



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

*April 1, 2014– September 30, 2014*

*Fiscal Year 2014 Semiannual Report No. 2*

## **Corporation for National and Community Service**

### **Response to the OIG Semiannual Report and Report on Final Action**

This Semiannual Report (SAR) by the Corporation for National and Community Service (CNCS) Office of Inspector General (OIG) covers the six-month period from April 1, 2014 through September 31, 2014. During this period, CNCS made management decisions on two audits and completed final action on or closed two audits. Subsequent to the end of the reporting period, we completed final action on four additional audits.

CNCS management values the role of a strong OIG. We share a common purpose –to promote oversight and accountability and ultimately make more effective CNCS’ mission of developing a thriving system of national service and innovation to address our nation’s most pressing problems. Together, we are focusing on common objectives:

- Preventing and addressing fraud, waste and abuse
- Promoting operational efficiency and excellence
- Protecting the tax payer dollar
- Holding fast the trust of the American people.

We recognize that although we share a common purpose, the OIG is an independent office and its job is to collect key information that enables us to continually improve our management processes. We remain committed to close cooperation with OIG staff and will continue to provide them with accurate, complete, and timely information in response to their requests. I have reiterated to CNCS leadership and staff a message of continued cooperation and the agency is establishing ways to better communication and response going forward.

During this period we have worked together with the OIG to improve in several areas of risk management and oversight. It was our impression that this collaborative engagement and our efforts to improve timeliness in our responses to OIG inquiries was resulting in significant improvements in the CNCS-OIG relationship.

With the above said, upon reviewing the draft SAR at the end of October, we are in fundamental disagreement with many of the issues raised. We were also troubled by the vitriolic and often hyperbolic language throughout the document. The OIG’s approach does not reflect the collaborative spirit and focus on problem-solving that should define this relationship. Nevertheless, we remain committed to working with the OIG to discuss our disagreements and resolve issues they have raised. We have outlined our disagreements with three specific areas in detail.

### **Criminal History Checks**

The SAR includes a section focused on our criminal history check compliance assessment process that reveals a difference in perspective between CNCS and the OIG. CNCS takes protecting vulnerable populations very seriously. Congress instructed CNCS to ensure the safety of vulnerable populations, most notably younger or older people, or individuals with disabilities, using a very specific process. We are committed to ensuring that our grantees understand these requirements and are in compliance. CNCS and the OIG are in agreement on these points.

OIG staff enthusiastically support this important objective and our current compliance assessment process. CNCS's current comprehensive effort to assess and improve compliance is allowing us to bring grantees up to speed on this important compliance issue. It demonstrates our focus on the outcome, which is protecting the safety of vulnerable populations.

We disagree with the OIG's perspective on appropriate consequences for grantees who conducted criminal history checks to protect these populations but did not follow all of the procedures to the letter. If the purpose of compliance is to protect vulnerable populations, our foremost shared concern, then the appropriate response when grantees make mistakes in navigating a complex procedure is to enact a corrective action plan and provide training and technical assistance so that the grantees can conduct the procedure accurately moving forward.

We have a two-step plan of action. The first step is completing our compliance improvement process. The second step is informing grantees that we will use the full scope of grant enforcement actions available, up to and including withdrawals of funding, in order to protect vulnerable populations.

### **Improper Payments Elimination and Reduction Act (IPERA)**

The OIG's conclusion about CNCS's FY 2013 noncompliance with IPERA is legally inaccurate. Under IPERA and the applicable OMB guidance, CNCS was required to conduct a risk analysis of each of its programs and activities by the end of FY 2014, and include the results of those analyses in its FY 2014 Agency Financial Report. Only if those analyses resulted in determinations that any of its programs meet the statutory threshold of being susceptible to significant levels of improper payments, are agencies required to develop a statistically valid estimate of the actual improper payments and report on their plans to reduce and recover (as appropriate) those payments.

In FY 2013, CNCS conducted its risk analysis of cost reimbursement grants in the AmeriCorps State and National program, its largest program. That risk assessment was done a year before it was required by IPERA and the applicable OMB guidance. Because

that risk assessment determined that AmeriCorps State and National grants were susceptible to significant levels of improper payments, CNCS was required, for the first time ever, to prepare a statistical estimate of the actual level of improper payments and implement plans to address those improper payments. CNCS has been completely timely in its compliance with IPERA's risk assessment and reporting requirements. In light of this, CNCS disagrees with (and does not understand) the OIG's characterization of CNCS as noncompliant with the requirements of IPERA in FY 2013.

