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 2019

OIG Report 20-04

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May 15, 2020

MEMORANDUM TO: Barbara Stewart
                            Chief Executive Officer

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

SUBJECT: Office of Inspector General Final Report 20-04: *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 2019*

Enclosed is the Office of Inspector General Final Report 20-04: *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 2019.* 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.

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

Enclosure:
As stated

cc: Lisa Guccione, Acting Chief of Staff
       Jill Graham, Acting Chief Risk Officer
       Scott Hefter, Chief Operating Officer
       Doug Hilton, Acting Chief Financial Officer
       Rachel Turner, Audits and Investigations Program Manager
       Megan Mesko, Partner, Cotton & Company LLP

Executive Summary

Date: May 15, 2020
Report No. 20-04

OFFICE OF INSPECTOR GENERAL
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CORPORATION FOR
NATIONAL & COMMUNITY SERVICE

Why We Did This Audit

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires that the Inspector General determine whether the agency is following the law and submit a report on that determination each fiscal year. Applicable requirements from the Office of Management and Budget (OMB) directs the Inspector General to evaluate the accuracy and completeness of the agency's improper payment reporting, as well as its performance in reducing and recapturing improper payments.

How We Did This Audit

The Office of Inspector General of the Corporation for National and Community Service (CNCS-OIG) contracted with Cotton & Company LLP to conduct this performance audit of the Corporation for National and Community Service's (CNCS's) compliance with IPERA for FY 2019.

Our audit objective was to determine whether CNCS met the six IPERA compliance requirements outlined by OMB, including determining if CNCS: (1) published and posted its FY 2019 Annual Management Report (AMR); (2) conducted risk assessments; (3) published improper payment estimates; (4) published programmatic corrective action plans; (5) published and met annual reduction targets; and (6) reported a gross improper payment rate of less than 10 percent.

What We Found

Despite continuing work to improve, CNCS did not meet three of the six IPERA compliance criteria, unchanged from FY 2018.

- CNCS was unable to reliably estimate the amount and the rate of improper payments made in the AmeriCorps State and National Program (AmeriCorps), the Foster Grandparent Program (FGP), the Senior Companion Program (SCP) and the Retired and Senior Volunteer Program (RSVP).
- Each of the programs estimated that more than ten percent of its payments were improper.
- CNCS failed to meet its targets for reducing improper payments, which instead increased in each of the programs.

What We Recommend and Management's Comments

CNCS agreed with majority of our recommendations to improve corrective actions, reporting mechanisms, mandatory training, and the reliability of its statistical estimate, important steps toward reducing its improper payment rates in the four grant programs.

CNCS disagreed with certain aspects of our recommendations regarding follow-ups to corrective action plans and including accountability measures in individual performance plans.

CNCS also disagreed with our recommendations to improve its current treatment of unmatched reporting errors and zero-dollar transactions and a desired precision based upon its anticipated improper payment rates. We adhere to our recommendations.

CNCS provided a corrective action plan to respond to the audit findings and recommendations that they concurred with, attached in Appendix D.

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 2019

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I.   Results in Brief

The Corporation for National and Community Service (CNCS) remains unable to reliably estimate the amount or the rate of improper payments in the AmeriCorps State and National Program (AmeriCorps), the Foster Grandparent Program (FGP), the Senior Companion Program (SCP) and the Retired and Senior Volunteer Program (RSVP). Historically, CNCS has not met its targets for reducing improper payments, nor has it achieved a rate of improper payments below the ten percent threshold required to comply with the Improper Payments Elimination and Recovery Act (IPERA).

The rate of improper payments in each of the four programs was higher than in FY 2018, with substantial increases in RSVP and FGP. CNCS has developed a vendor solution to improve grantees' performance of required criminal history checks—the primary root cause of its improper payments—but this corrective action occurred too late to affect this year's results. CNCS expects that use of the vendor will reduce the improper payment rates beginning in FY 2020.

As in the past, we found flaws in multiple stages of CNCS's improper payments assessment process; many resulted from inadequate resources for performing the IPERA assessment and inadequate supervision and oversight of the process. In addition, CNCS did not ensure that appropriate measures were in place to hold the responsible individuals accountable for meeting applicable improper payment reduction targets.

CNCS made some improvements in its FY 2019 IPERA reporting process. Specifically, CNCS implemented corrective actions that improved its performance regarding:

- Better following OMB requirements regarding reporting on improper payments to Congress.

- Ensuring that it accurately identified sampled payments as either improper or proper.

IPERA Compliance[1]

As in FY 2018, CNCS did not meet three of the six criteria for IPERA compliance, shown in the table below.   The unmet criteria go to the purpose of the statute—identifying and reducing improper payments.

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

Program Name	Published an Annual Management Report	Conducted a Risk Assessment[2]	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**

Source: Auditor's analysis

- CNCS's published improper payment estimate may not be complete or accurate. Specifically, CNCS did not consistently follow its testing methodology for identifying improper payments and did not consistently document its testing results. Further, CNCS's methodology for estimating improper payments does not allow testers to fully examine instances where the total recorded in a grantee's accounting system does not match the dollar amount reported on the grantee's Federal Financial Report (FFR), as well as instances where documentation received does not support a total that was reported in a prior sampling stage, which may have skewed the estimate.

- CNCS did not meet its targets for reducing improper payments. In fact, the rate of improper payments in the AmeriCorps, FGP, RSVP, and SCP grant programs was higher in FY 2019 than in FY 2018.

- The rate of improper payments in each of the four programs exceeded the acceptable ten percent threshold for IPERA compliance.

Area for Improvement

As in FY 2018, CNCS could improve the reliability of its statistical methodology, which could improve the accuracy of CNCS's improper payments reporting. Accurate estimates of improper payments would enable CNCS to make better decisions regarding future efforts to reduce improper payments and increase the integrity of CNCS's IPERA compliance program.

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[2] In the FY 2019 Annual Management Report, CNCS noted that, because there were no substantial changes in legislation, program operations, or funding at the agency, program, or activity level in FY 2019, and because it performed a risk assessment in FY 2018, the next risk assessment will occur in FY 2022, as required by OMB Circular A-123 Part 1, C.1.

Summary of Recommendations

We recommend that CNCS take the following corrective actions:

- Update its sampling and estimation methodology to ensure that its future improper payment estimates are complete, accurate, and reliable.

- Take appropriate action to practice a comprehensive testing methodology and consistently apply that methodology to selected sample items.

- 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.

- Establish realistic reduction targets based on an evaluation of the root causes of the improper payments identified in the FY 2019 IPERA testing and CNCS's planned corrective actions.

- Develop and implement actions to reduce the improper payment rates below ten percent for FY 2020.

II.   Background

The Improper Payments Elimination and Reduction Act requires agencies to review and identify programs and activities that may be susceptible to significant improper payments and to report on their actions to reduce and recover those payments. The enactment of the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), Public Law 112-248, dated January 10, 2013, provided an opportunity for OMB to re-examine existing guidance to ensure that agencies are effectively reducing their 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, in FY 2019, OMB issued a revised Circular A-136, *Financial Reporting Requirements,* which contained refined the Improper Payments Information Act of 2002 (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 includes each of these criteria, identifies whether CNCS complied the criterion and provides a brief explanation of CNCS's FY 2019 IPERA testing results.

