

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

PERFORMANCE AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010 (IPERA) FOR FISCAL YEAR 2018

OIG Report 19-04

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This report was issued to Corporation management on June 3, 2019. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than December 3, 2019, and complete its corrective actions by June 3, 2020. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



June 3, 2019

MEMORANDUM TO: Barbara Stewart
Chief Executive Officer

FROM: Monique P. Colter /s/
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General Final Report 19-04: *Performance Audit of the Corporation for National and Community Service's Compliance with the Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2018*

Enclosed is the Office of Inspector General Final Report 19-04: *Performance Audit of the Corporation for National and Community Service's Compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for Fiscal Year 2018*. The performance audit was conducted by Cotton & Company LLP in accordance with standards established by the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Under the Corporation for National and Community Service's audit resolution policy, a final management decision on the findings and recommendations in this report is due by December 3, 2019. Notice of final action is due by June 3, 2020.

If you have questions about this report, please contact me at (202) 606-9360 or m.colter@cncsoig.gov.

Enclosure:
As stated

cc: Desiree Tucker-Sorini, Chief of Staff
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**PERFORMANCE AUDIT OF THE
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S
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FISCAL YEAR 2018**

I. EXECUTIVE SUMMARY

Despite a continuous focus on improving its Improper Payments Elimination and Recovery Act of 2010 (IPERA) compliance program, the Corporation for National and Community Service (CNCS)

Background:

IPERA requires Federal agencies to identify and reduce improper payments and report annually on their efforts in the Annual Financial Report (AFR) or an alternative report (AMR for CNCS). IPERA also requires each agency's Inspector General to perform an audit of the agency's compliance with IPERA. CNCS's Office of Inspector General (CNCS-OIG) contracted with Cotton & Company LLP (referred to as "we" in this report) to conduct the performance audit of CNCS's compliance with IPERA for FY 2018.

remains unable to reliably estimate the amount or the rate of improper payments in the AmeriCorps State and National Program (AmeriCorps), Foster Grandparent Program (FGP), Retired and Senior Volunteer Program (RSVP), and Senior Companion Program (SCP). The improper payments information reported in CNCS's fiscal year (FY) 2018 Annual Management Report (AMR) is unreliable and incomplete. CNCS did not comply with IPERA.

The rates of improper payments in the four grant programs *increased substantially* over FY 2017. The corrective actions¹ taken to date were not effective. While CNCS has indicated that corrective actions have been implemented, additional improvements are required to fully address the identified issues. In addition, for certain corrective actions that have been implemented, the effects will not be realized until subsequent fiscal years. For example, as noted in the FY

2017 AMR, CNCS contracted with a vendor, Truescreen, to support the National Service Criminal History Check (NSCHC) process and anticipates that this will have an impact on reducing the improper payment rates; however, the effect won't be seen until FY 2020.

As in the past, we identified flaws in multiple stages of CNCS's improper payments assessment process; many of these flaws resulted from insufficient resources to perform the IPERA assessment and inadequate supervision and oversight of the process.

¹ In *Section III: Other Information* of CNCS's FY 2017 AMR, CNCS described the programmatic corrective actions that CNCS planned to take in FY 2018 and FY 2019 to address the root cause of CNCS' improper payments. The corrective actions include improving the NSCHC process and enhancing training and communications with grantees and CNCS staff conducting improper payment testing.

CNCS implemented corrective actions to address findings noted in the FY 2017 IPERA audit report and made improvements that resulted in the elimination of certain prior-year findings in the following areas:

- Fully complying with the IPERA risk assessment requirements.
- Enhancing adherence to the Office of Management and Budget (OMB) Circular A-136 requirements in reporting on improper payments in the AMR.
- Achieving an improper payment estimate that while not reliable was determined to be statistically valid.
- Improving the quarterly high-dollar overpayments reporting process.
- Implementing a process to perform a cost-benefit assessment for payment recapture audits.

As a result of this progress, CNCS met an additional OMB criterion² for IPERA compliance and fully resolved three prior audit findings in FY 2018.

Compliance Issues³

CNCS still failed to meet three of the six OMB IPERA compliance criteria. Specifically, we identified the following compliance issues and other matters, all of which are recurring from the prior year:

| Program Name | Published an AMR | Conducted a Risk Assessment | Published Accurate, Reliable Improper Payment Estimate | Published Corrective Action Plans | Published and Is Meeting Reduction Targets | Reported an Improper Payment Rate of Less Than Ten Percent | Total Non-Compliances |
|--------------|------------------|-----------------------------|--|-----------------------------------|--|--|-----------------------|
| AmeriCorps | ✓ | ✓ | ✗ | ✓ | ✗ | ✗ | 3 |
| FGP | ✓ | ✓ | ✗ | ✓ | ✗ | ✗ | 3 |
| RSVP | ✓ | ✓ | ✗ | ✓ | ✗ | ✗ | 3 |
| SCP | ✓ | ✓ | ✗ | ✓ | ✗ | ✗ | 3 |

² CNCS demonstrated compliance with the OMB IPERA compliance criteria that requires agencies to “conduct a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required).”

³ To be compliant with IPERA reporting requirements, Federal agencies must comply with all six applicable OMB criteria.

- CNCS did not properly identify improper payments, and the published improper payment estimate is not complete or accurate. Specifically, we noted issues with both the population that CNCS used to select IPERA samples and the manner in which CNCS processed the sample items. As we noted, there were multiple instances in which CNCS did not obtain sufficient documentation to support a determination as to whether a sample was proper or improper. CNCS deemed these unsupported samples to be improper without performing adequate follow-up. In addition, we found that CNCS did not always follow its methodology and standard operating procedures (SOP) for selecting IPERA sample transactions.
- CNCS did not meet its annual improper payment reduction targets for the AmeriCorps, FGP, RSVP, and SCP grant programs. In fact, the rate of improper payments for these programs in FY 2018 was higher than the rate for FY 2017.
- CNCS published an improper payment estimate that was greater than the acceptable threshold of ten percent for IPERA compliance for four programs (i.e., AmeriCorps, FGP, RSVP, and SCP).

Other Matters to Be Reported⁴

Our report also notes one other matter relating to our evaluation of CNCS's performance in reducing improper payments, as follows:

- CNCS did not timely submit a report detailing its corrective actions for noncompliance to Congress within 30 days of the CNCS Office of Inspector General (CNCS-OIG) determining that CNCS was not in compliance with IPERA. An agency that is out of compliance with IPERA for four or more consecutive fiscal years must provide to Congress a report that details the activities taken to complete the requirements for one, two, three, four, etc. years of noncompliance. Those requirements include submitting a plan to OMB and Congress describing the actions that the agency will take to become compliance, submitting proposals to OMB that will bring the agency into compliance, and submitting to Congress and OMB reauthorization or proposed statutory changes to achieve compliance.

Summary of Recommendations

We recommend that CNCS take the following corrective actions:

- Fully implement planned programmatic corrective actions and identify periodic reporting mechanisms to address the root causes of identified improper payments in the AmeriCorps, FGP, RSVP, and SCP grant programs.

⁴ This matter is not specific to CNCS compliance with the six OMB IPERA compliance criteria, but rather CNCS' compliance with IPERA reporting requirements.

- Develop and implement actions to reduce the improper payment rates below ten percent for FY 2019.
- Establish realistic reduction targets based on an evaluation of both the root causes of the improper payments identified in the FY 2018 IPERA testing and CNCS's planned corrective actions.
- Update its sampling and estimation methodology and ensure that its future improper payment estimates are complete and accurate.
- Take appropriate action to develop a comprehensive testing methodology and consistently apply that methodology to selected sample items.
- Comply with the reporting requirements for agencies that have been noncompliant under IPERA for four or more consecutive fiscal years, as outlined in OMB Memorandum M-18-20. Specifically, CNCS should update its FY 2019 IPERA reporting procedures to ensure that it provides all required parties with a report detailing its IPERA compliance activities before the reporting deadline.

Why We Did This Review

IPERA, as amended, requires that the Inspector General of each agency determine whether the agency is in compliance with the law and submit a report on that determination each fiscal year. In addition, OMB Memorandum M-18-20 states that the OIG may evaluate the accuracy and completeness of agency improper payment reporting and the agency's performance in reducing and recapturing improper payments. Our audit focused on CNCS's compliance with these requirements.

II. BACKGROUND

IPERA, Public Law (PL) 111-204, dated July 22, 2010, amended the Improper Payments Information Act of 2002 (IPIA), PL 107-300. IPERA requires agencies to periodically review and identify programs and activities that may be susceptible to significant improper payments and to report on their actions to reduce and recover improper payments. The enactment of the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), PL 112-248, dated January 10, 2013, provided an opportunity for OMB to re-examine existing guidance to ensure that agencies are effectively reducing improper payment rates while also complying with multiple legislative and administrative requirements. OMB issued Memorandum M-15-02, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, on October 20, 2014. OMB Memorandum M-15-02 provided IPERA and IPERIA implementation guidance and outlined the OIG's requirements for evaluating IPERA compliance. On June 26, 2018, OMB issued Memorandum M-18-20, *Requirements for Payment Integrity Improvement*, which modified all prior OMB Circular A-123, Appendix C guidance effective FY 2018. Additionally, OMB issued a revised Circular A-136, *Financial Reporting Requirements*, which contained refined IPIA (as amended by IPERA and IPERIA) reporting requirements in Section II.4.5, *Payment Integrity*.

