



**Agency Response to the
Office of the Inspector General's
Semiannual Report to Congress**
April 1, 2018 – September 30, 2018

Fiscal Year 2018 Semiannual Report No. 2

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

Over the past year, CNCS engaged more than 300,000 AmeriCorps members and Senior Corps volunteers in result-driven service at 50,000 sites across the country. These trained and dedicated citizens met national needs and Administration priorities, helping millions of Americans succeed in school, prepare for 21st century jobs, live independently, increase self-sufficiency, and rebuild their lives after addiction, homelessness, job loss, or natural disasters. Our efforts demonstrate continued commitment to effective programs, targeted investments, community impact, evidence-based approaches, and operational efficiency and accountability.

The Corporation for National and Community Service (CNCS) appreciates the Semiannual Report (SAR) from the Office of Inspector General (OIG) covering the second half of Fiscal Year (FY) 2018. The agency is pleased to respond to the SAR by noting substantial progress in many long-standing areas of concern, as well as other positive developments within CNCS.

The response is set forth in detail below. CNCS would, however, like to preview and highlight a few points by way of introduction. First, the agency has continued to make progress in improving its annual Improper Payment Elimination and Recovery Act (IPERA) testing program. CNCS has made significant strides in enhancing compliance and reducing risk with regard to National Service Criminal History Checks (NSCHC). Specifically, the agency has engaged two vendors to facilitate background checks for its grantees, and will support these efforts with additional grant funding. CNCS has worked to improve its financial management in cooperation with the Department of the Treasury, the Office of Management and Budget (OMB), and the Federal Accounting Standards Advisory Board. The agency is also making progress in improving its Grants Management System, despite setbacks. CNCS is streamlining and making Senior Corps programs more effective through the introduction of new regulations. Finally, the agency continues to make significant progress addressing the OIG's unimplemented recommendations. CNCS is positively addressing several areas which are highlighted in the SAR.

Transformation

CNCS continues to make progress on many fronts with the Transformation and Sustainability Plan, which includes six goals that resulted from months of intensive review of agency operations and programs. That process took into account a wide range of ideas and recommendations from staff, grantees, national service members, OMB, Congress, OIG, Government Accountability Office (GAO), and many years of CNCS evaluations and reports. The goals are ambitious and wide ranging, addressing core business functions, technology, program structure, roles alignment, physical office locations, CNCS brand identity, and the use of evidence to drive investments. The goals address the agency's most critical issues for sustaining a strong, high-performing agency equipped to support our decentralized system of national service. Implementing the goals of this plan remains CNCS's top priority.

Improper Payments

CNCS is pleased to report continued improvement in the implementation of the IPERA testing program. As the Inspector General indicated in the “Open and Unimplemented Recommendations” section of the report, CNCS effectively addressed seven of the nine findings that were identified in the FY 2015 IPERA audit. This includes providing evidence of progress toward resolving four compliance deficiencies and other matters. In July 2018, the agency reported its corrective action plan to move CNCS toward further compliance with the IPERA requirements to Congress.

National Service Criminal History Checks

In order to address the challenges related to NSCHC compliance, the agency contracted with two vendors that CNCS grantees can use to obtain and document compliant NSCHCs. CNCS made the vendors’ services available to grantees this month. Additionally, the leadership team is encouraging increased compliance with NSCHCs by: 1) providing grantees with FY 2019 funding for their use of the vendors and 2) creating an exemption period for grantees to use the vendors for current checks and to use the vendors to recheck all positions in their grant portfolios. With this financial support and policy framework in place, the agency anticipates that grantees will use the vendors to address administrative noncompliance and identify eligibility challenges.

The agency began placing a manual hold on grant funds for grantees that are found to be noncompliant with the NSCHC requirement. Lastly, the agency is in the process of changing its disallowance policy regarding the financial consequences of having non-compliant NSCHCs. The leadership team is addressing this long standing management challenge and implementing changes that will result in increased grantee compliance and community safety that will be evident going forward.