OMB Criteria for IPERA Compliance	Result[3]	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 Annual Management Report (AMR) that contained all materials required by OMB and posted the report 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. Moreover, there were no substantial changes in legislation, program operations, or funding at the agency-, program-, or activity-level in FY 2019.
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 CNCS's 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 improper payments (if required and applicable).	Not Compliant	CNCS did not meet the annual reduction targets that it established for the AmeriCorps, FGP, RSVP, and SCP programs. **See Finding 2.**

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[3] 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 these instances.

OMB Criteria for IPERA Compliance	Result[3]	Explanation of Results
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 CNCS's testing. See **Findings 1, 3, and 4**.

Source: Auditor's analysis

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 from FY 2018]

CNCS reported improper payment rates for each of the four programs included in the FY 2019 AMR that were higher than the ten percent rate required for agencies to comply with IPERA.[4] Specifically, CNCS reported its estimated gross improper payment rates as follows:

Program	FY 2019 Reported Improper Payment Rate	Improper Payment Rate Less Than Ten Percent?
AmeriCorps	16.52%	✖
FGP	27.81%	✖
RSVP	37.26%	✖
SCP	28.29%	✖

Source: CNCS's FY 2019 Annual Management Report and auditor's analysis

CNCS has reported a gross improper payment rate of greater than ten percent for the FGP, RSVP, and SCP programs since FY 2016, and for the AmeriCorps program since FY 2017.

Programmatic corrections implemented prior to the FY 2019 IPERA testing did not successfully address the root causes of the improper payments, which included issues with National Service Criminal History Checks, administrative errors, and insufficient or incorrect documentation to support a payment was proper.

Specifically, in an effort between FY 2018 and FY 2019, CNCS engaged vendors to provide grantees with all required National Service Criminal History Checks to address the root cause related to criminal history checks. CNCS also established a five-month exemption period (November 15, 2018, through June 30, 2019) during which grantees could engage these vendors to re-check employees/members eligibility. While this corrective action may ultimately reduce

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[4] 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…"

CNCS's improper payment rates, it was implemented too late for its effects to be apparent in FY 2019.

Further, CNCS did not implement appropriate measures to hold specific senior officials accountable for not meeting the ten percent improper payment compliance threshold.

CNCS's gross improper payment estimates therefore remain significantly above the compliance level of ten percent. Persistently high improper payment rates and incomplete implementation of the required corrective actions may result in the continued mismanagement of agency funds.

Recommendations: We recommend that CNCS:

1. Fully implement its 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.
   Modified repeat recommendation for FY 2019

2. Coordinate with relevant AmeriCorps, FGP, RSVP, and SCP program staff to determine whether the corrective actions currently in progress are adequate for all improper payments identified during the FY 2019 IPERA testing (including both those related to criminal history checks and those that were not related to criminal history checks). Then, revise corrective actions as needed, and draft a step-by-step approach to complete the corrective actions, with specific milestones identifying target completion dates and responsible program staff to ensure that both CNCS's Office of the Chief Risk Officer staff and program staff can be held accountable.
   Modified repeat recommendation for FY 2019

3. Establish accountability measures for program officials responsible for prioritizing and completing specific milestones and include those accountability measures in the individual performance plans.
   New recommendation for FY 2019

4. Develop periodic reporting mechanisms to track the progress of actions needed to resolve the root causes of improper payments for each program, as outlined in the milestone schedule.
   New recommendation for FY 2019

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

CNCS did not meet any of the reduction targets specified in its FY 2018 AMR for its risk-susceptible programs, as required to be compliant with IPERA.[5] To the contrary, the improper payment rates for each of the four CNCS programs were higher in FY 2019 than in FY 2018. The increases were substantial in RSVP and FGP, with detailed results summarized in the table below.

Program	FY 2018 Reported Improper Payment Rate	FY 2019 Reduction Targets	FY 2019 Reported Improper Payment Rate	Target Met? (Yes/No)
AmeriCorps	16.39%	15.89%	16.52%	No
FGP	20.83%	20.33%	27.81%	No
RSVP	17.29%	16.79%	37.26%	No
SCP	28.20%	27.70%	28.29%	No

Source: CNCS's FY 2018 and 2019 Annual Management Reports and auditor's analysis

In addition to CNCS failing to implement corrective actions to address the root causes of improper payments (See Finding 1) CNCS did not effectively monitor the progress of its programs in implementing corrective actions relating to reducing improper payments and did not support the Office of the Chief Risk Officer (OCRO) in doing so. Specifically, CNCS did not assign a specific official to be accountable and responsible for completing each milestone on OCRO's corrective action plan. Without a specific individual being identified as responsible for completing each milestone, OCRO cannot effectively track the progress and status of its corrective actions, and cannot ensure corrective actions will be implemented effectively.

CNCS's failure to meet the reduction targets indicates a lack of accountability that may allow improper payments to increase in frequency and amount, which may cause stakeholders to question the effectiveness of its stewardship.

Recommendations: In addition to implementing Recommendations 1 through 4 to assist in resolving this finding (as noted in Finding 1), we further recommend that CNCS:

5. Develop a detailed plan to achieve the targets based on an evaluation of the root causes of improper payments identified in the FY 2019 IPERA testing and CNCS's planned corrective actions. CNCS's development of and planning for corrective actions and reduction targets should incorporate the following factors:

    a. Availability of sufficient staff to implement the planned corrective actions.

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[5] 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)…"

b. Potential effects of any guidance that CNCS publishes during FY 2020 related to the root causes of improper payments.

c. The degree to which vendor availability to provide National Sex Offender Public Website and state criminal history checks may impact the improper payment rate.

d. The degree to which the proposed regulation to require that grantees complete all required criminal history checks prior to the start of service may impact the improper payment rate.

e. Planned updates to the statistical methodology and test plans for the FY 2020 IPERA program.

f. Whether CNCS can reasonably justify the rationale used to establish the reduction target rates.

Modified repeat recommendation for FY 2019

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

CNCS's FY 2019 improper payment estimates for the AmeriCorps, FGP, RSVP, and SCP grant programs may not be complete or accurate, as required to be compliant with IPERA, [6] as a result of the following issues:

1. CNCS did not fully examine instances where the total recorded in a grantee's accounting system does not match the dollar amount reported on the grantee's FFR, as well as instances where documentation received does not support a total that was reported in a prior sampling stage.[7] CNCS considers these instances to be unmatched errors and excludes them from its process to estimate improper payments. CNCS asserted that these errors relate to a grantee's inability to appropriately aggregate and report costs rather than an inability to properly make or allocate payments as charges to Federal funds.