III. AUDIT RESULTS

Based on the audit procedures performed, we determined that CNCS did not meet three of the six applicable OMB criteria for compliance noted in the audit objectives. The following table identifies each criterion and states whether CNCS met the criterion. Following the table are brief synopses of the related compliance findings, which provide support for our conclusions.

| OMB Criteria for IPERA Compliance | Result ⁵ | Explanation of Results |
|---|---------------------|---|
| Published a PAR [Performance and Accountability Report] or AFR [Annual Financial Report] for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website. | Compliant | CNCS published an AMR that contained all materials required by OMB and posted the AMR on its website. |
| Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C (if required). | Compliant | CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments. |
| Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under the agency's risk assessment (if required). | Not Compliant | The improper payment estimates that CNCS published for its susceptible programs were not complete or accurate, and we were unable to rely on the results of the testing. See Findings 3 and 4. |
| Published programmatic corrective action plans in the PAR or AFR (if required). | Compliant | CNCS published programmatic corrective action plans in the AMR. |
| Published and is meeting annual reduction targets for each program assessed to be at risk and estimated for | Not Compliant | CNCS did not meet the annual reduction targets that it established for the AmeriCorps, RSVP, SCP, and FGP programs. See Finding 2. |

⁵ OMB Memorandum M-18-20 requires that the compliance review clearly state the agency's compliance status (i.e., compliant or non-compliant). We have reported the results in accordance with this requirement and provide further explanation to support instances in which CNCS partially met the compliance criteria.

| OMB Criteria for IPERA Compliance | Result ⁵ | Explanation of Results |
|--|---------------------|---|
| improper payments (if required and applicable). | | |
| Reported a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR. | Not Compliant | CNCS's gross improper payment rate exceeded ten percent for the AmeriCorps, FGP, RSVP, and SCP programs; in addition, the improper payment rate was not complete or accurate and we were unable to rely on the results of CNCS's testing. See Findings 1, 3 and 4. |

We discussed the contents of this report with CNCS management in an exit conference held on April 23, 2019.

Finding 1: CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs. [Modified repeat finding for FY 2018]

CNCS published an improper payment rate that exceeded IPERA's ten percent compliance threshold for each of the four programs included in the FY 2018 AMR. Specifically, CNCS reported the estimated gross improper payment rates as follows:

| Program | FY 2018 Reported Improper Payment Rate ⁶ | Improper Payment Rate Less Than Ten Percent? |
|------------|---|--|
| AmeriCorps | 16.39% | ✗ |
| FGP | 20.83% | ✗ |
| RSVP | 17.29% | ✗ |
| SCP | 28.20% | ✗ |

CNCS has not implemented adequate programmatic corrective actions to address the root causes of the improper payments, which include underlying issues with National Service Criminal History Checks (NSCHCs) and insufficient or incorrect documentation to support a proper payment. The Corporation's gross improper payment estimates remain significantly above the compliance level of ten percent.⁷ Persistently high improper payment rates and incomplete implementation of the required corrective actions may result in the continued waste of agency funds.

⁶ As reported in CNCS's FY 2018 AMR.

⁷ OMB Circular A-123, Appendix C, Memo 18-20, Part IV.A.3 states, "Compliance under IPERA means that the agency has: ... Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR..."

We are aware that CNCS has recently undertaken a substantial effort to address a root cause of improper payments related to criminal history checking by engaging specific vendors to perform these tasks. This corrective action has the potential to improve improper payment rates substantially, but its effects will not be known until subsequent years.

Recommendations: We recommend that CNCS:

1. Fully implement planned programmatic corrective actions and identify periodic reporting mechanisms to address the root causes of improper payments identified in the AmeriCorps, FGP, RSVP, and SCP grant programs.
2. Develop a step-by-step approach that contains specific milestones identifying target completion dates and responsible Office of the Chief Risk Officer (OCRO) program staff for each corrective action.
3. Determine the likelihood that it will publish improper payment rates of greater than ten percent in FY 2019; for those specific programs that most likely will not be compliant, CNCS should:
 - create and submit proposals to OMB during the next budget session and if applicable, exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the Director of OMB;
 - submit reauthorization proposals for the program(s), or propose statutory changes to bring the program(s) into compliance.

Finding 2: CNCS did not meet the annual reduction target for the AmeriCorps, FGP, RSVP, and SCP grant programs. [Modified repeat finding for FY 2018]

CNCS did not meet the FY 2018 reduction targets for its risk-susceptible programs. CNCS's FY 2018 improper payment rates for each of these programs were higher than were the rates it published for FY 2017, as summarized below. The increase in improper payment rates is largely attributed to implementing a statistically valid sampling and estimation approach.

| Program | FY 2017 Reported Improper Payment Rate ⁷ | FY 2018 Reduction Targets ⁸ | FY 2018 Reported Improper Payment Rate ⁹ | Target Met? (Yes/No) |
|------------|---|--|---|----------------------|
| AmeriCorps | 10.8% | 10.3% | 16.39% | No |
| FGP | 17.1% | 16.6% | 20.83% | No |
| RSVP | 7.4% | 6.9% | 17.29% | No |
| SCP | 16.8% | 16.2% | 28.20% | No |

⁸ As reported in CNCS's FY 2017 AMR.

⁹ As reported in CNCS's FY 2018 AMR.

The corrective actions implemented by CNCS to address the root causes of improper payments were demonstrably ineffective. Not only did CNCS fail to meet its reduction targets, but its improper payments also increased across the board. As a result, CNCS did not meet the published reduction targets required by the guidance governing IPERA.¹⁰

CNCS's failure to meet the reduction targets indicates a lack of accountability which may allow improper payments to increase in frequency and amount, resulting in increased improper payments for future IPERA assessments. Persistently high improper payment rates and incomplete implementation of the required corrective actions may result in the continued waste of agency funds.

Recommendations: We recommend that CNCS:

4. Develop a detailed plan to report realistic reduction targets based on an evaluation of the root causes of improper payments identified in the FY 2018 IPERA testing and CNCS's planned corrective actions. The detailed plan should include establishing accountable parties in OCRO and the four grant programs tested for IPERA to achieve the reduction targets and should focus on the availability of staff to implement planned corrective actions. Further, CNCS should consider the potential effects of any guidance that CNCS publishes during FY 2019 regarding the IPERA testing process, planned updates to the statistical methodology and test plans for the FY 2019 IPERA program and whether it can reasonably justify the rationale used to establish the reduction target rates.

Finding 3: CNCS's published improper payment estimate is not complete or accurate. [Modified repeat finding for FY 2018]

The improper payment estimates for the AmeriCorps, FGP, RSVP, and SCP grant programs that CNCS published in FY 2018 are not complete or accurate, due to the following deficiencies:

1. CNCS did not process samples properly. Specifically, we found multiple instances in which CNCS did not obtain sufficient documentation to support a determination as to whether a sample was proper or improper. Instead of requesting guidance from OMB, CNCS simply treated these unsupported samples as non-response¹¹ or unmatched errors¹² and

¹⁰ OMB Circular A-123, Appendix C, Memo 18-20, Part IV.A.3, states, "Compliance under IPERA means that the agency has: ... Published, and is meeting, annual reduction targets (See Part IV.A.5, below) for each program assessed to be at risk and estimated for improper payments (if required and applicable)..."

¹¹ Per CNCS's IPERA Standard Operating Procedures (SOP), non-response errors occur "when CNCS does not receive the requested support for the FFR [Federal Financial Report] selected in any stage [of the sample selection process] after multiple inquiries or follow-ups [from grantees]."

¹² Per CNCS's IPERA SOP, unmatched reporting errors occur "when the total amount on the documentation from the grantee's accounting system does not match the dollar amount submitted on the FFR or reported for the prior stage [the accounting system data provided to support the population from which the sample is currently being selected]."

excluded them from its improper payment estimate. This could lead to an understatement of the improper payment data.

2. CNCS did not properly extrapolate all identified errors based on the results of its sample testing.¹³
3. The population that CNCS used to select the IPERA sample was not consistent with the stated sampling methodology approved by OMB and did not include all costs reported during the allowable Federal Financial Report (FFR) submission period.
4. CNCS did not consistently follow its methodology and written procedures for selecting IPERA sample transactions at each stage of the sampling process beyond the FFR. Specifically, we identified four instances in which CNCS selected, or may have selected, the wrong transaction from the accounting data provided to support costs claimed in the sampled FFRs.¹⁴
5. The population that CNCS used to select the IPERA sample may be incomplete. Specifically, we noted that CNCS:
 - a. Improperly excluded certain RSVP FFRs from the population.¹⁵
 - b. Extracted FFR data using a data field resulted in a set of FFRs and associated expenditures being excluded from the population and any subsequent IPERA review.¹⁶

CNCS did not have adequate procedures including quality control in place to ensure that the statistical sampling and estimation methodology it used to produce its FY 2018 estimated improper payment rates would result in complete and accurate estimated rates. In addition, CNCS did not have adequate oversight of statistical subject matter experts, and supervision over the staff that would follow the procedures established for their actions. As a result, the improper

¹³ We identified two instances in which CNCS determined that sampled transactions were improper payments, but did not extrapolate an improper payment error for the transaction within the final testing results used by the statisticians. In addition, we noted two instances in which CNCS did not report an unmatched error that it should have identified during sampling.

¹⁴ We identified two instances in which CNCS did not select the two transactions with the lowest randomly assigned unique identification (ID) numbers. CNCS's SOP states that CNCS will select the two transactions assigned the lowest unique ID numbers for the IPERA sample. In addition, we noted another two instances in which CNCS selected, or may have selected, the wrong transaction.

