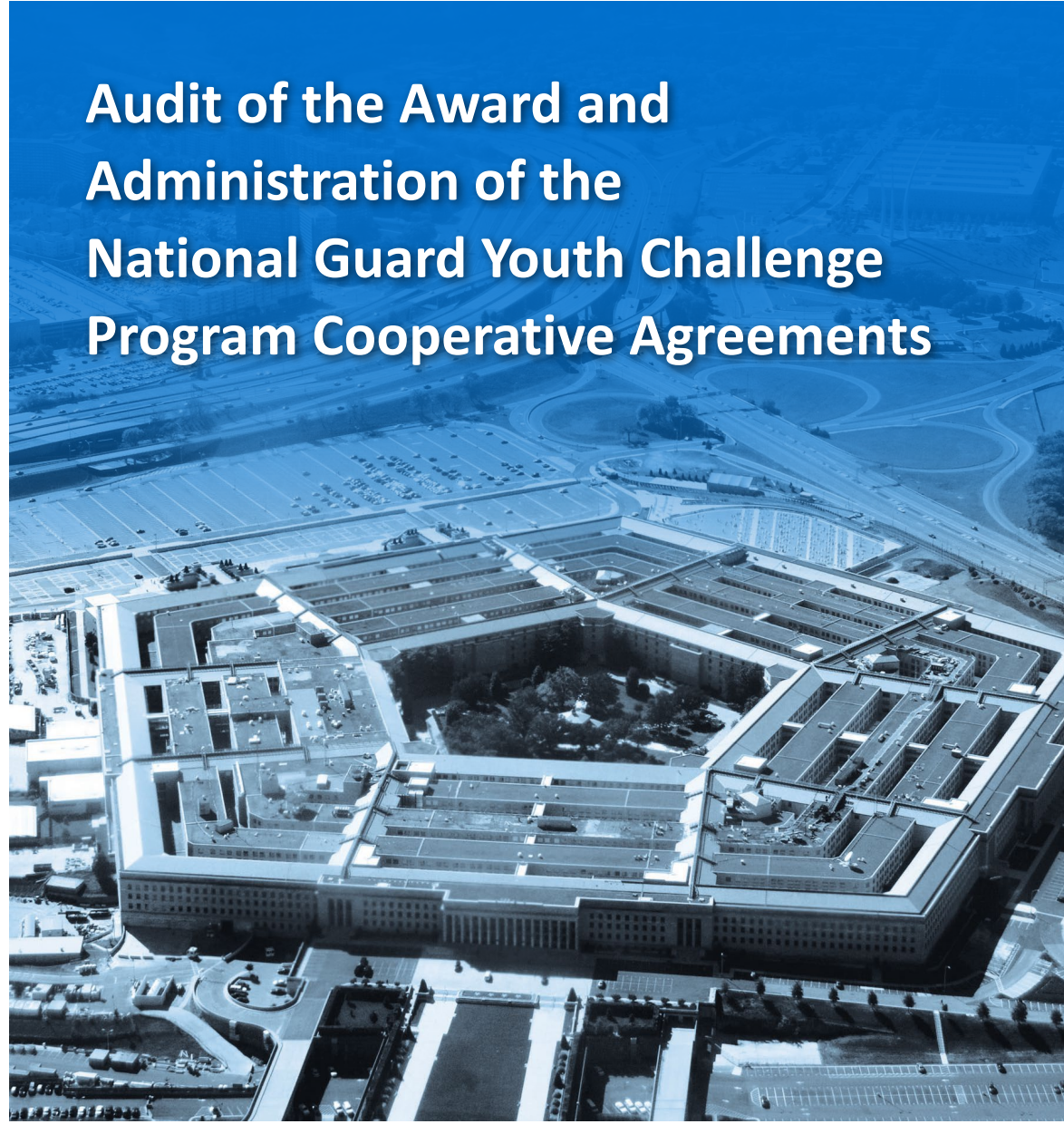




# Inspector General

*U.S. Department of Defense*

APRIL 2, 2021



## Audit of the Award and Administration of the National Guard Youth Challenge Program Cooperative Agreements

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







# Results in Brief

## *Audit of the Award and Administration of the National Guard Youth Challenge Program Cooperative Agreements*

**April 2, 2021**

### **Objective**

The objective of this audit was to determine whether the award and administration of National Guard Youth Challenge Program cooperative agreements were in accordance with applicable Federal and DoD policies. We also determined whether three academies we reviewed, Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies, achieved program goals and objectives.

### **Background**

Cooperative agreements are agreements between Federal agencies and non-Federal entities to stimulate or support a public purpose. The National Guard Bureau (NGB) is the Federal agency responsible for executing the Challenge Program, including awarding and administering cooperative agreements for the program. Section 1091 of the National Defense Authorization Act for FY 1993 established the Challenge Program, which is designed to provide opportunities to adolescents who have left school before earning a high school diploma. The program's goal is to improve education, life skills, and employment potential of program participants. The program consists of a 22-week residential program and a 12-month post-residential mentoring period. The Challenge Program budget was \$199 million in FY 2020 and included funding to pay for costs associated with 41 program academies across 30 states; Washington, D.C.; and Puerto Rico.

### **Background (cont'd)**

The Assistant Secretary of Defense for Manpower and Reserve Affairs is responsible for the management and oversight of the program and the Director of Manpower and Personnel for the NGB is responsible for the issuance of guidance and procedures for the program. The Office of Youth Programs within the NGB is the primary office that oversees the Challenge Program and is responsible for developing procedures to execute the program and coordinating the allocation of Federal funds. In addition, the Assistant Secretary of Defense for Research and Engineering is responsible for developing DoD cooperative agreement policies and procedures.

### **Findings**

The NGB generally awarded and administered the Challenge Program cooperative agreements in accordance with applicable Federal regulations and DoD policies. However, the NGB did not accurately budget for the academies because NGB officials instructed the academies to budget for a target graduation rate that did not consider each of the academies' historical attrition and graduation rates. As a result, the budget process did not accurately reflect academies' needs and costs. Therefore, an academy that has historically met or exceeded the NGB's target graduation rate could receive the same amount of funding as an academy that has not historically met the target graduation rate.

In addition, for 3 years or longer the NGB United States Property and Fiscal Officers did not complete cooperative agreement closeouts for the Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies because policy allowed the NGB United States Property and Fiscal Officers to repeatedly extend the deadline for the academies to submit required closeout documentation and did not return funds promptly to the NGB Office of Youth Programs. Closeouts should occur once the NGB United States Property and Fiscal Officers determine that the academy has completed all applicable administrative actions and required work under the cooperative agreement.



# Results in Brief

## *Audit of the Award and Administration of the National Guard Youth Challenge Program Cooperative Agreements*

### **Findings (cont'd)**

If the NGB United States Property and Fiscal Officers do not close cooperative agreements in a timely manner, funds that have not been expended could expire instead of being returned to the NGB Office of Youth Programs and put to better use. We determined the NGB United States Property and Fiscal Officers had not returned \$3,213 of excess Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academy funds for a 1-year period.

Finally, while the Challenge Program is meeting its goal to provide opportunities for adolescents who have left school before earning a high school diploma, the NGB did not track long-term program benefits and cost-effectiveness because the NGB did not develop a plan to measure program effectiveness. In addition, the academies did not consistently achieve annual graduation requirements and goals because the NGB did not incentivize the academies to meet requirements. Specifically, over the last 3 years the NGB did not take any action to hold the academies accountable for meeting their graduation requirements and goals as required by the National Guard Youth Challenge Operational Instruction. As a result, the DoD is unable to demonstrate that the Challenge Program and these academies are effective in meeting the long-term benefits and short-term requirements and goals of the program and the NGB could mismanage funds by providing resources to academies that are consistently underperforming.

### **Recommendations**

We recommend that the Director of Manpower and Personnel for the NGB:

- change how the academies develop their annual budget request;

- identify all Challenge Program cooperative agreements that are still open after 1 year and either close them out or require the grantee to explain why they cannot be closed out;
- enforce Challenge Program requirements to hold accountable the academies that are not meeting program requirements and goals or require the NGB Office of Youth Programs officials to obtain a waiver; and
- disapprove future state plans that do not comply with the NGB guidance.

We recommend that the Assistant Secretary of Defense for Manpower and Reserve Affairs, in coordination with the Director of Manpower and Personnel for the NGB, establish and implement a plan to identify whether the Challenge Program is achieving long-term benefits, including a process for collecting cadet data beyond the 1 year residential phase of the program.

We recommend that the Executive Director of Acquisition for the NGB provide NGB officials guidance and training on the prompt return of deobligated funds.

We recommend that the Office of the Under Secretary of Defense for Research and Engineering issue guidance that emphasizes that awarding agencies close out cooperative agreements within 1 year of the end of the period of performance.

### **Management Comments and Our Response**

The Principal Deputy Director of Defense Research and Engineering for Research and Technology, responding for the Office of the Under Secretary of Defense for Research and Engineering, agreed with the recommendation to issue guidance on the timely closeout of the grants and cooperative agreement awards. Therefore, the



# Results in Brief

## *Audit of the Award and Administration of the National Guard Youth Challenge Program Cooperative Agreements*

### **Comments (cont'd)**

recommendation is resolved but will remain open. We will close the recommendation once management provides documentation demonstrating that the agreed to action has been completed.

The Assistant Secretary of Defense for Manpower and Reserve Affairs agreed with the recommendation and is working to obtain a System of Record Notice approval for long-term tracking of graduates to allow the DoD to track graduates data beyond 1 year and determine return on investment. Therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Assistant Secretary provides documentation of his plan for achieving long-term benefits, including the approved System of Record Notice, record retention schedule, and privacy impact assessment.

The Director of Staff for the NGB, responding for the Director of Manpower and Personnel for the NGB, agreed with the recommendations stating that the NGB would:

- rely more heavily on recent past performance in developing future annual budget requests,
- coordinate annually with States and NGB United States Property and Fiscal Officers to ensure that cooperative agreements are closed out and obtain an explanation for Challenge Program cooperative agreements that are still open 1 year after the period of performance has ended,

- require the NGB Office of Youth Programs to obtain a waiver and explanation from any academy that does not meet program requirements and goals, and
- look closer at proposed graduation levels and develop a quicker response to academies that are not meeting graduation requirements.

