



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

April 1, 2016 – September 30, 2016

Fiscal Year 2016 Semiannual Report No. 2

Corporation for National and Community Service Response to the OIG Semiannual Report and Report on Final Action

As the Corporation for National and Community Service (CNCS or the Agency) has noted in past responses to the Office of Inspector General's (OIG's) Semi-Annual Reports (SAR), the Agency continues to enhance its grants monitoring, internal controls, and risk management processes. CNCS appreciates the Inspector General's acknowledgment of "important improvements" made in the past six months and continues to make responsible oversight of its resources an important priority for the Agency.

The important work performed by CNCS staff in monitoring grantees and effectively running the Agency, and the OIG staff's work in audits and investigations, is to achieve a single outcome: deploy federal funds in an efficient and effective manner to maximize the impact of national service and social innovation in disadvantaged communities across the country. By that measure, CNCS is succeeding—from the Agency's robust response to Hurricane Matthew and record flooding in Louisiana, to providing solutions to the opioid crisis in rural America and big cities alike. CNCS's grantees deliver services to communities in need with very few incidents of loss, fraud, waste, or mismanagement, as exemplified by this and other recent SARs. National service and social innovation provide a substantial return on taxpayer investment, unite Americans through national service, and ensure that essential services that would otherwise go undone absent the federal investment are performed.

CNCS is improving both its grant risk assessment and grant monitoring processes to ensure that issues and concerns warranting further review are properly identified and that monitoring efforts are tailored to the issues that cause potential risk. These efforts dovetail with recommendations made by the OIG, many of which CNCS is working diligently to implement. For example, the eighteen risk assessment criteria against which the entire grant portfolio is assessed on an annual basis (criteria which are used by many other federal grantmaking agencies) will be reviewed prior to the next annual risk assessment. This review will continue to incorporate industry and government best practices to enhance and calibrate the risk assessment criteria going forward to ensure that CNCS is capturing, as well as working to mitigate, risk across the grant portfolio.

Additional improvements will also be possible once CNCS adopts its new grants management system, which will have increased functionality that better supports monitoring. Additional monitoring focused on compliance risks posed by the National Service Criminal History Check (NSCHC) process was instituted in Fiscal Years (FY) 2015 and 2016. This additional level of monitoring consists of targeted compliance reviews and Improper Payments Elimination and Recovery Improvement Act (IPERIA) component testing of NSCHC checks. The results of the FY 2016 IPERIA testing have been reported in the Agency's FY 2016 Financial Report.

Related to IPERIA and audit findings, NSCHC compliance continues to be a challenge for many grantees despite CNCS's extensive training, sustained cost disallowance and recovery, and efforts to make compliance easier (including CNCS procuring a contractor to perform fingerprint-based FBI checks for those grantees unable to obtain that important check). CNCS is considering other options to improve grantee NSCHC compliance, which will directly reduce CNCS's IPERIA findings.

Audits

CNCS is pleased to report that the Agency currently has no outstanding audits pending resolution. This is a result of substantial internal efforts to strengthen CNCS's policies and practices that speed audit and investigation resolution, as well as CNCS's diligence to improve communication and collaboration with the OIG to timely resolve outstanding OIG concerns. On November 9, 2016, CNCS issued its proposed

management decision on the Illinois Commission audit and issued its management decision on the New Jersey Commission audit on November 16, 2016. CNCS has also issued debt collection notices of \$74,156 in disallowed costs in response to final resolution of the OIG's Compelling Personal Circumstances audit, as well as \$400,000 from a single grantee, Elder Care Services, for criminal history check noncompliance.

CNCS is clear as to who its senior accountable official is with respect to audit resolution—the Chief Financial Officer. This is designated in long-standing CNCS policy that pre-dated the OIG's inquiry by many years. The OIG's concerns unfairly capitalize on CNCS's misunderstanding of the OIG's recent non-specific inquiry in a manner inconsistent with the spirit of collaboration that the OIG has otherwise demonstrated. Regardless, the OIG's report details the good work CNCS and its OIG have been doing together to improve audit and investigation resolution. None of the oversights mentioned in the OIG report have occurred since CNCS implemented its new protocols to address OIG concerns related to current audits or investigations.

Related to the audit of CNCS's grantee, Seniors Council, CNCS conducted on-site monitoring of the grantee in June 2015, identified financial irregularities, and enacted a corrective action plan with the grantee. In addition, CNCS recommended the grantee for OIG audit. In June 2016, the OIG conducted an audit of Seniors Council and identified similar issues. CNCS placed Seniors Council funds on manual hold to prevent improper use of federal funds, and has continued additional programmatic and financial monitoring and oversight to ensure the grantee timely completes the corrective actions. CNCS looks forward to providing a more detailed response after the OIG completes its audit report.