¹⁵ CNCS's IPERA sample population incorrectly excluded three FFRs for a grantee that reported \$161,604 of Federal expenditures for the period October 1, 2017, through March 31, 2018. CNCS also excluded Training and Technical Assistance (TTA) from the population.

¹⁶ CNCS extracted FFR data using the "FFR To" dates, which identify the end of the FFR period for which the grantee is reporting the expenditures, rather than using the dates the grantee reported the expenditures to CNCS.

payment rates that CNCS published in its FY 2018 AMR may not accurately represent the true improper payment rates applicable to the AmeriCorps, FGP, RSVP, and SCP. Publishing inaccurate and incomplete improper payment rate estimates provide users of the AMR with an inaccurate representation of the potential waste of agency funds. CNCS is therefore not in compliance with the relevant IPERA requirements.¹⁷

Recommendations: We recommend that CNCS:

5. Update its sampling and estimation methodology to ensure that future improper payment estimates are complete and accurate.
6. Consult with OMB to determine whether its methodology appropriately considers all types of errors identified in the sample, particularly non-response and unmatched errors.
7. Implement a quality control process to ensure that it completely and accurately communicates the final testing results to the statisticians for inclusion in the statistical evaluation.
8. Require that personnel extract the sampled population from eGrants within a reasonable timeframe after the close of the reporting period under examination, if it continues to use the “FFR To” dates to identify its IPERA population. If CNCS decides not to continue using the “FFR To” dates to identify its population, it could consider extracting FFR data using the dates the grantees submitted the FFRs.
9. Strengthen supervision and oversight of the sample selection process to ensure that it appropriately considers all instances in which they did not consistently follow the statistical sampling and estimation methodology as part of its statistical evaluation of the improper payment estimate.
10. Implement a revised quality control process designed to verify that CNCS reviewers consistently and accurately select the appropriate sample transactions.
11. Update its current approach for extracting the IPERA FFR sample population as necessary to ensure that CNCS produces a complete FFR sample population. Specifically, the approach should require that CNCS documents the rationale used to determine which FFRs should be included in the IPERA sample population.

Finding 4: CNCS did not develop a comprehensive testing methodology. [Modified repeat finding for FY 2018]

¹⁷ CNCS is not compliant with IPERA Section 2, Subsection (b), Paragraphs (1) and (2). In addition, CNCS did not follow the OMB guidance as outlined in OMB Memorandum M-18-20, Part I, Section A Subsection 1 and Part I, Section D, Subsection 1.

CNCS did not develop a comprehensive testing methodology to reliably estimate the rate and amount of all improper payments reported in the FY 2018 AMR. In addition, it was inconsistent in applying its developed test plans. Further, CNCS did not verify, or appropriately document that it verified, that it had examined all applicable allowability/eligibility requirements to ensure that it had appropriately identified all improper payments.

I. Test Plan Issues

We noted that CNCS had improved its IPERA testing instructions, test plan evaluation sheets (checklists), and CHC testing spreadsheets in response to the FY 2017 IPERA audit; however, the test plans that CNCS used for the FY 2018 IPERA testing were still not sufficient to ensure that CNCS appropriately identified improper payments. We noted the following specific issues:

- a. The staff transaction evaluation sheet does not require the reviewer to ensure that the grantee calculated sampled payroll expenses based on the employee's salary. Instead, it allows the reviewer to determine the reasonableness of an expense based solely on a review of the grant's budget.
***Modified repeat finding from FY 2017 IPERA Audit¹⁸**
- b. The AmeriCorps Member transaction evaluation sheet does not require the reviewer to verify that the amount of the member living allowance payment was appropriate.
***Modified repeat finding from FY 2017 IPERA Audit¹⁸**
- c. The FGP-SCP volunteer transaction evaluation sheet does not require the reviewer to verify that the amount of the stipend payment was appropriate.
***Modified repeat finding from FY 2017 IPERA Audit¹⁸**
- d. The other types of transaction evaluation sheets require the reviewer to verify the transaction amount. However, the testing methodology outlined in the IPERA testing instructions does not enable CNCS to support whether the reviewer drew an accurate conclusion, or how the reviewer reached their conclusion. Specifically, the current test plan does not require the reviewer to document if or how they:
 - i. Verified that the allocation methodology used to charge an expense to an award was appropriate.
 - ii. Re-performed calculations to verify that the amount of a sampled transaction was appropriate.

¹⁸ OMB Circular A-123, Appendix C, Memorandum M-18-20, Part I.A.1 states, "An improper payment is any payment that should not have been made or that was made in an incorrect amount ..."

***Modified repeat finding from FY 2017 IPERA Audit¹⁸**

- e. The staff, AmeriCorps member, FGP-SCP volunteer, and other types of transaction evaluation sheets require the reviewer to verify the grantee incurred the expense during the grant's period of performance (POP). However, the testing methodology outlined in the IPERA testing instructions could cause the reviewer to draw inaccurate conclusions. Specifically, the current test plan does not require the reviewer to identify:
 - i. The grant's actual POP.
 - ii. The actual date the grantee incurred the cost.

***Modified repeat finding from FY 2017 IPERA Audit¹⁹**

- f. Although the CHC testing spreadsheet instructions provide guidance regarding the correct vendor/repository to use for state criminal checks, the spreadsheet does not require the reviewer to document if or how they verified that the grantee used the appropriate repository.

***Repeat finding from FY 2017 IPERA Audit²⁰**

- g. CNCS was able to provide documentation supporting that it had investigated potential gaps in member/employee service as part of its FY 2018 IPERA testing; however, the current spreadsheet does not require the reviewer to verify that returning members had a break in service of fewer than 120 days if the grantee relied on the results of the members' previous history checks rather than conducting a new history check, nor does the spreadsheet require the reviewer to verify that the grantee appropriately performed the prior history checks.

***Modified repeat finding from FY 2017 IPERA Audit²¹**

- h. The spreadsheet does not require the reviewer to verify whether the grantee confirmed the employee's identity using government photo identification.

¹⁹ According to 2 CFR § 200.309, a non-Federal entity may only charge Federal awards for allowable costs incurred during the POP.

²⁰ NSCHC Policies and Procedures, FAQs, Updated March 2, 2018: Question 9.1 states, "CNCS has provided a list of official state repositories and approved alternatives. In January 2017, CNCS also published a new resource, the State by State Guide... [which provides] information on the NSOPW, state repositories and checks, and FBI checks in all states and territories and is searchable by state/territory."

²¹ NSCHC Policies and Procedures, FAQs, Updated March 2, 2018: Question 7.8 states, "If a person has a break in service longer than 120 days, then the entire NSCHC must be done again."

II. Testing Re-Performance Issues

We sampled 60 of the 1,185 transactions tested by CNCS and re-performed CNCS's improper payment sample testing. Using the documentation that CNCS provided, we found multiple instances in which our conclusion differed from that of CNCS.²⁴ Specifically:

- a. We identified two instances in which we disagreed with CNCS's conclusion regarding whether the payment should be deemed proper or improper.
- b. We identified one instance in which we were unable to verify CNCS's conclusion regarding whether the payment should be deemed proper or improper.
- c. We identified 17 instances in which we agreed with CNCS's conclusion as to whether the payment should be deemed proper or improper, but noted that CNCS did not appropriately complete the IPERA testing checklist.
- d. We identified one instance in which CNCS did not review the appropriate documentation to determine reasonableness and necessity of an expense, based on CNCS's testing approach.
- e. We identified one instance in which CNCS had inappropriately calculated the portion of a payment that it deemed to be improper. We determined that CNCS should have identified the entire cost of the sampled transaction as improper, as the payment was not sufficiently supported.

CNCS does not have adequate procedures in place or sufficient staff, supervision, or oversight to ensure that it adequately develops test plans and thoroughly documents testing results in a clear and organized manner to support all final conclusions. As a result, its improper payment error rate and dollar amount do not accurately represent the potential loss to the government. CNCS, therefore, did not comply with IPERA.²⁵

²² NSCHC Policies and Procedures, FAQs, Updated March 2, 2018: Question 8.5 states, "You are only required to check a person's current legal name, as shown on their government identification."

²³ NSCHC Policies and Procedures, FAQs, Updated March 2, 2018: Question 7.1 states, "The regulations require that you: (1) Verify identity against government photo identification..."

²⁴ OMB Circular A-123, Appendix C, Memorandum M-18-20, Part I.D.3 states, "IPERIA requires OMB to instruct agencies to give persons or entities producing improper payment estimates access to all necessary payment data, including access to relevant documentation. In order to produce accurate improper payment estimates, agencies must provide full documentation to persons or entities producing their improper payment estimates... material being held in order for post-payment audits to be performed and to allow internal and external auditors to replicate reported results."

²⁵ For guidance and criteria, refer to the OMB Memorandum M-18-20, Part I, Section A, Subsection 1 and OMB Memorandum M-18-20, Part I, Section D, Subsection 3.

Recommendations: We recommend that CNCS:

12. Update its test plan evaluation sheets to ensure that it addresses all allowability/eligibility criteria applicable to CNCS payments.
13. Verify that the amount of the member's/volunteer's living allowance or stipend payment was appropriate.
14. Document if and how the reviewers determined that the grantee searched the appropriate repositories for the state or vendor background checks that it performed on sampled members/staff.
15. Verify that sampled employees did not have a gap of more than 120 days between service periods in instances in which the grantee relied on background checks from prior service/employment years.
16. Examine documentation to ensure that the grantee verified the members'/ employees' identities using government-issued photo IDs.
17. Document how the reviewer determined that the grantee had appropriately calculated the transaction amount and allocated it to the grant.
18. Update the mandatory training for all CNCS reviewers based on the latest test plans to ensure that all reviewers share a consistent testing methodology and documentation retention plans.
19. Implement controls that strengthen supervision and oversight to ensure that CNCS reviewers thoroughly, sufficiently, and adequately document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationales to support conclusions.

