

**Comments of the Honorable Deborah J. Jeffrey
Inspector General, Corporation for National and Community Service
Regarding FY 2021 Funding Level for CNCS-OIG**

An Inspector General must submit a message to Congress when “the Inspector General concludes that the budget submitted by the President would substantially inhibit the Inspector General from performing the duties of the office.”¹ Because the President’s Fiscal Year (FY) 2021 Budget contemplates eliminating the Corporation for National and Community Service (CNCS), it does not address the resource needs of the Office of Inspector General (CNCS-OIG) if CNCS continues to operate.

To sustain effective oversight of CNCS as a going concern, CNCS-OIG requests an FY 2021 operating budget of \$7.4 million, an increase of \$1.65 million over our budget for FYs 2017 – 2020. This modest increase is necessary to restore parity with CNCS’s budget, which has grown substantially, and to ensure that we can effectively oversee a reorganizing agency that continues to confront significant risks and challenges.

CNCS-OIG’s current appropriation of \$5.75 million is less than we received in FY 2008,² when CNCS’s appropriated budget was \$856,331,000. Since that time, CNCS’s budget has grown to \$1.1 billion, an increase of 28.9 percent. CNCS’s programmatic activities—grants and the National Trust—have expanded, while rising costs have forced oversight to shrink. Especially now, greater oversight is both necessary and cost-effective.

¹ Inspector General Act of 1978, as amended, Section 6(f)(3)(E).

² The OIG received \$5.828 million in FY 2008 vs. \$5.75 million in FYs 2017-2020, a decrease of 1.4 percent. CNCS-OIG’s budget comment for 2020, <https://www.cncsoig.gov/sites/default/files/2019-03/CBJFY-2020IGcomment.pdf>, summarized the history of funding for our office and noted that we have not yet been restored to the funding levels that we received more than a decade ago:

	In Millions		In Millions	
FY 2008	\$5.83	FY 2015	\$5.25	
FY 2009	\$7.5*	FY 2016	\$5.25	* includes ARRA funds
FY 2010	\$7.7	FY 2017	\$5.75	
FY 2011	\$7.68	FY 2018	\$5.75	
FY 2012	\$3.99	FY 2019	\$5.75	
FY 2013	\$3.78	FY 2020	\$5.75	
FY 2014	\$5.0			

As shown, in FY 2012, CNCS-OIG experienced a devastating (and unexplained) 49 percent cut, which forced the Office to lay off most of our auditors and investigators. The Office continues gradually to rebuild the capabilities lost as a result.

Mission and Recent Accomplishments

CNCS-OIG promotes efficiency and effectiveness in CNCS programs and holds CNCS officials and grantees accountable for misconduct. We strengthen CNCS by conducting audits and reviews to identify wasteful spending and mismanagement, investigating fraud and wrongdoing, recommending appropriate policies and best practices, and taking other steps to prevent and detect fraud, waste, and inefficiencies in CNCS programs and operations. Our recent work has been instrumental in:

- Recovering more than \$3.7 million in False Claims Act settlements³ for grant fraud detected in investigations and audits, during our first year of stepped-up civil enforcement in partnership with U.S. Attorney's Offices across the United States;
- Protecting the integrity of Federal grant programs by securing five government-wide debarments of individuals who are not presently responsible, with three additional proposals pending and others awaiting action;
- Identifying pervasive material weaknesses in CNCS's financial accounting and reporting, including finding \$100 million of excess funds improperly obligated in the National Service Trust, and leading CNCS to enter into a shared services agreement with the Department of the Treasury that will ultimately strengthen financial management of the public's \$1 billion investment in national service;
- Preventing convicted murderers and registered sex offenders from participating in national service by persuading CNCS to outsource grantees' required criminal history checking to a qualified vendor and proposing regulations that would require use of the vendor, thereby solving a longstanding safety and compliance problem and simultaneously reducing improper payments.
- Identifying challenges and risks arising from CNCS's Transformation and Sustainability Plan, which is reorganizing the agency's grantmaking and administration and intended to address deficiencies in its business infrastructure.

Resources Needed for Effective Oversight

We appreciate the support that CNCS-OIG has received from the Corporation's leadership and from the Congress for this important oversight work. However, in order for CNCS-OIG to oversee national service and to prevent, detect and recover fraud and waste, the OIG must be adequately funded on pace with CNCS's growth.

³ This figure includes a settlement agreement that is about to be executed.