   Differences between the grantee's records and the amounts it reports on its FFR, or within a prior stage of sampling, do not necessarily represent improper payments. However, such a determination cannot be made until the variance between the grantee's internal

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

[7] CNCS requests that grantees provide general ledger entries or other accounting system records to support the amounts claimed on the sampled FFRs. CNCS then uses these records to select a second-stage sample. If the item selected for the second-stage sample is not at the individual payment level, CNCS will request additional general ledger or accounting system data to enable it to select a third-stage sample. CNCS will continue this process until it selects an assessable payment for IPERA testing.

records and its FFRs is reconciled and the reviewer can determine whether or not the individual transactions are supported by adequate documentation. CNCS does not review, or require the grantee to provide sufficient documentation to validate, the transactions reflected in the variance, and states that it lacks the resources to do so. Therefore, CNCS cannot demonstrate that such payments were proper. As OMB M-18-20[8] notes that payments without adequate supporting documentation to discern whether a payment is proper, should be considered improper; not investigating these variances may have resulted in the improper payment estimate being inaccurate or incomplete.

2. CNCS's sampling methodology does not provide a specific decision rule for treatment of zero-dollar value general ledger or other accounting system records prior to sampling.[9] Without a specific decision rule, CNCS introduces potential bias in the statistical sample that is not considered in the statistical evaluation and calculation of precision. As CNCS cannot confirm whether this potential bias had an effect on the statistical evaluation or precision, its improper payment rate may not be accurate or complete.

CNCS does not believe its treatment of zero-dollar records affects the consistency, reliability or accuracy of its statistical sampling and estimation methodology and believes it is appropriately treating unmatched errors based on the approach outlined in its FY 2017 OMB approved sampling methodology.[10] However, its current treatment of these issues may result in CNCS inappropriately identifying improper payments or introducing potential bias to the sampling methodology. Therefore, the improper payment estimate published in its FY 2019 AMR may not accurately represent the actual improper payment amounts and rates applicable to the AmeriCorps, FGP, RSVP, and SCP grant programs. Publishing inaccurate and incomplete improper payment estimates misstates the potential mismanagement of agency funds.

Recommendations: We recommend that CNCS:

6. Update its sampling and estimation methodology to require reconciliations of variances between the grantees' internal accounting records and their Federal Financial Reports to determine the propriety of the component payments, or require grantees to perform this reconciliation. Otherwise, CNCS should treat unmatched reporting errors as improper payment errors when projecting the improper payment estimate.
   New recommendation for FY 2019

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[8] OMB Memorandum M-18-20 Part I, Section A, Subsection 1 states "when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment."

[9] CNCS's sampling methodology allows the IPERA analyst to subjectively include or exclude zero-dollar value transactions prior to sampling.

[10] CNCS believes its current approach is appropriate as it is consistent with the methodology outlined in its IPERA sampling methodology document, approved by the Deputy Controller of the United States in 2016.

7. Update its sampling and estimation methodology to implement and consistently apply a rule for the treatment of zero-dollar value transactions in the sample population.
   New recommendation for FY 2019

Finding 4:   **CNCS did not consistently follow its testing methodology to identify improper payments. [Modified repeat finding from FY 2018]**

CNCS did not consistently follow its IPERA testing methodology and document its IPERA testing results for the AmeriCorps, FGP, RSVP, and SCP grant programs. We selected a random sample of 60 transactions that CNCS had tested, split evenly among AmeriCorps, FGP, RSVP, and SCP. This sample contained 11 instances in which CNCS did not adequately provide support for its improper payment determinations as required by OMB memorandum M-18-20, [11] including:

- Two instances in which we were unable to validate CNCS's conclusions as to whether a payment should be deemed proper or improper:
    - CNCS used a grant budget rather than a member agreement to verify the member stipend amount, as required to determine if a payment is allowable per its testing methodology.
    - CNCS did not use the correct award budget to verify the salary was earned by an employee that held a necessary or reasonable position on the award, as required to determine if a payment is allowable per its testing methodology.

- Nine instances in which we agreed with CNCS's IPERA testing conclusion, but CNCS did not appropriately complete its IPERA testing documentation:
    - CNCS did not document why it accepted an awardee's internal criminal history checklist to support criminal history check results.
    - CNCS did not appropriately record an employee's start date.
    - CNCS did not appropriately update its IPERA testing checklist after it received documentation to resolve the exception originally identified.
    - CNCS did not identify which of the two start dates listed for an employee was correct.
    - CNCS did not record the correct "State of Service Results Received Date" for one employee.
    - CNCS did not record the correct "FBI Results Received Date" for one employee.
    - CNCS incorrectly identified the repository that the grantee utilized for the state of service checks for three volunteers.

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[11] 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."

CNCS did not provide sufficient training, supervision, or oversight to ensure that its personnel thoroughly documented IPERA testing results in a clear, consistent, and organized manner to support its final conclusions regarding whether a payment was proper or improper. Without adequate controls and oversight, CNCS may not correctly identify improper payments and may publish an estimated improper payment error rate and dollar amount that does not accurately represent the potential loss to the government. Moreover, an inability to correctly identify improper payments may impede efforts to determine and remedy the underlying causes, preventing reductions in future improper payments.

Recommendations: We recommend that CNCS:

8. Update the mandatory training for all CNCS reviewers and supervisors based on the latest test plans and require all reviewers and supervisors take the updated training to ensure consistent testing methodologies and documentation retention plans.
   Modified repeat recommendation for FY 2019

9. 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 rationale to support their conclusions.
   Modified repeat recommendation for FY 2019

IV. Areas for Improvement: CNCS could improve the reliability of its statistical estimate.

As reliable statistical estimates could help CNCS more effectively measure the results of the actions it takes to address the root causes of improper payments, we identified several areas within CNCS's statistical approach where it could improve the reliability of its improper payment estimate, with details discussed as follows:

1. CNCS should exclude the FFRs it removes from its first-stage sample from the population that it uses to project its improper payment estimate.
   a. CNCS removed two FFRs[12] from its first-stage sample because the grantee had dissolved; but included the costs submitted on these reports when it calculated the improper payment estimate. The statistical estimate would have been more reliable if CNCS calculated its improper payment estimate using the same population it used to select its first-stage sample.

2. CNCS should maintain documents to justify the methodology it uses to establish its replacement thresholds.
   a. CNCS selected a replacement threshold of eight percent for the non-response errors and tied this threshold to its precision. The statistical estimate would be

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[12] CNCS replaced two randomly selected FFRs reported by a grantee, which reported amount totaled approximately $900 thousand.

more reliable if CNCS performs and documents an analysis to support the use of an eight percent replacement threshold.

3. CNCS should consider using the precision achieved for each program in FY 2019 to update the planned precision for each program in FY 2020.
    a. CNCS did not achieve its desired precision of eight percent in three of the four programs.[13] As a result, the full potential range of possible improper payments is larger and CNCS's estimate for reducing the improper payment rate below the ten percent threshold required for IPERA compliance is less precise. The statistical estimate could be more reliable in FY 2020 if CNCS continues to use a planned precision that is consistent with the FY 2019 achieved precision.

4. CNCS should consult with its statistician to ensure it is accurately performing a statistical evaluation for all types of identified errors.
    a. In its statistical evaluation of the sample, CNCS reported a point estimate of zero percent error and a precision of plus or minus zero percent related to non-response errors.[14] As CNCS cannot report a precision of zero percent (perfect precision) unless it has tested all items in a population, the statistical estimate would have been more reliably reported if CNCS had appropriately consulted with a statistician regarding how to evaluate the sample.