Other Matters to Be Reported

As part of our audit, we evaluated CNCS's performance in reducing and recapturing improper payments and its compliance with reporting requirements for agencies that are not in compliance with IPERA, as outlined in OMB Memorandum M-18-20. The finding noted below is related to these audit objectives.

Finding 5: CNCS did not submit a report to Congress within 30 days of the CNCS-OIG determining that CNCS was not in compliance with IPERA. [Modified repeat finding for FY 2018]

Because CNCS has been non-compliant with IPERA for more than four years, it is required to submit a report to Congress and OMB within 30 days following CNCS OIG's determination of non-compliance. This report must detail activities taken to complete the requirements for one two, three, four, etc. years of non-compliance, to include:

- a. Submitting a plan to OMB and Congress describing the actions that the agency will take to become compliant
- b. Submitting proposals to OMB that will bring the agency into compliance, and
- c. Submitting to Congress and OMB reauthorization or proposed statutory changes to achieve compliance.²⁶

Because CNCS did not fully meet the reporting requirements for agencies that are not compliant under IPERA, OMB and Congress did not have the appropriate level of awareness into the issues that caused CNCS's lack of compliance with IPERA, as well as any additional support and resources that CNCS may need in order to become compliant with IPERA, on a timely basis.

Recommendation: We recommend that CNCS:

20. Take action to comply with the reporting requirements for agencies that have not been compliant under IPERA for four or more consecutive fiscal years, as outlined in OMB Memorandum M-18-20. Specifically, CNCS should update its FY 2019 IPERA reporting procedures to ensure that it submits a report detailing the activities it has taken to complete its IPERA requirements before the deadline and submit the report to all required parties timely.

SUMMARY OF CNCS MANAGEMENT'S RESPONSE

CNCS management's response to the audit findings and recommendations is included as Appendix D. CNCS concurred with 19 of the 20 audit recommendations. CNCS partially concurred with recommendation 3. Specifically, CNCS stated that it is expected to report improper payment rates greater than 10 percent for all programs in FY 2019 and will submit proposals for the next budget session or submit reauthorization proposals if deemed applicable or effective for IPERIA compliance. However, CNCS did not state that it will do both as recommended.

²⁶ OMB Circular A-123, Appendix C, Memorandum M-18-20, Part IV.B.1.d provides the reporting requirements for agencies that are not compliant with IPERA for four or more consecutive fiscal years for the same program or activity.

CNCS also provided a specific response regarding its corrective actions to address all recommendations. CNCS management stated that it has already begun implementing many of the recommendations, including implementing enhanced quality controls of sampling, testing, and reporting for IPERA.

AUDITOR'S COMMENTS ON CNCS MANAGEMENT'S RESPONSE

The corrective actions that CNCS plans to implement meet the intent of our recommendations. We will evaluate CNCS's proposed alternative actions to recommendation 3 along with its corrective actions for the remaining recommendations during our audit resolution process. CNCS management should ensure that the current and proposed corrective actions are taken in a timely manner to address each of the recommendations made in the report.

Cotton & Company LLP

A handwritten signature in black ink, appearing to read "Michael W. Gillespie".

Michael W. Gillespie, CPA, CFE
Partner
June 3, 2019

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objective of our performance audit was to determine if CNCS met OMB's criteria for compliance with IPERA as described in OMB Memorandum M-18-20, including:

- a. Publishing an AFR or PAR for the most recent fiscal year and posting that report and any accompanying materials required by OMB on the agency website.
- b. Conducting a program-specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required).
- c. Publishing improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required).
- d. Publishing programmatic corrective action plans in the AFR or PAR (if required).
- e. Publishing, and meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable).
- f. Reporting a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

We also evaluated the accuracy and completeness of agency improper payment reporting, CNCS's performance in reducing and recapturing improper payments, and CNCS's compliance with reporting requirements for non-compliance with IPERA.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope

As established in OMB Memorandum M-18-20, the scope of this performance audit included the improper payment and reporting details in CNCS's FY 2018 AMR, Section *Other Information*. We designed procedures to gain an understanding of the risk assessment that CNCS performed to identify programs susceptible to a significant risk of improper payments, as well as the statistical sampling process and testing that it performed to calculate its improper payment estimate. Our

procedures also included having a statistical subject matter expert evaluate the statistical validity of the improper payment estimate.

We also designed procedures to evaluate the completeness and accuracy of the information reported in the *Other Information* section of the AMR, including re-performing testing of 60 randomly selected sample items that CNCS had tested in determining its improper payment estimate.

In addition, we designed procedures to evaluate CNCS's performance in reducing and recapturing improper payments.

We performed this work in Washington, DC during the period from January 31 through April 16, 2019. Our results are as of April 16, 2019.

Methodology

To verify compliance, evaluate completeness and accuracy, and evaluate CNCS's performance in reducing and recapturing improper payments, we:

- Reviewed CNCS's FY 2018 AMR and confirmed that the report and any accompanying materials were posted to the agency website.
- Reviewed CNCS's FY 2018 AMR and confirmed whether the presentation was in accordance with the form and content requirements outlined in OMB Circular No. A-136, *Financial Reporting Requirements* (Revised June 2018).
- Evaluated the completeness and accuracy of the IPERA reporting details presented in CNCS's FY 2018 AMR.
- Confirmed whether CNCS conducted a program-specific risk assessment and evaluated the results of the assessment.
- Confirmed whether CNCS published improper payment rate and dollar estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment.
- Evaluated the statistical sampling process that CNCS used to obtain the improper payment rate estimates published in its FY 2018 AMR.
- Evaluated the reasonableness of CNCS's conclusions and the sufficiency of documentation supporting the results of testing procedures that CNCS performed on sample items as part of the statistical sampling and risk assessment processes by conducting reperformance testing using CNCS's test plans.
- Confirmed whether CNCS was required to publish corrective action plans in its FY 2018 AMR.

- Confirmed whether CNCS has published, and met, improper payment reduction targets for each program assessed and measured to be at risk for improper payments.
- Evaluated whether CNCS reported a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the AMR.
- Evaluated other activities performed by CNCS to reduce and recapture improper payments.

In performing this methodology, we applied audit techniques such as inquiry, observation, and re-performance to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings related to the audit objectives.

APPENDIX B

COMPARISON OF FACTORS CONTRIBUTING TO NON-COMPLIANCE FOR FY 2017 AND FY 2018

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Factors Contributing to Non-Compliance for FY 2017</i> | <i>Factors Contributing to Non-Compliance for FY 2018</i> |
|---|--|---|--|
| Published a PAR or AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website. | FY 2017: Compliant FY 2018: Compliant | Not Applicable. CNCS published an AMR on its website that contained all materials required by OMB and therefore met this compliance criterion. | Not Applicable. CNCS published an AMR on its website that contained all materials required by OMB and therefore met this compliance criterion. |
| Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C. (if required) | FY 2017: Not Compliant FY 2018: Compliant | Finding 1 – CNCS did not fully comply with the IPERA risk assessment requirements. [Modified repeat finding of FY 2015 Finding 2] CNCS relied on the results of its FY 2015 risk assessment; however, CNCS did not perform additional procedures to verify that the results of the FY 2015 risk assessment were still valid and covered all programs that the agency administered in FY 2017. | Not Applicable. CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments and therefore met this compliance criterion. |

| Compliance Criteria | Results | Factors Contributing to Non-Compliance for FY 2017 | Factors Contributing to Non-Compliance for FY 2018 |
|---|--|--|--|
| Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under the agency's risk assessment (if required). | FY 2017: Not Compliant FY 2018: Not Compliant | <p>Finding 2 – CNCS's published improper payment estimate is not statistically valid, complete, or accurate. [Modified repeat finding of FY 2015 Finding 4]</p> <ol style="list-style-type: none"> 1. CNCS did not properly project and evaluate the estimated error rate and precision for AmeriCorps, FGP, SCP, and RSVP. CNCS's sampling plan did not recognize that the selection resulted in a stratified sample and should therefore be evaluated as a stratified sample, rather than as a sample from one stratum. 2. CNCS did not properly report all errors identified in its samples. 3. CNCS did not properly extrapolate all errors identified based on the results of its sample testing. 4. CNCS did not correctly or consistently use its methodology to select transactions to test. 5. CNCS did not maintain a thorough audit trail of the final conclusions and testing results as input to the statistical projection and a subsequent file of corrected testing results. 6. The population that CNCS used to select the IPERA sample was not consistent with the proposed sampling methodology. | <p>Finding 3 – CNCS's published improper payment estimate is not complete or accurate. [Modified repeat finding of FY 2017 Finding 2]</p> <ol style="list-style-type: none"> 1. CNCS did not process its samples properly, as we noted multiple instances in which CNCS did not obtain sufficient documentation to support a determination as to whether a sample was proper or improper. 2. CNCS did not properly extrapolate all errors identified based on the results of its sample testing. 3. CNCS did not correctly or consistently use its methodology to select transactions for testing. 4. The population that CNCS used to select its IPERA sample was not consistent with the proposed sampling methodology and appears to be incomplete. <p>Finding 4 – CNCS did not develop a comprehensive testing methodology. [Modified repeat finding of FY 2017 Finding 3]</p> |

