

Testimony of Deborah J. Jeffrey,
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Before the Committee on Education and the Workforce
Subcommittee on Education and Workforce Training
United States House of Representatives
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Chairwoman Foxx, Ranking Member Hinojosa, and members of the Subcommittee,

Thank you for inviting me to testify today about the work of the Office of Inspector General (OIG) to strengthen grant oversight and accountability at the Corporation for National and Community Service (CNCS or the Corporation). As you know, the OIG is an independent and nonpartisan unit charged with detecting and preventing waste, fraud and abuse and improving efficiency and effectiveness at CNCS. I have had the privilege of serving as the Inspector General for nearly four years.

CNCS's challenges to grant oversight and monitoring

Grants account for three-quarters of CNCS's expenditures, and CNCS faces a number of significant grant oversight challenges inherent in its operations:

- CNCS has more than 3,000 active grants.
- The grants range in size from less than \$40,000 to \$10 million, including a large number of relatively small grants;
- The agency's mission focuses on five disparate areas: education, disaster services; health, veterans and military families and environmental stewardship;
- CNCS operates seven grant programs: AmeriCorps State, AmeriCorps National Direct, Foster Grandparents; Senior Companions, Retired Senior

Volunteers, the Social Innovation Fund and VISTA (as well as NCCC, which is not a grant program), with differing requirements;

- A significant share of the grant funds are distributed through State service commissions and through levels of subgrantees, and CNCS relies on the prime grantee for effective oversight.

In addition to those structural challenges, CNCS also must grapple with legacy issues that impede effective oversight:

The first issue is a history of turmoil at the leadership level. As of 2012, when Wendy Spencer was confirmed as CEO, CNCS had had five CEOs or Acting CEOs during the preceding five years. CNCS is now on its fourth Chief Financial Officer (CFO) (including Acting CFOs) since 2012 and its fifth head of grant oversight, accountability and internal controls. It should be no surprise that risk management and accountability have suffered during this prolonged instability.

The second legacy issue is recurrent weaknesses in internal control found by the OIG and by the independent financial statement auditors. Despite repeated commitments to prioritize improvements, CNCS has made little progress and has regressed in certain respects. That weak internal control has caused CNCS to miss serious problems in programs and operations. The weaknesses are so severe that they are classified as a “significant deficiency” on CNCS’s financial statements.

The independent financial statement auditors have identified weak governance as a root cause. Executive bodies responsible for internal controls and risk management held only a single administrative meeting in FY 2014. In FY 2015, the leadership body met, but provided little direction and did not fulfill most of the duties in its charter.

The third burdensome legacy has been the lack of bench strength to tackle these issues. I noted earlier that the oversight and accountability function has had five leaders in the past four years. OIG has worked with each of them. Until CNCS hired a Chief Risk Officer (CRO) last month, none of them had sufficient training, experience or expertise. The staff remains under-resourced, inexperienced and untrained. This has led to false starts, wasted effort and delay in addressing foundational problems.

And yet this office is responsible for the critical processes to safeguard the public's investment in national service: developing risk assessments of grants and determining how best to monitor them with limited resources; upgrading CNCS's internal controls over all operations, programmatic and financial; identifying and reducing improper payments; and, now, implementing Enterprise Risk Management. Over the years, CNCS has repeatedly promised improvement but continues to struggle in each of these areas. With all of these urgent priorities, CNCS will need a surge in resources and capabilities, likely involving outside assistance, to make headway.

The fourth legacy burden is outdated and unagile grant monitoring technology. CNCS does not have the capacity to make effective use of data analytics, benchmarking, identifying trends and emerging issues, or detecting outliers. Its monitoring is labor-intensive and inefficient. An Information Technology (IT) modernization effort is underway, which is expected to offer that capacity two to three years from now. When fully implemented and used properly, this can be an enormous force multiplier in risk assessments and ongoing grant management.

Opportunities to improve grant monitoring

This is the second time in five years that this Subcommittee has held a hearing on how CNCS monitors grants, particularly for prohibited activities. In 2011 and again today, CNCS has described a rigorous and risk-based approach to grant monitoring. OIG's work, however, calls into question the reliability of its methodology.