CNCS's budget has grown by 28.9 percent since 2008. Most of the \$247 million increase expanded the National Service Trust and programmatic grants; the grant portfolio includes about 3,000 grants per year. The need for oversight is particularly acute as CNCS reorganizes and experiments with new grant management, administration and monitoring approaches, which are being implemented without pilot testing. The AmeriCorps and Senior Corps programs are being administered by a workforce that will have experienced nearly 50 percent turnover by the end of FY 2020. We have been advised that staffing in the regional offices will be insufficient to implement key features of the new grant risk model that CNCS has spent two years developing. This challenging environment warrants oversight to ensure that grantees receive the service and support needed to sustain successful programs and that CNCS manages those grants prudently and effectively.

Against the substantial growth and increasing complexity at CNCS, the OIG's budget remains slightly below its 2008 level of \$5.83 million. At the same time, our costs have risen sharply, effectively reducing the amount of oversight that we can provide. CNCS-OIG's staff is 24 percent smaller now than in 2008, but personnel costs now consume 67 percent of our budget, vs. 51 percent in 2008.⁴

The budget disparity has immediate consequences. At our current level of funding, CNCS-OIG cannot pursue all of the potentially significant fraud cases that come to our attention. Our investigations include embezzlement by grantee officials, false claims arising from multimillion-dollar time and attendance fraud and fraudulent receipt of unearned education awards, and misapplication of funds. Fraud deprives at-risk communities of needed support, and vigorous, timely enforcement is essential to safeguard national service funds, deter fraudsters and make the public whole. As of this writing, seven cases have been accepted for Federal civil or criminal prosecution, and additional cases are being prepared for referral. Prosecutors have praised our work and are eager to assist us. These cases are complex and labor-intensive, and our six investigators and one lawyer are overcommitted. With about 75 investigations being handled by our six agents, our backlog is growing. We regularly become aware of new allegations, and proactive efforts will expose further undetected fraud. Our current resources can barely scratch the surface, leaving national service vulnerable to unscrupulous actors.

Ongoing oversight is also needed for CNCS's major investment in information technology for grants management. In FY 2019, CNCS wrote off \$33.8 million for its unsuccessful attempt to develop a new grants management information system to replace its outdated eGrants system. CNCS also spent an additional \$3.9 million to assess the salvageability of the prior procurement and to develop a proof-of-concept system design that may never be used. The expenditure of these substantial sums, without tangible benefit to the taxpayers, demonstrates the need for careful oversight of any future acquisitions of this kind.

⁴ In FY 2008, the OIG had 29 permanent positions, at a cost of \$3 million, against a budget of \$5.83 million. In FY 2020, we have 22 permanent positions, at a cost of \$3.86 million, against a budget of \$5.75 million.

Financial management at CNCS remains weak. It is only through the work of CNCS-OIG that CNCS came to understand and acknowledge these problems, and continued oversight is needed to ensure that they are properly rectified. The agency's financial statements have been unauditible for the past three years. They are likely to remain unauditible in FY 2020, as CNCS shifts its resources to the transition to shared services. Many of the material weaknesses discovered by the independent auditors will not be addressed until FY 2021 at the earliest, and the transfer to shared services will not cure them. We are working to help CNCS develop and execute actionable corrective action strategies to resolve these long-term weaknesses.

Investing in our oversight curbs waste, promotes better and more efficient government and protects the integrity of national service. With Congressional support, CNCS-OIG will use the additional \$1.65 million above our FYs 2017-2020 appropriation to:

- Boost our investigative staff to increase our fraud prevention, recoveries, and deterrence;
- Invest in technology to enhance our data analytics, outreach and assist our investigative team with proactive tools to more effectively detect and prevent fraud;
- Focus resources on assessing and improving the implementation of CNCS's new regional structure and its effects on grant management and monitoring;
- Actively oversee substantial information technology acquisitions, to promote sound planning and execution and avoid the mistakes of the past; and
- Work closely with CNCS on the complete resolution of financial management weaknesses.

In sum, CNCS-OIG cannot effectively oversee the increasingly complex operations of CNCS when its budget has grown far disproportionately to ours. The flat funding that we have received since FY 2017, coupled with rising costs, effectively reduces the oversight that we can offer well below that of 2008, although the current need is demonstrably greater and the effectiveness of our oversight proven. With great appreciation for the support of Congress to date, I respectfully ask that Congress fund CNCS-OIG at a level of \$7.4 million in FY 2021.