

Written Testimony of Wendy Spencer
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Subcommittee on Higher Education and Workforce Training
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Chairwoman Foxx, Ranking Member Hinojosa, and Members of the Subcommittee,

Thank you for the invitation to testify today. I appreciate the opportunity to discuss our commitment to accountability and good stewardship of taxpayer dollars – a key priority of mine shared by the dedicated professionals of the Corporation for National and Community Service (CNCS).

For the past four years, I have had the honor to lead CNCS, working with outstanding organizations, dedicated civil servants, and passionate citizens across the country to solve local problems, expand opportunity, strengthen communities, and unite our nation. Prior to coming to CNCS, I served for eight years under three Governors as CEO of the Florida Governor’s Commission on Volunteerism. I was Director of the Florida Park Service, and have served in professional roles in the private and nonprofit sector including the United Way, Chamber of Commerce, and banking and insurance industries. I share the Committee’s view that CNCS has a responsibility to ensure federal funds are well-managed, and have made accountability and fiscal responsibility a priority in my role as CEO.

In my testimony, I explain our comprehensive approach to accountability, the strong action we took in a recent incident involving prohibited activities, and additional steps we are taking to enhance oversight and monitoring practices. This testimony underscores four key points:

- CNCS strives to create a strong culture of accountability and a comprehensive system of risk-based monitoring and oversight to prevent and detect issues and enforce our rules.
- The recent findings related to one AmeriCorps grantee was an isolated incident involving 6 out of more than 1 million national service positions over the same time period and we took swift and robust action to address the matter.
- We have taken multiple steps to enhance grantee training, monitoring, and oversight as part of our larger strategic focus on using federal funds more effectively to strengthen compliance, measure and improve performance, and fund evidence-based programs to maximize our impact in the more than 50,000 locations where we serve.
- Moving forward, we are strengthening oversight systems and taking an enterprise-wide approach to risk management to achieve higher levels of performance and accountability.

CNCS Overview

To understand the systems that CNCS has put in place to ensure accountability, it is necessary to first understand the structure of national service, the principles that underlie it, and how our programs successfully engage millions of Americans in national service.

Since its creation more than two decades ago, CNCS has led the nation's efforts to engage citizens in solving community problems. Our mission is to improve lives, strengthen communities, and foster civic engagement. As the nation's largest grant-maker for service and social innovation, CNCS empowers citizens and invests in community solutions. AmeriCorps members and Senior Corps volunteers make an intensive commitment to serve their country. They take on tough assignments, assume leadership roles, and deliver results. From preventing substance abuse in Eastern Kentucky and addressing the water emergency in Flint; to ending veterans' homelessness in Virginia and raising childhood literacy rates in Minnesota, national service is a smart, proven, and cost-effective strategy to get things done.

Last year, 345,000 AmeriCorps members and Senior Corps volunteers invested 155 million hours of service to their communities at more than 50,000 locations across the nation:

- 270,000 Senior Corps volunteers served 73.6 million hours at nearly 32,000 locations. Foster Grandparents serve one-on-one as tutors and mentors to young people with special needs; Senior Companions help frail seniors and other adults live independently in their own homes; and RSVP volunteers meet a wide range of community needs.
- Nearly 75,000 AmeriCorps members served 81.9 million hours at more than 21,000 sites. They tackled critical community challenges from illiteracy and homelessness to hunger and the dropout crisis, gaining valuable career skills and college scholarships as they served.
- AmeriCorps members and Senior Corps volunteers recruited and managed more than 2.3 million volunteers to increase the reach and impact of the organizations they serve.
- Our Social Innovation Fund supports more than 300 organizations serving nearly 600,000 people in 35 states by investing in community solutions, building the evidence base to support those solutions, and helping the organizations scale with matching funds, often from local philanthropy.
- 52 Governor-appointed State Service Commissions performed critical oversight, training, and strategic functions, overseeing three-fourths of AmeriCorps grant funding and ensuring national service resources met state and local priorities.

- Nonprofit and volunteer organizations strengthened their volunteer management practices and increased their impact with grants from our Volunteer Generation Fund, the Martin Luther King Jr. Day of Service, and the September 11th National Day of Service and Remembrance programs.
- Over the past 5 years, CNCS responded to nearly 200 state and federally declared disasters, deploying more than 15,000 national service participants, including AmeriCorps NCCC and FEMA Corps teams to help communities in need.