| Compliance Criteria | Results | Factors Contributing to Non-Compliance for FY 2017 | Factors Contributing to Non-Compliance for FY 2018 |
|---------------------|---------|--|---|
| | | <p>Finding 3 – CNCS did not properly identify improper payments. [Modified repeat finding of FY 2015 Finding 5]</p> <ol style="list-style-type: none"> 1. The test plan evaluation sheets (checklists) and the NSCHC testing spreadsheet that CNCS used to document its assessment of whether each sampled transaction was proper or improper did not demonstrate that CNCS had evaluated all allowability/eligibility requirements per CFR and CNCS policies and procedures. 2. We sampled 99 transactions tested by CNCS (37 AmeriCorps, 25 FGP, 15 RSVP, and 22 SCP) and used the detailed testing plans and transaction evaluation spreadsheets provided by CNCS to evaluate whether the payment should be deemed proper or improper. Based on our re-performance testing, we arrived at conclusions that differed from CNCS's conclusions, including: <ol style="list-style-type: none"> a. We identified instances in which we disagreed with CNCS's conclusions regarding whether a payment should be deemed proper or improper. | <ol style="list-style-type: none"> 1. The test plan evaluation sheets (checklists) and the NSCHC testing spreadsheet that CNCS used to document its assessment of whether each sampled transaction was proper or improper did not demonstrate that CNCS had evaluated all allowability/eligibility requirements per CFR and CNCS policies and procedures. 2. We randomly sampled 60 transactions tested by CNCS, including 15 transactions each for AmeriCorps, FGP, RSVP, and SCP, and used CNCS's detailed testing plans and transaction evaluation spreadsheets to evaluate whether the payment should be deemed proper or improper. In re-performing CNCS's testing, we arrived at conclusions that differed from CNCS's conclusions, including: <ol style="list-style-type: none"> a. Instances in which we disagreed with CNCS's conclusions regarding whether a payment should be deemed proper or improper. b. One instance in which we were unable to verify CNCS's conclusions regarding whether a payment should be deemed improper, as well as the amount of the payment that should be deemed improper. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Factors Contributing to Non-Compliance for FY 2017</i> | <i>Factors Contributing to Non-Compliance for FY 2018</i> |
|--|--|---|---|
| | | <ul style="list-style-type: none"> b. We identified instances in which we were unable to verify CNCS's conclusions regarding whether a payment should be deemed proper or improper. c. We identified instances in which CNCS did not appropriately complete the IPERA testing checklists and NSCHC testing spreadsheet. | <ul style="list-style-type: none"> c. Instances in which CNCS did not appropriately complete the IPERA testing checklists and the NSCHC testing spreadsheet. |
| Published programmatic corrective action plans in the PAR or AFR (if required). | FY 2017: Compliant FY 2018: Compliant | Not Applicable. CNCS published programmatic corrective action plans in the AMR and therefore met this compliance criterion. | Not Applicable. CNCS published programmatic corrective action plans in the AMR and therefore met this compliance criterion. |
| Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. | FY 2017: Not Compliant FY 2018: Not Compliant | <p>Finding 4 – CNCS did not meet the annual reduction target for AmeriCorps. [Modified repeat finding of FY 2015 Finding 6]</p> <p>CNCS did not meet the FY 2016 reduction target for the AmeriCorps Cost Reimbursement Grant Program.</p> | <p>Finding 2 – CNCS did not meet the annual reduction target for AmeriCorps, FGP, RSVP, and SCP. [Modified repeat finding of FY 2017 Finding 4]</p> <p>CNCS did not meet the FY 2018 reduction targets reported in the FY 2017 AMR for the AmeriCorps, FGP, RSVP, and SCP programs. In addition, we are unable to rely on the results of CNCS's testing.</p> |

| Compliance Criteria | Results | Factors Contributing to Non-Compliance for FY 2017 | Factors Contributing to Non-Compliance for FY 2018 |
|--|--|--|--|
| Reported a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR. | FY 2017: Not Compliant FY 2018: Not Compliant | <p>Finding 5 – CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, and SCP programs. [New finding]</p> <p>CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, and SCP programs in the FY 2017 AMR; however, the estimates for all programs are not statistically valid, complete, or accurate, and we are unable to rely on the results of the testing.</p> | <p>Finding 1 – CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs. [Modified repeat finding of FY 2017 Finding 5]</p> <p>CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs in the FY 2018 AMR; however, the estimates for all programs are not complete or accurate, and we are unable to rely on the results of the testing.</p> <p>Finding 3 – CNCS’s published improper payment estimate is not complete or accurate. [Modified repeat finding of FY 2017 Finding 2]</p> <ol style="list-style-type: none"> 5. CNCS did not process its samples properly, as we noted multiple instances in which CNCS did not obtain sufficient documentation to support a determination as to whether a sample was proper or improper. 6. CNCS did not properly extrapolate all errors identified based on the results of its sample testing. 7. CNCS did not correctly or consistently use its methodology to select transactions for testing. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Factors Contributing to Non-Compliance for FY 2017</i> | <i>Factors Contributing to Non-Compliance for FY 2018</i> |
|----------------------------|----------------|---|--|
| | | | <p>The population that CNCS used to select its IPERA sample was not consistent with the proposed sampling methodology and appears to be incomplete.</p> <p>Finding 4 – CNCS did not develop a comprehensive testing methodology. [Modified repeat finding of FY 2017 Finding 3]</p> <p>3. The test plan evaluation sheets (checklists) and the NSCHC testing spreadsheet that CNCS used to document its assessment of whether each sampled transaction was proper or improper did not demonstrate that CNCS had evaluated all allowability/eligibility requirements per CFR and CNCS policies and procedures.</p> <p>4. We randomly sampled 60 transactions tested by CNCS, including 15 transactions each for AmeriCorps, FGP, RSVP, and SCP, and used CNCS’s detailed testing plans and transaction evaluation spreadsheets to evaluate whether the payment should be deemed proper or improper. In re-performing CNCS’s testing, we arrived at conclusions that differed from CNCS’s conclusions, including:</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Factors Contributing to Non-Compliance for FY 2017</i> | <i>Factors Contributing to Non-Compliance for FY 2018</i> |
|----------------------------|----------------|---|--|
| | | | <ul style="list-style-type: none"> a. Instances in which we disagreed with CNCS's conclusions regarding whether a payment should be deemed proper or improper. b. One instance in which we were unable to verify CNCS's conclusions regarding whether a payment should be deemed improper, as well as the amount of the payment that should be deemed improper. c. Instances in which CNCS did not appropriately complete the IPERA testing checklists and the NSCHC testing spreadsheet. |

| <i>Status of Other Matters to Be Reported</i> | |
|--|---|
| <p>Finding 8 – CNCS did not complete the reporting required as a result of its non-compliance with IPERA for three consecutive fiscal years. <i>[Modified repeat finding of FY 2015 Finding 9]</i></p> <p>CNCS did not report to OMB and Congress as required as a result of CNCS's non-compliance with IPERA for more than three consecutive fiscal years.</p> | <p>Finding 5 – CNCS did not submit a report to Congress within 30 days of the CNCS-OIG determining that CNCS was not in compliance with IPERA. <i>[Modified repeat finding of FY 2017 Finding 8]</i></p> <p>CNCS was required to submit a report to OMB and Congress as a result of its non-compliance with IPERA for more than four consecutive fiscal years; however, CNCS did not submit this report to Congress within 30 days of determining that it was not compliant with IPERA, as required.</p> |

| Status of Other Matters to Be Reported | |
|---|---|
| <p>Finding 6 – CNCS did not adequately report on high-dollar overpayments. <i>[Modified repeat finding of FY 2015 Finding 7]</i></p> <p>CNCS did not update its HDOP [high-dollar overpayments] process document to include SCP as a risk-susceptible program subject to HDOP reporting. Further, although CNCS reported on HDOP to both the OIG and OMB for all four quarters of FY 2017, the HDOP reporting memos for the second and third quarters of FY 2017 did not list the specific programs that CNCS had defined as risk-susceptible and included in the reporting.</p> | <p>Not Applicable. No issue noted for FY 2018 audit.</p> |
| <p>Finding 7 – CNCS did not complete a cost-benefit assessment for payment recapture audits. <i>[Modified repeat finding of FY 2015 Finding 8]</i></p> <p>CNCS did not complete a cost-benefit analysis in FY 2017 of its programs that expend \$1 million or more annually, to determine if recapture/recovery audits are cost-effective.</p> | <p>Not Applicable. No issue noted for FY 2018 audit.</p> |

