



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

*April 1, 2015 – September 30, 2015*

*Fiscal Year 2015 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 (CNCS) is in general agreement with the Office of Inspector General's (OIG) Fiscal Year 2015 Semiannual Report No. 2. The Inspector General's (IG) message accurately identifies expensive improvements needed to CNCS's aging infrastructure and many legacy systems. But for a lack of funding to support these improvements, CNCS would have already implemented many of the priorities identified by the IG, and would have been much further along on implementing others.

Over the last few years—despite the significant costs to the agency at a time of constrained budgets—CNCS has been modernizing its information technology and information security systems, maturing its Integrity Assurance Program, replacing its outdated grants management systems, and working to develop an enterprise-wide risk management program. CNCS leadership is directing every possible resource to these efforts, and appreciates the IG's support in reinforcing the need for additional funding.

CNCS is pleased to note that the OIG Semiannual Report does not identify instances of fraud, waste, or abuse within CNCS. The OIG's audits and investigations identify grants management issues and other areas for improvement that CNCS is working to remediate.

CNCS is working collaboratively with the OIG to strengthen its internal control environment, continue to implement its Information Technology (IT) modernization plans, update its audit and investigations policies and processes, and refine compliance with the Improper Payment, Elimination, and Recovery Act (IPERA) requirements. While CNCS has made improvements in these areas, work remains. CNCS appreciates the OIG's support and guidance in tackling some of the internal challenges it faces, including the need to strengthen internal controls and accountability.

In the area of IT modernization, CNCS has taken several steps over the past six months to continue to mitigate risks to its systems and strengthen compliance with information and cybersecurity law. CNCS completed the replacement of its aging core network infrastructure, which reduced the risk of equipment failure and associated service disruptions. These improvements enhanced CNCS's security posture and bolstered foundational services to support planned IT modernization. CNCS also initiated a data center transition that permits new services and tools to strengthen IT property management and cybersecurity.

On IPERA, CNCS concurs with the OIG's recommended corrective actions. CNCS has adopted a number of the OIG's recommendations, including engaging a statistician, improving the statistical sampling process, and developing and consistently applying a more comprehensive testing methodology. CNCS is developing additional corrective actions and taking proactive steps now to improve its IPERA assessment and reporting for FY 2016.

CNCS is working with the OIG to revise its audit resolution policy, and is currently piloting a new audit resolution procedure to ensure more timely and better coordinated responses. CNCS and the OIG have initiated monthly audit resolution meetings to increase communication between the two offices. Additionally, CNCS is establishing a

central audit/investigations coordinator role with the responsibility of ensuring management responses are thoroughly coordinated within the agency.

CNCS shares some of the concerns raised by the audits of AFYA Incorporated/Education Northwest and Tufts University/Massachusetts Campus Compact. Many of the ongoing efforts to improve audit coordination and grants monitoring will address issues found in these specific audits. Our collective efforts to improve audit resolution will help to address the OIG's concerns regarding the agency's response to audits like the compelling personal circumstances audit, for which CNCS is preparing its decision and will brief the OIG in advance of final resolution.

CNCS supports the OIG's investigative efforts, and notes that CNCS's internal monitoring and oversight originally identified and passed along to the OIG several of the investigations discussed. Of the 11 investigations reported by the OIG, three represented allegations that were determined by the OIG to be unfounded. The remaining investigations identified common grants management or cybersecurity issues that the agency rapidly addressed once notified by the OIG. To reiterate an important point, CNCS is pleased that the OIG found no indications of fraud, waste, or abuse within CNCS.

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Despite limited resources and substantial cost, CNCS is committed to continuing to address these vital issues. CNCS appreciates the support of the OIG, and looks forward to working together in the months to come.

**TABLE I**

**FINAL ACTION TAKEN ON AUDIT REPORTS**  
(For the Period April 1, 2015 through September 30, 2015)

	<b><u>Number of Reports</u></b>	<b><u>Disallowed Costs</u></b>
A. Audit reports for which final action had not been taken by the commencement of the reporting period	7	\$203,606
B. Audit reports for which management decisions were made during the six-month reporting period	2	\$131,283
C. Audit reports for which final action was taken during the reporting period	3	\$334,889
1. Recoveries <sup>1</sup>		
(a) Collections and offsets	7	\$99,388
(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	5	-

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

**TABLE II**

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

(For the Period April 1, 2015 to September 30, 2015)

	<b><u>Number of Audit 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	4	\$646,872
B. Reports for which management decisions were made during the reporting period	2	\$20,661
C. Reports for which final action was taken during the reporting period	3	-
i. Dollar value of recommendations completed	3	\$25,198
ii. Dollar value of recommendations that management has concluded should not or could not be implemented	3	\$318,298
D. Reports for which no final action had been taken by the end of the reporting period.	1	-

**Table III**

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

(For the Period March 1, 2015 through September 30, 2015)

<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	11/9/2011	11/9/2012	CNCS Draft Management Decision was sent to OIG on 3/31/2015. OIG response sent to CNCS on 9/30/2015.
12-16	Agreed-Upon Procedures for Grants Awarded to the New Jersey Commission on National and Community Service	9/27/2012	12/15/2013	CNCS Draft Management Decision was sent to OIG on 3/13/2015. This audit contained multiple accounting errors which required in depth review and reconciliation.
14-05	Audit of CNCS Grants Awarded to Family Services of Central Massachusetts	12/11/2013	12/11/2014	CNCS Draft Management Decision was sent to OIG on 3/3/2015. This audit contained multiple accounting errors which required in depth review and reconciliation.
14-06	Audit of CNCS Grants Awarded to Penquis Community Action Program	2/4/2014	2/4/2015	CNCS Draft Management Decision was sent to OIG on 9/29/2015.
14-09	Audit of Blanket Purchase Agreements for Professional Services	6/20/2014	6/20/2015	CNCS Draft Management Decision was sent to the OIG on 10/1/2014.