5. CNCS should require its statistician to confirm the accuracy of the statements included within its statistical estimate extrapolation workbooks.
    a. CNCS did not accurately represent the types of statistical extrapolations performed within its extrapolation workbooks. The statistical estimate would be more reliable if a statistician ensured the statements contained in the extrapolation workbooks are accurate.

Many of the weaknesses observed seem to reflect a lack of adequate support from an experienced statistician, leading to decisions that undermine the reliability and statistical validity of CNCS's results.[15] Better support throughout the testing process is necessary for CNCS to achieve and maintain statistically valid and consistently performed sampling and testing for future improper payment estimates. Without valid estimates, CNCS cannot effectively measure the success of actions taken to address the root causes of improper payments and reduce them.

Recommendations: We recommend that CNCS re-evaluate its statistical sampling and estimation methodology for developing the improper payment estimate, including the following:

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[13] CNCS reported a precision of 15.14 percent for RSVP, 9.71 percent for FGP, and 8.9 percent for SCP.

[14] CNCS projects estimates for three types of errors: non-response, unmatched reporting, and improper payment errors. However, CNCS does not consider non-response and unmatched reporting errors to be improper payments and therefore only externally reports the improper payment estimate.

[15] OMB Memorandum M-18-20, Part I, Section D, Subsection 1, step 2: d. states that "IPERIA requires that all improper payment estimation plans be statistically valid or obtain approval from the director of OMB."

10. Perform an analysis to determine an appropriate replacement threshold for replacing sample items that CNCS is unable to test, rather than simply tying the threshold to its desired precision.
New recommendation for FY 2019

11. Re-evaluate the treatment of replaced sample items in its evaluation approach.
New recommendation for FY 2019

12. Use historical data, including the achieved precision for each program for which CNCS produced an improper payment estimate in FY 2019, to determine an appropriate precision for each program.
New recommendation for FY 2019

13. Consider whether the statistical evaluation approach appropriately considers any situation in which there are not enough errors, or in which there are zero errors.
New recommendation for FY 2019

14. Ensure that the statisticians maintain adequate supporting documentation that appropriately describes the statistical evaluation approach.
New recommendation for FY 2019

15. Update the statistical methodology to clearly document any enhancements or changes made.
New recommendation for FY 2019

SUMMARY OF CNCS MANAGEMENT'S RESPONSE

CNCS concurred with Findings 1 and 2 that its improper payment rates exceeded ten percent and that CNCS did not meet its FY 2019 reduction targets. However, CNCS did not concur with Finding 3, and only partially concurred with Finding 4, believing that it appropriately followed its sampling and testing methodologies[16] and that the improper payment rates were accurate and statistically valid.

In response to the nine recommendations provided for these findings, CNCS concurred with four, partially concurred with two, and disagreed with three, as follows:

- CNCS fully concurred with recommendations 1, 4, 5, and 8 and has developed corrective action plans to address each of these recommendations.

- CNCS partially concurred with recommendations 2 and 3, as it developed corrective actions to share improper payment results with relevant stakeholders, assess the

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[16] CNCS disagreed with two of the 11 instances where we noted that CNCS did not adequately provide support for its improper payment determinations in Finding 4.

effectiveness of past and future corrective actions, and establish accountable managers for those actions.

- CNCS did not concur with recommendations 6, 7 or 9, believing that its current treatment of unmatched reporting errors and zero-dollar transactions are appropriate. CNCS stated that it placed extensive controls to maintain thorough and sufficient testing documentation.

In response to the recommended areas for improvement, CNCS stated that it committed to continuous improvement in its IPERA process and would work with its statisticians to implement recommendations 10, 11, 13, 14, and 15. However, CNCS disagreed with recommendation 12 and believes that it can achieve a desired precision based upon its anticipated improper payment rates. CNCS management's responses to audit findings, recommendations and its proposed corrective action plan are included in Appendix D.

AUDITOR'S COMMENTS ON CNCS MANAGEMENT'S RESPONSE

We appreciate CNCS management's responses to our audit findings and recommendations and thank them for their cooperation during the FY 2019 IPERA audit.

CNCS agreed to implement a variety of corrective actions in response to the majority of our audit findings and recommendations. However, it disagreed with certain of our conclusions. After careful consideration of the areas of disagreement, we stand by our conclusions, summarized below:

- Finding 3 (CNCS did not concur): While CNCS believes that its FY 2019 improper payment rates are complete, accurate and statistically valid, CNCS's current treatment of unmatched reporting errors and zero-dollar transactions is not appropriate. As outlined in Finding 3, CNCS's current approach could result in failing to identify improper payments caused by an awardee reporting costs on its FFRs for expenses that are not allowable and allocable. Further, by not implementing a decision rule regarding how it will treat zero-dollar transactions, CNCS will introduce a potential bias in its FY 2020 statistical sampling that may not be considered in its statistical evaluation.

- Finding 4 (CNCS partially concurred): Among the two instances of inadequate support mentioned in our report:
  - CNCS stated that its use of an award budget to verify the amount of a member stipend was appropriate because the documentation was not "so insufficient" that it failed to support a testing conclusion. However, we maintain that CNCS should verify the amounts charged to grants based on the actual stipends paid, rather than on the payments contemplated in a budget prepared in advance and submitted as part of a grant application.

- o CNCS stated that its acceptance of an awardee's internal criminal history checklist was appropriate, based on a list of states which prohibited awardees to retain or share criminal history check results. However, CNCS did not document if/how it verified the awardee's internal criminal history checklist and therefore, its documentation did not demonstrate that CNCS appropriately reviewed the member's background check results.

- Recommendation 2 (CNCS partially concurred): While CNCS agreed to communicate IPERA results, its references to coordinating with "relevant stakeholders" are not specific enough for us to determine how CNCS intends to conduct its planned follow-up. We believe that it is essential to follow up with the staff implementing corrective actions in order to determine the adequacy of those actions in progress.

- Recommendation 3 (CNCS partially concurred): While CNCS did not agree to establish accountability measures for program officials within their performance plans, we believe that including IPERA compliance in a set of standards to evaluate program officials' performance could enhance accountability.

- Recommendation 6 (CNCS did not concur): CNCS did not agree that it needs to reconcile the variances between the grantee's internal accounting records and their FFRs. We continue to believe that these "unmatched reporting errors" may represent or contain improper payments. As outlined in Finding 4, without first verifying that the amounts claimed on FFRs represent actual expenses properly incurred by the grantee, CNCS is unable to determine that the FFR payment amount was adequately supported. Under the applicable requirements of OMB M-18-20, payments that lack adequate supporting documentation are considered improper. Disregarding the expenses contained in these unreconciled variances may cause CNCS to fail to identify improper payments.

- Recommendation 7 (CNCS did not concur): CNCS did not agree that it needs to standardize treatment of zero-value transactions. We maintain our view that CNCS's current approach introduces potential bias that could affect statistical evaluation and calculation of precision.

