



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

April 1, 2017 – September 30, 2017

Fiscal Year 2017 Semiannual Report No. 2

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

The Corporation for National and Community Service's (CNCS) management team thanks the Office of Inspector General (OIG) for their Semi-Annual Report (SAR) reflecting the second half of Fiscal Year (FY) 2017. As CNCS has noted in past responses to the OIG's SARs, the agency continues to enhance its grants monitoring, internal controls, and risk management processes.

CNCS would like to highlight several improvements related to compliance with the Improper Payments Elimination and Improvement Act that have occurred during the last six months. Since the publication of the last SAR, CNCS has brought its improper payments program closer to full compliance. CNCS received its first approval from the Office of Management and Budget for an alternative sampling methodology in May 2017.

Notably, the agency completed its IPERIA testing and reported estimates in all four susceptible programs for the first time. CNCS tested approximately 960 transactions in the current fiscal year, which is significantly more than the approximately 140 tested in the prior fiscal year. CNCS reported significantly lower rates of improper payments due to its updated sampling methodology which provided more accurate estimates.

In addition, the agency used the same attributes included in the FY 2016 test plan in an effort to establish a baseline. CNCS improved its communication strategy and manual hold procedures which brought the non-response rate down to an average of 1.5% per program. The agency also increased resources allocated to this effort in order to conduct adequate follow-up with reporting grantees. CNCS is pleased with the work accomplished during this period and looks forward to continuing to strengthen the IPERIA process.

TABLE I

FINAL ACTION TAKEN ON AUDIT, INSPECTION, AND EVALUATION REPORTS

(For the Period April 1, 2017 through September 30, 2017)

	<u>Number of Reports</u>	<u>Disallowed Costs</u>
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	1	-
1. Recoveries ¹		
(a) Collections and offsets		\$186,002
(b) Property in lieu of cash	0	-
(c) Other (reduction of questioned costs)	0	-
2. Write-offs	0	-
D. 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, INSPECTION, AND EVALUATION REPORTS WITH
RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

(For the Period April 1, 2017 through September 30, 2017)

	<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	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	1	-
i. Dollar value of recommendations completed		-
ii. Dollar value of recommendations that management has concluded should not or could not be implemented or completed		\$60,000
D. Reports for which no final action had been taken by the end of the reporting period.	1	-

Table III

There was only one report where final action had been taken but not completed. As noted in its last SAR response, additional corrective action took place throughout FY 2017 to resolve all findings related to the BPA audit. The Notice of Final Action associated with this audit was issued to the OIG nineteen days after FY 2017 and the SAR 17-02 reporting period ended.

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
<p>OIG 12-04 Audit of Earned Education Awards Resulting from Compelling Personal Circumstances</p>	<p>3b. Record justifications for partial education awards based on Compelling Personal Circumstances in the MyAmeriCorps Portal, using the text description capability.</p>	<p>CNCS submitted its management decision to the OIG on August 24, 2016, and the agency's decision regarding recommendations related to OIG 12-04 are included in the decision.</p>
	<p>3c. Promote consistency and minimize errors by requiring a second level of review for each Compelling Personal Circumstances partial education award.</p>	
	<p>N/A. Require a doctor's note to support partial education awards based on early exit for medical reasons.</p>	
<p>OIG 13-06 Agreed-Upon Procedures for CNCS Grants Awarded to Edna McConnell Clark Foundation</p>	<p>1c. Require grantees to include searches of an individual's maiden, married or former married names when conducting National Service Criminal History Checks, and revise guidance accordingly.</p>	<p>When checks are run for NSOPW, Criminal History, and FBI, the checks are not run by name only. Several components are checked, which may include a birthday, gender, address, and whole name. All variables checked are included in the results. If CNCS adds this compliance requirement it would add unnecessary burden to this process.</p>
<p>OIG 13-07 Inadequate Internal Controls Prevent CNCS from Mitigating Significant Risks Inherent in the Fixed Amount Grants Program</p>	<p>1. Reduce vulnerabilities in fixed amount grant programs by identifying the risk drivers (to include member enrollment and retention, drawdowns and non-CNCS resources) and developing indicators by which to assess the associated risks.</p>	<p>CNCS has initiated additional internal controls regarding fixed price awards. In September 2015, CNCS instituted a HHS/PMS drawdown cap on all AmeriCorps fixed price awards of \$700,000 or more and Senior Corps fixed price awards of \$400,000 or more, per the OIG's recommendations, to further safeguard Federal funds and ensure grantees are only drawing for actual costs.</p>
	<p>1a. Consistent with Congressional intent, define/establish criteria for the class of small and less experienced organizations for whom modest fixed amount grants would be appropriate.</p>	
	<p>1b. Determine the information that should be sought in the application and selection process to support prudent fixed amount grant award decisions, including requiring submission of a budget.</p>	
	<p>1d. Benchmark the expected rate of member attrition so that monitoring can focus on grants with excessive attrition.</p>	
	<p>2e. Establish criteria for elevating seriously troubled grants for attention by senior management, to ensure that corrective action plans are successful and accountability is maintained.</p>	