APPENDIX C

COMPARISON OF RECOMMENDATIONS TO ADDRESS NON-COMPLIANCE FOR FY 2017 AND FY 2018

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|---|--|---|---|
| Published a PAR or AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website. | FY 2017: Compliant FY 2018: Compliant | Not Applicable. CNCS published an AMR on its website that contained all materials required by OMB and therefore met this compliance criterion. | Not Applicable. CNCS published an AMR on its website that contained all materials required by OMB and therefore met this compliance criterion. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|--|--|--|--|
| Conducted a program-specific risk assessment for each program or activity that conforms with Section 3321 of Title 31 U.S.C. (if required) | FY 2017: Not Compliant FY 2018: Compliant | (Finding 1) We recommend that CNCS: <ol style="list-style-type: none"> 1. Take action to improve the IPERA risk assessment process to fully comply with the IPERA requirements. Specifically, this should include: <ol style="list-style-type: none"> a. Performing procedures to confirm the completeness and validity of the prior-year risk assessment, if relying on a risk assessment from a prior year. b. Ensuring that CNCS maintains documentation to support that it verified the completeness and validity of the risk assessment that it is relying upon for the current year. | Not Applicable. CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments and therefore met this compliance criterion. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|---|--|---|---|
| Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under the agency's risk assessment (if required). | FY 2017: Not Compliant FY 2018: Not Compliant | (Finding 2) We recommend that CNCS: 2. Implement a statistically valid method for extrapolating and evaluating the improper payment estimate and strengthen oversight throughout the planning and estimation process to comply with IPERA. Specifically, this should include: a. Consulting with OMB, as necessary, to: i. Update its alternative sampling methodology and extrapolation approach to consider whether: 1. CNCS should select a stratified sample and evaluate the results as a stratified sample, but not as a sample from one stratum. 2. If selecting a stratified sample, CNCS should use a minimum sample size in each stratum to obtain a reasonable measure of the variance. | (Finding 3) We recommend that CNCS: 5. Update its sampling and estimation methodology to ensure that future improper payment estimates are complete and accurate. 6. Consult with OMB to determine whether its methodology appropriately considers all types of errors identified in the sample, particularly non-response and unmatched errors. 7. Implement a quality control process to ensure that it completely and accurately communicates the final testing results to the statisticians for inclusion in the statistical evaluation. 8. Require that personnel extract the sampled population from eGrants within a reasonable timeframe after the close of the reporting period under examination, if it continues to use the "FFR To" dates to identify its IPERA population. If CNCS decides not to continue using the "FFR To" dates to identify its population, it could consider extracting FFR data using the dates the grantees submitted the FFRs. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|---|--|
| | | <p>3. An alternative population of FFRs or an alternative allocation of FFRs to the strata might result in a realistic statistical approach, given CNCS's resource constraints. All programs do not need to be subject to the same split of strata.</p> <p>4. The extrapolation approach appropriately considers all types of errors (unmatched and non-responsive) identified in the sample.</p> <p>ii. Have an alternative non-statistical sampling methodology approved.</p> <p>iii. Determine any steps necessary to publish corrected FY 2017 improper payment rates and amounts</p> | <p>9. Strengthen supervision and oversight of the sample selection process to ensure that it appropriately considers all instances in which they did not consistently follow the statistical sampling and estimation methodology as part of its statistical evaluation of the improper payment estimate.</p> <p>10. Implement a revised quality control process designed to verify that CNCS reviewers consistently and accurately select the appropriate sample transactions.</p> <p>11. Revisit its current approach for extracting the IPERA FFR sample population and update the approach as necessary to ensure that CNCS produces a complete FFR sample population. Specifically, the approach should require that CNCS documents the rationale used to determine which FFRs should be included in the IPERA sample population.</p> <p>(Finding 4) We recommend that CNCS:</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|--|--|
| | | <ul style="list-style-type: none"> b. Strengthening the supervision and oversight surrounding sampling processes to ensure that employees and consultants correctly and consistently execute the approved sampling methodology and that employees appropriately document and obtain approval for any changes to the approved methodology. c. Strengthening the administrative and management controls and processes for maintaining sufficient documentation to support the results of the IPERA sampling and testing processes <p>3. (Finding 3) We recommend that CNCS: Take corrective action to develop a comprehensive testing methodology and consistently apply that methodology to all selected sample items. Specifically, CNCS should:</p> | <ul style="list-style-type: none"> 12. Update its test plan evaluation sheets to remove unnecessary attributes that are not related to the IPERA testing objectives and ensure that it addresses all allowability/eligibility criteria applicable to CNCS payments. 13. Verify that the amount of the member's/volunteer's living allowance or stipend payment was appropriate. 14. Document if and how the reviewers determined that the grantee searched the appropriate repositories for the state or vendor background checks that it performed on sampled members/staff. 15. Verify that sampled employees did not have a gap of more than 120 days between service periods in instances in which the grantee relied on background checks from prior service/employment years. 16. Examine documentation to ensure that the grantee verified the members'/employees' identities using government-issued photo IDs. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|-----------------------------------|-----------------------|---|---|
| | | <ul style="list-style-type: none"> a. Update its test plan evaluation sheets to remove unnecessary attributes that are not related to the IPERA testing objectives and ensure that it addresses all allowability/eligibility criteria applicable to CNCS payments. b. Update the mandatory training for all CNCS reviewers based on the more comprehensive test plans to ensure that the reviewers use consistent testing methodology and documentation retention plans. c. Implement controls that strengthen supervision and oversight to ensure that CNCS reviewers thoroughly document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationale to support their conclusions. | <ul style="list-style-type: none"> 17. Document how the reviewer determined that the grantee had appropriately calculated the transaction amount and allocated it to the grant. 18. Update the mandatory training for all CNCS reviewers based on the latest test plans to ensure that all reviewers share a consistent testing methodology and documentation retention plans. 19. Implement controls that strengthen supervision and oversight to ensure that CNCS reviewers thoroughly, sufficiently, and adequately document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationales to support conclusions. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|--|--|---|---|
| Published programmatic corrective action plans in the PAR or AFR (if required). | FY 2017: Compliant FY 2018: Compliant | Not Applicable. CNCS published programmatic corrective action plans in the AMR and therefore met this compliance criterion. | Not Applicable. CNCS published programmatic corrective action plans in the AMR and therefore met this compliance criterion. |
| Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. | FY 2017: Not Compliant FY 2018: Not Compliant | (Finding 4) We recommend that CNCS implement corrective actions to address the root cause of improper payments identified for AmeriCorps. After implementing an improved statistical methodology and improved testing approach, CNCS should develop and report realistic reduction targets for subsequent fiscal years and provide a rationale and justification as part of the reported improper payments targets. | (Finding 2) We recommend that CNCS: 4. Develop a detailed plan to report realistic reduction targets based on an evaluation of the root causes of improper payments identified in the FY 2018 IPERA testing and an evaluation of CNCS's planned corrective actions. Specifically, CNCS should consider the following when establishing this plan: availability of sufficient staff to implement the planned corrective actions, potential effects of any guidance that CNCS publishes during FY 2019 regarding the IPERA testing process, planned updates to the statistical methodology and test plans for the FY 2019 IPERA program, and whether it can reasonably justify the rationale used to establish the reduction target rates. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|--|--|---|--|
| Reported a gross improper payment rate of less than ten percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR. | FY 2017: Not Compliant FY 2018: Not Compliant | (Finding 5) We recommend that CNCS Implement corrective actions to address the root cause of improper payments identified in the AmeriCorps, FGP, RSVP, and SCP programs. | (Finding 1) We recommend that CNCS: <ol style="list-style-type: none"> 1. Fully implement planned programmatic corrective actions and identify periodic reporting mechanisms to address the root causes of improper payments identified in the AmeriCorps, FGP, RSVP, and SCP grant programs. CNCS should meet with relevant AmeriCorps, FGP, RSVP, and SCP program staff to discuss all improper payments identified during the FY 2018 IPERA testing, including both those payments related to criminal history checks (CHCs) and those payments not related to CHCs, and brainstorm potential corrective actions, so that both CNCS Office of the Chief Risk Officer (OCRO) staff and program staff can be held accountable. |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|-----------------------------------|-----------------------|---|---|
| | | | <p>2. Once CNCS has identified potential corrective actions, CNCS OCRO should draft a step-by-step approach that contains specific milestones identifying target completion dates and responsible program staff for each corrective action and then share this approach with program staff. After establishing specific milestones, completion dates, and responsible parties within each program, CNCS OCRO should schedule periodic reporting mechanisms to ensure that it appropriately prioritizes and reports on all actions needed to resolve the root causes of improper payments for each program, as outlined in the milestone schedule.</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|--|---|
| | | | <p>3. Determine the likelihood that it will publish improper payment rates of greater than ten percent in FY 2019, then re-consider the actions it will need to take to ensure compliance with IPERA. Specifically, if CNCS anticipates it will not be compliant for a specific program, CNCS should determine whether the following will support compliance: creating and submitting proposals to OMB during the next budget session and if applicable, exercising reprogramming or transfer authority to provide additional funding to meet the level determined by the Director of OMB; submitting reauthorization proposals for the program(s); or proposing statutory changes to bring the program(s) into compliance.</p> <p>(Finding 3) We recommend that CNCS:</p> <p>5. Update its sampling and estimation methodology to ensure that future improper payment estimates are complete and accurate.</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|--|--|
| | | | <p>6. Consult with OMB to determine whether its methodology appropriately considers all types of errors identified in the sample, particularly non-response and unmatched errors.</p> <p>7. Implement a quality control process to ensure that it completely and accurately communicates the final testing results to the statisticians for inclusion in the statistical evaluation.</p> <p>8. Require that personnel extract the sampled population from eGrants within a reasonable timeframe after the close of the reporting period under examination, if it continues to use the “FFR To” dates to identify its IPERA population. If CNCS decides not to continue using the “FFR To” dates to identify its population, it could consider extracting FFR data using the dates the grantees submitted the FFRs.</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|--|--|
| | | | <p>9. Strengthen supervision and oversight of the sample selection process to ensure that it appropriately considers all instances in which they did not consistently follow the statistical sampling and estimation methodology as part of its statistical evaluation of the improper payment estimate.</p> <p>10. Implement a revised quality control process designed to verify that CNCS reviewers consistently and accurately select the appropriate sample transactions.</p> <p>11. Revisit its current approach for extracting the IPERA FFR sample population and update the approach as necessary to ensure that CNCS produces a complete FFR sample population. Specifically, the approach should require that CNCS documents the rationale used to determine which FFRs should be included in the IPERA sample population.</p> <p>(Finding 4) We recommend that CNCS:</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|----------------------------|----------------|--|---|
| | | | <p>12. Update its test plan evaluation sheets to remove unnecessary attributes that are not related to the IPERA testing objectives and ensure that it addresses all allowability/eligibility criteria applicable to CNCS payments.</p> <p>13. Verify that the amount of the member's/volunteer's living allowance or stipend payment was appropriate.</p> <p>14. Document if and how the reviewers determined that the grantee searched the appropriate repositories for the state or vendor background checks that it performed on sampled members/staff.</p> <p>15. Verify that sampled employees did not have a gap of more than 120 days between service periods in instances in which the grantee relied on background checks from prior service/employment years.</p> <p>16. Examine documentation to ensure that the grantee verified the members'/employees' identities using government-issued photo IDs.</p> |