- Recommendation 9 (CNCS did not concur): CNCS believes that its controls over the IPERA review process were adequate. However, the number of instances in which we found inadequate or inconsistent support for reviewers' determinations indicates a need for stronger supervision and oversight of the IPERA testing process in the future.

- Recommendation 12 (CNCS did not concur): CNCS did not agree to use historical data to determine an appropriate precision for each program. We maintain that historical achieved precision data is a more appropriate indicator of future planned precision. As discussed in our report, because CNCS did not achieve its desired precision for three of its four programs, it did not appropriately consider the full potential range of possible

improper payments.[17] As a result, CNCS's estimate for reducing its improper payment rate required for IPERA is less precise.

We conclude that, if fully implemented, CNCS's corrective actions plan should address our recommendations with which CNCS concurred. CNCS disagreed or partially disagreed with recommendations 2, 3, 6, 7, 9 and 12; these recommendations will remain open and unimplemented until CNCS provides a solution to resolve these recommendations.

Cotton & Company LLP

M.P. Mesko

Megan Mesko, CPA, CFE
Partner
May 15, 2020

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[17] While CNCS reported that it can establish a desired precision based on anticipated improper payment rates, by relying solely on the rate, but not factoring in precision, CNCS does not appropriately consider the full potential range of its improper payments.

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 its FY 2019 AMR 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 its FY 2019 AMR.

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 its FY 2019 AMR.

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. 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 2019 AMR, Section *Other Information*. We designed procedures to gain an understanding of the risk assessment that CNCS performed to identify programs that are susceptible to a significant risk of improper payments, as well as an understanding of the statistical sampling process and testing that CNCS 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 selecting a random sample of 60 items that CNCS had tested in determining its improper payment estimate and re-testing these items.

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

We performed this work in Washington, DC and in Virginia during the period from January 31 through April 22, 2020. We discussed the contents of this report with CNCS management in an exit conference held on April 17, 2020.

Methodology

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

- Reviewed CNCS's FY 2019 AMR and confirmed that CNCS posted the report and any accompanying materials to its website.

- Reviewed CNCS's FY 2019 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 2019).

- Evaluated the completeness and accuracy of the IPERA reporting details presented in CNCS's FY 2019 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 and estimation process that CNCS used to determine the improper payment rate estimates published in its FY 2019 AMR.[18]

- 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 its statistical sampling and risk assessment processes by conducting re-performance testing using CNCS's test plans.

- Confirmed whether CNCS was required to publish corrective action plans in its FY 2019 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 it published an improper payment estimate in the AMR.

- Evaluated other activities that CNCS performed 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.

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[18] CNCS was unable to clarify certain aspects of the statistical sampling and estimation process performed in FY 2019 because the statistician was no longer under contract during the audit period. Specifically, CNCS was unable to provide information regarding its extrapolation calculations and statistical evaluation of precision. CNCS confirmed that the statistician performed the same procedures as in FY 2018; we therefore relied on our audit conclusions from FY 2018 regarding the extrapolation calculations and statistical evaluation of precision.

APPENDIX B

COMPARISON OF FACTORS CONTRIBUTING TO NON-COMPLIANCE FOR **FY 2018** AND **FY 2019**

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
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 2018: Compliant FY 2019: 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 2018: Compliant FY 2019: Compliant	**Not Applicable.** CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments and therefore met this compliance criterion.	**Not Applicable.** CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments and therefore met this compliance criterion.
Published improper payment estimates for all programs and	FY 2018: Not Compliant FY 2019:	**Finding 3 – CNCS's published improper payment estimate is not complete or accurate.** *[Modified repeat finding of FY 2017 Finding 2]*	**Finding 3 – CNCS's published improper payment estimate may not be complete or accurate.** *[Modified repeat finding of FY 2018 Finding 3]*

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Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
activities identified as susceptible to significant improper payments under the agency's risk assessment (if required).	Not Compliant	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. **Finding 4 – CNCS did not develop a comprehensive testing methodology.** *[Modified repeat finding of FY 2017 Finding 3]* 1. The test plan evaluation sheets (checklists) and the National Service Criminal History Check testing spreadsheet that CNCS used to document its assessment of whether each sampled transaction was proper or	1. CNCS does not fully examine instances where the total recorded in a grantee's accounting system does not match the dollar amount reported on the grantee's FFR, as well as instances where documentation received does not support a total that was reported in a prior sampling stage. CNCS considers these instances to be unmatched errors and excludes them from its process to estimate improper payments. 2. CNCS's sampling methodology does not provide a specific decision rule for treatment of zero-dollar value general ledger or other accounting system records prior to sampling. **Finding 4 - CNCS did not follow its testing methodology to identify improper payments.** *[Modified repeat finding of FY 2018 Finding 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.

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
		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: a. Instances in which we disagreed with CNCS's conclusions regarding whether a payment should be deemed proper or improper.	In re-performing CNCS's testing, we arrived at conclusions that differed from CNCS's conclusions, including: • Instances in which we were unable to validate CNCS's conclusions as to whether a payment should be deemed proper or improper. • Instances in which we agreed with CNCS's IPERA testing conclusion, but CNCS did not appropriately complete its IPERA testing documentation.

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
		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 National Service Criminal History Check testing spreadsheet.	
Published programmatic corrective action plans in the PAR or AFR (if required).	FY 2018: Compliant FY 2019: 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	FY 2018: Not Compliant FY 2019: Not Compliant	**Finding 2 – CNCS did not meet the annual reduction target for AmeriCorps, FGP, RSVP, and SCP.** *[Modified repeat finding of FY 2017 Finding 4]* 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.	**Finding 2 – CNCS did not meet the annual reduction target for AmeriCorps, FGP, RSVP, and SCP.** *[Modified repeat finding of FY 2018 Finding 2]* CNCS did not meet the FY 2019 reduction targets reported in the FY 2018 AMR for the AmeriCorps, FGP, RSVP, and SCP programs. In addition, we are unable to rely on the results of CNCS's testing.

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
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.	FY 2018: Not Compliant FY 2019: Not Compliant	**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]** 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. **Finding 3 – CNCS's published improper payment estimate is not complete or accurate. [Modified repeat finding of FY 2017 Finding 2]** 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.	**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 2018 Finding 1]** CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs in the FY 2019 AMR; however, the estimates for all programs are not complete or accurate, and we are unable to rely on the results of the testing. **Finding 3 – CNCS's published improper payment estimate may not be complete or accurate. [Modified repeat finding of FY 2018 Finding 3]** 3. CNCS does not fully examine instances where the total recorded in a grantee's accounting system does not match the dollar amount reported on the grantee's FFR, as well as instances where documentation received does not support a total that was reported in a prior sampling stage. CNCS considers these instances to be unmatched errors and

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
		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. **Finding 4 – CNCS did not develop a comprehensive testing methodology.** *[Modified repeat finding of FY 2017 Finding 3]* 1. The test plan evaluation sheets (checklists) and the National Service Criminal History Check 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 the Code of Federal Regulations and CNCS policies and procedures.	excludes them from its process to estimate improper payments. 4. CNCS's sampling methodology does not provide a specific decision rule for treatment of zero-dollar value general ledger or other accounting system records prior to sampling. **Finding 4 - CNCS did not follow its testing methodology to identify improper payments.** *[Modified repeat finding of FY 2018 Finding 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: • Instances in which we were unable to validate CNCS's conclusions as to whether a payment should be deemed proper or improper.