Principles of National Service

In the original legislation creating CNCS, Congress designed national service on a set of smart, common sense principles that we faithfully execute today:

- **Local Control:** Congress determined that the best way to fulfill our mission was to establish a strong partnership between the agency and Governors. A large percentage of CNCS resources are distributed to and administered by Governor-appointed State Service Commissions. Local elected officials also see us as a key partner in tackling tough problems. Last month, 3,539 mayors, county officials, and tribal leaders representing 178 million Americans united to recognize AmeriCorps and Senior Corps.
- **Public-Private Partnership:** Last year CNCS grant and program funding totaling \$712 million generated more than \$1.26 billion in outside resources from businesses, foundations, public agencies, and other sources. This means that leveraged resources exceeded our federal appropriation. This local investment strengthens community impact, increases the return on taxpayer dollars, and demonstrates great confidence in our programs' abilities to deliver results on some of America's most pressing problems.
- **Community Solutions:** National service operates through thousands of nonprofits, faith-based and groups, and local agencies – organizations like Habitat for Humanity, Teach For America, and Catholic Charities. Members provide an infusion of human capital to help these organizations expand their reach and impact. Through this system, Congress ensured that national service resources are directed to local organizations that are able to identify and meet the specific and often unique challenges that face communities.
- **Funding What Works:** A key goal of Congress is to use national service to drive greater impact on pressing challenges. We are advancing that goal by targeting our resources on a core set of pressing issues, using evidence in grantmaking, strengthening performance reporting, and supporting innovative Pay for Success models.

CNCS Accountability Systems

An overarching priority across all of our work is accountability and strong stewardship of taxpayer dollars. We strive to foster a culture of accountability and compliance both within the agency and among the organizations that receive grant funds. We have consistently conveyed to our grantees that preventing waste, fraud, and abuse is everyone's job. While accountability starts with compliance, it is much more. It also means putting our resources where they will go the furthest and do the most good. It means using data and evidence to improve performance, increasing competition, fostering innovation, and evaluating progress on shared goals.

In most of our programs, the competitive nature of the grant process helps to drive impact and accountability. We are able to select the best-qualified applicants – and by requiring our grantees to compete for funding, we are able to ensure that a grantee that fails to provide the high quality service we demand does not continue to receive funding on an ongoing basis. The AmeriCorps State and National program selects its grantees through a rigorous competitive process and an increasing focus on evidence. Social Innovation Fund applicants must be able to demonstrate at least a preliminary level of effectiveness then take part in a rigorous evaluation to either strengthen the evidence base for the intervention or to verify its effectiveness through a Pay for Success project. And, once a grantee receives funding, it must perform in order to receive future grants. In addition, our agency has requested authority to introduce full competition into all Senior Corps programs to encourage innovation and achieve even better outcomes for the communities we serve.

Grants Oversight and Monitoring¹

Effective grant management begins even before a grant is awarded. CNCS assesses grant applicant's financial capability, past performance, and future risk in multiple ways to ensure federal funds are awarded to capable organizations from the start. If CNCS identifies concerns, the issues must be satisfactorily resolved before the application is funded. Applicants that are unable to resolve identified issues are denied funding. Before CNCS provides additional funding to existing grantees in continuation, CNCS Program Officers evaluate grantees for deviations from their original grant plan, enrollment and retention of members, and enrollments in the National Service Trust for education awards. In addition, CNCS Grant Officers review the most recent A-133 Audit submissions to ensure that there are no new financial issues or concerns, as well as grantees' Program Progress Reports and Federal Financial Reports, and cash drawdowns during the grant period.

Once a grant is awarded, oversight and monitoring are essential tools that increase accountability. Both program and financial accountability are key to the success of our grantees in meeting community needs. Even with staffing and technology constraints, CNCS maintains an active and increasingly

¹ Rules, regulations, and conditions related to AmeriCorps grants are on the CNCS Managing AmeriCorps Grants web page at <http://www.nationalservice.gov/build-your-capacity/grants/managing-ameri-corps-grants>. The 2016 Terms and Conditions for CNCS grant programs are on the CNCS website at <http://www.nationalservice.gov/resources/terms-and-conditions-cnccs-grants>

comprehensive risk-based monitoring and oversight program that includes both financial and programmatic monitoring. This program reflects the knowledge and experience the agency has accumulated over the past two decades. We have taken multiple steps to strengthen our monitoring and oversight program, and we have been working on additional enhancements that are detailed later in the testimony.

The primary purpose of our monitoring program is to provide technical assistance and support to grantees and assess grantee compliance to ensure effective stewardship of federal funds and successful implementation of grant awards. Our monitoring protocols vary somewhat based on the design of our programs but share similar goals and purposes. For example, in the AmeriCorps State and National Program, CNCS makes grants to State Commissions and national nonprofits, which in turn make subgrants to local organizations to recruit, train, deploy and supervise AmeriCorps members.

