



*Agency Response to the
Office of the Inspector General's
Semiannual Report to Congress*

October 1, 2014– March 31, 2015

Fiscal Year 2015 Semiannual Report No. 1

Corporation for National and Community Service

Response to the OIG Semiannual Report and Report on Final Action

During the reporting period, which covered the first half of FY 2015, CNCS made significant efforts to reframe our relationship with the OIG. That effort has been reciprocated by the OIG and is clearly reflected in the improved tone of the OIG's Semiannual Report.

Among these accomplishments, CNCS has initiated numerous reforms and improvements to strengthen our internal control environment, refined our enterprise-wide approach to risk management, enhanced monitoring and oversight of programs and financial activities, adopted a criminal history check enforcement policy and management processes to hold grantees uniformly accountable across our programs, and made key hires in critical agency functions. We recognize more progress is needed and we continue to work diligently moving forward.

CNCS values the role of the OIG and remains committed to promoting oversight and accountability that protects and enhances the enormous benefit that national service is to taxpayers and communities across the nation. To this end, in February, the CNCS Chief Executive Officer (CEO) sent out an agency-wide email emphasizing the importance of reporting suspected misconduct to the OIG and the agency's expectation that employees cooperate fully with the OIG's investigations. In April, CNCS issued a new policy, drafted in close cooperation with the OIG, entitled "Reporting Waste, Fraud, and Abuse and Cooperating with Office of Inspector General Inquiries." As evidenced by these and other cooperative steps, CNCS continues to work with the OIG to improve the overall effectiveness of CNCS's mission of promoting innovative national service that addresses our nation's most pressing problems.

In the area of financial management—for the 15th year in a row—CNCS's independent financial auditors issued another unmodified (clean) opinion on the agency's financial statements. Few federal agencies can boast that record. This clean opinion is the gold standard of independent audit opinions, which attests to CNCS's continuing commitment to accountability and stewardship of taxpayer resources. The independent auditors reported no material weaknesses and only two significant internal control deficiencies.

Regarding those deficiencies, we fully acknowledge significant work is required to improve our information security program and enterprise risk management—work that is already well underway. Regarding CNCS's controls over financial reporting, the independent financial audit did not, however, identify any internal control deficiencies that were considered to be material weaknesses. On that point, CNCS disagrees with the OIG's general portrayal in its semiannual report (SAR) of our current internal control environment as having "*serious adverse findings*." Such broad statements are

inconsistent with the results of our financial statement audit which had no material weaknesses and no adverse audit opinion on internal control.

Enterprise Risk Management

In the past year, CNCS established a new governance structure responsible for planning and executing the agency's risk management program which has already improved the way the agency identifies and manages risk. CNCS also recently established an assessment plan that will ensure that risk assessments are completed timely and include appropriate, documented corrective actions. In addition, we dedicated three additional staff members to assist with implementation and coordination of the risk assessment.

Federal Information Security Management Act (FISMA)

CNCS shares the concerns raised in the FISMA evaluation. We established a project plan that takes an enterprise approach to improving CNCS's Information Assurance program. We shared this plan with the evaluating auditors and Office of Management and Budget (OMB). We also established a FISMA remediation team that meets biweekly to monitor progress against the plan, address issues with its implementation, and ensure plan milestones and goals are achieved.

Blanket Purchase Agreement (BPA)

CNCS also took several actions to address the procurement concerns raised in the OIG audit of BPA. These actions include developing a new spending plan format and process that informs an agency-wide acquisition plan. The spending plan process ensures budget planning is sufficiently detailed and vetted and approved by senior management. Meanwhile, the corresponding acquisition plan ensures the Office of Procurement Services (OPS) receives a complete inventory of its contracting workload and schedule and enables OPS staff to negotiate timing, roles, and responsibilities with CNCS customer offices. Finally, CNCS also implemented monthly training sessions with all procurement staff and contract officer representatives, reinforcing important guidelines and best practices for proper procurement activities.

Grants Management and Oversight

To promote oversight of CNCS's grant making activities, CNCS is currently assessing its grants monitoring processes and considering new requirements for the Information Technology modernization effort. We are working with the OIG to get input on improving grants monitoring, including evaluating existing procedures that will create efficiencies, improve oversight, and provide meaningful reporting data to inform decision making.

Criminal History Checks

At the conclusion of the agency's one-time assessment period to give grantees a chance to bring their criminal history checks into compliance, CNCS adopted a criminal history check enforcement policy and complementary management process to promote compliance with our CEO's mandate that criminal history checks be done by our grantees "On Time, Every Time." CNCS established an Enforcement Team consisting of personnel from all programs as well as other key offices to promote uniform, effective

application of this policy across our programs. To further promote the tone from the top, the CEO has reiterated the importance of criminal history checks and the need for accountability in every regional training meeting held this spring and in guidance issued to the entire national service field.

To protect those that benefit from national service and promote accountability, CNCS has also worked to make it easier for grantees to comply with the criminal history check rules. We clarified and expanded our guidance and increased support staff to answer questions from the grantees, particularly about complexities created by variations among state laws. Other compliance initiatives are under development.

CNCS is committed to enforcing criminal history checks to protect the beneficiaries of national service, but efforts to ensure compliance should not be viewed as a cost issue. CNCS disallows costs for noncompliance with the criminal history check rules only as a mechanism to remedy noncompliance. All of the possible improper payments noted by the OIG arose from payments related to *eligible* grantee staff and national service participants.