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019

		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:
		
		   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.
			• Instances in which we agreed with CNCS's IPERA testing conclusion, but CNCS did not appropriately complete its IPERA testing documentation.

Compliance Criteria	Results	Factors Contributing to Non-Compliance for FY 2018	Factors Contributing to Non-Compliance for FY 2019
		c. Instances in which CNCS did not appropriately complete the IPERA testing checklists and the National Service Criminal History Check testing spreadsheet.	

Status of Other Matters to Be Reported	
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 of FY 2017 Finding 8]* 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.	**Not Applicable.** No issue noted for the FY 2019 audit.

Status of Areas for Improvement	
Not Applicable. No issue noted for the FY 2018 audit.	**Area for Improvement – CNCS could improve the reliability of its statistical estimate.** CNCS did not obtain adequate support from its statistician to ensure that its statistical sampling and estimation methodology would result in a reliable, sustainable, and statistically valid improper payment estimate. As reliable statistical estimates could help CNCS more effectively measure the results of the actions it takes to address the root causes of improper

Status of Areas for Improvement	
	payments, we identified several areas within CNCS's statistical approach where it could improve the reliability of its improper payment reporting, as follows:
	• CNCS could exclude FFRs it removes from its first-stage sample from the population it uses to project its improper payment estimate.
	• CNCS could better document and justify the methodology it uses to establish its replacement thresholds.
	• CNCS could consider using the precision achieved for each program in FY 2019 to inform the planned precision for each program in FY 2020.
	• CNCS could consult with its statistician to ensure it is accurately reporting non-response errors.
	• CNCS could require a statistician to ensure the accuracy of the statements included within its statistical estimate extrapolation workbooks.

COMPARISON OF RECOMMENDATIONS TO ADDRESS NON-COMPLIANCE FOR **FY 2018** AND **FY 2019**

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
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 2018: Compliant FY 2019: 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 2018: Compliant FY 2019: Compliant	**Not Applicable.** CNCS performed a qualitative risk assessment in FY 2018 to determine programs susceptible to improper payments and therefore met this compliance criterion.	**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	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
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 2018: Not Compliant

FY 2019: Not Compliant | (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. | (Finding 3) We recommend that CNCS:

1. Update its sampling and estimation methodology to require reconciliations of variances between the grantees' internal accounting records and their Federal Financial Reports to determine the propriety of the component payments, or require grantees to perform this reconciliation. Otherwise, CNCS should treat unmatched reporting errors as improper payment errors when projecting the improper payment estimate.
New recommendation for FY 2019

2. Update its sampling and estimation methodology to implement and consistently apply a rule for the treatment of zero-dollar value transactions in the sample population.
New recommendation for FY 2019

(Finding 4) We recommend that CNCS: |

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	1. Update the mandatory training for all CNCS reviewers and supervisors based on the latest test plans and require all reviewers and supervisors take the updated training to ensure consistent testing methodologies and documentation retention plans. *Modified repeat recommendation for FY 2019* 2. 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 rationale to support their conclusions. *Modified repeat recommendation for FY 2019*

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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. (Finding 4) We recommend that CNCS: 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.	

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	
Published programmatic corrective action plans in the PAR or AFR (if required).	FY 2018: Compliant FY 2019: 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.

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable).	FY 2018: Not Compliant FY 2019: Not Compliant	(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.	(Finding 2) We recommend that CNCS: 1. Fully implement its 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. *Modified repeat recommendation for FY 2019* 2. Coordinate with relevant AmeriCorps, FGP, RSVP, and SCP program staff to determine whether the corrective actions currently in progress are adequate for all improper payments identified during the FY 2019 IPERA testing (including both those related to criminal history checks and those that were not related to criminal history checks). Then, revise corrective actions as needed, and draft a step-by-step approach to complete the corrective actions, with specific milestones identifying target completion dates and responsible program staff to ensure that both CNCS's Office of the Chief Risk Officer staff and program staff can be held accountable.

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
			Modified repeat recommendation for FY 2019 3. Establish accountability measures for program officials responsible for prioritizing and completing specific milestones and include those accountability measures in the individual performance plans. *New recommendation for FY 2019* 4. Develop periodic reporting mechanisms to track the progress of actions needed to resolve the root causes of improper payments for each program, as outlined in the milestone schedule. *New recommendation for FY 2019* 5. Develop a detailed plan to achieve the targets based on an evaluation of the root causes of improper payments identified in the FY 2019 IPERA testing and CNCS's planned corrective actions. *Modified repeat recommendation for FY 2019*
Reported a gross improper	FY 2018: Not Compliant	(Finding 1) We recommend that CNCS: 1. Fully implement planned programmatic corrective actions and identify periodic	(Finding 1) We recommend that CNCS:

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
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 2019: Not Compliant	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 and those payments not related to criminal history checks, and brainstorm potential corrective actions, so that both CNCS Office of the Chief Risk Officer staff and program staff can be held accountable. 2. Once CNCS has identified potential corrective actions, the CNCS Office of the Chief Risk Officer 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, the CNCS Office of the Chief Risk Officer should schedule periodic reporting mechanisms to ensure	1. Fully implement its 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. *Modified repeat recommendation for FY 2019* 2. Coordinate with relevant AmeriCorps, FGP, RSVP, and SCP program staff to determine whether the corrective actions currently in progress are adequate for all improper payments identified during the FY 2019 IPERA testing (including both those related to criminal history checks and those that were not related to criminal history checks). Then, revise corrective actions as needed, and draft a step-by-step approach to complete the corrective actions, with specific milestones identifying target completion dates and responsible program staff to ensure that both CNCS's Office of the Chief Risk Officer staff and program staff can be held accountable. *Modified repeat recommendation for FY 2019*

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.

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.

(Finding 3) We recommend that CNCS: | 3. Establish accountability measures for program officials responsible for prioritizing and completing specific milestones and include those accountability measures in the individual performance plans.
New recommendation for FY 2019

4. Develop periodic reporting mechanisms to track the progress of actions needed to resolve the root causes of improper payments for each program, as outlined in the milestone schedule.
New recommendation for FY 2019

(Finding 3) We recommend that CNCS:

1. Update its sampling and estimation methodology to require reconciliations of variances between the grantees' internal accounting records and their Federal Financial Reports to determine the propriety of the component payments, or require grantees to perform this reconciliation. Otherwise, CNCS should treat unmatched reporting errors as improper payment errors when |

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	projecting the improper payment estimate. *New recommendation for FY 2019* 2. Update its sampling and estimation methodology to implement and consistently apply a rule for the treatment of zero-dollar value transactions in the sample population. *New recommendation for FY 2019* (Finding 4) We recommend that CNCS:

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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. 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. (Finding 4) We recommend that CNCS: 12. Update its test plan evaluation sheets to remove unnecessary attributes that are	1. Update the mandatory training for all CNCS reviewers and supervisors based on the latest test plans and require all reviewers and supervisors take the updated training to ensure consistent testing methodologies and documentation retention plans. *Modified repeat recommendation for FY 2019* 2. 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 rationale to support their conclusions. *Modified repeat recommendation for FY 2019*

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	

Compliance Criteria	Results	Recommendations to Address Non-Compliance for FY 2018	Recommendations to Address Non-Compliance for FY 2019
		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.	