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>3. Obtain quarterly information from grantees on total program expenditures and/or development of non-CNCS funding for program support.</p> <p>4. Conduct risk assessments using appropriately weighted criteria that are relevant to the risks posed by fixed amount grants, including the grantee's ability to contribute funding from non-CNCS sources.</p>	
<p>OIG 14-04 Agreed-Upon Procedures for CNCS Grants Awarded to Arkansas Service Commission</p>	<p>11d. Recover the grant costs associated with successive service terms of AmeriCorps members who were not eligible to serve a second term because they did not receive an evaluation of their first term of service.</p>	<p>CNCS responded to this management decision on March 11, 2015, and the agency's decision regarding recommendations related to OIG 14-04 are included in the decision.</p>
<p>OIG 14-09 Audit of Blanket Purchase Agreements for Professional Consulting Services</p>	<p>1. Establish a standardized entity-wide decision process for the use of consulting/professional services, to include and document consideration of (a) the need for the project; (b) specificity and suitability of design; (c) the intended users; (d) any alternative means of accomplishing the objective; (e) how the project's progress will be monitored and by whom; (f) how quality, value and success of the project will be measured/evaluated, relative to its cost; (g) whether the particular project is the best use of CNCS resources, in view of competing needs and priorities and CNCS's overall strategy, objectives and priorities; and (h) how the project links to CNCS's strategic plan and the strategic objectives of the requesting office. Mere availability of funds within a particular office's budget should not, without more, justify the expenditure.</p> <p>2. Establish a central committee to review and approve any consulting projects that exceed pre-established cost thresholds. Include an OPS representative on the committee or in an advisory capacity.</p>	<p>CNCS responded to this management decision on September 29, 2016 and the agency's decision regarding recommendations related to OIG 14-09 are included in the decision.</p>

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>6. Require meaningful review of contractor and subcontractor cost proposals, and maintain appropriate documentation of the review and its conclusions in the contract file. Develop procedures to guide staff in determining the types and sources of information to be considered.</p> <p>10. Create a centralized tool to track deliverables, to be reviewed at defined intervals.</p> <p>18. Institute a post-performance review of each consulting project to assess lessons learned; determine whether project objectives were met; and evaluate the impact of the deliverables and success of the project, including a cost-benefit analysis. Use the results to maintain accountability and improve the procurement process.</p>	
Management Alert	<p>4. Retrain all Contracting Officers concerning their obligation to scrutinize the supporting documentation of contract expenses.</p> <p>5. Require the OPS to develop a written procedure that requires it to perform periodic testing of reimbursable invoices; and remove the COR responsibilities from those who do not comply with the written policy.</p> <p>6. Review CNCS-OIG Audit Report 14-09 and CNCS's response thereto, determine whether CNCS is fulfilling the other commitments that it undertook, and advise CNCS-OIG of any other corrective actions being taken.</p>	CNCS responded to the OIG on August 17, 2017 and the agency's decision regarding these recommendations are included in the decision.
OIG 15-05 Audit of CNCS Grants Awarded to Tufts University/Massachusetts Campus Compact	6b. Timely share key information about grantee performance/nonperformance across programs and grant offices.	CNCS submitted its management decision to the OIG on June 22, 2016. CNCS agreed with the OIG's recommendation 6b and implemented corrective action.