CNCS decides annually which grantees to monitor closely by applying a series of risk indicators. It uses the same risk indicators across the entire grant portfolio, even though its programs and grant types are subject to different risks. The risk model is also incomplete; it omits significant risks identified in OIG audits.

CNCS has never demonstrated that the risk indicators it relies upon so heavily accurately predict bad outcomes. The entire grant monitoring program rests on assumptions that are untested. It is not unusual for our audits and investigations to find

major problems at grantees with low or medium risk scores. We have recommended validating the risk model repeatedly since 2013.

A preliminary analysis performed by my Office suggests that the risk model is not a good predictor of whether a grantee will encounter difficulties. We looked at 40 grants that developed serious or catastrophic difficulties and found that half of the grants had been rated as low or medium risk. This means that CNCS's risk assessments failed to predict the worst outcomes fifty percent of the time. And, because those grants were rated low or medium risk, CNCS did not monitor them closely and was blindsided when trouble materialized.

I am pleased at the CEO's promise that CNCS will undertake the task of validating its risk indicators. I will be interested to hear when that will take place, how it will be performed and by whom. The results of that validation should be of great assistance in developing a new risk model. CNCS began work on a task 18 months ago, but was forced to put it aside for lack of in-house expertise. I hope that CNCS will also gain valuable insight from a study of CNCS grant monitoring currently underway by the General Accountability Office (GAO). The House Committee on Oversight and Government Reform requested that study at the suggestion of my Office, to jumpstart improvements to CNCS's grant monitoring.

In addition to *how* CNCS assesses risk, OIG has identified issues about *who* performs the assessments. Having Program Officers and Grant Officers perform the risk assessments for the grants that they personally oversee introduces a strong potential for bias. Objective assessments may be clouded by the personal relationships that a Program Officer often develops with a grantee. A staff member who has invested time and effort may be reluctant to acknowledge that a grantee nevertheless remains risky. Confirmation bias predisposes an individual to focus on information that accords with his preconceived ideas. Assigning a high risk rating to a grantee increases the workload of the responsible Program or Grant Officer. CNCS might counteract these biases by having risk assessments performed independently, by staff not assigned to that grantee, who can view the file with fresh, objective eyes. Reviewing the information

on a blind basis, without knowing the identity of the grantee or the CNCS staff assigned, may also improve objectivity.

Even beyond the accuracy of risk assessments, CNCS has never evaluated the overall effectiveness of its grant monitoring. The independent financial statement auditors noted with concern that CNCS has looked only at paper compliance items, such as whether reports are submitted on time and whether the proper approvals are on file. Whether the Corporation's grant monitoring accomplishes what it is supposed to accomplish or how it could perform better have never been examined. This was a factor in the determination that the Corporation's internal controls are "significantly deficient."

CNCS does not have a systematic process to learn from negative outcomes. In FY 2013, OIG recommended that CNCS examine a number of grant audits and investigations that produced serious findings, in order to develop better ways to prevent or detect those problems. This is a critical step, because in our investigations and audits, OIG often finds that CNCS overlooked red flags presaging trouble and missed its chance to avoid or mitigate bad outcomes.

That takes us to the recent investigation of prohibited activities, which sheds additional light on opportunities to strengthen grant oversight.

Prohibited Activities: Abortion Services and the National Association of Community Health Centers

As we reported last month, between 2013 and 2015, the National Association of Community Health Centers (NACHC) allowed a few AmeriCorps members to provide emotional support (doula care) to women during abortion procedures at three New York City clinics operated by the Institute for Family Health (IFH), a subgrantee. The Edward M. Kennedy Serve America Act (the Serve America Act or SAA), the Federal statute authorizing the AmeriCorps program, expressly prohibits the use of AmeriCorps resources to "provid[e] abortion services or referrals for receipt of such services." See 42 U.S.C. §12584a(a)(9). The same prohibition appears in the regulations governing

the AmeriCorps program. See 45 C.F.R. §2520.65(a)(10). NACHC is one of AmeriCorps' largest grantees, receiving \$ 30 million over the last five years.

While our investigation report focused on NACHC and its subgrantee, IFH, the investigation also illustrates a number of ways in which CNCS could monitor grants better with more sophisticated risk management.

