

# Corporation for National and Community Service

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

October 1, 2018 – March 31, 2019  
Fiscal Year 2019 Semiannual Report No. 1

## **Corporation for National and Community Service Response to the OIG Semiannual Report 19-01 and Report on Final Action**

The Corporation for National and Community Service (CNCS) is pleased to share its response to the Office of Inspector General's (OIG's) Semiannual Report (SAR) covering the first half of Fiscal Year (FY) 2019 (SAR 19-01). In the response set forth below, the agency reports improvement in many of the areas of concern to the OIG as well as significant progress to date on the agency's Transformation and Sustainability Plan (TSP). The Transformation and Sustainability Plan is a set of six goals that will ensure that CNCS has a strong operational foundation that strengthens the agency's ability to provide efficient and cost-effective services. Carrying out this plan positions national service for greater impact and growth in the next 25 years and beyond.

CNCS is proceeding with a thoughtful, measured approach to address the long-needed improvements that have been previously identified by the OIG, as well as others including the Government Accountability Office, Congress, and the grantees/sponsor organizations that CNCS serves in communities across the country. We are already demonstrating that we can successfully execute these improvements. For example, today:

- We are making significant progress in addressing the material weaknesses that were identified in the agency's FY 2017 and FY 2018 financial management audits. These problems were created over time and they will take additional time – very likely beyond the completion of FY 2019 audit – to completely resolve. Additionally, resolving these issues may identify other unknown issues that may need to be addressed. Nevertheless, this is a top priority for CNCS and we are making good progress.
- We are halfway through a complex hiring process to support the realignment of our grant management roles and new regional office structure. Since the announcement of the TSP in June 2018, and the announcement of decisions on roles and locations in November 2018, we have consistently achieved or exceeded our stated timelines and milestones. We are thrilled to report that, so far, the majority of employees who are impacted by these changes have applied for the new positions in the agency – an indication of the significant experience and institutional memory we will retain. We believe these changes – which are creating new career ladders for employees, among other benefits – will ultimately help our agency decrease its historically high attrition rate.

CNCS and our leadership have made it a priority to address the agency's long-standing issues and position CNCS for long-term sustainability. While change is never easy, we believe the Transformation and Sustainability Plan addresses our critical challenges and includes improvements that cannot and should not wait.

From the beginning and throughout this process, CNCS leaders have spent a significant amount of time listening to stakeholders and refining both the content and the implementation of the TSP based on their input. We look forward to continuing to keep the OIG, Congress, our customers, and other stakeholders

informed of our progress and welcome continued discussion with the OIG and others interested in the CNCS's improvements.

Meanwhile, we continue to deliver on CNCS's core mission. CNCS employees continue to provide training, technical assistance, and monitoring across the spectrum of our programs. During this SAR period, the agency has continued investing and supporting communities through our AmeriCorps and Senior Corps programs in the following ways:

- We announced more than \$13.6 million in funding to support Senior Corps RSVP programs in more than 150 communities across the country. These grants will leverage the experience and skills of more than 50,000 Senior Corps volunteers.
- The agency also entered into valuable interagency agreements with the Department of Justice to prevent elder abuse and the Veterans Health Administration to provide respite care to homebound veterans and their caregivers, ultimately expanding the reach of the Senior Corps programs.
- Last fall, AmeriCorps VISTA designed and implemented a more streamlined process for organizations to access VISTA resources. This new process consists of a single national timeline and includes quarterly due dates for concept paper submissions and reviews. Early indicators are promising, and the number of concept papers submitted October 2018 – March 2019 is up 10 percent compared to the same period in FY 2018.
- In the aftermath of Hurricane Michael, AmeriCorps members and Senior Corps volunteers continue to support Florida communities with long-term disaster relief and recovery. Additionally, more than 175 AmeriCorps members are serving in Iowa and Nebraska responding to the severe spring flooding in the Midwest.
- We also continued our valuable AmeriCorps National Civilian Community Corps (NCCC) partnership with FEMA through the AmeriCorps NCCC FEMA Corps program. FEMA Corps, initially developed with a goal to train the next generation of emergency managers, has had tremendous results. Forty-four percent of the November graduating class have been hired by FEMA or other disaster management organizations.

