



January 24, 2018

TO: Kim Mansaray
Acting Chief Executive Officer

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: OIG Fiscal Year 2018 Audit Plan

Attached is CNCS-OIG's Audit Plan for 2018, which we developed following consultation with CNCS. This plan is subject to modification in the event of changing priorities and emerging high risk items. If you have any questions, you may contact me at S.Axenfeld@cncsoig.gov or 202-606-9360.

Attachment

cc: Dana Bourne, Acting Chief of Staff
Timothy Noelker, General Counsel
Robert McCarty, Chief Financial Officer
Edward Davis, Acting Chief Information Officer
Lori Giblin, Chief Risk Officer
Joseph Liciardello, Acting Chief Grants Officer
Chester Spellman, Director of AmeriCorps State and National
Deborah Cox-Roush, Director of Senior Corps
Eileen Conoboy, Acting Director of AmeriCorps VISTA
Monica Kitlas, Agency Audits and Investigations Coordinator

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

2018 Audit Plan

Audits Required by Law

Financial Statement Audit

Under the Government Corporation Control Act, CNCS's annual agency financial report must include financial statements that have been audited by an independent public accounting firm under CNCS-OIG's supervision. The audit includes an assessment of the effectiveness of the Corporation's internal controls for financial reporting, an area that requires substantial improvement. The independent auditors were unable to state that the information in CNCS's fiscal year 2017 financial statements was fairly and accurately presented, and they therefore disclaimed any opinion on the financial statements. As part of our ongoing audit supervision, CNCS-OIG will continue to monitor the Corporation's progress toward correcting the material weaknesses and significant deficiency in internal control, to enable the auditors to complete both fiscal years 2017 and 2018 audits during fiscal year 2018.

Audit of the National Service Trust

The Strengthen AmeriCorps Program Act of 2003 requires an annual independent 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 appropriately based on the estimated value of the education benefit, and whether the reserve account is maintained to meet the needs of the Trust. The independent auditors found material internal control weaknesses relating to the Trust's unpaid obligations and the Trust liability model, which contributed to the disclaimer of audit opinion for the fiscal year 2017 financial statements. CNCS-OIG will oversee actively the resolution of these complex Trust issues.

Independent Evaluation of the Corporation's Information System Security

The Federal Information Security Modernization Act of 2014 (FISMA), as amended, requires an annual review to determine the effectiveness of the Corporation's information security program and practices, as well as its compliance with information security polices, 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), as amended, and implementing guidance by OMB require CNCS-OIG to conduct an annual review of the Corporation's reporting on improper payments and to evaluate its efforts to prevent, reduce and recover such payments. In FY 2017, CNCS reported that, due to an improved sampling and testing methodology, it has accurately determined the improper payment amounts and rates for its Senior Corps programs and for the AmeriCorps State and National program. CNCS-OIG will conduct a full-scope performance audit of CNCS's IPERA work for FY 2017.

Review of Charge Card Abuse and Prevention

Pursuant to the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, and OMB Memorandum M-13-21, *Promoting Efficient Spending to Support Agency Operations*, CNCS-OIG conducts an annual risk assessment of CNCS's controls over its purchase cards and travel cards. The results of these risk assessments will determine whether CNCS-OIG will conduct an audit or other further review.

Review of Grant Closeout

The Grants Oversight and New Efficiency Act (GONE Act) requires Federal agencies to report their status and effort towards timely closeout of completed grants. The Inspector General of an agency that funds more than \$500 million in grants annually must conduct a risk assessment to determine if an audit or review of the agency's grant closeout process is warranted. CNCS-OIG plans to conduct this risk assessment once CNCS submits its grant closeout data to the OMB.

Audits and Evaluations of CNCS's Internal Operations

Contracting

In FY 2014, we issued Report No. 14-09, *Audit of Blanket Purchase Agreements for Professional Consulting Services*, which identified fundamental problems in these procurements. CNCS acknowledged that many of these problems existed throughout its contracting portfolio and has since instituted a number of corrective actions. However, as CNCS-OIG reported in the July 2017 Management Alert, *CNCS Continues to Pay Invoices Without Adequate Oversight of Labor Charges*, CNCS's procurement corrective actions deemed ineffective. In 2018, we will continue to monitor the status of the Corporation's resolution of these recommendations and will examine other high-risk contracting activities.

Given the substantial sums expended on contracting, oversight and monitoring are vital for ensuring effective contracting and safeguarding taxpayer dollars.

SIF Grant Audit Focusing on Grant Monitoring

Based on discoveries in a pending audit of a Social Innovation Fund (SIF) grantee, CNCS-OIG identified significant issues in CNCS's oversight of the SIF program. These included the lack of any reviews by CNCS of intermediaries' oversight of subrecipients; the failure to develop monitoring that addresses risks specific to the SIF program; and the inability to ensure subgrants were properly awarded to qualified subrecipients.

While continuing the specific audit that gave rise to these observations, CNCS-OIG offered interim recommendations to address these issues. Based on these serious findings, CNCS-OIG will conduct a financial audit of another SIF grantee, including a further evaluation of the quality of financial oversight provided by CNCS and by its intermediaries within the SIF program.

Grant Audits

Grants account for 75 percent of the Corporation's operating 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 monitoring and risk assessments, recent CNCS-OIG experience, single audit results and other risk factors. CNCS-OIG plans to audit/review the following grantees:

- Serve Indiana
- Conservation Legacy
- Enterprise Community Partners
- Youthprise
- Maine Commission for Community Service
- Serve Guam! Commission
- Governor's Commission on Community & Volunteer Service (Delaware)

CNCS-OIG also expects to complete the following pending audits and agreed-upon procedure reviews:

- Mayor's Fund to Advance New York City
- YouthBuild USA
- New Mexico Commission for Community Volunteerism
- Vermont Commission on National and Community Service
- Maryland Governor's Office on Service and Volunteerism
- North Carolina Commission on Volunteerism and Community Service

Grant Audit of Institutions of Higher Learning

An OIG investigation reported in FY 2014 that a community college was defrauding the AmeriCorps program, resulting in the largest false claims recovery in the history of CNCS, more than \$4 million. The false claims occurred when the community college allowed approximately 1,000 pre-professional students to receive AmeriCorps credit and earn education awards for performing clinical services that were independently required by their academic programs. The community thus received no additional benefit from the expenditure of AmeriCorps funds.

CNCS has a significant number of grantees and subgrantees at institutions of higher education. We intend to determine whether students at those institutions are receiving AmeriCorps credit and earning education awards without performing service beyond their educational requirements.

Non-Federal Audits

We will continue to review audits conducted by non-Federal auditors pursuant to the Single Audit Act (formerly OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*). State, local, and Indian tribal governments; colleges and universities; and nonprofit organizations receiving Federal awards over the statutory threshold are required to have annual organization-wide audits of Federal funds that they receive. Our reviews will identify issues that may require CNCS attention about the management of Federal programs and identify significant areas of internal control weaknesses, noncompliance with laws and regulations, going concern issues, and questioned costs that require formal resolution by the Corporation.

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 2018.

Outreach

CNCS-OIG will continue to improve accountability by educating CNCS staff and the grantee community about common CNCS-OIG audit findings and emerging issues and to engage these stakeholders as active partners in our mission to prevent and detect waste, fraud and abuse in Corporation programs. The Audit Section actively participates in CNCS-sponsored events designed to inform the grantee community about such matters at national and regional meetings and other events.

The Audit Section will also work with the Chief Risk Officer, in support of the Corporation's nascent Enterprise Risk Management program and its promised effort to develop a more rigorous, risk-based approach to grant monitoring.