Management Decisions

During the period covered by the SAR, CNCS completed final management decisions on four audits and took action on seven audits. As to CNCS's management decision for the Oregon Volunteers audit, with which the OIG did not concur entirely, CNCS offers the following clarifications:

Oregon Volunteers. The OIG states that CNCS allowed costs for criminal history checks conducted by subgrantees using commercial databases that CNCS did not find sufficiently reliable. In fact, CNCS approved the subgrantees' use of these alternative databases. Subsequently, CNCS would not approve such alternate search procedures in the future because of the staff time involved in assessing them. CNCS made no finding that the databases used by Oregon subgrantees were unreliable.

In CNCS's final management decision related to Oregon Volunteers dated April 24, 2015, CNCS agreed with the OIG that the criminal history check rule in place at the time required a second check for members who had a break in service beyond 30 days. As a result, CNCS disallowed those costs. Although CNCS submitted its final management decision related to this audit shortly after the close of the SAR period, the OIG still noted this as a point of disagreement, unfairly in our view, because at the time the OIG drafted its SAR no disagreement actually existed on this point.

Investigations

Maricopa County Community College District (MCCCD) (Case ID: 2013-001). CNCS is proud of the nearly \$4.1 million recovery from MCCCD. In addition to the substantial contribution of the OIG and the Department of Justice, CNCS staff were instrumental in identifying additional funds that were ultimately recovered. The OIG's claims that CNCS "strongly discouraged" the OIG in any manner are incorrect; at most, we disagreed over litigation strategy.

VISTA Project (Case ID: 2014-021). In response to the investigation of a CNCS employee's misconduct in supervising VISTA projects, CNCS management took other risk-mitigation steps not identified in the SAR. In addition to negotiating the separation of the employee in question (which is mentioned in the SAR), CNCS assembled a team with representatives from across the agency to review the entire state grant portfolio under the employee's supervision for other compliance issues. The team reviewed the projects for both Senior Corps and VISTA, including all VISTA Assignment Descriptions (VADs), grantee federal financial reports, and state office monitoring reports.

TABLE I
ACTION TAKEN ON AUDIT REPORTS
(For the Period October 1, 2014 through March 31, 2015)

	<u>Number of Reports</u>	<u>Disallowed Costs (\$1000)</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period	9	\$350*
B. Audit reports for which management decisions were made during the six-month reporting period	3	\$554
C. Audit reports for which final action was taken during the reporting period	3	\$350
1. Recoveries ¹		
(a) Collections and offsets		\$20
(b) Property in lieu of cash		-
(c) Other (reduction of questioned costs)		-
2. Write-offs		-
D. Audit reports for which final action was not taken by the end of the reporting period	6	-
E. Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway	1	\$204

* Number represents only the funds disallowed on reports for which final action has been taken.

¹ Recoveries include audits for which final action was taken in prior reporting periods but reported in management decisions during the reporting period. An accounts receivable was established during the reporting period.

TABLE II

**ACTION TAKEN ON AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE AND
AGREED TO IN MANAGEMENT DECISIONS**

(For the Period October 1, 2014 to March 31, 2015)

	<u>Number of Audit Reports</u>	<u>Dollar Value (\$0000s)</u>
A. Reports for which final action had not been taken by the commencement of the reporting period	5	\$3,461
B. Reports for which management decisions were made during the reporting period	2	\$2,942
C. Reports for which final action was taken during the reporting period		-
i. Dollar value of recommendations completed	1	\$75
ii. Dollar value of recommendations that management has concluded should not or could not be implemented	1	\$25
D. Reports for which no final action had been taken by the end of the reporting period.	4	\$647

Table III**REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT
FINAL ACTION**

(For the Period October 1, 2014 through March 31, 2015)

Audit Number	Title	Date Issued	Final Action Due Date	Status of Action/Reason No Final Action was Taken
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/9/2011	11/9/2012	Requires extensive sub-grantee follow-up. CNCS Draft Management Decision was sent to OIG on 3/31/2015.
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Oregon Volunteers	8/15/2012	12/15/2013	CNCS Management Decision was sent to OIG on 4/28/2015.
12-16	Agreed-Upon Procedures for Grants Awarded to the New Jersey Commission on National and Community Service	9/27/2012	12/15/2013	CNCS Draft Management Decision was sent to OIG on 3/13/2015. This audit contained multiple accounting errors which required in depth review and reconciliation.
14-04	Agreed-Upon Procedures for Grants Awarded to the Arkansas Service Commission	11/14/2013	11/14/2014	CNCS sent the final Management Decision to the OIG on 3/11/2015 and has initiated collection on amounts disallowed. CNCS is awaiting documentation of implementation of 1 corrective action before issuing notice of final action.
14-05	Audit of CNCS Grants Awarded to Family Services of Central Massachusetts	12/11/2013	12/11/2014	CNCS Draft Management Decision was sent to OIG on 3/3/2015. This audit contained multiple accounting errors which required in depth review and reconciliation.
14-06	Audit of CNCS Grants Awarded to Penquis Community Action Program	2/4/2014	2/4/2015	Received additional follow-up from grantee with required analysis in progress. DMD expected 6/30/15.