Here are a few key points:

1. **CNCS was on notice that one of NACHC's subgrantees was performing abortions and involving AmeriCorps members in pre-abortion assistance. Yet neither the Program staff nor the Office of General Counsel asked the identity of the subgrantee, determined whether the pre-abortion support activities were "abortion services" or selected NACHC or its subgrantee for focused monitoring regarding prohibited activities.** In 2009, NACHC relayed a question from a subgrantee as to whether the Serve America Act, then recently enacted, would bar an AmeriCorps member from "acting as a support person for women undergoing abortions." Asked for more detail, NACHC indicated that the member was providing emotional support for women in the waiting room, sitting with them and explaining what to expect during various reproductive health procedures. The Office of General Counsel advised that, as long as the member was not promoting acquisition of an abortion, there should be no problem. The lawyer did not address whether the contemplated activities would constitute "abortion services."
2. CNCS staff did not record in the grant file that NACHC's subgrantee was performing abortions or having AmeriCorps members provide pre-procedure assistance. The email communications were not captured in the online grants management system, known as eGrants, which is the principal repository of information used for risk assessments. (The AmeriCorps Program does not have standards to identify emails that should be incorporated into the grant file, and eGrants does not have the capacity to store large quantities of email.) Due to staff turnover, this institutional knowledge was lost. When a later Program Officer conducted a site visit at NACHC in 2014, she did not know that any of

NACHC's subgrantees were allowing AmeriCorps members to provide assistance immediately before abortions and therefore did not visit that subgrantee or inquire into its risk of abortion-related prohibited activities.

3. Despite questions from grantees, CNCS made a considered decision in 2009 not to provide general guidance on the meaning of "abortion services" or what constitutes a "referral." Instead, CNCS responded to questions from individual grantees, which was not transparent to the grantee community, the public or the Congress. There was no opportunity for other stakeholders to comment or question CNCS's interpretation and application of the abortion restrictions. The Corporation's regulations simply repeat the language of the statute, as did most of the training that it provided to the grantee community.
4. In 2014, CNCS issued its first interpretive guidance, in the form of online, voluntary training. There is no record of which grantees completed it. The training materials prohibit an AmeriCorps member from accompanying a woman at a facility for an abortion, exactly what was happening at the subgrantee's clinics. No one at CNCS recognized the need to update NACHC concerning the new guidance.

OIG has recommended a more granular focus on risk in monitoring for prohibited activities.

By analyzing a grantee's programmatic activity and its clientele, CNCS could identify grantees that present a heightened risk of a particular prohibited activity.

For example, a clinic that engages AmeriCorps members in healthcare for women and girls is at greater risk of abortion-related service activities than is a program that provides Meals on Wheels to senior citizens. OIG has long used precisely that example in recommending a more targeted approach to monitoring prohibited activities. Similarly, a faith-based organization is at higher risk of proselytizing, religious instruction or worship than is a secular organization. The risk of certain prohibited activities, such as voter registration, may vary seasonally or based on other events.

Monitoring activities outside CNCS's existing repertoire could better detect prohibited activities. CNCS did not find the prohibited activities in this case through its normal monitoring. That was also the case in 2011, when CNCS learned by happenstance that AmeriCorps members at Planned Parenthood of New York were engaged in prohibited legislative advocacy in support of abortion rights. Direct communication with AmeriCorps members about their ongoing activities is the best way to detect prohibited activities. CNCS has no protocols for this other than site visits, which are required only once every six years. For grantees with a heightened risk of prohibited activities, CNCS could conduct frequent surveys, possibly through the MyAmeriCorps Portal, which every member routinely logs into. A few plain English questions about what the member has done, seen or heard would provide much-needed visibility.

CNCS might also detect prohibited activities by monitoring social media sites. Searching for "AmeriCorps" or "HealthCorps" and "abortion" would have found posts by a number of the individuals who served as abortion doulas at the subgrantee. In fact, in 2013 CNCS recommended to grantees that they conduct such searches to detect prohibited activities, but did not itself do this.

The Office of Inspector General has identified many opportunities for CNCS to strengthen accountability and to sharpen grant monitoring, with respect to prohibited activities and beyond. My staff and I look forward to working with the Congress toward that important objective.

Madam Chairwoman, this concludes my statement. I would be pleased to answer any questions that you or the other members of the Subcommittee may have.