



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

April 1, 2012 – September 30, 2012

Fiscal Year 2012 Semiannual Report No. 2

Corporation for National and Community Service

Response to the OIG Semiannual Report

and Report on Final Action

This Inspector General's (OIG) Semiannual Report to Congress (SAR or Report) covers the six-month period from April 1, 2012 through September 30, 2012. During this period, the Corporation for National and Community Service (CNCS) made management decisions on six audits and completed final action on or closed ten audits. Subsequent to the end of the reporting period, we made one additional management decision and completed final action on two additional audits. In addition, there are three items reported in the SAR about which CNCS wishes to provide you with additional relevant information.

CNCS Use of A-133 Audit Reports (SAR pp. 6-7)

CNCS' financial oversight responsibilities are essential to managing our programs. Our oversight of grantees includes pre-award surveys, annual assessments, on-site monitoring, and review of grantee's management data and their A-133 audits. Previously, CNCS reviewed A-133 audit reports as part of the process of awarding new or continuing grant funds to programs. We substantially agree with the OIG's statement that this process did not make timely and effective use of the A-133 audits. Together with the OIG, CNCS has made substantial improvements to its procedures to make better use of A-133 audits.

As noted in the OIG Report, in September 2012, OIG staff began to furnish CNCS with a quarterly list of recently issued A-133 audit reports that identifies grantees with material weaknesses, significant deficiencies, or other adverse findings in their A-133 audits. CNCS will now review the A-133 audit reports when it receives the quarterly list from the OIG.¹ This new process will facilitate more timely use of A-133 audits as part of CNCS' oversight of grantees. In addition, CNCS has developed new procedures to improve how we reach and document management decisions on A-133 audit findings. In addition, pending improvements to our eGrants system (CNCS' official grant record system) will enhance CNCS' tracking of A-133 audit follow-up activity.

¹ In fact, the OIG's list issued in September 2012 included two organizations where the grantee's financial viability is questioned by the A-133 auditors. Based on the OIG's quarterly list, CNCS staff have assessed these situations, taken corrective action, and will continue to monitor the status. One of the two grantees had already relinquished the CNCS grant after concerns were raised by CNCS staff.

Audit of Operation REACH (SAR pp. 8-9)

As noted in the Report, based on CNCS' monitoring activities (including two site visits) and before Operation REACH's first A-133 audit was available for review, CNCS suspected that there were significant problems with Operation REACH and asked the OIG to conduct a CNCS-specific audit. In response to an OIG management alert during the audit, CNCS took immediate action to place a hold on Operation REACH grant funds. The OIG found weaknesses in the Operation REACH accounting systems which showed that, among other problems, funds used for allowable grant expenses (such as member living allowances and staff salaries) were not documented as is required under all federal grants. Operation REACH is no longer a recipient of any CNCS funded grants.

The results of the OIG audit, Operation REACH's A-133 audit², and CNCS and State Commission monitoring activities³ indicate that Operation REACH had alarming weaknesses in its accounting systems. As a result of these highly unusual circumstances, CNCS has suspended Operation REACH and its Chief Executive Officer from receiving federal grants or contracts pending the completion of debarment proceedings. Finally, CNCS has also notified Operation REACH that it should submit independent verification sufficient to provide CNCS with reasonable assurance that Operation REACH's costs can be allocated to its various grants accurately and supported with documentation, as well as independent verification that would provide CNCS with reasonable assurance that the Segal AmeriCorps Education Awards awarded to Operation REACH's AmeriCorps members are adequately documented.

VISTA Sponsor Accountability (SAR pp. 10-11)

CNCS had been exploring legal remedies and considering under what circumstances it would be appropriate to rely on non-CNCS-specific legal authority for recouping the value of the misused service of VISTA members. While CNCS was granted authority in the 2009 Serve America Act to recover improperly certified Education Awards from AmeriCorps programs, the Domestic Volunteer Service Act has no such provision for holding VISTA sponsors accountable for improper VISTA service. It remains, exclusively within Congress' purview, to grant CNCS specific statutory authority to hold VISTA sponsors accountable for improper use of VISTA resources. Thus, CNCS is exploring whether, and under what specific circumstances, other federal authorities, (such as the Program Fraud Civil Remedies Act), would provide a sufficient and suitable legal basis for recovery from VISTA sponsors. Historically, the lack of CNCS-specific authority to recoup the costs of services provided by VISTA members from the VISTA

² Because of a number of factors, Operation REACH's first A-133 audit report was not available to CNCS until Operation REACH had received its third and final year of funding directly from CNCS.

³ Operation REACH was the recipient of grants from the Louisiana, Alabama, and Georgia State Commissions on National and Community Service. All of those grants have been terminated.

sponsor has been an obstacle for CNCS' recoupment. However, CNCS agrees with the OIG that additional accountability of VISTA sponsors is necessary.

TABLE I
ACTION TAKEN ON AUDIT REPORTS
(for the Period April 1, 2012 through September 30, 2012)

	<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	20	\$138
B. Audit reports issued by the OIG during the reporting period	8	
C. Audit reports for which final action was taken during the reporting period	10	\$137
1. Recoveries ⁴		
(a) Collections and offsets	4	\$123
(b) Property in lieu of cash		
(c) Other (reduction of questioned costs)	1	\$9
2. Write-offs		
D. Audit reports for which final action was not taken by the end of the reporting period ⁵	18	\$0
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	\$2

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

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 that period or within time granted under extension and final action is not overdue.

TABLE II
REPORTS WITH RECOMMENDATIONS THAT
FUNDS BE PUT TO BETTER USE
ACTION TAKEN ON AUDIT REPORTS
(for the Period April 1, 2012 through September 30, 2012)

	<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	11	\$689
B. Reports for which management decisions were made during the reporting period	3	\$103
C. Reports for which final action was taken during the reporting period	5	\$38
i. Dollar value of recommendations completed		\$38
ii. Dollar value of recommendations that management has concluded should not or could not be implemented		\$108
D. Reports for which no final action had been taken by the end of the reporting period. ⁶	6	\$0

⁶ Final action is not overdue on these audits.

Table III
Reports Described in Prior Semiannual Reports Without Final Action
(for the Period April 1, 2012 through September 30, 2012)

Audit Number	Title	Date Issued	Date Due	Disallowed Cost	Status of Action/Reason No Final Action was Taken
11-11	NYC Mayor's Office	7/25/11	7/25/12	\$0	Corrective action complete and audit closed 10/24/12