Our oversight and monitoring approach reflects this multi-layered and decentralized structure. CNCS's responsibility lies primarily with the organizations that are direct grantees of the agency. Those grantees, in turn, are responsible for overseeing and ensuring the performance and compliance of the subgrantees and participants. In conducting our oversight and monitoring of direct grantees, we look at both how those organizations perform and how they oversee and monitor their subgrantees.

Each year, CNCS performs a risk assessment of the entire portfolio of direct grant investments. While numbers fluctuate based on the time of year, currently that portfolio consists of 2,234 direct grants supported by FY 2015 funds, plus an additional 23 Social Innovation Fund direct grants funded in previous fiscal years. Each grant is rated against a set of criteria that are used to identify possible issues that may warrant additional oversight and monitoring. The results of the annual risk assessment are used to inform the annual grant monitoring plan. CNCS's monitoring program encompasses a broad range of monitoring activities throughout the life of each grant award.

If identified for review, CNCS monitors grantees through either an onsite or desk review process, depending upon the agency's assessment of the grantee and related risks indicators. CNCS program and grant offices provide additional oversight to grantees through technical assistance, training², and support activities. In addition to regularly scheduled grantee monitoring activities, CNCS staff also conduct monitoring visits and oversight activities when issues are identified throughout the year. If serious issues are identified through the monitoring process, CNCS refers the issue to the Office of the Inspector General to determine if an investigation or audit is warranted. It is important to note that willful misconduct or misrepresentation on the part of a grantee is rarely discovered as part of standard monitoring activities.

² For examples of CNCS training and resources related to financial management, monitoring, and the Uniform Guidance, see CNCS [Uniform Guidance Resources](http://www.nationalservice.gov/resources/uniform-guidance) page (<http://www.nationalservice.gov/resources/uniform-guidance>), the [Financial Management Resources](http://www.nationalservice.gov/resources/financial-management) page (<http://www.nationalservice.gov/resources/financial-management>), the [2015 AmeriCorps Symposium agenda](http://americorps.hb-co.com/pdfs/2015AmeriCorps_Symposium_Program.pdf) (http://americorps.hb-co.com/pdfs/2015AmeriCorps_Symposium_Program.pdf), and the agenda for 2016 CNCS North Central National Service Training Conference (<http://www.nationalservicetraining.org/north-central-agenda1.html>) one of four regional training conferences for CNCS grantees in 2016.

Over the last five years, CNCS staff have conducted more than 3,230 site visits or desk reviews as part of financial or program monitoring of direct grantees. In some cases, monitoring identifies concerns that require the grantee to take corrective actions. If monitoring activities disclose inadequate financial management or irregularities that could result in financial risk, CNCS promptly initiates a hold on the grantee's ability to access grant funds or suspends grant activity until satisfactory corrective action is taken. Where CNCS has determined that the grantee is not able to continue to successfully implement or effectively manage the grant award, CNCS terminates the award.

Monitoring Enhancements

As an agency committed to continuous improvement, we are always looking for ways to enhance the effectiveness of our oversight and monitoring. At a 2011 hearing in this Subcommittee, my predecessor shared a thirteen point action plan to improve our monitoring program. Our agency has implemented the action steps in that plan, which included expanded grantee and staff training, additional application information, additional opportunities to report prohibited activity, improved monitoring mechanisms, and expanded communications with grantees and members.

The plan represented a maturation of our monitoring program and also served as a catalyst for current, enterprise-level, risk-based decision making in both awarding and monitoring of our grants. This evolution has resulted in significant enhancements and improvements related to monitoring and oversight. These enhancements include:

- Consolidated current monitoring processes as part of our implementation of the Financial Management Survey and Financial Capabilities review process.
- Subscribed to Guidestar for financial scan data which CNCS now incorporates into all stages of the grant decision and management process. In addition, developed a standard Financial Assistance Management Capacity Opinion review process to complement the financial scan that is used during the pre-award assessment period, and for ongoing monitoring and oversight.
- Since 2014, made enhancements to internal controls and monitoring of fixed-amount grants to strengthen safeguards in response to recommendations made by the OIG. All fixed-amount grants are now subject to cash analysis two times a year to ensure that grantees are only drawing funds for immediate cash needs. If CNCS determines that a grantee has overdrawn funds, CNCS immediately places the grantee on a reimbursement only process to further ensure that the grantee is only receiving funds for actual expenditures. In addition, CNCS has instituted a two-step reimbursement process for all fixed-amount grantees above a certain dollar threshold that requires Grant Officer approval of drawdown requests in order to ensure that grantees do not overdraw.
- Developed and implemented strategy to improve compliance with the National Service Criminal History Check requirements, including routine cost disallowance, improved training resources, and

improved access to the required checks, primarily by using the agency's legal authority to enable our grantees to directly obtain fingerprint-based checks from the Federal Bureau of Investigation.