### Audit and Financial Statement Update

CNCS began financial management remediation efforts after receiving the results of the FY 2017 financial statements audit. A significant first step was addressing staff turnover within the Office of Accounting and Financial Management Services (AFMS). In FY 2018, CNCS recruited two new Accounting Team Leads and a new Director of AFMS. CNCS also contracted with KPMG to review the CNCS Trust and grants accrual methodologies.

During the first quarter of FY 2019, the new AFMS Director reorganized AFMS to improve workflow, clarify process boundaries between teams, and balance workloads. She also assessed CNCS's financial management system and processes to identify the most pressing issues and developed a plan to address

issues most impacting financial statements, financial reporting, and Trust and grant accruals. A comprehensive corrective action plan was developed and presented to the Office of Management and Budget and the OIG. AFMS developed new reporting tools which enable the agency to better support quarterly financial statements for CNCS's major financial accounts (Grants and Trust). AFMS is also developing additional reporting tools to address the remaining accounts and identify other potential accounting deficiencies.

To date, 42 of 82 financial statements audit recommendations have been addressed. Six of ten material weaknesses and one significant deficiency have been remediated and are ready for auditor review. By the end of FY 2019, most of the recommendations in the FY 2018 financial statement audit will have been completed along with other remediation work identified by the AFMS team.

In early 2017, CNCS began exploring shared services as part of an agency-wide Reform Plan, which later evolved to become the Transformation and Sustainability Plan. CNCS reviewed its financial management systems, staff, and processes and determined shared services were a viable means for keeping up with technology and emerging compliance and reporting requirements. CNCS engaged the Administrative Resource Center (ARC) within the Department of Treasury's Bureau of the Fiscal Service in an in-depth analysis of customer requirements and available services. This led to a proposal to transition to shared services for procurement, financial management, travel, and human capital functions. This proposal is currently under consideration by agency leadership.

### Cybersecurity

The OIG's SAR 19-01 does not reference any of the accomplishments or describe the progress recognized in the OIG 19-03 FISMA report. Per the OIG 19-03 report, CNCS had a rating of Level 3 (Consistently Implemented) for one of the five security functions in FY 2017. In FY 2018, the assessment of the agency's maturity model changed by expanding each security function into eight domains, which included an area that was not previously assessed. Out of eight domains, the OIG rated CNCS at Level 4 (Managed and Measurable) in one domain, Level 3 (Consistently Implemented) in three domains, and Level 2 (Defined) in four domains. The current rating shows steady progress even though CNCS did not completely meet the benchmark of Level 4 across all domains.

CNCS's Office of Information Technology continues to make numerous improvements to its structure and operations. The SAR omitted to mention our improvements during FY 2018 and beyond, which include the following:

**Limited Resources:** During this reporting period, CNCS operated with fewer resources for information security than in previous years and yet continued to improve in each of the security functional areas.

**Vulnerability Management:** CNCS high-value assets are closely monitored. If threat vectors are present on the agency's public facing websites that are monitored through sources such as DHS security monitoring service or by US-CERT alerts, CNCS is well prepared to react and recover. CNCS has not experienced any major US-CERT reportable security incidents in the last two years.

Multifactor Authentication: CNCS is implementing multifactor authentication to add another layer of security to network systems. Based on NIST SP 800-63-3 – Digital Identity Guidelines, the agency currently grants access to the network using authenticator assurance level-one for single factor authentication. Multifactor authentication will move the agency to level-two for identity risk management. CNCS will require all general users to use multifactor authentication for access to the agency’s network before the end of the fiscal year.

Data Protection and Privacy: To protect our high value assets, the agency continuously monitors authorized access to sensitive information following NIST SP 800-53 and NISP SP 800-37 that outline the requirements authorizing an information system to operate. OIG rated CNCS as Level 3 (Consistently Implemented) for Data Protection and Privacy in the 19-03, which was a new assessment area for FY 2018.

CNCS recognizes that although it has made continuous progress, our progress has not been significant enough to demonstrate an effective information security program based on the OIG FISMA Metrics. CNCS has provided briefings to the OIG to address the status of OIG recommendations from the prior year. The agency has provided documentation to support closing 12 of these prior recommendations. CNCS is creating a long-term strategic plan to address all functional security areas. This plan will be ready by the end of the fiscal year.