Risk Assessment

CNCS is making progress in updating its annual grant risk assessment processes. As the Inspector General noted, CNCS is nearing completion of the development of a new grant risk assessment tool which includes benchmarking the agency’s grant risk assessment against other federal and grant-making agencies and compiling notable risk vulnerabilities that have been identified by the CNCS OIG and GAO audits. The new grant risk assessment tool is currently being tested across the agency and will be tested on a sample of CNCS grants in FY 2019 to calibrate the risk scoring. The agency is also dedicating resources to ensure that the grant risk assessment results will be accessible to inform future changes to the grant monitoring process. This effort will reinforce CNCS’s current integrated approach to identifying high-risk grantees for additional oversight and monitoring.

Financial Statement Audit

Throughout FY 2018, CNCS worked to improve financial management and reporting. The agency engaged external consultants to review and recommend improvements to National Service Trust (Trust) liability and grant accrual processes. CNCS worked with the Department of Treasury, OMB, and the Federal Accounting Standards Advisory Board to identify and establish new Treasury codes for Trust accounting. New leadership in CNCS’s Office of Accounting and Financial Management Services (AFMS) is implementing changes in the financial management systems and processes to strengthen internal controls and produce reliable financial information going forward. Staff skills within AFMS are being leveraged to better distribute the workload and to further develop professional capabilities. AFMS is

exploring a realignment of duties within the office to improve workflows. The agency is reviewing financial management systems configurations and set-up to align transaction processing and recording with current regulations. In addition, the Budget and Procurement Offices continue to refine budget and acquisition planning in order to improve efficiencies.

Grants Management System

The SAR highlights CNCS's ongoing efforts to modernize its grants management infrastructure. While discontinuing the modernization contract was a setback, the requirements gathered resulted in useful documentation and knowledge to inform current efforts and ensure an effective path moving forward. The agency extensively documented CNCS's grants application and management process requirements. These requirements will be used in streamlining the grants management infrastructure and will serve as the foundation of a robust grants management system that will include member management, risk assessment, performance management, and data analytics.

National Civilian Community Corps (NCCC) Recruitment and Response

The value and significance of NCCC has been demonstrated repeatedly during this reporting period – a year in which natural disasters created significant community challenges. This year, almost 50% of NCCC service activity supported recovery efforts in Texas, Florida, North Carolina, Puerto Rico, Georgia, and South Carolina. NCCC continues to assist disaster survivors in mucking and gutting damaged residences so people may begin the rebuilding process. In FY 2018, NCCC teams assisted more than 147,000 Americans post disaster and distributed more than 2 million pounds of food and 2.1 million pounds of donations. NCCC worked with veterans on the Golden Age Games, the National Veterans Wheelchair Games, and helped build Not Forgotten Outreach's respite center in Taos, New Mexico.

Based on the recommendation from the OIG in the Draft Management Alert of June 14, 2018: *Serious Weakness in National Civilian Community Corps Recruiting Contract May Jeopardize Program Success*, CNCS awarded a new NCCC recruitment contract. Through the new contract, CNCS will strengthen the connection between the recruitment contract activities and broader programmatic strategies. The recruitment contract will generate applicant leads, which is an accepted recruitment practice, to supplement NCCC's ongoing recruitment and enrollment activities.

Senior Corps Regulations

Senior Corps' goals in issuing new regulations are threefold: to streamline programmatic and fiscal requirements for the more than 1,100 Senior Corps grantees, to support more effective local project operations, and to promote the growth and reach of Senior Corps programs to beneficiaries across the country. Every year 220,000 Senior Corps volunteers serve at more than 29,000 service locations across the country. In 2017, Senior Corps volunteers served more than 217,000 children with exceptional needs and 369,000 veterans; additionally in this year, Senior Corps assisted 362,000 older adults to remain living independently – helping to avoid costly institutional care – and provided respite services to 5,700 caregivers.

By way of brief background, in February 2018 CNCS published its proposed rulemaking in the Federal Register (See 83 FR 6740). CNCS established a notice and comment period and gave all interested parties, including stakeholders and the general public, the opportunity to submit their input. CNCS received

over 130 comments regarding the proposed rulemaking, including remarks and recommendations from the OIG.

