

Corporation for
NATIONAL &
COMMUNITY
SERVICE 

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

April 1, 2013 – September 30, 2013

Fiscal Year 2013 Semiannual Report No. 2

Corporation for National and Community Service

Response to the OIG Semiannual Report

and Report on Final Action

As the Office of the Inspector General's (OIG's) Semiannual Report to Congress (SAR or Report) made clear, the Corporation for National and Community Service (CNCS) has strengthened its internal controls and oversight of its grantees. This SAR covers the six-month period from April 1, 2013 through September 30, 2013. During this period, CNCS made management decisions on four audits and completed final action on or closed two audits. Subsequent to the end of the reporting period, we completed final action on two additional audits.

The OIG's SAR noted the increased cooperation between CNCS leadership and the OIG and the resultant improvements in protecting taxpayers' investment in national service. CNCS is committed to continuing to further improve its safeguards over federal funds so that every national service dollar is accounted for and well spent.

In its SAR, the OIG highlighted one particular grantee, Atlantic Human Resources, Inc., (AHR), a grantee that was audited by the OIG after CNCS managers noted several significant risk factors. CNCS had already restricted AHR's access to funds when CNCS requested the OIG audit. Based on the OIG's interim Management Alerts, CNCS then fully denied AHR's access to funding. After receipt and review of the final audit report, CNCS terminated AHR's grants. The OIG's report enabled CNCS management to take the appropriate enforcement actions. The Inspector General expressly commended the oversight work of key CNCS managers.

Likewise, the OIG's recent audit of CNCS's handling of fixed amount grants provided CNCS management with valuable information to consider in reviewing its overall approach to selection and oversight of fixed amount grantees. While CNCS disagrees with the OIG's suggestion that the failure of but one of the 118 AmeriCorps fixed amount grantees indicates systemic risks, we do agree that fixed amount grant selection and oversight would benefit from some specific additional requirements. CNCS has already taken several measures to strengthen the management of fixed amount grants and is taking the OIG's recommendations into consideration as it reviews the cost efficiencies of different types of grant oversight policies and practices. In fact, the CEO has tasked a cross-functional team with reviewing CNCS's practices and oversight of fixed amount grants.

CNCS looks forward to continuing to work with the OIG to cooperatively address other oversight matters and appreciates the progress made. CNCS notes that there are several statements in the SAR that could be misinterpreted because the appropriate context is not provided. We are providing that context below to ensure the record is complete.

- The OIG stated on page 3 that two grantees who filed for bankruptcy each owed CNCS more than \$1 million. However, according to the Assistant U.S. Attorney assigned to the bankruptcy case for one of the grantees, CNCS’s claim is \$45,000.¹
- In response to the OIG’s fixed amount grant audit that is mentioned on page 9, CNCS sent an initial response to the OIG noting several factual errors, which are repeated in this SAR. Actually, fixed amount grants have always been an option for federal agencies to use in providing grant funding – the Serve America Act merely eliminated the matching requirement for this type of AmeriCorps grant. Since 2010, CNCS has had a number of safeguards in place in its fixed amount grant program and is considering implementing additional policies and procedures in light of the OIG’s audit.
- On page 15, the OIG overstates the “increasing demand” or “upswing” in investigations it has conducted, as is evidenced by its chart on page 19. Except for 2012, the number of investigations has remained remarkably constant between 39 and 42. The OIG should be commended for conducting more investigations than it did in previous years despite a much reduced budget.
- On page 21, the OIG states that CNCS failed to timely debar Mr. Muasau Tofili for two years following the OIG’s recommendation to do so, and connects the timing with his ascension to the High Court of the American Samoa. In fact, CNCS proposed to debar Mr. Tofili within 11 months of the OIG recommending it (which followed the audit/investigation by 13 months) and OIG is without any known basis for stating that CNCS’s debarment would have adversely affected Mr. Tofili’s selection as a Judge.²
- On page 17, the OIG states that CNCS management would not be recouping \$48,947.41 in unallowable costs but did not explain CNCS management’s reason. CNCS had explained that this case did not present an opportunity to recoup these costs because there were no direct costs to disallow or recoup. The VISTA project misused VISTA resources, but the only federal funds provided to the VISTA project were provided directly to the members serving the non-profit organization – not the non-profit entity that was audited. Moreover, unjust enrichment was not a viable theory of recovery in that matter.