| <i>Compliance Criteria</i> | <i>Results</i> | <i>Recommendations to Address Non-Compliance for FY 2017</i> | <i>Recommendations to Address Non-Compliance for FY 2018</i> |
|-----------------------------------|-----------------------|---|--|
| | | | <p>17. Document how the reviewer determined that the grantee had appropriately calculated the transaction amount and allocated it to the grant.</p> <p>18. Update the mandatory training for all CNCS reviewers based on the latest test plans to ensure that all reviewers share a consistent testing methodology and documentation retention plans.</p> <p>19. Implement controls that strengthen supervision and oversight to ensure that CNCS reviewers thoroughly, sufficiently, and adequately document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationales to support conclusions.</p> |

| Status of Other Matters to Be Reported | |
|--|--|
| <p>(Finding 8) We recommend that CNCS take action to meet the reporting requirements that apply to agencies that have been non-compliant with IPERA for three consecutive fiscal years. Specifically, CNCS should submit the following reports to OMB and Congress:</p> <ul style="list-style-type: none"> a. Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years. b. Proposed statutory changes necessary to bring the program or activity into compliance. | <p>(Finding 5) We recommend that CNCS:</p> <ul style="list-style-type: none"> 20. Take action to comply with the reporting requirements for agencies that have not been compliant under IPERA for four or more consecutive fiscal years, as outlined in OMB Memorandum M-18-20. Specifically, CNCS should update its FY 2019 IPERA reporting procedures to ensure that it submits a report detailing the activities it has taken to complete its IPERA requirements before the deadline and submit the report to all required parties timely. |
| <p>(Finding 6) We recommend that CNCS improve its process for reporting HDOP to comply with IPERA requirements, including:</p> <ul style="list-style-type: none"> a. Implementing sufficient supervision and oversight of the HDOP reporting process to ensure that the HDOP reports specify each program as risk-susceptible, including programs that CNCS determines do not have HDOPs during the quarter. b. Updating its HDOP process document to include SCP as a risk-susceptible program subject to HDOP reporting. | <p>Not Applicable. No issue noted for FY 2018 audit.</p> |
| <p>(Finding 7) We recommend that CNCS conduct and adequately document the results of an annual assessment to determine whether payment recapture audits or other recovery activities are cost-effective for CNCS programs that annually expend \$1 million or more.</p> | <p>Not Applicable. No issue noted for FY 2018 audit.</p> |

APPENDIX D

CNCS MANAGEMENT'S RESPONSE

Corporation for National and Community Service

NationalService.gov



To: Deborah Jeffrey, Inspector General

From: Lori Giblin, Chief Risk Officer

Cc: Barbara Stewart, Chief Executive Officer
Dana Bourne, Acting Chief Operating Officer
Robert McCarty, Chief Financial Officer
Tim Noelker, General Counsel
Desiree Tucker-Sorini, Chief of Staff

Date: May 29, 2019

Subject: CNCS Management Response to OIG Draft Report: Performance Audit of the Corporation for National and Community Service's Compliance with Improper Payments Elimination and Recovery Act of 2010 for Fiscal Year 2018

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) draft report on the FY 2018 IPERA Audit conducted by Cotton & Co. As demonstrated by the improvements noted in the audit, CNCS continues to make progress towards IPERA compliance. CNCS is pleased to report that, since the FY 2017 audit:

1. The agency enhanced its overall IPERA compliance reporting and is now compliant with three of the six Office of Management and Budget (OMB) criteria. The agency continues to implement corrective action plans to become fully compliant so CNCS may join the ranks of the 10 of the 24 CFO Act agencies that reported full IPERA compliance in 2017¹.
2. CNCS fully addressed three of the eight findings and associated recommendations from the FY 2017 audit – all of which were removed from the FY 2018 report. These findings included eight unimplemented or open recommendations from previous audits that were reported in the Office of the Inspector General's Semiannual Report which are now closed.
3. The Office of the Chief Risk Officer adopted the OIG's recommended extrapolation methodology for FY 2018. While the new extrapolation methodology enhances the statistical validity of the agency's reporting, the changes in the calculation are so significant it effectively renders the agency's FY 2017 and FY 2018 reported rates not comparable. The agency continues to implement the new methodology in FY 2019 and will report comparable rates between FY 2018 and 2019 in its FY 2019 IPERA report.

¹ Government Accountability Office, *Improper Payments: Additional Guidance Needed to Improve Oversight of Agencies with Noncompliant Programs*, GAO 19-14, (Washington, D.C. December 7, 2018)

4. CNCS concurs fully with 19 recommendations, and partially concurs with one recommendation.
5. CNCS has completed corrective action or corrective action is in progress on 15 of the 20 recommendations which are detailed in the Corrective Action Plan including:
 - a. Creating a visual tool to more effectively report improper payment results to programs (recommendation 1)
 - b. Meeting with its statisticians to update its sampling and estimation methodology, as appropriate (recommendations 5, 7, and 11)
 - c. Created a Visual Basics for Application (VBA) tool to detect inconsistencies in testing worksheets and testing results spreadsheets (recommendation 7)
 - d. Implemented a 100% quality control procedure over random sampling and transaction testing (recommendations 9, 10, and 19)
 - e. Updated or is in the process of updating testing sheets to include the additional attributes (recommendations 12-17)
 - f. Scheduled retraining for staff performing random sampling and transaction testing (recommendations 9, 10, 18, and 19)
 - g. Updating its improper payments Standard Operating Procedures document to include the specific reporting deadlines for the IPERA compliance reports (recommendation 20).

Work on the remaining 5 recommendations will be complete prior to the next audit cycle.

The agency has made progress in addressing the key driver of the improper payment rate – the implementation of the National Service Criminal History Check (NSCHC) requirements. In the past twelve months, the agency contracted with a new vendor to assist grantees in meeting their NSCHC requirements. This new vendor, along with CNCS's current FBI channeler, gives our grantees the tools necessary to complete all required components of NSCHC.

To support the use of the two vendors, in November 2018, the agency also dedicated funding and provided grantees with an exemption period allowing grantees to use the agency's contracted NSCHC vendors to perform checks on all covered positions in their portfolios. This exemption period effectively allows grantees to address unreported or unidentified noncompliance that could impact future IPERIA testing. The exemption period ends on June 30, 2019 and the agency expects the results of this new approach to NSCHC compliance to be reported in FY 2020 testing.

The attached, detailed corrective action plan addresses the individual findings and recommendations and comprises the agency's management response to the audit.

FY 2018 IPERA Audit OCRO Corrective Action Plan

| OIG Report 19-XX Corrective Action Plan Updated as of 05/20/2019 | | | | | |
|--|---|------------------|--|------------------------------|-------------|
| NFR 1 Finding: CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs. | | | | | |
| Audit Rec # | Recommendation | CNCS Concurrence | Corrective Action Plan Steps | OCRO Planned Completion Date | OCRO Status |
| 1 | Fully implement planned programmatic corrective actions and identify periodic reporting mechanisms to address the root causes of improper payments identified in the AmeriCorps, FGP, RSVP and SCP grant programs. | Concur | <ol style="list-style-type: none"> 1. CNCS developed a new Excel tool to present improper payments in an easier visual format. This tool was shared with program and grants staff. 2. CNCS/OCRO has shared the all improper payments data related to the FY2018 IPERA testing with AmeriCorps, Senior Corps, and the Office of Grants Management. 3. Interim meetings during the FY 2019 improper payments will be held to keep program and grants leadership apprised of the progress. 4. CNCS has contracted with a vendor, TrueScreen, to perform state and NSOPW checks with the goal of reducing the barriers to NSCHC compliance. 5. In November 2018 access to TrueScreen was made available to all CNCS grantees. Furthermore, CNCS established an exemption period to allow all CNCS grantees to conduct NSCHC re-checks. The exemption period is November 2018 – June 2019 and includes the provision of supplemental funding to grantees. 6. AmeriCorps implemented a new pre-enrollment process in July 2018 which requires programs to verify/certify that all NSCHC components were completed prior to member enrollment. 7. After the completion of the exemption period, CNCS will perform an analysis on the impact to determine if this is still a significant root cause of improper payments. | 11/15/2019 | In Progress |
| 2 | Develop a step-by-step approach that contains specific milestones identifying target completion dates and responsible Chief Risk Officer (OCRO) or program staff for each corrective action. | Concur | <ol style="list-style-type: none"> 1. After CNCS determines the impact of the vendor, it will create a corrective action plan to address the remaining CHC and non-CHC root causes. This plan will contain specific actions, milestones, and clear responsible parties. | 11/15/2019 | In Progress |
| 3 | <p>Determine the likelihood that it will publish improper payment rates of greater than ten percent in FY 2019, then for those specific programs that most likely will not be compliant, CNCS should:</p> <ul style="list-style-type: none"> • create and submit proposals to OMB during the next budget session and if applicable, exercise reprogramming or transfer authority to provide additional funding to meet the level determined by the Director of OMB; • submit reauthorization proposals for the program(s), or propose statutory changes to bring the program(s) into compliance | Partially Concur | <p>CNCS is expected to report improper payment rates greater than 10% for all programs in FY 2019.</p> <ol style="list-style-type: none"> 1. CNCS will submit proposals for the next budget session or submit reauthorization proposals if deemed applicable or effective for IPERIA compliance. <p>This information will be found in CNCS's Noncompliant Report to Congress.</p> | 06/14/2019 | In Progress |