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
OIG 15-06 Audit of CNCS Cooperative Agreements Awarded to AFYA Incorporated and Education Northwest	1. Identify risks specific to training and technical assistance cooperative agreements and develop indicators to assess them. Consider special terms and conditions of the cooperative agreement, the status of a grantee's Negotiated Indirect Cost Rate Agreement, fraud risks and deficiencies identified in prior oversight or monitoring of the grantee.	CNCS submitted its management decision to the OIG on July 25, 2016 and the agency's decision regarding recommendations related to OIG 15-06 are included in the decision.
Risk Management (multiple reports)	N/A. Develop a rigorous and tested risk-based process for monitoring grants that takes into account the characteristics of grant types and the risks associated with them. Discontinue the one-size-fits-all approach that uses criteria applicable to traditional cost reimbursement grants to assess risks of fixed-amount grants and grants for technical training and assistance. Align monitoring activities to risks.	The agency finalized a contract with an external consulting firm to guide the agency as it redefines the criteria used in its annual grant risk assessment process. The agency will develop new criteria in 2018 and will continue to test and refine it in 2019.
	N/A. Validate risk indicators and risk models against outcomes and use outcomes to identify other factors that could sharpen the risk analysis.	OCRO continues to validate and assess risk indicators to ensure that CNCS is deploying the most appropriate risk models. Once the agency's annual grant risk assessment is finalized, OCRO will begin testing the results of the assessment against monitoring efforts and corrective action plans and adjust the criteria as needed.
OIG 16-04 Performance Audit of CNCS's Compliance with the IPERIA Act of 2010 for Fiscal Year 2015	1. Strengthen internal controls over the Agency Financial Report (AFR) to ensure that the Improper Payments section (Section IV, Other Information) contains each of the elements required by OMB Circular No. A-136 and that the reported information is complete and accurate.	On May 9, 2016, CNCS submitted to the OIG its response to this audit and the agency's decision regarding recommendations related to OIG 16-04 are included in the decision. Since that date, CNCS has continued to invest resources to remediate these recommendations and has

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>2. Use consistent and appropriate statistical methodologies to identify those programs susceptible to \$10 million in improper payments, sample payments and extrapolate the rate and amount of improper payments across programs.</p>	<p>completed recommendations 1, 2, 3, 5, and 6. It is notable that while the agency developed a policy to address the recommendation related to holding grantees accountable for non-responsiveness to the improper payments assessment, implementation of that process is a continuous and ongoing activity for the agency. Implementation of recommendation 8 is in progress. OCRO will address this in FY 2018. Currently, OCRO has contracted support to develop procedures for this process and it is in the project plan for FY 2018. OCRO is still developing a plan to implement recommendation 9. Once a plan is set, OCRO will provide this report to both OMB and Congress.</p>
	<p>3. Work with a qualified statistician to develop a simpler and executable sampling methodology, to include sufficient oversight throughout the IPERA process to ensure that the results are sufficiently reliable.</p>	
	<p>Commit sufficient resources to complete the sampling and associated testing within the timeframe required to meet IPERA reporting requirements in the AFR.</p>	
	<p>Hold accountable those grantees that fail to respond to requests for documentation required to support the improper payments assessment.</p>	
	<p>5. Develop a comprehensive testing methodology and test plan that incorporate all legal and regulatory allow ability and eligibility criteria applicable to CNCS-sponsored payments, and apply it consistently to sampled payments. Provide mandatory training to reviewers to ensure consistency. Retain sufficient documentation to allow proper oversight.</p>	
	<p>6. Identify the root causes of improper payments in the AmeriCorps State and National Program and take appropriate programmatic corrective actions to reduce those payments. Develop and report realistic reduction targets, explaining the justification in the AFR.</p>	