In addition, the Director, responding for the Executive Director of Acquisition for the NGB, agreed with the recommendation to issue policy and provide training that offers guidance on the prompt return of deobligated funds. Therefore, the recommendations are resolved but will remain open. We will close the recommendations once management provides documentation demonstrating that the agreed to actions have been completed.

Please see the Recommendations Table on the next page for the status of recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Office of the Under Secretary of Defense for Research and Engineering		B.3	
Assistant Secretary of Defense for Manpower and Reserve Affairs		C.1	
Director of Manpower and Personnel for the National Guard Bureau		A.1, B.1, C.2.a, C.2.b	
Executive Director of Acquisition for the National Guard Bureau		B.2	

**Note:** The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

April 2, 2021

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING  
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS  
CHIEF, NATIONAL GUARD BUREAU

SUBJECT: Audit of the Award and Administration of the National Guard Youth Challenge  
Program Cooperative Agreements (Report No. DODIG-2021-072)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered managements' comments on the draft report when preparing the final report. These comments are included in the report.

The Office of the Under Secretary of Defense for Research and Engineering, Assistant Secretary of Defense for Manpower and Reserve Affairs, the Director of Manpower and Personnel for the National Guard Bureau, and the Executive Director of Acquisition for the National Guard Bureau agreed to address the recommendations addressed to them in the report; therefore, we consider those recommendations resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either [REDACTED] if unclassified or [REDACTED] if classified SECRET.

If you have any questions, please contact me at [REDACTED]

A handwritten signature in black ink, reading "Theresa S. Hull", is positioned above the printed name.

Theresa S. Hull  
Assistant Inspector General for Audit  
Acquisition, Contracting, and Sustainment



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# Introduction

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## Objective

The objective of this audit was to determine whether the award and administration of National Guard Youth Challenge Program cooperative agreements were in accordance with applicable Federal and DoD policies and whether the academies achieved program goals and objectives. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the objective.

## Background

Cooperative agreements are agreements between Federal agencies and non-Federal entities to stimulate or support a public purpose. These agreements also require substantial involvement between the Federal agency and the recipient of Federal assistance during performance. The National Guard Bureau (NGB) is the Federal agency responsible for executing the Challenge Program.

Section 1091 of the National Defense Authorization Act for FY 1993 established the Challenge Program, which is designed to provide opportunities and improve education, life skills, and employment potential of adolescents who have left school before earning a high school diploma. The program uses military-based training to improve life skills and employment potential and is built around eight core components—academic excellence, physical fitness, leadership and followership, responsible citizenship, job skills, service to the community, health and hygiene, and life-coping skills. According to the Challenge Program cooperative agreement, the program consists of a 22-week residential program and a 12-month post-residential mentoring period, which includes tracking the graduates' placement.<sup>1</sup> From the establishment of the program in FY 1993 through FY 2020, the Challenge Program had graduated over 186,000 participants.

Participants in the Challenge Program must be 16 through 18 years old when entering the program, a drop out of secondary school, a United States citizen or legal resident, underemployed or unemployed, not on probation or parole, free from illegal drugs, and physically and mentally capable of participating in the program.

The Challenge Program budget has substantially increased, from \$50 million in FY 1993 to \$199 million in FY 2020. The FY 2020 budget includes funding to pay for costs associated with 41 program academies across 30 states; Washington, D.C.; and Puerto Rico. When the Challenge Program was established, Congress allowed

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<sup>1</sup> Placement is the equivalent of at least one full-time positive activity that a graduate becomes involved in during the 12-month post-residential period. This activity could include military service, employment, or continued education.

the DoD to pay for 100 percent of the operating costs of each state-run academy. Congress has since limited the DoD's portion of the operating costs to 75 percent, with the remaining 25 percent paid by the state or territory.

## ***Offices Involved With the National Guard Youth Challenge Program***

### ***Office of the Secretary of Defense***

The Assistant Secretary of Defense for Manpower and Reserve Affairs (ASD[M&RA]) is responsible for the managing and overseeing of the Challenge Program, including maximizing the public benefit and verifying that program academies are not competing with each other for participants. In addition, section 509, title 32, United States Code (32 U.S.C. § 509) requires the Secretary of Defense to submit an annual report to Congress on the conduct and effectiveness of the Challenge Program.<sup>2</sup> The ASD(M&RA) has contracted with the RAND Corporation to annually gather and analyze data from each academy and prepare the annual Challenge Program report.

### ***National Guard Bureau***

The Chief of the NGB is responsible for the administering and staffing of the program and the Director of Manpower and Personnel for the NGB is responsible for the issuance of guidance and procedures for the program. According to the Chief NGB Instruction 9350.01, the Office of Youth Programs within the NGB is the primary office that oversees the Challenge Program and is responsible for developing procedures to execute the program, coordinating with NGB offices to update the Challenge Program cooperative agreements, providing program training to the academies, and coordinating the allocation of Federal funds.<sup>3</sup> According to the Chief for the NGB Youth Programs, the NGB conducts inspections of each academy at least once every 3 years. These inspections provide program oversight and information that help NGB Youth Programs officials assess the health of each academy, make decisions about the program, and assist the academies in preparing for external audits. In addition, the NGB Director of Manpower and Personnel, is responsible for coordinating the cooperative agreements with state and territory governors and the Commanding General of the D.C. National Guard and issuing implementing guidance and procedures.

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<sup>2</sup> 32 U.S.C. § 509, "National Guard Youth Challenge Program of Opportunities for Civilian Youth," February 6, 2020.

<sup>3</sup> Chief NGB Instruction 9350.01, "National Guard Youth Challenge Program," November 15, 2015.

The NGB United States Property and Fiscal Officer (USPFO) is responsible for signing the cooperative agreements on behalf of the NGB and serves as the grants officer for the Challenge Program. The NGB USPFO is also responsible for ensuring the recipient of the cooperative agreement, in this case a state or territory, uses the available funds or property in accordance with the terms and conditions of the cooperative agreement and for auditing or reviewing the cooperative agreement at least once every 3 years. The NGB USPFO also is responsible for granting or denying extensions of the cooperative agreement after the required closeout date.

### ***State and Academy Offices***

According to the DoD Instruction 1025.8, the state Adjutants General are responsible for implementing the program at the state level and signing the cooperative agreements on behalf of their state or territory.<sup>4</sup> The cooperative agreement includes the program's terms and conditions, policies, procedures, scope of work, budget requirements, and funding limitations. The academy program directors are responsible for supervising and managing the Challenge Program activities and developing the annual state plan, to include the annual budget and graduation targets.

### **Review of Internal Controls**

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>5</sup>

We identified an internal control weakness related to budget requests, cooperative agreement closeout, and supporting long-term benefits and meeting short-term requirements and goals. Specifically, the NGB limited the factors it used to develop an accurate budget, extended the period to close out cooperative agreements, did not establish a process to collect long-term program data, and did not hold academies accountable for meeting program goals. We will provide a copy of the report to the senior official responsible for internal controls in the Office of the Secretary of Defense and the NGB.

### **Management Comments on the Results in Brief and Background**

The Director of Staff for the NGB provided comments on the Results in Brief and Background sections of the report. See Appendix B for management comments and our response.

<sup>4</sup> DoD Instruction 1025.8, "National Guard Challenge Program," March 20, 2002.

<sup>5</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding A

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### **The NGB Did Not Accurately Budget for the Academies**

The NGB generally awarded and administered the Challenge Program cooperative agreements in accordance with applicable Federal regulations and DoD policies. However, the NGB did not accurately budget for the academies. This occurred because NGB officials instructed the academies to budget for a target graduation rate, which did not consider each of the academies' historical attrition and graduation rates. As a result, the process the academies are required to follow does not accurately reflect the academies' actual needs and costs. An academy that has historically met or exceeded the NGB's target graduation rate could receive the same amount of funding as an academy that has not historically met the target graduation rate. Academies we reviewed that did not meet their target graduation rate did not see a decrease in their budget. This could prevent academies that are meeting performance goals from obtaining additional funds to enroll more cadets with the potential for a higher graduation rate.

### ***Award and Administration of Challenge Program Cooperative Agreements Generally Complied with Policy***

The NGB generally awarded and administered the cooperative agreements in accordance with policy. According to Chief NGB Instruction 9350.01, the Chief for the NGB Youth Programs will provide policy and budgetary guidance for the Challenge Program. The Chief provided this budgetary guidance and requirements through cooperative agreements established with each state and academy. Specifically, the NGB required, and the states provided, initial and annual program plans and budget estimates for approval as well as the state plan of operation. The NGB also required the states to prepare the budget in the format provided by the NGB Youth Programs, which included requiring expenses to be listed by category. Each of the three states and academies we reviewed prepared program plans and budgets in accordance with the NGB guidance.

The NGB and ASD(M&RA) also complied with policy to approve and submit an annual budget for the Challenge Program. According to DoD Instruction 1025.8, the Chief for the NGB Youth Programs is responsible for coordinating funding, budgetary, and fiscal issues with the ASD(M&RA). In addition, the ASD(M&RA) must prepare, approve, and submit the Challenge Program's annual budget. For the three academies we reviewed, the Chief for the NGB Youth Programs coordinated the budgets and supporting documentation with the ASD(M&RA). An ASD(M&RA) official stated that he discussed budgetary issues with the



Chief for the NGB Youth Programs official in advance to help ensure the budgets were submitted timely. After the ASD(M&RA) official reviewed the academies' budgets, the official submitted the Challenge Program's annual budget to the Washington Headquarters Services.

In addition, the NGB required each state to certify that state funds were available to support at least 25 percent of the Challenge Program operating costs. Each of the three states we reviewed complied with the requirement and provided the program manager with supporting documentation, including the state contribution. The operating costs per cadet for the three academies we reviewed ranged from \$25,038 to \$34,670 per year during 2018 and 2019.