¹ The grantee was originally awarded \$1 million dollars. The result of an A-133 audit of that grantee questioned all costs associated with the grant, but only because the grantee’s accounting system could not provide the information necessary for the auditor to adequately identify expenditures specific to the grant. The auditor said most of the costs appeared reasonable but simply lacked proper documentation.

² To become an Associate Judge of the High Court of the American Samoa, one is appointed by the Governor of Samoa and confirmed by the Samoan Senate.

Over Fiscal Year 2013, CNCS has continued its commitment to creating a culture that emphasizes integrity, accountability, and transparency. Moreover, CNCS management knows that this is a value shared with the OIG. In fact, the recommended changes to CNCS's Anti-Fraud Policy that the OIG notes in the SAR informs CNCS's revised policy, which demonstrates our shared values of ensuring public confidence in CNCS and preventing fraud, waste, and abuse. In addition, that policy is being expanded to advise CNCS employees of their right to disclose information in a whistleblower capacity, and no reprisals against any whistleblower employees will be tolerated. By continuing to work together, cooperatively, risks are reduced and federal dollars are protected to the benefit of national service.

TABLE I

ACTION TAKEN ON AUDIT REPORTS
(For the Period April 1, 2013 through September 30, 2013)

	<u>Number of Reports</u>	<u>Disallowed Costs (\$000)</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period ³	16	\$280
B. Audit reports issued by the OIG during the reporting period	4	-
C. Audit reports for which final action was taken during the reporting period	2	\$94
1. Recoveries ⁴		
(a) Collections and offsets		\$130
(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 ⁵	18	\$186
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	4	\$239

³ SAR Period I omitted two audits from the count of 14 reports without final action at the end of the prior reporting period. We have corrected the total to show 16 reports. The omitted reports were Audits 12-08 (Trust Payments to Educational Institutions) and 13-04 (IPERA).

⁴ Recoveries include audits for which final action was taken in prior reporting periods and reported in management decisions during the reporting period and for which an accounts receivable was established.

⁵ Under OMB Circular A-50, final action is due on audits within one year of the date the report is issued. These audits were issued within the one year period or within time granted under extension and final action is not overdue.

TABLE II

**ACTION TAKEN ON AUDIT REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE**

(For the Period April 1, 2013 through September 30, 2013)

	<u>Number of Audit Reports</u>	<u>Dollar Value (\$000s)</u>
A. Reports for which final action had not been taken by the commencement of the reporting period	8	\$33
B. Reports for which management decisions were made during the reporting period	3	\$18
C. Reports for which final action was taken during the reporting period	2	
i. Dollar value of recommendations completed		\$20
ii. Dollar value of recommendations that management has concluded should not or could not be implemented		\$154
D. Reports for which no final action had been taken by the end of the reporting period. ⁶	6	\$18

⁶ Final action is not overdue on five of the six audits.

Table III

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

(For the Period April 1, 2013 through September 30, 2013)

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	11/9/11	11/9/12	Requires extensive subgrantee follow-up
12-08	Audit of Trust Payments to Education and Financial Institutions	4/3/12	4/3/13	Management decision and final action under review by CFO
12-09	Evaluation of the Corporation's OMB Circular A-133 Report Monitoring Process	5/11/12	9/30/13	Final action completed 11/5/13
12-10	IPERA Compliance Evaluation	3/7/12	3/7/13	Final action will be implemented through new processes adopted in the 2013 annual IPERA review