CNCS contests the IG’s presentation of six columns in the security functions table on page 12 of the SAR 19-01 implies there were 13 areas assessed. There were only eight areas that were assessed in 2018. In two areas, security training and contingency planning, the agency showed improvement. In the other six areas the agency continued to show gradual improvement although the overall metrics remain the same as in 2017.

### Grant Audits

CNCS is committed to prudent stewardship of federal funds and has implemented numerous improvements to its audit resolution process to ensure consistency and timeliness in decision making. For the third year in a row, CNCS has been on time issuing management decisions in response to *every* OIG audit report. In addition, CNCS has engaged in ongoing communication with OIG audit staff to better identify and manage compliance risks identified by the OIG. This collaboration has allowed CNCS to strategically align our audit resolution resources and better address deficiencies.

#### ***Audit of Corporation for National and Community Service Grants Awarded to Mayor’s Fund to Advance New York City (Report 18-07)***

Throughout the resolution of the audit of the Mayor’s Fund to Advance New York City, CNCS has been forthright in advising the OIG that the recommendation to disallow the entire amount of a fully performed Social Innovation Fund (SIF) subgrant was contrary to law and was not supported by a fair evaluation of the facts. CNCS gave serious consideration to the verifiable facts in this matter and determined that protecting the federal government’s interest required the disallowance of only contract costs that did not meet the terms and conditions of the award.

CNCS specifically considered, and affirmed, that the subgrantee was a legally eligible entity. Moreover, CNCS found that certain conclusions made by the OIG about the subgrantee (that it was created specifically to apply for a SIF subgrant and was wholly controlled by a separate for-profit entity) did not withstand legal scrutiny. In our November 14, 2018 management decision, CNCS took the maximum action that was supported by the verifiable facts allowable under the law.

CNCS is concerned that the OIG decided to highlight its disagreement with CNCS over the appropriate sanction in this matter. The OIG made an unsupportable recommendation in this audit and is now compounding the problem by overstating the facts to bolster its objection to CNCS's appropriate resolution of the Mayor's Fund audit.

CNCS agrees with the OIG on the importance of criminal history checks in the operation of CNCS programs and, as outlined by the OIG, has pursued an enterprise-wide solution to address compliance. Moreover, disallowing over \$2 million to the Mayor's Fund as the OIG recommended, when NSCHC checks were conducted, albeit deficiently, is not an acceptable decision when the agency has a compliance enforcement process in place. In making its determination for the Mayor's Fund audit, CNCS consistently applied the internal enforcement policy that was in effect at the time of the audit. CNCS asserts any change in the approach to enforcement must be made equally to all stakeholders to avoid arbitrary treatment of any grantee.

### Investigations

We appreciate the OIG's efforts to investigate matters of waste, fraud, abuse, and mismanagement. In general, CNCS and the OIG's investigation team have an effective collaborative relationship. CNCS will continue to work with the OIG to ensure prompt reporting of possible waste, fraud, and abuse to the OIG. Notably, many of the OIG's significant investigations were initiated by information referred to the OIG by CNCS.

### IG Independence

The Inspector General stated in the SAR that senior management took action to limit candid communications with the OIG. This assertion makes good on the IG's recent threat to publish her claim of interference, which was made when CNCS leaders tried to engage in a rational effort to understand inappropriate IG behavior. The OIG's assertion that the agency has interfered or is interfering with the independence of its office has no basis in truth.

The OIG enjoys unfettered access to the agency and its staff. The IG and OIG staff have access to CNCS offices and freely walk the halls, often stopping by the desks of various staff asking for information and documents, including drafts, relating to matters unrelated to any investigation, audit, or whistleblower activity. These conversations, generally relating to CNCS policy and unfolding management developments, are typically initiated by the OIG, not by CNCS staff.

Senior management needs to manage the flow of information on matters not subject to an investigation or audit, as well as reduce the disruption and tension that informal interactions with OIG staff cause among CNCS staff. The OIG has stated that all policy matters are within its domain.