Finally, the academies spent Challenge Program funds on allowable expenses. The cooperative agreement provided limits for reimbursement on the types of allowable expenses. For example, the academies cannot spend more than 80 percent of their annual funds on salaries and repairs, and minor construction cannot exceed \$250,000 per building. We reviewed the supporting documentation for 133 expenses associated with salaries, facility requirements, supplies, equipment, and clothing and found that the expenses were valid and met the requirements for reimbursement. However, we found that the academies' financial ledger dollar values did not match the supporting documentation for 28 expenses. For three expenses, the academy officials stated that they updated the financial ledgers to match the documentation used to support the reimbursement. The remaining 25 expenses, valued at \$3,423, were from the Kentucky Bluegrass Challenge Academy and officials could not provide supporting documentation that matched the wireless phone bill and payroll amounts in the financial ledger. However, the amount requested for reimbursement was less than the amount on the supporting documentation for the majority of the expenses.

*The academies spent Challenge Program funds on allowable expenses.*

### ***Inaccurate Academy Budgeting***

The NGB did not accurately budget for the academies. For the three states and academies we reviewed, the NGB required the state to develop its academy's budget based on the graduation target of 200 cadets per year. However, only the Maryland Freestate Challenge Academy graduated more than 200 cadets during FYs 2018 and 2019. The Kentucky Bluegrass Challenge Academy was well below the 200 graduates in FYs 2018 and 2019; falling short by 63 cadets and 109 cadets, respectively, and the Indiana Hoosier Youth Challenge Academy fell short by 77 cadets and 76 cadets, respectively. The NGB did not require the states to adjust the academies' budget in the following years and continued to approve budgets for a targeted 200 graduates per year.

### ***Budget Based on Target Graduation Rate***

NGB officials instructed the academies to budget for the NGB's target graduation rate, which may not reflect each of the academies' historical attrition and graduation rates. The NGB provided each of the states and academies a budget template that required using the target graduation rate as a basis for the budget. The cooperative agreement requires each academy to operate two classes per year and graduate a minimum of 75 cadets per class or 150 cadets per year. However, according to the Chief for the NGB Youth Programs, the NGB would prefer that the academies graduate 100 cadets per class or 200 cadets per year and therefore the academies are funded at that level.

The three academies we reviewed based their budget requests on a target of 200 graduates per year and did not consider the academies' attrition rates when determining costs for their programs. The attrition rate would identify the percentage of cadets who did not graduate compared to the number of cadets who initially enrolled in the Challenge Program. For example, 231 cadets entered the Indiana Hoosier Youth Challenge Academy in FY 2018, but only 123 cadets graduated. This means the academy had an attrition rate of 47 percent. The NGB required the Indiana Hoosier Youth Challenge Academy to budget for 200 graduates in FY 2019 even though the academy had not achieved the target graduation rate the previous fiscal year. Budgeting based on an NGB target did not consider historical enrollment and attrition rates.

According to the Chief for the NGB Youth Programs, all but 1 of the 41 academies used a target of at least 200 graduates because a budget based on 75 graduates per class or 150 graduates per year is not enough funding. Even though NGB officials were aware that graduation targets were not always met, the Chief for the NGB Youth Programs stated that there had been no discussions on changing either the target goal per academy or the method for calculating the budget. If the NGB does not adjust its requirements for how states budget for each academy, there is a risk that academies will not have an incentive to control costs. The NGB should require the academies to consider other information as a basis for their budget such as historical attrition and graduation rates.

### **Conclusion**

As a result, the process the NGB requires the academies to follow does not accurately reflect the academies historical needs and costs. The allocation of funds is predominately based on the target graduation rate developed by the NGB. However, an academy that has historically met or exceeded the NGB's target graduation rate could receive the same amount of funding as an academy that has not historically met the target graduation rate. Additionally, academies we

reviewed that did not meet performance goals did not see a decrease in their budget. This could prevent academies that are meeting performance goals from obtaining additional funds to enroll more cadets with the potential for a higher overall graduation rate for the program.

## Management Comments on Finding and Our Response

The Director of Staff for the NGB provided comments on the finding for the report. See Appendix B for management comments and our response.

## Recommendation, Management Comments, and Our Response

### ***Recommendation A.1***

**We recommend that the Director of Manpower and Personnel for the National Guard Bureau change how the academies develop their annual budget request.**

### ***Director of Manpower and Personnel for the National Guard Bureau Comments***

The Director of Staff for the NGB, responding for the Director of Manpower and Personnel for the NGB, agreed with the recommendation, stating that the NGB Office of Youth Programs will rely more heavily on recent past performance in setting future annual budget requests. The Director also stated that while the NGB does not mandate a target of 100 graduates, it is encouraged. The NGB Office of Youth Programs will make changes in developing the academies annual budget request by August 31, 2021.

### ***Our Response***

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the NGB Office of Youth Programs provides documentation demonstrating that changes have been made in developing the academies annual budget.

## Finding B

### The NGB Did Not Close Out Cooperative Agreements in a Timely Manner for Three Academies

The NGB USFPOs did not complete cooperative agreement closeouts for 3 years or longer for the Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies. This occurred because the policy allowed the NGB USFPOs to repeatedly extend the deadline for the academies to submit required closeout documentation and did not return funds promptly. If the NGB USFPOs do not close cooperative agreements in a timely manner, funds that have not been expended could expire instead of being returned to the NGB Office of Youth Programs and put to better use. We determined that the NGB USFPOs had not returned \$3,213 of excess Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academy funds for a 1-year period.

#### ***Lack of Timely Cooperative Agreement Closeout***

*The NGB USFPOs did not complete cooperative agreement closeouts for 3 years or longer.*

The NGB USFPOs did not complete cooperative agreement closeouts for 3 years or longer for the Indiana Hoosier, Kentucky Bluegrass, and

Maryland Freestate Challenge Academies. The cooperative agreement requires that the NGB perform annual closeouts. According to 2 Code of Federal Regulations (CFR) sec. 200, awarding or administering agencies are required to close out Federal awards, including cooperative agreements, once they have determined that the non-Federal recipient has completed all applicable administrative actions and required work under the cooperative agreement.<sup>6</sup> The CFR also requires the recipients to submit closeout reports within 90 days of the end of the period of performance. According to NGB oversight and compliance officials, there is a draft change to 2 CFR sec. 200 that would increase the time to 120 days. However, between FYs 2016 and 2020, the NGB USFPOs received the closeout reports only for the Indiana Hoosier and Maryland Freestate Challenge Academies’ for FY 2016 and the Kentucky Bluegrass Challenge Academy for FY 2016 through FY 2018. The NGB USFPOs did not receive documentation to closeout the remaining years. Table 1 identifies the fiscal years that have not been closed out for each academy we reviewed.

<sup>6</sup> 2 CFR sec. 200, Appendix XI, “Compliance Supplement,” August 2019.



Table 1. Fiscal Years That Have Not Been Closed Out

Challenge Academy	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Indiana Hoosier Youth Challenge Academy		X	X	X	X
Kentucky Bluegrass Challenge Academy				X	X
Maryland Freestate Challenge Academy		X	X	X	X

Source: The DoD OIG.

### ***The NGB Continued to Grant Closeout Extensions and Did Not Return Excess Funds Promptly***

The policy allowed the NGB USPFOs to continue extending the period to submit required closeout documentation. The 2 CFR sec. 200 allows Federal awarding agencies to approve extensions to submit closeout documentation when requested by the recipient. There are no restrictions on the number of 90-day extensions that an awarding agency can grant, which allows the cooperative agreements to remain open for years. For example, for the cooperative agreements that were closed, the NGB USPFOs granted the Indiana Hoosier Youth Challenge Academy 13 extensions and the Maryland Freestate Challenge Academy 12 extensions for the 2016 cooperative agreements, and granted the Kentucky Bluegrass Challenge Academy 9 extensions for the 2017 cooperative agreement. One extension was for 45 days and the remaining extensions were each for 90 days.

The three states had different reasons for requesting closeout extensions. The Indiana State Comptroller's Office requested the extensions because it had not performed a reconciliation of the Challenge Program cooperative agreement's obligations and expenditures. The Indiana NGB USPFO officials stated that the State Comptroller's Office was late conducting the reconciliations because the Challenge Program was just one of multiple cooperative agreements the State Comptroller's Office was required to review. A Kentucky NGB USPFO official stated that the delays were due to corrections needed in the request for reimbursement, other state accounting corrections, and vendors not billing in a timely manner. Finally, the Maryland NGB USPFO official stated that the closeout was delayed because the State of Maryland had not sent in the final voucher for FY 2016 through FY 2018 because the state was reluctant to confirm that it did not have any additional expenses related to the Challenge Program.

Updates to 2 CFR sec. 200, effective November 2020, state that the awarding agencies should make an effort to close out the cooperative agreements with the information that is available within a year of the end of the period of performance. However, the awarding agencies are still allowed to grant extensions to the period of performance and extensions for closeout. While the updated guidance encourages the closeout of cooperative agreements within 1 year, it is not required. In addition, this guidance does not apply to the cooperative agreements we reviewed as those were awarded prior to November 2020. Because the guidance does not apply to prior cooperative agreements, the NGB should close out several cooperative agreements that remain open before the funds begin to expire in 2021 and can no longer be used. The DoD Financial Management Regulation states that funds expire after 5 years and will no longer be available for DoD use.<sup>7</sup> According to the DoD Financial Management Regulation, the funds are available for new expenses for 1 year and any unobligated balances will be canceled and are no longer available for obligation and expenditure for any purpose 5 years after the period of availability ends.<sup>8</sup> The NGB should identify all Challenge Program cooperative agreements that are still open after 1 year and either close out the cooperative agreement or require the grantee to provide an explanation along with the supporting documentation for why the cooperative agreement cannot be closed out.

A previously issued DoD Office of Inspector General Risk Assessment also found that assistance agreements, which include grants and cooperative agreements, were not closed in a timely manner.<sup>9</sup> The Assistant Secretary of Defense for Research and Engineering is responsible for developing DoD assistance agreement policies and procedures. According to an Office of the Under Secretary of Defense for Research and Engineering official, the DoD Grant and Agreement Regulations, that would emphasize closeout, are being updated and are not published. The same official stated that the November 2020 updates to the 2 CFR sec. 200 should pressure the grantees to send the information that the DoD needs to close out the cooperative agreement within 1 year. However, the official also stated the awarding agency needs to make sure it is not approving blanket extensions for providing closeout reports without proper justification. Because the 2 CFR sec. 200 still allows for granting extensions and there is limited time to use the funds, the DoD needs to emphasize the need for timely closeout. Therefore, the Office of the Under Secretary of Defense for Research and Engineering should issue guidance

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<sup>7</sup> DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 3, chapter 10, "Accounting Requirements for Expired and Closed Accounts," September 2020.