Status of Other Matters to Be Reported	
(Finding 5) We recommend that CNCS:

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 | **Not Applicable**. No issue noted for the FY 2019 audit. |

Status of Other Matters to Be Reported	
the activities it has taken to complete its IPERA requirements before the deadline and submit the report to all required parties timely.	

Status of Areas for Improvement	
Not Applicable. No issue noted for the FY 2018 audit.	(Area for Improvement) We recommend that CNCS re-evaluate its statistical sampling and estimation methodology for developing the improper payment estimate and implement the following recommendations to improve the reliability of the estimate: 1. Perform an analysis to determine an appropriate replacement threshold for replacing sample items that CNCS is unable to test, rather than simply tying the threshold to its desired precision. *New recommendation for FY 2019* 2. Re-evaluate the treatment of replaced sample items in its evaluation approach. *New recommendation for FY 2019* 3. Use historical data, including the achieved precision for each program for which CNCS produced an improper payment estimate in FY 2019, to determine an appropriate precision for each program. *New recommendation for FY 2019*

Status of Areas for Improvement	
	4. Consider whether the statistical evaluation approach appropriately considers any situation in which there are not enough errors, or in which there are zero errors. *New recommendation for FY 2019*
	5. Ensure that the statisticians maintain adequate supporting documentation that appropriately describes the statistical evaluation approach. *New recommendation for FY 2019*
	6. Update the statistical methodology to clearly document any enhancements or changes made. *New recommendation for FY 2019*

APPENDIX **D**

CNCS MANAGEMENT'S **R**ESPONSE

To: Deborah Jeffrey, Inspector General

From: Jill Graham, Acting Chief Risk Officer

Cc: Barbara Stewart, Chief Executive Officer
Lisa Guccione, Acting Chief of Staff
Erin Dahlin, Acting Chief of Program Operations
Scott Hefter, Chief Operating Officer
Douglas Hilton, Acting Chief Financial Officer
Helen Serassio, Acting General Counsel

Date: May 13, 2020

Subject: CNCS Management Response to OIG Draft Report: 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 2019

CNCS appreciates the opportunity to comment on the Office of Inspector General's (OIG) draft report on the FY 2019 IPERA Audit conducted by Cotton & Co.

CNCS's IPERA process has been vital over the past several years as the agency has obtained valuable data regarding its largest programs, allowing CNCS to identify root cause of noncompliance trends and initiate extensive, agency-wide corrective actions to address the primary driver of improper payments – national service criminal history checks. CNCS has also made considerable efforts to improve its IPERA process. CNCS is pleased to report that, since the FY18 audit, the agency has worked hard to make improvements and dedicated significant resources to the process, and the agency performed a second extrapolation to assess the potential impact of its root cause-focused agency-wide corrective action. CNCS's efforts over several years have improved the quality and reliability of its process. CNCS is optimistic that future audit reports will better reflect the status of the process.

Of the fourteen recommendations presented in this audit report, CNCS concurs with seven, partially concurs with three, and does not concur with four.

CNCS's response to specific findings and recommendations is found below:

Finding 1: CNCS concurs that it did not report gross improper payment rates under ten percent in each of its susceptible programs. CNCS has taken significant measures to address the root cause driver of its improper payment rate, and the preliminary data shared in CNCS's Annual Management Report for FY19 shows potential positive impact. CNCS does not fully concur with all recommendations. Specific information is provided in the Corrective Action Plan below.

Finding 2: CNCS concurs that it did not meet its FY 2019 projected reduction targets. CNCS will enhance its documentation around its reduction target decision making.

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Finding 3: CNCS does not concur its published improper payment rate may not be complete or accurate. CNCS follows the sampling methodology prepared by its statisticians, who assert the rate is statistically valid. This process addresses both recommendations identified. CNCS does not concur that it did not meet the audit criterion of "Published Improper Payment Estimate" for its four susceptible programs.

Recommendation 6: CNCS does not concur with the recommendation to update its sampling and estimation methodology to require reconciliations of variances between the grantees' internal accounting records and their SF-425s or to require grantees to perform this reconciliation during the improper payments process. CNCS's treatment of these unmatched reporting errors was fully described the sampling methodology that was submitted to and approved by the Office of Management and Budget (OMB). The OMB-approved sampling methodology specifically provides that—

CNCS's grantees are required to reconcile their internal accounting to the reported federal expenses at grant closeout and CNCS considers this process to be outside the scope of an IPERA assessment. CNCS does not consider these unmatched reporting errors to be payments as defined in OMB M-18-20: "any disbursement or transfer of Federal funds (including a commitment for future payment, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person, non-Federal entity, or Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or governmental or other organization administering a Federal program or activity." SF-425s are an aggregate reporting of federal expenditures, not disbursement or transfer information, which may be reported incorrectly.

Recommendation 7: CNCS's does not concur with the recommendation to update its sampling and estimation methodology to consistently apply a rule for the treatment of zero-dollar value transaction in the sample population. CNCS already consistently applies the methodology's treatment of zero-dollar value transactions. CNCS confirmed with its statisticians that this treatment retains the randomness of the sample, as seen in its submitted sampling methodology.

Finding 4: CNCS has made dramatic improvements to its testing controls and that it consistently applies its methodology. While CNCS does not fully concur with the conditions finding that it did not consistently follow its testing methodology, CNCS is committed to continuous improvement in its IPERA process. CNCS currently requires extensive training for IPERA reviewers and supervisors and implements extensive controls to ensure reviewers thoroughly and adequately document testing attributes and final conclusions.

Recommendation 8: CNCS concurs with recommendation 8 and will continue to update mandatory training for all CNCS reviewers and supervisors based on the latest test plans and require all reviewers and supervisors take the updated training to ensure consistent testing methodologies and documentation retention plans.

Recommendation 9: CNCS does not concur with recommendation 9 as it feels it has extensive controls in place to ensure thorough and sufficient documentation. CNCS will continue to implement controls to ensure that that CNCS reviewers thoroughly, sufficiently, and adequately document all testing attributes and final conclusions and maintain adequate supporting documentation, justification, and rationale to support conclusions.

CNCS does not concur that the exceptions cited by the OIG below resulted in published improper payment error rates that are not accurately reflected.
- In one instance noted, CNCS used the grantee budget to every stipend amount in order to calculate a tax payment. CNCS does not agree that this resulted in the inability to confirm a payment was proper. OMB M-18-20 states "In the broadest sense, improper payments fall into three categories...and instances where the

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documentation for a payment is so insufficient that the reviewer is unable to discern whether a payment is proper." CNCS was able to verify the tax payment using the budget without additional burden to the grantee. The documentation was not "so insufficient" that this determination could not be made.