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>8. Assess whether payment recapture audits or other recovery activities are cost-effective for programs that expend \$1 million or more annually, and retains documentation reflecting the analysis performed.</p> <p>9. Comply with the reporting requirements for agencies that have been unable to comply with IPERA for three consecutive fiscal years, including: submitting a plan to OMB and Congress that outlines the milestones for achieving compliance; designating a senior agency official accountable for achieving compliance; and, assessing whether additional funding, program reauthorization or statutory changes would help bring CNCS into compliance with IPERA.</p>	
<p>OIG 16-05 Audit of CNCS Grants Awarded to Hoopa Valley Tribe and multiple other reports related to Criminal History Checks</p>	<p>1. Increase penalties for criminal history check (CHC) violations above the nominal level, so that they command appropriate attention from grantee leaders, incentivize strong risk management and deter noncompliance. Discontinue the no-harm-no-foul approach to CHC noncompliance and demand strict compliance.</p> <p>3. Sanctions for CHC noncompliance should reflect: (1) that complete and timely criminal history checking is a critical safety measure to protect individuals in at-risk communities from harm at the hands of convicted murderers or sex offenders, not a garden-variety regulatory requirement; and (2) that individuals, grantees and CNCS would face catastrophic consequences if noncompliance allowed a predator to harm an individual in a CNCS-funded program.</p>	<p>CNCS submitted its management decision in response to this audit regarding these recommendations to the OIG on June 13, 2016 and the agency's decision regarding these recommendations related to OIG 16-05 are included in the decision.</p> <p>CNCS updated and doubled the amount of disallowance attributed to NSCHC noncompliance in 2017. Management will continue to evaluate the impact of the change in disallowance as the agency implements its multifaceted strategy to address grantee noncompliance with NSCHC regulations.</p>

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	4. Adopt a risk-based approach to CHC compliance.	The agency's Risk Management Council approved a multifaceted strategy to address what the agency observes to be the root causes to grantee noncompliance with CHC regulations. The agency is taking steps to implement the strategy and will continue evaluation and implementation through FY 2018.
OIG 17-01 Audit for CNCS's Fiscal Year 2016 Financial Statements	<p>2. Engage the RMC, RAC and program and financial managers in continuing efforts to build a comprehensive enterprise-wide risk assessment and monitoring process. Use the results of the initial ELC assessment report to further develop responses to the risks identified. Test the design and effectiveness of key internal control to identify and respond to risks, and monitor these controls on a routine basis.</p> <p>3. The Office of Chief Risk Officer (OCRO) should develop integrated internal control testing with management's responsibilities related to financial management (with an emphasis on grants management), Federal Information Security Modernization Act/information technology, Improper Payments Elimination and Recovery Act compliance, and during audit resolutions of the OIG contract audits.</p>	CNCS submitted its response to the OIG on November 14, 2016.
OIG 17-05 Evaluation of the National Civilian Community Corps (NCCC) Program	<p>1. Reserve NCCC's expensive program model for services that NCCC can perform cost-effectively. Reevaluate the appropriate balance between NCCC and other programs that cost taxpayers substantially less for comparable service activities and redirect NCCC resources accordingly.</p> <p>2. Develop a comprehensive and independent recruitment and retention program that provides appropriate support for individuals from disadvantaged circumstances.</p> <p>3. Assess the programmatic performance of each NCCC campus and share the results with campus leaders.</p> <p>4. Establish policies and procedures to place weight on cost effectiveness when determining which teams to deploy for disaster responses.</p>	CNCS submitted its management decision in response to this evaluation regarding these recommendations to the OIG on June 1, 2017 and the agency's decision regarding these recommendations related to OIG 17-05 are included in the decision.

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
<p>OIG Management Challenges Modernizing Information Technology</p>	<p>4. Actively engage senior management in close oversight of the Grants and Member Management Modernization program because (1) CNCS lacks a track record for managing projects of this complexity and magnitude; (2) CNCS programs urgently need better IT support for their operations and oversight; (3) the amounts at risk -- more than \$40 million -- are substantial; (4) the modernization effort has already experienced significant delays; (5) there are no release dates for Phases 2 and 3 of the plan; and (6) IT development and acquisition projects are recognized throughout the Federal government as carrying high risk.</p>	<p>The Grants and Member Management (GMM) oversight team continues to actively engage with the agency's senior leadership through several established reporting mechanisms to ensure the successful deployment of GMM. CNCS is basing its approach on industry best practices for agile development. This effort has always been managed to achieve optimal system functionality and not to rush to market. The agency continues to maintain this approach and philosophy.</p>
	<p>5. Eliminate duplicative oversight structures and reorganize for risk-/portfolio-based grant monitoring.</p>	<p>CNCS is continuing to review and evaluate the issues identified in the management challenges.</p>
<p>OIG Special Report Prohibited Activities: Missed Opportunities, Red Flags Ignored and Next Steps to Improve Grants Management at CNCS</p>	<p>1. Determine whether any of the other "prohibited activities" require explanation, clarification or guidance. Guidance should include instructions as to what grant-funded personnel may and may not do when asked for prohibited assistance or to perform a prohibited activity. Guidance should make clear that avoidance of prohibited activities must be treated as a top priority, and that a grantee proceeds at its peril if it undertakes any activities that potentially impinge on prohibited activities without first obtaining written guidance from CNCS.</p>	