<sup>8</sup> DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 3, chapter 10, "Accounting Requirements for Expired and Closed Accounts," September 2020.

<sup>9</sup> DoD Office of Inspector General Report No. DODIG-2020-041, "Risk Assessment of the DoD's Grant Closeout Process," December 16, 2019.

that emphasizes that awarding agencies, such as the NGB, need to close out cooperative agreements that were issued after November 2020 within 1 year of the end of the period of performance. The guidance should also emphasize that extensions should not be granted unless the grantee provides a valid justification and supporting documentation for not being able to submit the final closeout report.

In addition, the NGB USPFOs did not return excess funds promptly to the NGB Office of Youth Programs once the officials became aware that the funds were no longer needed. For example, the Indiana NGB USPFO officials became aware in June 2020 that funds related to the FY 2016 cooperative agreement were no longer needed. As of November 2020, the Indiana NGB USPFO had not returned those funds. The Kentucky NGB USPFO officials became aware in March 2020 that funds related to the FY 2017 cooperative agreement were no longer needed and did not return the funds until November 2020. Finally, the Maryland NGB USPFO officials became aware in July 2020 that funds related to the FY 2016 cooperative agreement were no longer needed and did not return the funds until October 2020. According to an official with the NGB Grants and Cooperative Agreement Oversight and Compliance Office, the NGB USPFOs who are responsible for closeout do not have guidance or receive training on the process for returning excess funds. The NGB Grants and Cooperative Agreement Oversight and Compliance Office should update its policy and provide training to NGB officials responsible for closeout to ensure deobligated funds are promptly returned. Challenge Program funds should be returned to the NGB Office of Youth Programs and the DoD.

*The NGB USPFOs did not return excess funds promptly to the NGB Office of Youth Programs once the officials became aware that the funds were no longer needed.*

## Conclusion

If the NGB USPFOs do not close out cooperative agreements in a timely manner, funds could expire instead of being returned to the DoD and put to better use. The lack of timely closeout contributed to the NGB USPFOs retaining funds for years after they were no longer authorized to be used by the academies. We determined that the NGB USPFOs had not returned \$3,213 of excess funds from the Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies. Specifically, \$1,400 was attributed to the Indiana Hoosier Youth Challenge Academy, \$1,504 to the Kentucky Bluegrass Challenge Academy,

and \$309 to the Maryland Freestate Challenge Academy. The DoD Financial Management Regulation states that timely grant closeouts ensure that any excess funds are deobligated and available for the DoD to fund other academies as appropriate.

For example, FY 2016 funds were available for obligation until September 30, 2016, and will be canceled on September 30, 2021. The lack of timely closeout and the delay in returning the funds allowed the NGB to retain excess funds for up to 3 years after the funds were no longer available for use by the Challenge Program. These Challenge Program funds are at risk of being canceled and returned to the Department of the Treasury if they are not returned to the DoD within 5 years. These canceled funds are not able to be put to better use by the DoD.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation B.1***

**We recommend that the Director of Manpower and Personnel for the National Guard Bureau require National Guard Bureau officials to identify all Challenge Program cooperative agreements that are still open after 1 year and either close them or require the grantee to provide an explanation along with the supporting documentation for why they cannot be closed.**

### ***Director of Manpower and Personnel for the National Guard Bureau Comments***

The Director of Staff for the NGB, responding for the Director of Manpower and Personnel for the NGB, agreed with the recommendation, stating that it is a good idea to identify cooperative agreements that are still open 2 years after the agreement's inception date. The NGB Office of Youth Programs will coordinate annually with the States and USPFOs to ensure that cooperative agreements are closed out and will obtain an explanation from the States and USPFOs if the cooperative agreement is not closed 1 year after the period of performance ends. The initial review date is September 30, 2021.

### ***Our Response***

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the NGB provides documentation that demonstrates the Challenge Program cooperative agreements were reviewed for closeout and either closed the cooperative agreement or received a valid explanation for why the cooperative agreement is still open.



## ***Recommendation B.2***

**We recommend that the Executive Director of Acquisition for the National Guard Bureau require National Guard Bureau Grants and Cooperative Agreement Oversight and Compliance officials provide standardized guidance on the prompt return of deobligated funds and provide training to National Guard Bureau officials responsible for closeout to ensure deobligated funds are promptly returned.**

### ***Executive Director of Acquisition for the National Guard Bureau Comments***

The Director of Staff for the NGB, responding for the Executive Director of Acquisition for the NGB, agreed with the recommendation, stating that the NGB Grants and Cooperative Agreement Oversight and Compliance Office will issue policy that provides guidance regarding the prompt return of deobligated funds. In addition, the cooperative agreement training will discuss the prompt return and deobligation of funds. These actions will be completed by July 30, 2021.

### ***Our Response***

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the NGB Grants and Cooperative Agreement Oversight and Compliance officials have issued policy and provided documentation demonstrating that the NGB officials responsible for closeout received training on the prompt return of deobligated funds.

## ***Recommendation B.3***

**We recommend that the Office of the Under Secretary of Defense for Research and Engineering issue guidance that emphasizes that awarding agencies need to close out cooperative agreements that were issued after November 2020 within 1 year of the end of the period of performance. This guidance should also emphasize that extensions should not be granted unless the grantee provides a valid justification along with supporting documentation for not being able to submit the final closeout report.**

### ***Office of the Under Secretary of Defense for Research and Engineering***

The Principal Deputy Director of Defense Research and Engineering for Research and Technology, responding for the Office of the Under Secretary of Defense for Research and Engineering, agreed with the recommendation, stating that the

recommendation mirrors the requirement in the 2 CFR sec. 200 for all awards issued after November 2020. The Principal Deputy Director will issue guidance on timely closeout for the grant and cooperative agreement awards by July 1, 2021.

### ***Our Response***

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Office of the Under Secretary of Defense for Research and Engineering has issued guidance that emphasizes that awarding agencies need to close out grants and cooperative agreements.

## Finding C

### **The NGB Did Not Track Long-Term Program Benefits or Ensure Academies Met Performance Requirements and Goals**

The NGB Challenge Program is providing opportunities for adolescents who have left school before earning a high school diploma. However, the NGB did not track long-term program benefits and cost-effectiveness. This occurred because the NGB did not develop a plan to measure program effectiveness. In addition, the academies did not consistently achieve graduation requirements and goals. This occurred because the NGB did not incentivize the academies to meet requirements. Specifically, over the last 3 years the NGB did not take any action to hold the academies accountable for meeting their graduation requirements and goals as required by the National Guard Youth Challenge Operational Instruction. As a result, the DoD is unable to demonstrate that the Challenge Program and academies are effective in meeting the long-term benefits and short-term requirements and goals of the program. If the academies cannot meet program requirements and the NGB cannot measure long-term program effectiveness, the NGB could mismanage funds by providing resources to academies that are consistently underperforming.

### ***Opportunities Provided for Adolescents***

The NGB Challenge Program is providing opportunities for adolescents who have left school before earning a high school diploma. Specifically, over 186,000 cadets received military-based training, job skills training, community service opportunities, and mentoring since FY 1993. According to the ASD(M&RA) annual report to Congress, the Challenge Program had a positive impact on cadets' education and test scores, employment assistance, service to the community, and mental health. For example, according to an Indiana Hoosier Youth Challenge Academy graduate's mother, the Challenge Program saved her son's life. She added that her son is employed and has a goal to own his own business. In another example, a Kentucky Bluegrass Challenge Academy graduate is now an Army Captain, who earned a bachelor's degree and 11 medals and awards.

In FY 2018, 60 percent of all Challenge Program academy graduates received either a high school diploma, general education diploma, or high school credits toward graduation. For the three academies we reviewed, each improved the academic performance of the majority of graduating cadets. For example, all cadets that

graduated in December 2019 at the Maryland Freestate Challenge Academy met the academic requirements and 92 percent showed improved standardized test scores from the beginning of the class to the end.

The NGB, through the academies, provided training on how to complete job applications and followed up with cadets to determine their employment status. For example, cadets received employment assistance through mock interviews and applications. In addition, academies provided cadets opportunities to serve their communities. For example, cadets at the Kentucky Bluegrass and Maryland Freestate Challenge Academies completed at least 40 hours of community service prior to graduation, including planting trees and picking up litter. Finally, some of the academies provided access to mental health counselors. For example, the Indiana Hoosier Youth Challenge Academy provided cadets with counseling and crisis intervention through a partnership with qualified mental health providers. However, the NGB has the opportunity to make program improvements to better track program benefits and ensure program goals and objectives are being met.

### ***NGB Did Not Track Long-Term Benefits***

The NGB did not track long-term program benefits and cost-effectiveness. The NGB requires the academies to track the placement of cadets for only 1 year after the residential phase. During this period, the academies track the cadets' military service, employment, or continued education. The 32 U.S.C. § 509 requires the Secretary of Defense to conduct at least a 22-week residential program and a 12-month post-residential mentoring period. The 32 U.S.C. § 509 does not prevent the NGB and academies from tracking the cadets for longer than 1 year. However, according to the Chief for the NGB Youth Programs and an ASD(M&RA) official, a longer tracking period could require additional funding, new processes, and additional staff to be able to handle the workload.

In addition, the ASD(M&RA) and the NGB have not measured cost-effectiveness of the Challenge Program since 2012. Specifically, the ASD(M&RA) and the NGB measured education and labor market success by reviewing costs associated with operating the Challenge Program compared to benefits, such as job earnings or social welfare dependency. According to the ASD(M&RA) and RAND Corporation officials, there are no plans to update this cost-benefit analysis since it would be expensive due to the amount of time and effort that would be needed to collect and analyze the information. However, the NGB included the 2012 information within the November 2019 report to Congress that supported program success and cost benefits.