- In one instance cited, CNCS accepted an awardee's internal criminal history checklist as a result of state prohibition to sharing and/or maintaining the results of a criminal history check. In these instances, CNCS has a pre-approved Alternative Search Procedure (ASP) to allow grantees to maintain a checklist rather than share results. CNCS's improper payments team maintains a list of states for which it knows it is prohibited by state law to share and/or maintain results. It is not necessary to require additional documentation to confirm this prohibition. Additionally, CNCS recorded State of Service and FBI results consistently with its process for two files. CNCS records the date the repository clears the checks, thus establishing eligibility. These cited exceptions did not differ from the improper payments' procedure.

Area for Improvement: CNCS could improve the reliability of its statistical estimate: In producing the FY2019 IPERA rate, CNCS worked with a team of four qualified statisticians. CNCS is committed to continuous improvement throughout its IPERA process. CNCS will work with its statisticians to determine how best to address recommendations 10, 11, 13, 14, and 15. CNCS does not concur with recommendation 12, as it can establish a desired precision based upon anticipated improper payment rates. CNCS will work with its statisticians to maintain additional documentation around their statistical approach.

	OIG Report 20-XX _Corrective Action Plan Updated as of 05/13/2020_		
NFR 1: CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs.			
Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer			
Audit Rec #	**Recommendation**	**CNCS Concurrence**	**Corrective Action Plan Steps**
1	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.	Concur	1. CNCS will schedule quarterly meetings to assess the progress and status of corrective actions.
2	Coordinate with relevant AmeriCorps, FGP, RSVP, and SCP program staff to determine whether the corrective actions currently in progress are adequate for all improper payments identified during the FY 2019 IPERA testing (including both those related to the criminal history checks and those that were not related to criminal history checks). Then, revise corrective actions as needed, and draft a step-by-step approach to complete the corrective actions, with specific milestones identifying target completion dates and responsible program staff to ensure that both CNCS's Office of the Chief Risk Officer staff and program staff can be held accountable.	Partially Concur	1. CNCS will continue to share improper payments identified with relevant stakeholders. 2. After the testing process concludes CNCS will assess effectiveness of past corrective actions and potential future corrective actions.
3	Establish accountability measures for program officials responsible for prioritizing and completing specific milestones and include those accountability measures in the individual performance plan.	Partially Concur	1. CNCS will establish accountable managers for corrective actions. Performance plans are at the discretion of an individual's manager.

	OIG Report 20-XX *Corrective Action Plan Updated as of 05/13/2020*		
**NFR 1: CNCS reported a gross improper payment rate of greater than ten percent for the AmeriCorps, FGP, RSVP, and SCP programs.**
**Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer**
Audit Rec #	**Recommendation**	**CNCS Concurrence**	**Corrective Action Plan Steps**
4	Develop periodic reporting mechanisms to ensure that all actions needed to resolve the root causes of improper payments for each program, as outlined in the milestone schedule, are appropriately prioritized and reported on.	Concur	1. CNCS will schedule quarterly meetings to assess the progress and status of corrective actions.

NFR 2: CNCS did not meet the annual reduction target for the AmeriCorps, FGP, RSVP, and SCP grant programs.

Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer

Audit Rec #	Recommendation	CNCS Concurrence	Corrective Action Plan Steps
5	Develop a detailed plan to achieve the targets based on an evaluation of the root causes of improper payments identified in FY 2019 IPERA testing and CNCS's planned corrective actions. CNCS's development of and planning for corrective actions and reduction targets should incorporate the following factors: a) Availability of sufficient staff to implement the planned corrective actions. b) Potential effects of guidance published by CNCS during FY 2020 on the root causes of improper payments. c) The degree to which vendor available to provide National Sex Offender Public Website and state criminal history checks may impact the improper payment rate. d) The degree to which the proposed regulation to required that grantees complete all required criminal history checks prior to start of service may impact the improper payment rate. e) Planned updates to the statistical methodology and test plans for the FY 2020 IPERA program. f) Whether it can reasonably justify the rationale used to establish the reduction target rates.	Concur	1. CNCS will develop a detailed plan to achieve reduction targets and will keep more detailed records on the analysis.

	OIG Report 20-XX *Corrective Action Plan Updated as of 05/13/2020*		
NFR 3: CNCS's published improper payment estimate may not be complete or accurate.			
Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer			
Audit Rec #	**Recommendation**	**CNCS Concurrence**	**Corrective Action Plan Steps**
6	Update its sampling and estimation methodology to require reconciliations of variances between the grantees' internal accounting records and their Federal Financial Reports to determine the propriety of the component payments or require grantees to perform this reconciliation. Otherwise, CNCS should treat unmatched reporting errors as improper payment errors when projecting the improper payment estimate.	Do Not Concur	N/A
7	Update its sampling and estimation methodology to implement and consistently apply a rule for the treatment of zero-dollar value transaction in the sample population.	Do Not Concur	N/A

	OIG Report 20-XX Corrective Action Plan Updated as of 05/13/2020		
NFR 4: CNCS did not consistently follow its testing methodology to identify improper payments.			
Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer			
Audit Rec #	**Recommendation**	**CNCS Concurrence**	**Corrective Action Plan Steps**
8	Update the mandatory training for all CNCS reviewers and supervisors based on the latest test plans and require all reviewers and supervisors take the updated training to ensure consistent testing methodologies and documentation retention plans.	Concur	CNCS will continue to update its training for CNCS reviewers and supervisors to ensure consistency.
9	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 rationale to support conclusions.	Do Not Concur	N/A

Area for Improvement: CNCS could improve the reliability of its statistical estimate.

Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer

Rec #	Recommendation	CNCS Concurrence	Corrective Action Plan Steps
10	Perform an analysis to determine an appropriate replacement threshold for replacing sample items that CNCS is unable to test, rather than simply tying the threshold to its desired precision.	Concur	1. CNCS will work with its statisticians to determine how best to address this recommendation.
11	Re-evaluate the treatment of replaced sample items in its evaluation approach.	Concur	1. CNCS will work with its statisticians to determine how best to address this recommendation.
12	Use historical data, including the achieved precision for each program for which CNCS produced an improper payment estimate in FY 2019 to determine an appropriate precision for each program.	Do Not Concur	N/A
13	Consider whether the statistical evaluation approach appropriately considers any situation in which there are not enough errors, or in which there are zero errors.	Concur	1. CNCS will work with its statisticians to determine how best to address this recommendation.
14	Ensure that the statisticians maintain adequate supporting documentation that appropriately describes the statistical evaluation approach.	Concur	1. CNCS will require its statisticians to maintain additional documentation around its evaluation approach.

OIG Report 20-XX *Corrective Action Plan Updated as of 05/13/2020*			
Area for Improvement: CNCS could improve the reliability of its statistical estimate.			
Departmental Corrective Action Plan Owner: Office of the Chief Risk Officer			
Rec #	Recommendation	CNCS Concurrence	Corrective Action Plan Steps
15	Update the statistical methodology to clearly document any enhancements or changes made.	Concur	1. CNCS will require its statisticians to maintain additional documentation around its evaluation approach.

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