Throughout its IPERA process, CNCS has sought to ensure that the agency (and by extension the OIG) properly understands the nature of IPERA's requirements. In FY 2014, CNCS reached out to OMB to ensure that CNCS's understanding of its responsibilities under IPERA were correct and that CNCS's actions and plans were timely and in compliance with those requirements. OMB confirmed to CNCS that its past actions (including those the OIG erroneously reported to the Director of OMB as noncompliant) were in fact compliant with IPERA and OMB guidance. This information was provided to the OIG in June of 2014.

CNCS is in compliance with the requirements of IPERA and will continue to analyze improper payments within its programs and overall operations and report on the results of those efforts in its Agency Financial Reports. The OIG has previously reached and published erroneous and legally incorrect conclusions regarding CNCS's compliance with IPERA, and has been unwilling to address these errors.

### **Portrayal of Interference**

The Inspector General (IG) references two incidents that she portrays as management interference with the OIG's access to information. CNCS's Chief Operating Officer met with the IG on multiple occasions in an attempt to clarify this misunderstanding. Given that there currently appears to be an understanding on this subject, we are disappointed that the IG felt it was necessary to represent these issues as interference in the Semiannual report.

### **Conclusion**

Meaningful coordination with our OIG will strengthen our efforts to make sure every federal dollar is spent appropriately on promoting national service. When we work together towards our common purpose, we can ensure our continued excellent stewardship of public funds and continued strong progress on our mission. When the OIG is helpful, accurate, and professional, we take action. In each case in which that office has requested corrective action, we have done so.

We will continue to move forward with the enterprise-wide approach to risk management, which the OIG advocates. However, it is not productive when the OIG submits a report that includes inaccurate information, misrepresentations, and hyperbole.

As mentioned in beginning of this response, CNCS will continue to work on improved cooperation and communication with the OIG to ensure we are the best stewards of the taxpayer dollar.

**TABLE I**

**ACTION TAKEN ON AUDIT REPORTS**

(For the Period April 1, 2014 through September 30, 2014)

	<b><u>Number of Reports</u></b>	<b><u>Disallowed Costs (\$1000)</u></b>
A. Audit reports for which final action had not been taken by the commencement of the reporting period	19	\$857*
B. Audit reports issued by the OIG during the reporting period	1	-
C. Audit reports for which final action was taken during the reporting period	1	\$857
1. Recoveries <sup>1</sup>		
(a) Collections and offsets		\$33
(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	18	-
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	-

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\* Number represents only the funds disallowed on reports for which final action has been taken.

<sup>1</sup> 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.

**TABLE II**

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

(For the Period April 1, 2014 through September 30, 2014)

	<b><u>Number of Audit Reports</u></b>	<b><u>Dollar Value (\$1000s)</u></b>
A. Reports for which final action had not been taken by the commencement of the reporting period	4	\$3,440
B. Reports for which management decisions were made during the reporting period	0	-
C. Reports for which final action was taken during the reporting period	0	
i. Dollar value of recommendations completed		-
ii. Dollar value of recommendations that management has concluded should not or could not be implemented		-
D. Reports for which no final action had been taken by the end of the reporting period.	5	\$3,461

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

(For the Period April 1, 2014 through September 30, 2014)

<b>Audit Number</b>	<b>Title</b>	<b>Date Issued</b>	<b>Final Action Due Date</b>	<b>Status of Action/Reason No Final Action was Taken</b>
12-04	Audit of Earned Education Awards Resulting from Compelling Personal Circumstances	11/09/11	11/09/12	Requires extensive sub-grantee follow-up
12-13	Agreed-Upon Procedures for Corporation for National and Community Service Grants Awarded to Oregon Volunteers	08/15/12	12/15/13	CNCS Draft Management Decision was sent to OIG on 9/30/2014.
12-15	Audit of Corporation for National & Community Service Grants Awarded to Operation Reach, Inc.	08/28/12	11/28/13	CNCS Draft Management Decision was still under consideration by OIG as of 9/30/2014
12-16	Agreed-Upon Procedures for Grants Awarded to the New Jersey Commission on National and Community Service	09/27/12	12/15/14	Requires extensive follow-up with grantee.
13-05B	Supplemental Report of Corporation Grants Awarded to Atlantic Human Resources, Inc. (AHR)	05/09/13	05/09/14	CNCS is reviewing OIG recommendations on the Draft Management Decision.
13-06	Agreed-Upon Procedures for Grants Awarded to Edna McConnell Clark Foundation	06/06/13	06/06/14	CNCS is reviewing OIG recommendations on the Draft Management Decision.
13-07	Inadequate Internal Controls Prevent the Corporation from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program	09/30/13	09/30/14	CNCS completed the Management Decision on 9/26/2014 and completed final action on 10/28/2014.