*The ASD(M&RA) and the NGB have not measured cost-effectiveness of the Challenge Program since 2012.*



### ***Lack of a Process for Data Collection***

The NGB did not develop a plan to effectively measure program effectiveness. Specifically, the NGB did not establish a process for collecting data beyond the post-residential period. According to the RAND Corporation report to Congress, the academies are collecting information on performance during the 1-year

*The NGB and academies cannot identify the program's effectiveness.* post-residential period; however, the NGB and academies cannot identify the program's effectiveness.<sup>10</sup>

The measures of effectiveness are focused on short-term outcomes, such military enlistment or education enrollment. In addition, the RAND Corporation report identified that the academies do not track longer-term outcomes, such as the level of education obtained, the wage rate, or other aspects of a graduate's job.

According to the Chief for the NGB Youth Programs, members of Congress stated that if cadets were tracked for over a year, the Challenge Program would see even better results because the cadets would have time to mature and join the military, as many are not immediately eligible for military service after graduation due to their age. However, the DoD cannot track this information because the DoD does not have an approved system to store personally identifiable information related to the Challenge Program. While the NGB would like to track a cadet's education, employment status, military service, and criminal history after the 1-year post-residential period to better measure Challenge Program effectiveness, the NGB has not developed a plan to do so. The ASD(M&RA), in coordination with the NGB, should establish and implement a plan to identify whether the Challenge Program is achieving long-term benefits of providing opportunities for cadets to be productive citizens, which would include a process for collecting data beyond 1 year.

### ***Academies Did Not Always Achieve Graduation Requirements and Goals***

The academies we reviewed did not achieve graduation requirements and goals. The Challenge Program cooperative agreement requires each academy to hold two classes per year with a minimum of 75 graduates per class or 150 graduates per year. However, the Chief for the NGB Youth Programs stated that the graduation goal is 100 graduates per class. The Challenge Program cooperative agreement also requires the state to identify annual performance goals within its state plan in order to measure the performance of the Challenge Program academies. For the academies we reviewed, each had a graduation goal of 200 cadets per year. For the past 3 years, the academies did not always

<sup>10</sup> RAND Corporation Report, "National Guard Youth Challenge Program Progress in 2018-2019."

meet the requirement of 150 cadets per year or the goal of 200 cadets per year. The National Guard Youth Challenge Operational Instruction states that academies that do not graduate at least 75 graduates per class or 150 graduates per year are not cost-effective. The Chief for the NGB Youth Programs stated that graduation rates below 75 cadets would have little return on the NGB's investment and a high cost per cadet. Table 2 identifies the number of graduates by class and fiscal year for each of the academies we reviewed.

*Table 2. Challenge Program Graduates per Class and Fiscal Year*

Challenge Academy	Fiscal Year	Graduates in First Class of Fiscal Year	Graduates in Second Class of Fiscal Year	Total Graduates per Fiscal Year
Indiana Hoosier Youth Challenge Academy	2017	97	72	169
	2018	61	62	123
	2019	62	62*	124
Kentucky Bluegrass Challenge Academy	2017	73	96	169
	2018	72	65	137
	2019	41	50*	91
Maryland Freestate Challenge Academy	2017	99	72	171
	2018	98	107	205
	2019	111	93*	204

\*The Coronavirus Disease-2019 affected the Maryland Freestate Challenge Academy's FY 2019 graduation number because it sent the second class home. Of those sent home, only 93 cadets graduated. The Indiana Hoosier and Kentucky Bluegrass Challenge Academies had graduating classes in June 2020 and May 2020, respectively.

Source: The DoD OIG.

### ***Lack of Academy Accountability for Meeting Requirements and Goals***

The NGB did not incentivize the academies to meet requirements. Specifically, over the last 3 years the NGB did not take any action to hold the academies accountable for meeting their graduation requirements and goals as required by the National Guard Youth Challenge Operational Instruction. The Operational Instruction states that programs operating below the graduation target requirement will be placed on probation for the following two classes. If performance metrics are not improved and remain below the minimum standards, the NGB may terminate the academy. However, the Indiana Hoosier and Kentucky Bluegrass Challenge Academies were not put on probation or terminated for not achieving the graduation requirements.

*NGB did not take any action to hold the academies accountable for meeting their graduation requirements and goals.*

The Chief for the NGB Youth Programs stated that the NGB would not immediately place a Challenge Program academy on probation for not meeting the graduation target requirement. The academy would need to fail multiple inspections, not show any progress, and have no plan for improvement before the NGB would place the academy on probation. However, the cooperative agreement states that the NGB can terminate the agreement and close an academy if the grantee fails to meet one of the cooperative agreement requirements or the graduation metrics. The NGB receives the number of graduates from each academy every year and not just when NGB completes an inspection. Therefore, the NGB has the information available to hold academies accountable without waiting until an inspection is performed. In addition to the Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies, we also reviewed data contained within the RAND Corporation reports to Congress concerning all the Challenge Program academies. The 2017-2018 RAND Corporation report indicated that 7 academies did not meet the requirement of at least 150 graduates per year and the 2018-2019 RAND Corporation report indicated that 6 academies did not meet the requirement. There were four academies that did not meet the requirement in both years. The NGB Office of Youth Programs should enforce Challenge Program requirements and hold academies accountable for not meeting program requirements and goals, or else obtain a waiver from the Chief of the NGB for not taking action on an academy that is not meeting program requirements and goals.

In addition to not meeting the graduation requirements and goals, the academies we reviewed did not include recommended sanctions in the state plans if graduation requirements are not met in three consecutive residential classes. The Chief NGB Instruction 9350.01 requires each academy program director to include its own recommended sanctions within the state plan and the NGB to review and approve the state plans. For example, the Maryland FY 2019 state plan sanction was to request a program evaluation by the NGB to focus on recruitment and retention strategies. However, the other two academies we reviewed did not include recommended sanctions in the FY 2019 state plan and all three academies did not include recommended sanctions in the FY 2020 state plan. The NGB Office of Youth Programs should disapprove future state plans that do not comply with the NGB guidance including recommended sanctions for not meeting graduation goals and should require the three academies we reviewed to update the FY 2020 state plans to include recommended sanctions.

## Conclusion

As a result, the DoD cannot demonstrate that the Challenge Program and academies are effective in meeting the long-term benefits and short-term requirements and goals of the program. By only tracking program participants for the minimum required time period, the NGB is not able to identify whether the Challenge

Program is providing a benefit to the participants after the 1 year. Tracking data for longer than 1 year could allow the NGB to either demonstrate that the Challenge Program and academies are providing long-term benefits on the life skills and employment potential of the graduating cadets or that the program is not effective and DoD resources may be mismanaged and should be reallocated among the academies. Tracking data for longer than 1 year could also identify whether the Challenge Program is able to justify the DoD's continued investment at specific academies or in the program as a whole. According to DoD policy, poor-performing academies that consistently remain below the minimum standard of 150 graduates per year are not cost-effective for the DoD and Challenge Program funds could be better managed and disbursed to the higher-performing academies. The NGB should track cadets for longer than 1 year to determine program effectiveness and identify which academies are consistently underperforming given there is limited funds for the Challenge Program.

## **Management Comments on Finding and Our Response**

The Director of Staff for the NGB provided comments on the finding for the report. See Appendix B for management comments and our response.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation C.1***

**We recommend that the Assistant Secretary of Defense for Manpower and Reserve Affairs, in coordination with the Director of Manpower and Personnel for the National Guard Bureau, establish and implement a plan to identify whether the Challenge Program is achieving long-term benefits of providing opportunities for cadets to be productive citizens. The plan should include a process for collecting data beyond 1 year.**

### ***Assistant Secretary of Defense for Manpower and Reserve Affairs Comments***

The Acting ASD(M&RA) agreed with the recommendation, stating that the Office of the Secretary of Defense and NGB are working to obtain a System of Record Notice approval for long-term tracking of graduates to determine return on investment and long-term program studies. This initiative will allow the DoD to track graduates who volunteer beyond 1 year. The System of Record Notice was submitted for approval on November 19, 2020, and is expected to take 6 to 12 months for review and approval. While the DoD is waiting on that approval,

the Acting Secretary stated that the DoD will continue to work on finalizing the record retention schedule and privacy impact assessment. The Acting Secretary estimates these actions will be completed by June 30, 2022.

### ***Our Response***

Comments from the Acting Assistant Secretary met the intent of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the ASD(M&RA) provides documentation of his plan for achieving long-term benefits to include the approved System of Record Notice, record retention schedule, and privacy impact assessment.

### ***Recommendation C.2***

**We recommend that the Director of Manpower and Personnel for the National Guard Bureau:**

- a. Require the National Guard Bureau Office of Youth Programs to enforce Challenge Program requirements to hold academies accountable for not meeting program requirements and goals, or obtain a waiver from the Chief of the National Guard Bureau for not taking action on an academy that is not meeting program requirements and goals.**
- b. Require the National Guard Bureau Office of Youth Programs to disapprove future state plans that do not comply with the National Guard Bureau guidance including recommended sanctions for not meeting graduation goals and require the Indiana Hoosier, Kentucky Bluegrass, and Maryland Freestate Challenge Academies to update their FY 2020 state plans to include recommended sanctions.**

### ***Director of Manpower and Personnel for the National Guard Bureau Comments***

The Director of Staff for the NGB, responding for the Director of Manpower and Personnel for the NGB, agreed with the recommendations, stating that the NGB Office of Youth Programs will obtain a waiver and explanation from any academy that does not meet program requirements and goals. If explanations are not acceptable, the NGB will initiate potential adverse action. In addition, the NGB Office of Youth Programs will look more closely at proposed graduation target levels and initiate immediate responses to academies whose recent graduation numbers are substandard. These actions will be completed by September 30, 2021. The DoD Instruction 1025.08 and Chief NGB Instruction 9350.01 were updated in FY 2021 to remove the requirement to include recommended sanctions within the state plans.



### ***Our Response***

Comments from the Director addressed the specifics or met the intent of the recommendations; therefore, the recommendations are resolved but will remain open. The Chief of the NGB Youth Programs provided the updated instructions, which no longer included the requirement for the academy to include recommended sanctions for not meeting graduation goals. We will close the recommendations once the NGB Office of Youth Programs provides documentation demonstrating that it has obtained waivers from the Chief of the NGB, received explanations for those academies that are not meeting program requirements and goals, and taken appropriate actions.