FY 2018 IPERA Audit OCRO Corrective Action Plan

| OIG Report 19-XX Corrective Action Plan Updated as of 05/20/2019 | | | | | |
|--|--|------------------|---|------------------------------|-------------|
| NFR 2 Finding: CNCS did not meet the annual reduction target for the AmeriCorps, FGP, RSVP, and SCP grant programs. | | | | | |
| Audit Rec # | Recommendation | CNCS Concurrence | Corrective Action Plan Steps | OCRO Planned Completion Date | OCRO Status |
| 4 | Develop a detailed plan to report realistic reduction targets based on an evaluation of the root causes of improper payments identified in the FY 2018 IPERA testing and CNCS's planned corrective actions. The detailed plan should include establishing accountable parties in OCRO and the four grant programs tested for IPERA to achieve the reduction targets and should focus on the availability of staff to implement planned corrective actions. Further, CNCS should consider the potential effects of any guidance that CNCS publishes during FY 2019 regarding the IPERA testing process, planned updates to the statistical methodology and test plans for the FY 2019 IPERA program and whether it can reasonably justify the rationale used to establish the reduction target rates. | Concur | 1. CNCS will update its SOP to be more specific on how reduction targets are determined. 2. CNCS will use the analysis of the impact of the NSCHC vendor to determine if this has a material effect on FY 2020 reduction targets. | 11/15/2019 | In Progress |
| NFR 3 Finding: CNCS's published improper payment estimate is not complete or accurate. | | | | | |
| 5 | Update its sampling and estimation methodology to ensure that future improper payment estimates are complete and accurate. | Concur | 1. CNCS will review its sampling methodology to ensure it is complete and accurate and will produce statistically valid results. 2. Any updates to this methodology will be included in CNCS's June 30 th methodology to OMB. | 06/30/2019 | In Progress |
| 6 | Consult with OMB to determine whether its methodology appropriately considers all types of errors identified in the sample, particularly non-response and unmatched errors. | Concur | 1. CNCS will consult with OMB about its sampling methodology to determine whether the methodology appropriately considers all types of errors, specifically those related to non-response and unmatched errors. | 06/30/2019 | In Progress |
| 7 | Implement a quality control process to ensure that it completely and accurately communicates the final testing results to the statisticians for inclusion in the statistical evaluation. | Concur | 1. CNCS is in the process of developing a tool utilizing macros within Microsoft Excel Visual Basics for Application (VBA) technology to intelligently extract data from all testing sheets and audit trails. This data extraction will be used to perform quality control review seeking out inconsistencies and input errors. 2. CNCS will ensure it provides its statisticians testing results in a timely manner to allow for a quality control check on their work. | 06/30/2019 | In Progress |

FY 2018 IPERA Audit OCRO Corrective Action Plan

| OIG Report 19-XX Corrective Action Plan Updated as of 05/20/2019 | | | | | |
|---|---|------------------|---|------------------------------|-------------|
| Audit Rec # | Recommendation | CNCS Concurrence | Corrective Action Plan Steps | OCRO Planned Completion Date | OCRO Status |
| 8 | Require that personnel extract the sampled population from eGrants within a reasonable timeframe after the close of the reporting period under examination, if it continues to use the "FFR To" dates to identify its IPERA population. If CNCS decides not to continue using the "FFR To" dates to identify its population, it could consider extracting FFR data using the dates the grantees submitted the FFRs. | Concur | <ol style="list-style-type: none"> 1. CNCS, along with its contracted statisticians, will perform an analysis to verify the number of FFRs that could be excluded from the sample population if it is generated too close to the due date. 2. If the FFRs that are not captured are found to be statistically significant, CNCS will revise its procedures and methodology to ensure the sample population is complete. | 06/30/2019 | In Progress |
| 9 | Strengthen supervision and oversight of the sample selection process to ensure that it appropriately considers all instances in which they did not consistently follow the statistical sampling and estimation methodology as part of its statistical evaluation of the improper payment estimate. | Concur | <ol style="list-style-type: none"> 1. CNCS will retrain all staff performing sample selection to emphasize the methodology, the importance of consistency, and the removal of any non-transaction lines from the general ledgers and subsidiary ledgers. | 06/30/2019 | In Progress |
| 10 | Implement a revised quality control process designed to verify that CNCS's reviewers consistently and accurately select the appropriate sample transactions. | Concur | <ol style="list-style-type: none"> 1. CNCS has implemented a new procedure to clearly support its sample selection. For every sample, all stages of the sample process are reperfomed, reviewed, and tracked in a quality control tracker. | 06/15/2019 | Complete |
| 11 | Revisit its current approach for extracting the IPERA FFR sample population and update the approach as necessary to ensure that CNCS produces a complete FFR sample population. Specifically, the approach should require that CNCS documents the rationale used to determine which FFRs should be included in the IPERA sample population. | Concur | <ol style="list-style-type: none"> 1. CNCS will revisit its methodology for extracting the IPERA FFR sample population to ensure that all federal expenditures that should be included are included in the sample population. 2. Any rationale used will be clearly documented. 3. If it is found that there are other appropriate FFRs that should be included in the population, that will be implemented during the 2020 IPERA testing cycle. | 08/30/2019 | In Progress |
| NFR 4 Finding: CNCS did not develop a comprehensive testing methodology. | | | | | |
| 12 | Update its test plan evaluation sheets to remove unnecessary attributes that are not related to the IPERA testing objectives and ensure that it addresses all allowability/eligibility criteria applicable to CNCS payments. | Concur | <ol style="list-style-type: none"> 1. CNCS has eliminated all unnecessary attributes. 2. CNCS will update its testing sheets to address the allowability and eligibility criteria cited in this audit. | 06/15/2019 | In Progress |
| 13 | Verify that the amount of the member's/volunteer's living allowance or stipend payment was appropriate. | Concur | <ol style="list-style-type: none"> 1. CNCS has updated its testing sheets and procedures to verify member living allowance payments are correct. 2. CNCS added volunteer stipend payments into its testing criteria in FY 2018. | 06/15/2019 | Complete |
| 14 | Document if and how the reviewers determined that the grantee searched the appropriate repositories for the state or vendor background checks that it performed on sampled members/staff. | Concur | <ol style="list-style-type: none"> 1. CNCS will update its NSCHC testing spreadsheet to include this attribute. 2. CNCS reviewers will include in the workpaper markup what source was used to confirm the correct repository was used, ex. The designated state repositories list. | 06/15/2019 | In Progress |

FY 2018 IPERA Audit OCRO Corrective Action Plan

| OIG Report 19-XX Corrective Action Plan Updated as of 05/20/2019 | | | | | |
|---|---|------------------|--|------------------------------|-------------|
| Audit Rec # | Recommendation | CNCS Concurrence | Corrective Action Plan Steps | OCRO Planned Completion Date | OCRO Status |
| 15 | Verify that sampled employees did not have a gap of more than 120 days between service periods in instances in which the grantee relied on background checks from prior service/employment years. | Concur | 1. CNCS will update its NSCHC testing spreadsheet to include this attribute. | 06/15/2019 | In Progress |
| 16 | Examine documentation to ensure that the grantee verified the members'/ employees' identities using government-issued photo IDs. | Concur | 1. CNCS will update its NSCHC testing spreadsheet to include this attribute. | 06/15/2019 | In Progress |
| 17 | Document how the reviewer determined that the grantee had appropriately calculated the transaction amount and allocated it to the grant. | Concur | 1. CNCS has updated its testing procedures to include asking the grantees for the basis of allocations to the grant i.e. square footage, FTE 2. CNCS recalculates all transaction amounts, when applicable. | 06/15/2019 | Complete |
| 18 | Update the mandatory training for all CNCS reviewers based on the latest test plans to ensure that all reviewers share a consistent testing methodology and documentation retention plans. | Concur | 1. CNCS is in the process of updating its mandatory training for all CNCS reviewers to address the additional attributes, transaction testing findings from the FY 2018 IPERA audit, and maintain appropriate documentation to support findings. | 06/15/2019 | In Progress |
| 19 | Implement controls that strengthen supervision and oversight to ensure that CNCS reviewers thoroughly, sufficiently, and adequately document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationales to support conclusions. | Concur | 1. In FY 2019, all transaction reviews currently are receiving at least one quality control check. This process will continue throughout FY19 testing and will be included in the SOPs. | 03/30/2019 | Complete |
| NFR 5 <i>Finding: CNCS did not submit a report to Congress within 30 days of the CNCS-OIG determining that CNCS was not in compliance with IPERA.</i> | | | | | |
| 20 | Take action to comply with the reporting requirements for agencies that have not been compliant under IPERA for four or more consecutive fiscal years, as outlined in OMB Memorandum M-18-20. Specifically, CNCS should update its FY 2019 IPERA reporting procedures to ensure that it submits a report detailing the activities it has taken to complete its IPERA requirements before the deadline and submit the report to all required parties timely. | Concur | 1. CNCS will update its SOP to add a section which clearly identifies the reporting deadlines and submission requirements for mandatory IPERA compliance reports. | 06/15/2019 | In Progress |

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