CNCS has responded to the OIG's Management Alert and is addressing the OIG's concerns related to Senior Corps' proposed rule publicly through the rulemaking process. As the OIG noted, CNCS declined to respond directly to the OIG regarding its comments on the new rule outside the public forum because the agency is treating all comments on the proposed rule uniformly and with impartiality.

In preparing its final rulemaking, CNCS is duly considering the OIG's recommendations and comments regarding Senior Corps' proposed rule, along with all other relevant submissions received. CNCS stresses the importance of evaluating all submissions holistically and in their totality. CNCS explained to the OIG that to respond substantively to the OIG's comments in an *ex parte* fashion, or prior to the publication of the final rulemaking, would risk the appearance that the notice and comment process lacked uniformity and impartiality, or that greater weight was afforded to some comments over others. Additionally, this would risk committing to a position prematurely, and one that CNCS might not be able to adhere to.

In promulgating the Senior Corps final rule, CNCS has considered all relevant comments and recommendations including those from the OIG.

Unimplemented Recommendations

The OIG's Semiannual Report indicates that 97 of the OIG's recommendations are unimplemented. This list of unimplemented recommendations includes recommendations made in OIG audits, investigations, evaluations, and management alerts from the past seven years. During that time hundreds of OIG recommendations have been implemented to improve CNCS operations and oversight.

CNCS is pleased to share that over the past reporting period, 36 recommendations were implemented or removed, reducing the number of unimplemented recommendations from 133 to 97. As noted by asterisks in the OIG's report, 42 of these 97 unimplemented recommendations are not due to be implemented until the next Semiannual Reporting period. CNCS continues to work with the OIG to address the remaining resolvable unimplemented recommendations.

Of the 97 unimplemented recommendations CNCS identifies:

- 55 that are in progress, the status of which will be updated during the next reporting period. These include recommendations related to NSCHC, risk assessment and risk management, improper payments, NCCC, DATA Act, information security, and the financial statements. The 55 that are in progress include 42 that the OIG and CNCS agree were not yet due during this reporting period.
- 26 where CNCS has taken corrective actions and CNCS is working toward mutually agreed upon documentation with the OIG.

- 16 where CNCS disagrees on the feasibility of the recommendations because they are overly prescriptive, unfounded, and/or unsubstantiated. These include recommendations that would require legislative action, including recommendations to reprogram funds and redesign the NCCC program model. CNCS welcomes the OIG's assistance in identifying systematic and structural weaknesses; however, CNCS will not implement recommendations that conflict with CNCS's experience and expertise, or displace agency management and congressional policymaking roles.

In closing, CNCS is pleased to report that 88% of the previous 133 recommendations are either implemented, corrective actions are awaiting OIG review, or corrective actions are in progress.

TABLE I

FINAL ACTION TAKEN ON AUDIT, INSPECTION, AND EVALUATION REPORTS
(For the Period April 1, 2018 through September 30, 2018)

	Number of <u>Reports</u>	Disallowed <u>Costs</u>
A. Reports for which final action had not been taken by the commencement of the reporting period	7	-
B. Reports for which management decisions were made during the reporting period	5	\$13,330
C. Reports for which final action was taken during the reporting period	5	\$708,428 ¹
1. Recovery of disallowed costs: ²		
(a) Collections and offsets		\$636,933
(b) Property in lieu of cash		-
(c) Other (reduction of questioned costs)		-
2. Write-offs		\$69,389
D. Reports for which final action was not taken by the end of the reporting period	5	-

¹ The OIG reported that \$200,000 from an investigation was disallowed and recovered. In fact, the grantee had not drawn these awarded funds so no repayment was necessary; the funds were never disbursed.

² 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, 2018 through September 30, 2018)

	<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	3	-
B. Reports for which management decisions were made during the reporting period	2	-
C. Reports for which final action was taken during the reporting period	3	-
i. Dollar value of recommendations completed		\$56,539
ii. Dollar value of recommendations that management has concluded should not or could not be implemented or completed		\$156,632
D. Reports for which no final action had been taken by the end of the reporting period	1	-

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 April 1, 2018 through September 30, 2018)

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