FY 2012, OIG concluded that the Corporation had not correctly estimated, identified and acknowledged the extent of prior improper payments because its testing procedures were incomplete and its estimates omitted key sources of information. OIG will continue to work with the Corporation and its outside contractor to ensure that the procedures improve and yield reliable information.

Audits of the Corporation's Internal Operations **Conference Spending**

Eliminating unnecessary spending on conferences has been an important element of the Executive Branch's Campaign to Cut Waste. In FY 2012, the Corporation revised its conference planning policy, acting on a report from OIG that the Corporation's then-existing policy omitted essential requirements established in the Federal Travel Regulation to ensure that conference costs result in the greatest advantage to the Government. For FY 2013, OIG will review the Corporation's conference-related activities and expenditures, as well as its efforts to eliminate unnecessary costs, the adequacy of relevant internal controls, and the implementation of the new policy.

Consultant Services

The Corporation obtains consulting services on a variety of topics, often through the streamlined procurement process used for Blanket Purchase Agreements (BPAs). OIG will evaluate the use of BPAs for the consulting services, including any variance between the services contracted for and those received, as well as the Corporation's use of the resulting work product.

Prohibited Activities

Following disclosures that certain AmeriCorps members engaged in political advocacy as part of their official activities, and pursuant to Congressional request, OIG undertook an evaluation of the Corporation's internal controls for identifying and preventing grantees from devoting Corporation resources (including the services of individuals funded by the Corporation) to the activities prohibited by the Corporation's governing statutes. OIG expects to complete this evaluation in FY 2013.

Program-wide Audits and Reviews

Prohibited Activities and Direct Services within the VISTA Program

In light of recent audit findings of VISTA members engaged in prohibited activities and/or direct services, the OIG will conduct an audit across various VISTA projects to determine the pervasiveness of these practices. The audit will include an evaluation of the internal controls utilized by the Corporation to monitor and detect non-compliance with VISTA provisions.

Pre-Award Accounting System Audits

Created by the Edward M. Kennedy Serve America Act of 2009, the Social Innovation Fund (SIF) is designed to promote public and private investments in effective nonprofits, to expand services to low-income communities for economic opportunity, healthy futures, and youth development. In FY 2010 and 2013, Congress appropriated \$50 million for the SIF. SIF grantees are typically community organizations, and many of them have minimal experience handling Federal funds. Recognizing the challenges that first-time grantees face in administering Federal grants, OIG will perform pre-award accounting system reviews for several of these organizations to determine whether their financial management systems and internal controls meet the requirements necessary to account properly for Federal funding. Our findings will be provided to the Corporation, which can ensure that any necessary improvements are implemented before awarding a grant.

Drawing on our experiences in the nine SIF pre-award reviews conducted to date, OIG is working with Senior Corps leadership to develop its own protocol of pre-award reviews for new grantees.

Grant Audits

Grants account for 75 percent of the Corporation's budget, placing a premium on monitoring and oversight. Audits and agreed-upon procedures engagements that focus on particular grantees are an important component of ensuring that Federal funds are handled prudently and in compliance with requirements. Grantees are selected for audit based on input from the Corporation, issues identified in the course of the Corporation's monitoring, risk assessments based on recent experience and data analytics, single audit results and other risk factors.

Service Commissions throughout the fifty states, territories and tribal governments (State Commissions) administer a substantial portion of the Corporation's programmatic budget, as part of the AmeriCorps program. The State Commissions in turn award subgrants to nonprofits and are responsible for their oversight. For FY 2013, OIG will initiate audits of the following State Commissions:

- Arkansas Service Commission
- Georgia Commission for Service and Volunteerism
- Maryland Governor's Office on Service and Volunteerism
- Nevada Volunteers
- Serve Illinois

Senior Corps, which represents 28 percent of the Corporation's programmatic budget, received relatively little attention from OIG in the recent past. Corporation field personnel have expressed reservations that Senior Corps grantees, some of which have maintained their grants for more than 20 years, may be relying on financial management practices and systems that are no longer adequate to account for Federal funds and do not contain sufficient internal controls. Accordingly, OIG intends to devote substantial audit resources to Senior Corps for FY 2013. The following programs have been selected for audit:

- Atlantic Human Resources (Audit began in FY2012)
- Family Services of Central Massachusetts
- Mid-Iowa Foster Grand Parent
- Penquis Community Action Program (Maine)
- RSVP Colorado West

In addition to pre-award reviews, OIG is auditing certain SIF grantees early in the grant term, to identify program-wide issues and prevent them from multiplying. In FY 2012, we initiated an audit of a \$ 10 million grant to the Edna McConnell Clark Foundation, the largest SIF grant to date. We expect to complete that audit in FY 2013.

Investigative Support

The Audit Section is often called upon to provide extensive support in connection with investigations of specific wrongdoing. Particular investigations may illustrate program vulnerabilities, gaps in internal controls and opportunities to strengthen program integrity, and therefore suggest areas for audit inquiry. We anticipate that this important activity will continue in FY 2013.

Outreach

OIG will continue to seek opportunities to inform Corporation staff and the grantee community about OIG audit findings and systemic concerns and to engage them as active partners in our mission to prevent and detect waste, fraud and abuse in Corporation programs. The Audit Section actively participates in Corporation-sponsored events designed to inform the grantee community about OIG initiatives and audit-related matters. In FY 2012, OIG representatives took part in the Financial and Grants Management Institute training that was attended by hundreds of AmeriCorps grantees and their staff and were featured in the Corporation's first Internet Virtual Conference, a three-day interactive webinar sponsored by the Senior Corps program office. We emphasized responsible and prudent use of Federal funds, preventable problems frequently discovered in audits, fraud indicators that should be taken as warning signs, and examples of recent audits and investigations.