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>2. Target the new guidance about the abortion prohibitions to grantees/subgrantees whose programmatic activities place them at elevated risk of encountering issues related to the abortion restrictions, including those whose service activities involve providing healthcare to women and girls of childbearing age, as well as those with service activities directed at education or mentoring of girls and young women middle school-aged and above.</p> <p>Develop mandatory online training for grantees at elevated risk regarding the abortion restrictions.</p> <p>Require grantees at elevated risk regarding the abortion prohibitions to determine and report any current and past activities outside the scope of the new guidance.</p>	<p>CNCS submitted its response to this audit regarding these recommendations to the OIG on December 8, 2016.</p>
<p>3. Conduct the same risk assessments, identification of at-risk grantees, communications and targeted monitoring for other prohibited activities.</p>		
<p>4. Identify any other factors that may increase the risk of individual prohibited activities and use that information for targeted education, training and monitoring as appropriate.</p>		
<p>6. Enhance the capacity of eGrants to store and search critical emails. Institutionalize policies and procedures to allow program and grant officers to capture key emails in eGrants, and develop criteria for identifying emails to be captured.</p>		
<p>7. Build into CNCS's to-be-developed Enterprise Risk Management strategy and planning a component for specific prohibited activities, commensurate with magnitude of the risk, including the reputational and political risk to CNCS.</p>		
<p>8. Accelerate development of a more focused, targeted and risk-based model and approach to all grant monitoring, including continuous assessment of the effectiveness of CNCS's grant risk assessments and monitoring.</p>		

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
	<p>9. Immediately develop and implement monitoring strategies for specific prohibited activities that can be conducted frequently, do not depend on site visits and provide a meaningful opportunity for prompt detection of violations or red flags, including searches of social media sites and surveys of members in accessible language, perhaps using the My AmeriCorps Portal.</p>	
	<p>10. Determine during the grant application process whether an applicant is at particular risk for one or more specific prohibited activities. If so, require the grantee to develop customized ways to address compliance with that prohibition, including detection controls. Incorporate the resulting information into the monitoring plan and target CNCS monitoring activities accordingly and assess the effectiveness of the measures taken by the grantee.</p>	

CNCS Response to Unimplemented Recommendations

Report No. and Title	OIG Recommendations	CNCS Response
<p>OIG 17-03 Fiscal Year 2016 Federal Information Security Modernization Act Evaluation of CNCS</p>	<p>A total of 36 recommendations, including many beginning in FY 2014, remain open from our annual FISMA evaluations. These open recommendations address weaknesses found in a variety of areas, including the following:</p> <ul style="list-style-type: none"> • Multiple Weaknesses with Vulnerability Scanning and Remediation (FY 14-FISMA-NFR 2) • Inadequate Enterprise-Wide Risk Management Policies and Practices (FY 14-FISMA-NFR 9) • Weaknesses with CNCS’s Security Planning and Assessment Process (FY 14-FISMA-NFR 10) • Inadequate Control Over Remote Access (FY 14-FISMA-NFR 13) • Inadequate Disaster Recovery Plan Documentation and Planning (FY 14-FISMA-NFR 14) • Access Controls Over CNCS’s Network and Momentum Financial User Accounts Need Improvement (FY 15-FISMA-NFR 2) • Inaccurate Inventory of Physical Information Technology Asset (FY 15-FISMA-NFR 4) • Secure Configuration Management Policies, Procedures, and Practices Need Improvement (FY 16-FISMA-NFR 1) • Insufficient Monitoring and Remediation of Server Backup Failures (FY 16-FISMA-NFR 2) 	<p>CNCS has provide documentation to the OIG related to a number of NFRs that were previously open. In 2017, CNCS implemented 31 of the 36 reported recommendations. The remaining open recommendations are being addressed through the Office of Information Technology's plan of actions and milestones process, with several of them dependent upon the Department of Homeland Security implementing CDM for small agencies.</p>