## Appendix A

### Scope and Methodology

We conducted this performance audit from June 2020 through January 2021 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.

To determine whether the award and administration of Challenge Program cooperative agreements were in accordance with applicable Federal and DoD policies and whether the academies achieved program goals and objectives, we interviewed stakeholders from the following offices to identify roles and responsibilities and obtain documentation.

- ASD(M&RA)
- Office of the Under Secretary of Defense for Research and Engineering
- NGB Office of Youth Programs
- NGB Grants and Cooperative Agreement Oversight and Compliance Office
- Assistant Secretary of the Army Manpower and Reserve Affairs
- Indiana NGB USPFO
- Indiana Hoosier Youth Challenge Academy
- Kentucky NGB USPFO
- Kentucky Bluegrass Challenge Academy
- Maryland NGB USPFO
- Maryland Freestate Challenge Academy

We reviewed the following guidance related to the Challenge Program.

- 2 CFR sec. 200, Appendix XI, "Compliance Supplement," August 2019
- 31 U.S.C. § 6305, "Using Cooperative Agreements"
- 32 U.S.C. § 509, "National Guard Youth Challenge Program of Opportunities for Civilian Youth"
- DoD Instruction 1025.8, "National Guard Challenge Program," March 20, 2002
- DoD Directive 3210.06, "Defense Grant and Agreement Regulatory System," October 15, 2018

- DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” Volume 12, Chapter 5, “Grants and Cooperative Agreements,” May 2015
- Chief NGB Instruction 9350.01, “National Guard Youth Challenge Program,” November 15, 2015
- National Guard Regulation 5-1, “National Guard Grants and Cooperative Agreements,” May 28, 2010
- “National Guard Youth Challenge Operational Instruction,” October 2015

### ***Universe and Sample of Challenge Program Academies***

To meet our audit objective, we used a universe that consisted of the 41 Challenge Program academies. We reviewed budgetary, closeout, and performance requirements for the Challenge Program and nonstatistically selected three academies. When selecting academies for review, we considered cost per cadet and attrition rate calculated from information in the “National Guard Youth Challenge Program Progress in 2017-2018” and “National Guard Youth Challenge Program Progress in 2018-2019” reports to Congress prepared by the RAND Corporation. We did not include academies opened since 2017 because there is limited or no historical data on the academy and the start-up costs associated with a new program cause the cost per cadet to be misleading. In addition, we did not include academies that had audits conducted in 2019 by the NGB-Internal Review because a review of those academies could lead to a duplication of work. Based on those factors, we selected and reviewed the following academies.

- Indiana Hoosier Youth Challenge Academy
- Kentucky Bluegrass Challenge Academy
- Maryland Freestate Challenge Academy

### ***Challenge Program Analysis***

We reviewed applicable Federal and DoD laws, regulations, policies, and procedures related to both the Challenge Program and cooperative agreements to gain an understanding of the program requirements and determine whether the NGB is budgeting and expending funds in accordance with these policies. We obtained the budget that the Chief of the NGB submits for program administration and the budget that the ASD(M&RA) prepares, approves, and submits to confirm that the budgets were prepared in accordance with guidance. For the three academies we reviewed, we obtained the budget requests, requests for reimbursement, and state certification budget letters to determine if the states were meeting their cost share contribution requirements. We also worked with DoD OIG Quantitative Methods Division (QMD) to identify a nonstatistical, non-biased

sample of 133 expenses. The 133 expenses consisted of 30 expenses at the Indiana Hoosier Youth Challenge Academy, 73 at the Kentucky Bluegrass Challenge Academy, and 30 at the Maryland Freestate Challenge Academy. We analyzed the supporting documentation for each of the expenses to determine whether the expenses were allowable and accurate.

We obtained the closeout documentation and extension requests to determine whether the closeouts were completed in a timely manner. In addition, we obtained the final modifications to determine whether all funds were expended or deobligated and returned to the DoD. We obtained the budgets and budget amendments from each state USPFO to determine the approval and budgeting process.

We obtained the 2017-2018 and 2018-2019 annual reports submitted to Congress to determine if each report contained all required information. We also obtained information on participants accepted into the academies for the last three classes and those who graduated to determine if the participants met the participant selection criteria, reason for rejection or termination, and confirm that each academy class was graduating the required number of students. Specifically, we worked with QMD to identify a universe of 1,813 potential cadets and graduates for the three academies we reviewed. Based on the universe of 1,813 cadets, QMD identified a random statistical sample of 43 cadets for our review. The sample included cadets who were recruited but did not apply, rejected applicants, applicants who were accepted but did not show up to enroll, cadets who were terminated after enrollment, and cadets who graduated. The 43 cadets consisted of 11 cadets at the Indiana Hoosier Youth Challenge Academy, 12 at the Kentucky Bluegrass Challenge Academy, and 20 at the Maryland Freestate Challenge Academy. For the cadets who graduated, we obtained participant reports from the residential phase of the Challenge Program to determine if participants were improving their education, improving their life skills, and becoming better employment candidates.

## Use of Computer-Processed Data

We received Excel spreadsheets from each academy that contained information regarding FYs 2019 and 2020 expenses for each academy. We worked with QMD and identified a nonstatistical sample of 133 expenses for our review. We compared the information within the Excel spreadsheets to supporting documentation contained within the academies' files. Based on our review, we determined that the information contained within the spreadsheets could not always be supported.

We also received Excel spreadsheets from each academy that contained the status of applicants and cadets for the last three graduating classes for each academy we reviewed. We worked with QMD and identified a random statistical sample of 43 cadets for our review. We compared the information within the Excel spreadsheets to information contained within the cadet files. Based on our review, we determined that the information contained within the spreadsheets was sufficiently reliable for the purposes of our review.

## Use of Technical Assistance

We obtained support from QMD in developing a nonstatistical, non-biased sample of expenses to test whether the academies' expenses were allowable and a statistical sample of cadet files to test whether participants met the selection criteria. In addition, the samples also allowed the audit team to test the reliability of the computer-processed data.

## Prior Coverage

During the last 5 years, the DoD OIG and NGB-Internal Review issued three reports discussing grant closeout and whether the award and administration of the Challenge Program cooperative agreements were in accordance with applicable Federal and DoD policies. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. The NGB-Internal Review reports are not available over the Internet.

### ***DoD OIG***

Report No. DODIG-2020-041, "Risk Assessment of the DoD's Grant Closeout Process," December 16, 2019

The risk assessment identified risks with the DoD grant closeout process, including unreliable DoD grant data, a lack of standardized DoD grant policy, and inaccurate DoD grant files. The risk assessment determined that an audit of the grant closeout process was warranted.

### ***NGB-Internal Review***

Report No. 2018-007, "Audit of Youth Challenge Program (Hilo Academy)," September 9, 2019

The audit determined that internal controls over the expenditure of funds for Hilo Academy were not properly designed and were not operating effectively. For example, the audit found that the program manager did not have a formal designation for the position. In addition, the audit determined that the grantee was fulfilling its contribution requirement as it related to funding.



Report No. 2018-004, "Audit of Youth Challenge Program (Lincoln Academy)," January 7, 2019

The audit determined that internal controls over the expenditure of funds for Lincoln Academy were not properly designed and were not operating effectively. For example, the audit found that the program manager did not have a formal designation for the position and unauthorized Federal funds were spent on a storage building. In addition, the audit determined that the grantee was fulfilling its contribution requirement as it related to funding.

## Appendix B

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### Management Comments on the Results in Brief, Background, and Findings and Our Response

Our detailed response to the Director of Staff for the NGB comments on draft report statements follow. The complete text of those comments is in the Management Comments section of this report.

#### ***Results in Brief***

##### ***Management Comments***

The Director of Staff for the NGB suggested the recommendation related to the development of the annual budget be revised. The Director recommended changing it from how the academies develop their annual budget request to ensuring that the annual requested budget target is achievable based on historical data before the NGB approval.

##### ***Our Response***

We do not agree with the suggestion to revise the recommendation. Our recommendation suggests that the NGB change how the academies develop their annual budget request. If the NGB actions include using historical data to justify an academy's annual budget request, then we would agree that would meet the intent of our recommendation.

##### ***Management Comments***

The Director of Staff for the NGB recommended the report include a statement that in all audited cases the current cooperative agreement closeout and extension policies were followed.

##### ***Our Response***

We agree with the Director that the NGB officials followed the policy. The report already states that policy allowed the NGB USPFs to repeatedly extend the deadline for the academies to submit required closeout documentation. Therefore, we are not making the suggested change to the report.

##### ***Management Comments***

The Director of Staff for the NGB requested that the recommendation related to closeout be changed to track agreements that the NGB has not closed 2 years from inception.

### ***Our Response***

We agree with the Director that the NGB should take action on those cooperative agreements that are not closed 2 years from the inception of the 1-year agreement. The recommendation is in line with this timeframe as it requires the NGB officials to close out cooperative agreements or require the grantee to provide an explanation along with the supporting documentation for why it cannot be closed after 1 year, which would be 2 years from inception.

### ***Management Comments***

The Director of Staff for the NGB suggested the recommendation be changed from obtaining a “waiver from the Chief of the NGB for not taking action on an academy that is not meeting program requirements and goals” to “...require NGB Office of Youth Programs officials to obtain a waiver from the Office of the Secretary of Defense Youth Programs oversight office for continuation of funding support.”

### ***Our Response***

We do not agree with the suggested revision. Our recommendation requires the NGB to obtain a waiver for not taking action on an academy that is not meeting program requirements and goals. If the NGB actions include reviewing the continuation of funding, then we would agree that would meet the intent of our recommendation to hold academies accountable.

### ***Management Comments***

The Director of Staff for the NGB disagreed with the statement that state plans should comply with the NGB guidance related to including recommended sanctions for not meeting graduation goals. The Director stated that there is no current regulatory requirement for state plans to include recommended sanctions for not meeting graduation goals.