Related to the audit of CNCS's grantee, Community Service Society of New York (CSSNY), CNCS referred CSSNY to the OIG for an audit as part of the FY 2015 Audit Plan development process. Following the FY 2016 risk assessment, CNCS conducted an on-site monitoring visit of the grantee in February 2016, required the grantee to take immediate corrective actions, and is providing ongoing technical assistance and oversight related to the concerns. The OIG visited the grantee in July 2016, and following their visit, decided not to conduct a full audit and instead forwarded a management alert which outlined in greater detail the issues previously identified by CNCS. CNCS is working with the grantee to resolve concerns and ensure that the appropriate corrective actions are taken for full financial and program management compliance.

Investigations

The matter related to prohibited activity among six of the approximately 1,600 National Association of Community Health Center Community HealthCorps members is resolved and the grant expired on August 31, 2016. CNCS has already agreed to incorporate many of the grants-monitoring recommendations provided by the OIG to more proactively reduce the risk of prohibited activities among its grantees. Preventing and detecting noncompliance and holding grantees accountable is an Agency priority.

At the same time, across CNCS's nearly 330,000 national service participants, prohibited activities within the Agency's programs remain extremely infrequent and rarely involve material amounts of federal funding. In that context, the rare occurrence of prohibited activities should not detract from the incredible value that national service provides to American communities in need. National service is a unifying force that brings citizens together to solve the nation's greatest challenges, and provides a substantial return on investment to taxpayers.

OIG Investigation 2016-016 reflects the fact that even when criminal history checks are performed in complete compliance with the law, screening is neither a perfect solution nor a substitute for prudent policies designed to prevent harm to vulnerable populations. The individual in question, though ineligible,

served briefly and without incident with a Nevada grantee. As a result of the Agency's grant monitoring protocols, CNCS learned of this matter and asked the OIG to investigate, which ended with the individual's termination and disallowance of costs associated with service. This matter occurred (despite compliance with the criminal history check requirements) because the information available to grantees is dependent on state law restrictions. In recognition that screening is not a perfect solution, CNCS is exploring efforts to encourage its grantees to review and consider enhancements to their existing prevention efforts.

CNCS continues to be vigilant to ensure effective use of taxpayer dollars. The Great Lakes Inter-Tribal Council (GLITC) investigation (2016-005) is a good example of this vigilance. Following a coordinated CNCS and OIG review, the Agency issued a denial of refunding notice to GLITC due to its inability to meet financial management responsibilities. Following a show-cause hearing where GLITC made a commitment to compliance with federal funding requirements, funding was restored. Continued funding of GLITC reflects CNCS's commitment to Indian Country by maintaining 57 volunteers serving 100 seniors and 95 children.

CNCS remains committed to continuous improvement in managing its grantees through risk-informed approaches that strengthen communities and maximize taxpayers' return on investment for national service.

TABLE I

FINAL ACTION TAKEN ON AUDIT REPORTS
(For the Period April 1, 2016 through September 30, 2016)

	<u>Number of Reports</u>	<u>Disallowed Costs</u>
A. Audit reports for which final action had not been taken by the commencement of the reporting period	9	-
B. Audit reports for which management decisions were made during the six-month reporting period	8	\$489,014
C. Audit reports for which final action was taken during the reporting period	7	\$489,014
1. Recoveries ¹		
(a) Collections and offsets	10	\$235,287
(b) Property in lieu of cash	0	-
(c) Other (reduction of questioned costs)	0	-
2. Write-offs	1	\$287,691
D. Audit reports for which final action was not taken by the end of the reporting period	3	-

¹ Recoveries can include audits for which final action was taken in prior reporting periods.

TABLE II

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

(For the Period April 1, 2016 to September 30, 2016)

	<u>Number of Audit Reports</u>	<u>Dollar Value</u>
A. Reports for which final action had not been taken by the commencement of the reporting period	2	\$0
B. Reports for which management decisions were made during the reporting period	2	\$28,597
C. Reports for which final action was taken during the reporting period	2	-
i. Dollar value of recommendations completed		\$74,156
ii. Dollar value of recommendations that management has concluded should not or could not be implemented or completed		\$312,692
D. Reports for which no final action had been taken by the end of the reporting period.	1	-

Table III

With regard to CNCS's requirement to report on audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year, CNCS reports that it only has final action outstanding on one audit, the Blanket Purchase Agreement (BPA). CNCS submitted its management decision on the BPA audit to the OIG in September 2016, however additional corrective action will take place throughout FY 2017 to resolve all findings.

Table IV

REPORTS DESCRIBED IN PRIOR SEMIANNUAL REPORTS WITHOUT FINAL ACTION

(For the Period April 1, 2016 through September 30, 2016¹)

Audit Number	Title	Date Issued	Final Action Due Date	Status of Action/Reason No Final Action was Taken
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. OIG responded on 9/23/2016. CNCS issued its Management Decision and Notice of Final Action to OIG on 11/16/2016.
14-09	Audit of Blanket Purchase Agreements for Professional Services	6/20/2014	6/20/2015	CNCS Draft Management Decision was sent to the OIG on 10/1/2014. OIG response sent to CNCS on 1/20/2016. CNCS issued its Management Decision to OIG on 9/29/2016.

¹ The audit report for the Serve Illinois Commission was not issued until 8/19/2016. CNCS will report on Serve Illinois in 2017 SAR 1.