However, as detailed in “The Quality Standards for Federal Offices of Inspector General” (Silver Book) an OIG should not be engaged in management responsibilities, such as setting policies. As stated in the Silver Book, “OIG management and staff should establish and maintain an environment throughout the organization that fosters a *positive and supportive attitude* toward internal control and conscientious management” (emphasis added). The OIG’s activities have created a culture in the IG’s office of obtaining information through pressure, threats, and harassment of CNCS employees. This abuse of authority has negatively impacted the deliberative process of the agency and significantly eroded attitudes toward the Inspector General’s vital role in CNCS’s internal controls. Furthermore, the OIG’s conduct is having a negative impact on employees’ ability to perform their job duties.

CNCS encourages cooperation with the OIG in all matters related to investigations, audits, whistleblowing, mismanagement, and related matters. We have never limited or controlled staff communications with the OIG. The agency’s concern focuses on the IG’s inappropriate interference with pre-decisional internal policy, management decisions and deliberations, and CNCS’s Transformation and Sustainability Plan.

We are disappointed the OIG has taken this tactic. Instead of working cooperatively and productively with CNCS, and appropriately complying with federal-wide boundaries for Inspectors General, the OIG has chosen to undermine CNCS’s efforts to create a productive working relationship.

#### Unimplemented Recommendations

The OIG reports 94 open and overdue recommendations since 2011 that have not been implemented by CNCS. Of these recommendations, 17 are overly prescriptive, not feasible, or unfounded and CNCS will be taking no further action to resolve them. The OIG continues to report recommendations for which we provided documented disagreement and our rationale for disagreeing.

CNCS is actively working to address the remaining recommendations with corrective action plans that will lead to resolution of nearly half of the longstanding recommendations by the next reporting period. CNCS is committed to addressing all meritorious recommendations.

The 21 open recommendations related to the financial statements audit include many that have been remediated during this period, but validation is occurring during the audit that commenced after this reporting period.

The information security-related recommendations are all in the process of being implemented, with 12 of 15 OIG recommendations on track to be resolved by the end of this calendar year.

The Office of Chief Risk Officer is working toward resolving all NSCHC and risk-related recommendations with comprehensive policies and procedures by Fall 2019. In addition, the newly installed Director of Monitoring will incorporate the OIG’s recommendations related to monitoring as protocols are developed.

Open recommendations related to NCCC stem from an evaluation from 2016, many of which CNCS found to be – for the most part – impractical, unfounded, and overly prescriptive. Yet, CNCS has

implemented numerous corrective actions to address the meritorious recommendations and is in the process of documenting the final disagreement with or resolution of each outstanding NCCC recommendation.

Of the 21 open recommendations which are not yet due, nearly all of them will be resolved in the next reporting period. Each open recommendation is reviewed and monitored for progress. Although the list of OIG recommendations will always contain new recommendations the agency has not yet implemented, the process and communication regarding unimplemented recommendations is now working well. CNCS and the OIG are working together to share information on the status of recommendations to ensure prompt resolution. We look forward to reporting additional success in our response to future Semiannual Reports.



**TABLE I**

**FINAL ACTION TAKEN ON AUDIT, INSPECTION, AND EVALUATION REPORTS**

(For the Period October 1, 2018 through March 31, 2019)

	<b><u>Number of Reports</u></b>	<b><u>Disallowed Costs</u></b>
A. Reports for which final action had not been taken by the commencement of the reporting period	4	-
B. Reports for which management decisions were made during the reporting period	4	\$391,012
C. Reports for which final action was taken during the reporting period	4	\$366,417
1. Recoveries <sup>1</sup>		
(a) Collections and offsets		\$375,741
(b) Property in lieu of cash		-
(c) Other (reduction of questioned costs)		-
2. Write-offs		-
D. Reports for which final action was not taken by the end of the reporting period	4	-

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

**TABLE II**

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

(For the Period October 1, 2018 through March 31, 2019)

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

**TABLE III**

**AUDIT REPORTS ON WHICH MANAGEMENT HAS MADE A DECISION  
BUT FINAL ACTION HAS NOT BEEN TAKEN  
(OTHER THAN MANAGEMENT DECISIONS MADE WITHIN THE PRECEDING YEAR)  
(For the Period October 1, 2018 through March 31, 2019)**

The agency is not overdue on any reports where action has been taken but not completed.