### ***Our Response***

Since the DoD OIG issued the draft report, the Chief for the NGB Youth Programs provided a December 22, 2020 update to Chief NGB Instruction 9350.01, which no longer includes the requirement for the academy to include recommended sanctions for not meeting graduation goals. However, the Director agreed with the recommendation and stated that the Office of Youth Programs will look more closely at the proposed graduation targets and those academies that are substandard. Therefore, we did not delete the recommendation as the Director’s proposed action will help hold the academies accountable for not meeting requirements and goals.

## **Background**

### **Management Comments**

The Director of Staff for the NGB recommended the report statement that “... Congress allowed the DoD to pay for 100 percent of the operating costs...” be removed because the DoD has never funded 100 percent of the operating costs.

### **Our Response**

We cannot dispute the Director’s statement that the DoD has never funded 100 percent of the operating costs. However, Section 1091 of the National Defense Authorization Act for FY 1993 did not place any cap on the percentage of operating costs to an academy. Therefore, we did not delete the statement from the report.

### **Management Comments**

The Director recommended we add “state” when discussing the annual plan within the “State and Academy Offices” section of the report.

### **Our Response**

We agree and changed the report to include “state” when referring to the annual plan.

## **Finding A**

### **Management Comments**

The Director of Staff for the NGB stated that the NGB does not arbitrarily force a target graduation level on academies. The minimum target is 75 graduates per cycle and the target preference is 100 graduates per cycle, but individual academies submit a budget request that includes its requested target graduation as a starting point for discussions. The final graduation target is based on past performance and the ability to meet previously requested graduation targets. In addition, academies that have demonstrated the ability to increase their target have not been denied additional funding during the last 6 years.

The NGB officials understand that the academies sampled for this audit had not met their target in recent cycles, but discussions with program leaders on the current corrective action plans led to the belief that corrective actions would increase applications. The NGB Youth Programs avoids knee jerk budget and target reduction mandates between program inspections in order to allow time for corrective action plans to show results and avoid unintended consequences.

### ***Our Response***

While the NGB may not arbitrarily force a target graduation level, the official acknowledged in the response to the recommendation that 100 graduates is encouraged and the academy may base the budget on this target whether it believes it can meet the target or not. This was evident by the three academies we reviewed. Each of these academies used 100 graduates to establish their budgets despite the fact that the Indiana Hoosier and Kentucky Bluegrass Challenge Academies did not meet this target in FY 2017 through FY 2019 and the Maryland Freestate Challenge Academy met the requirement once in FY 2018 and once in FY 2019. This does not seem to be in line with basing the budget on past performance and ability to meet requested graduated targets. While we agree that the NGB should allow academies time for corrective actions, the NGB needs to ensure that budget requests are updated based on the historical information that is available.

### ***Finding C***

#### ***Management Comments***

The Director of Staff for the NGB stated that the NGB has a well-developed and extensive inspection program that inspects each program every 3 years and identifies corrective actions. The Office of Youth Programs annual review of the corrective action plan, annual data call, and budget review process creates a three pronged performance review to identify and correct issues. As a result, multiple programs are on probation and at risk of total loss or reduction of Federal funding if performance does not improve.

In addition, the Director disagreed with the assessment that 32 U.S.C. § 509 allows the tracking of graduates beyond the 1-year post residential phase. The NGB Office of Youth Programs agrees that a long-term return on investment study of graduates would be beneficial, but would be manpower intensive and costly. The Director also disagreed with the statement that neither the NGB nor the Office of the Secretary of Defense have developed a plan to track graduates beyond the 1-year post residential period. The Office of the Secretary of Defense and NGB have already engaged to obtain a System of Records Notice approval for long-term tracking of graduates for return on investment and long-term study purposes.



Finally, the Director stated that the Operating Instructions and Chief NGB Instruction state that programs operating below the graduation target may be placed on probation. Probation is not mandatory, as there are many other factors that determine the health of a program besides graduation target. The Director added that setting a single standard as the final determiner of probationary status is unrealistic.

### *Our Response*

We agree that the inspections and associated corrective action plans, annual data call, and the budget review process are good sources of information that could be used to hold academies accountable. However, two of the three academies we reviewed were not put on probation or terminated for not achieving the graduation requirements. In addition, the RAND Corporation annual reports identified that 7 of the 40 academies (18 percent) did not meet the requirement in 2017-2018 and 6 of the 39 academies (15 percent) did not meet the requirement in 2018-2019. Of the academies that did not achieve the graduation requirements, four academies did not meet the requirement in both years and only one academy was placed on probation. If academies are not held accountable, then there is not an incentive to make changes that are needed to meet requirements.

In addition, we disagree with the Director's assessment that 32 U.S.C. § 509 does not allow for the tracking of graduates beyond the 1-year post residential phase. Specifically, 32 U.S.C. § 509 states:

The Secretary of Defense may use the National Guard to conduct a civilian youth opportunities program, to be known as the "National Guard Youth Challenge Program", which shall consist of **at least** a 22-week residential program and a 12-month post-residential mentoring period.

We agree with the Director's statement that obtaining a System of Record Notice approval is an important part of the plan to track graduates. However, the ASD(M&RA) and NGB have not demonstrated how the System of Record Notice, once approved, will correlate to the tracking of Challenge Program long-term benefits and return on investment. The NGB officials also need to ensure that the plan addresses any financial impacts and offices or individuals that will be responsible for tracking graduates and analyzing the data contained within the system. Therefore, we did not revise the statement in the report.

Finally, we disagree with the Director's statement that the Operating Instructions and Chief NGB Instruction both say that programs operating below the graduation target may be placed on probation. The updated Chief NGB Instruction recommends withholding or cancelling funds for probationary programs that do not improve within two inspection cycles. In addition, the National Guard Youth Challenge Operational Instruction states:

Programs operating below the graduation target number of 75 Cadets per class, or graduation target number of 150 Cadets per year, **will be placed** on probation for the following two classes. If performance metrics are not improved to meet the 75 Cadets graduation target per class, or 150 Cadets per year, NGB **may** terminate a Program if performance metrics remain below the minimum standards. Programs producing below 75 graduates per class, or 150 graduates per year, are not cost effective.

Therefore, we did not revise the statement in the report.

# Management Comments

## Office of the Under Secretary of Defense for Research and Engineering

Final  
Report Reference



RESEARCH  
AND ENGINEERING

THE UNDER SECRETARY OF DEFENSE  
3030 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3030

March 22, 2021

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL (ACQUISITION,  
CONTRACTING AND SUSTAINMENT)

SUBJECT: Response to the Office of Inspector General Draft Report “Audit of the Award and Administration of the National Guard Youth Challenge Program (Project No. 2020-D000AT-0142.000)”

USD (R&E) appreciates the opportunity to review and comment on the following recommendation in subject draft report.

RECOMMENDATION C.3: We recommend that the Office of the Under Secretary of Defense for Research and Engineering issue guidance that emphasizes that awarding agencies need to close out cooperative agreements that were issued after November 2020 within one year of the end of the period of performance. This guidance should also emphasize that extensions should not be granted unless the grantee provides a valid justification along with supporting documents for not being able to submit the final report.

USD (R&E) RESPONSE: Concur. The recommendations in this report mirror the requirements found in 2 CFR 200.344, which is followed for all new awards issued after November 2020. We will issue guidance on the timely closeout of the grants and cooperative agreement awards by July 1, 2021.

The point of contact for this audit is [REDACTED]

LEI, JIH-  
FEN [REDACTED]

Digitally signed by  
LEI, JIH-FFEN

JihFen Lei  
Principal Deputy Director of Defense Research  
and Engineering for Research and Technology

Attachments

The DoD OIG  
acknowledges  
that management  
responded to  
Recommendation B.3  
rather than “C.3”

## Office of the Assistant Secretary of Defense for Manpower and Reserve Affairs



MANPOWER AND  
RESERVE AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
1500 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-1500

2/25/2021

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL (ACQUISITION,  
CONTRACTING AND SUSTAINMENT)

SUBJECT: Response to Office of Inspector General Draft Report "Audit of the Award and  
Administration of the National Guard Youth Challenge Program Cooperative  
Agreements" (Project No. D2020-D000AT-0142.000)

This office appreciates the opportunity to review and comment on Recommendation C.1  
of the draft report "Audit of the Award and Administration of the National Guard Youth  
Challenge Program Cooperative Agreements" (Project No. D2020-D000AT-0142.000).  
We concur with the report's overall recommendations.

My point of contact for this action is [REDACTED].

HEBERT, LERNES J. [REDACTED]

Lernes J. Hebert  
Performing the Duties of the Assistant Secretary  
of Defense for Manpower and Reserve Affairs

Attachment:  
Response to Recommendation C.1

## Office of the Assistant Secretary of Defense for Manpower and Reserve Affairs (cont'd)

**DOD OIG Draft Report Dated January 29, 2021**  
**“Audit of the Award and Administration of the National Guard Youth Challenge Program**  
**Cooperative Agreements” (Project No. D2020-D000AT-0142.000)**

**Assistant Secretary of Defense for Manpower and Reserve Affairs’ Response to the DOD**  
**OIG Recommendation**

**Recommendation C.1:** We recommend that the Assistant Secretary of Defense for Manpower and Reserve Affairs, in coordination with the Director of Manpower and Personnel for the National Guard Bureau establish and implement a plan to identify whether the Challenge Program is achieving long-term benefits of providing opportunities for cadets to be productive citizens. The plan should include a process for collecting data beyond 1 year.

**M&RA RESPONSE:** Concur. For over two years, OSD and NGB have engaged to obtain a Systems of Records Notice (SORN) approval for long-term tracking of graduates for Return on Investment and longitudinal study purposes. Ultimately, this will allow the Department to track graduates who volunteer, past the 12-month post-residency timeline. In coordination with the Under Secretary of Defense for Personnel and Readiness Component Records Management Officer, and together with the Defense Human Resources Activity, we have been able to use the Armed Services Vocational Aptitude Battery (ASVAB) SORN as a vehicle to amend and include these requirements. We submitted the final draft to the Defense Privacy, Civil Liberties and Transparency Division for review and approval on 11/19/2020. This process takes an average 6-12 months to review, approve, and send final SORNs for publication in the Federal Register. Two pieces remain to work in the interim:

- 1) Finalizing the records retention schedule; and
- 2) Privacy Impact Assessment

Estimated Total Completion Date: June 30, 2022

## National Guard Bureau



### NATIONAL GUARD BUREAU

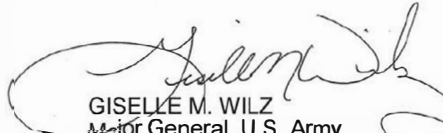
1635 DEFENSE PENTAGON  
WASHINGTON DC 20301-1636

5 MAR 2021

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE,  
4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350-  
1500 ATTN: [REDACTED] AUDIT  
PROGRAM DIRECTOR

Subject: Reply to Audit Draft Report Project No. D2020-D000AT-0142.00, Audit of  
the Award and Administration of the National Guard Youth Challenge  
Program Cooperative Agreements, dated January 29, 2021

1. Thank you for the opportunity to review and provide responses to the subject draft audit report. The National Guard Bureau (NGB) continually strives to improve our processes. To that end we appreciate DoD-IG's findings and recommendations that will strengthen and improve our NGB Youth Challenge Program.
2. We concur with the five recommendations made to the NGB; please see the Attachment[s] for NGB's detailed responses and actions to implement DoD-IG's recommendations.
3. Point of contact is [REDACTED] NGB-IR; [REDACTED]

  
GISELLE M. WILZ  
Major General, U.S. Army  
Director of Staff, National Guard  
Bureau

Attachment[s]:  
As stated

Controlled by: National Guard Bureau-Internal Review-  
GJI Category: COMPT  
Limited Dissemination Control: FEDCON  
POC: [REDACTED]

GJI



## National Guard Bureau (cont'd)

MEMORANDUM FOR U.S. DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR  
GENERAL (ATTN: [REDACTED])

Subject: National Guard Bureau J1 and AQ Response to Final Draft Audit of the  
National Guard Youth Challenge Program (NGYCP)

References: (a) DoD IG Audit of Award and Admin of NGYCP Cooperative  
Agreements (Final Draft), 29 January 2021

(b) DoDI 1025.08 NGYCP, 31 December 2020

(c) CNGBI 9350.01 NGYCP, 22 December 2020

(d) NGYCP Cooperative Agreement, 24 April 2020

1. Listed below are the NGB-J1 Office of Youth Programs responses to the final draft version of the DoDIG Audit of Award and Admin of NGYCP Cooperative Agreements. Responses are in order and aligned by page and paragraph number.

**Page i: Findings Paragraph 1:** Disagree with statement as written. NGB does not arbitrarily force a target graduation level on the programs. While a 75 per cycle minimum target and a 100 per cycle target preference is standard, individual programs submit a budget request that includes their requested target graduation as a starting point for discussions. The final target is based on past performance and demonstrated ability to meet previous requested graduation targets.

**Page i: Findings Paragraph 2:** Recommend inclusion of a statement, "In all audited cases the current cooperative agreement closeout and extension policies were followed."

**Page ii: Para 1, Recommendation #1:** Recommend this verbiage be changed from, "Change how the academies develop their annual budget request." to say, "Ensure the annual requested budget target is achievable based on historical data before NGB approval."

**Page ii: Para 1, Recommendation #2:** Recommend change to, "...cooperative agreements that are still open after 2 years from inception..." Tracking agreements not closed in two years from inception is a more realistic goal.

**Page ii: Para 1, Recommendation #3:** Recommend change to, "...and goals or require NGB Office of Youth Programs officials to obtain a waiver from the OSD Youth Programs oversight office for continuation of funding support."

## National Guard Bureau (cont'd)

**Page ii: Para 1, Recommendation #4:** Disagree with statement as written. There is no current regulatory requirement for state plans to include recommended sanctions for not meeting graduation goals.

**Page ii: Para 2, Recommendations:** Concur with comment. A long term benefit study is a good idea but NGB does not have the authority to track and collect data on graduates beyond the 12 month post residential phase. This recommendation would require additional language to be included in the NGYCP Title 32 U.S.C. Section 509 authorizing collecting data beyond the one year post residential point. Longer term data collection would be costly in both dollars and manpower.

**Page 1 & 2: Background Para 4:** Recommend change to sentence 3. Cost share is currently 75% federal, 25% state; DoD has never funded 100% of the operating costs.

**Page 3: State and Academy Offices:** Recommend you change, "...responsible for supervising and managing the Challenge Program activities and developing the annual plan..." to "...developing the annual state plan..."

**Page 4: Finding A: The NGB Did Not Accurately Budget for the Academies:** Disagree with statement as written. NGB does not arbitrarily force a target graduation level on the programs. While a 75 per cycle minimum target and a 100 per cycle target preference is standard, individual programs submit a budget request that includes their requested target graduation as a starting point for discussions. The final target is based on past performance and demonstrated ability to meet previous requested graduation targets. High performing programs are not harmed and, at no time during the last 6 years, has a program that has demonstrated ability to increase their target been denied additional funding.

**Page 5 & 6: Inaccurate Academy Budgeting / Budget Based on Target Graduation Rate / Conclusion:** Disagree with statement as written. NGB does not arbitrarily force a target graduation level on the programs. While a 75 per cycle minimum target and a 100 per cycle target preference is standard, individual programs submit a budget request that includes their requested target graduation as a starting point for discussions. The final target is based on past performance and demonstrated ability to meet previous requested graduation targets. We understood that the audited programs had not met that target in recent cycles but after discussion of current corrective action plans with program leaders it was their position that applied corrective actions to their outreach programs would increase applications. NGB Youth Programs avoids knee jerk budget and target reduction mandates between program inspections in order to allow corrective action plans time to show results. NGB takes all this into account to avoid unintended consequences such as staff cuts, reduced facilities, reduced outreach, and fewer staff development options for staff.

**Page 7: Recommendation A.1:** Concur with comment. While we do not mandate a target of 100 per cycle we do encourage it so I can agree that many programs may set this as their minimum whether they believe they can meet it or not. NGB Youth

## National Guard Bureau (cont'd)

Programs will be more flexible in the future and rely more heavily on recent past performance in setting the annual budget request. My office will provide changes in developing the academies annual budget request by 31 August 2021.

### Finding B:

**Page 12: Recommendation B.1:** Concur with comment. Hopefully this refers to cooperative agreements that are still open 1 year after the end of the original 12 month agreement period." NGB Youth Programs concurs that identifying all cooperative agreements that are still open 24 months after the agreement inception date is a good idea. It is the responsibility of the USPFO as the grants officer to close out the agreements. My office will coordinate with all states and USPFO's that have youth challenge programs on an annual basis to ensure that explanations are provided regarding why a youth challenge cooperative agreement is still open. Initial review date 30 September 2021.

**Page 12: Recommendation B.2:** Concur, NGB-AQ is issuing policy (AQ 5-1) that provides guidance regarding the prompt return of de-obligated funds. We are also ensuring that the prompt return and de-obligation of funds is adequately covered in our cooperative agreement training. We expect both actions to be complete on 30 July 2021.

**Page 13: Finding C: The NGB Did Not Track Long-Term Program Benefits or Ensure Academies Met Performance Requirements and Goals:** Concur with comment. NGB has a well-developed and extensive inspection program that includes a report of inspection for each program every three years which mandates a corrective action plan process. The Youth Programs office's annual review of the corrective action plan, the annual data call, and the budget review process create a three pronged performance review to identify issues and correct them. Due to this process, multiple programs are on probation and at risk of total loss or reduction of federal funding were their performance not to improve.

**Page 14 & 15: NGB Did Not Track Long-Term Benefits / Lack of a Process for Data Collection:** Concur with comment. NGB disagrees with DoDIG assessment that 32 U.S.C. Section 509 allows the tracking of graduates beyond the 1 year post residential phase. NGB Youth Programs agrees that a long term ROI study of graduates would be beneficial but as mentioned before it would be manpower intensive and costly. We disagree with the statement that neither NGB nor OSD have developed a plan to track graduates beyond the 1 year post residential period. OSD and NGB have already engaged to obtain SORN approval for long term tracking of graduates for ROI and longitudinal study purposes.

**Page 16: Lack of Academy Accountability for Meeting Requirements and Goals, Para 1:** Non-concur. The Operating Instructions and CNGBI both say that programs operating below the graduation target **may** be placed on probation. Probation is not mandatory as there are many other factors that weigh into determining the health of a

## National Guard Bureau (cont'd)

program besides graduation target, to include: inspection results, cost per cadet, process reviews, level of graduate accomplishment in the 8 core components, high school credit received, diplomas awarded, job skills obtained, placement of graduates, military enlistments, etc. Setting a single standard like meeting target as the final determiner of probationary status is unrealistic.

**Page 18: Recommendation C.2.a:** Concur with alternative course of action. Although, there is no regulatory requirement mandating probation for not meeting target. My office will obtain a waiver and explanation from any youth challenge program on an annual basis for any program that does not meet program requirements and goals. If explanations are not acceptable my office will initiate potential adverse action. Action will be enacted by 30 September 2021.

**Page 18: Recommendation C.2.b:** Concur with alternative course of action. Neither the current CNGBI 9350.01a, nor the DoDI 1025.08 require states to include recommended sanctions in their state plan for not meeting graduation goals. Both of these regulations were newly published in late 2020 or early 2021. NGB Youth Programs agrees with the recommendation to more closely look at proposed graduation target levels and develop a more immediate response to programs whose recent graduation numbers are substandard. Action will be enacted by 30 September 2021.

2. Point of contact for recommendation A.1, B.1, C.2.a and C.2.b is [REDACTED], NGB J1-Y; [REDACTED]; and POC for recommendation B.2 is [REDACTED], NGB AQ-A; [REDACTED].

## Acronyms and Abbreviations

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<b>ASD(M&amp;RA)</b>	Assistant Secretary of Defense for Manpower and Reserve Affairs
<b>CFR</b>	Code of Federal Regulations
<b>NGB</b>	National Guard Bureau
<b>QMD</b>	Quantitative Methods Division
<b>U.S.C.</b>	United States Code
<b>USPFO</b>	United States Property and Fiscal Officer

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