- Updated CNCS's legacy grants management system and planned data modernization to further support performance data collection.
- Made compliance and monitoring training a core focus of Regional Training Conferences³ and other convenings where CNCS staff and the OIG reinforce how grantees must comply with oversight and monitoring requirements.
- Enhanced training for Grant Officers in an effort to produce the most effective and efficient monitoring of our grantees.

Strengthening Risk-Based Monitoring

In the spirit of continuous improvement, we are implementing additional steps to increase the effectiveness of our oversight and monitoring.

As part of our continued effort to incorporate best practices in risk management, I am pleased to report that we recently hired a highly qualified Chief Risk Officer, one of the few such positions within the federal government. We also established the Office of the Chief Risk Officer to oversee all of the agency's financial and programmatic internal risk assessment programs under one executive, including Internal Controls, Improper Payments, Grants Assessment, and Enterprise Risk Management programs. The office represents an integrated, coordinated, and elevated approach to my agency's effort to use information to better manage our resources and decision-making.

Our agency's ability to oversee its grantees is limited by our current information technology. My agency has been using all available funds, and more are needed, to update our grants management information technology to reflect our current and future needs around grantee and member management, data analytics, improved risk-based grantee profiles, and improved situational awareness of issues within the agency. A key component of this effort will be to enhance and validate our grantee risk model. This new system – including improved risk models, data analytics, and information management – will enable CNCS to move from a compliance-focused monitoring approach to a more nimble and targeted risk-based monitoring approach.

CNCS is eager to build and improve its risk management program. Additional investments in CNCS staff, processes, and technology are required to fully implement these improvements. Given the benefits this approach will provide, we believe such an investment is justified to support the accountability goals we all share.

³ Agenda for CNCS North Central National Service Training Conference: <http://www.nationalservicetraining.org/north-central-agenda1.html>, one of four regional training conferences in 2016 for CNCS grantees.

Prohibited Activities

The laws governing national service participants' activities are important to ensure the mission of national service is fulfilled. CNCS is clear with its grantees about the statutory requirements, including prohibited activities, and we hold our grantees accountable for ensuring that members comply with the law while they are serving. Like all our rules, we have a three-pronged approach regarding compliance: prevention, detection, and enforcement.

Prevention. We make extensive efforts to communicate our rules about prohibited activities, beginning before a grant is ever made, and reiterate them at every stage of the grants process.

- Prospective applicants are informed through the grant application of the laws and rules that apply to CNCS grants. Applicants must describe how they will ensure compliance with the rules on prohibited activities.
- A grant applicant must also provide a detailed description of proposed member activities, which are reviewed during the competitive grant process to ensure that the activities are appropriate for AmeriCorps service.
- Successful applicants receive a grant award notification that includes extensive provisions detailing requirements associated with the grant, including prohibited activities. By accepting the grant, the organization accepts absolute responsibility for complying with all of the requirements. Each grantee agrees to be responsible for ensuring that any organization to which it subgrants CNCS funds or that serves as a placement site for AmeriCorps members is informed of and complies with all of CNCS's requirements.
- Grantees are also responsible for ensuring that each AmeriCorps member supported under the grant receives proper training on prohibited activities. The grantee must require each member to sign a member contract detailing, among other things, prohibited member activities.
- Each grantee is assigned a Program Officer and a Grant Officer who provides guidance and support to the grantee regarding the management of their award. CNCS also maintains the Knowledge Network, a website that contains valuable information on how to manage CNCS grants.
- During the grant's operation, CNCS provides regular training and technical assistance.⁴ New grantees are given assistance to develop policies and procedures to support compliance of sub-grantees and placement sites. For new grantees, CNCS often reviews sample position descriptions, member agreements, site agreements, and training curricula to ensure that AmeriCorps members and site locations are instructed on prohibited activities. CNCS also hosts or supports annual

⁴ For example, CNCS training on AmeriCorps State and National Prohibited Activities on the National Service Knowledge Network at http://www.nationalservice.gov/sites/default/files/olc/captivate/asn_prohibited_activities/. Training also occurs through webinars, the annual AmeriCorps Grantee Symposium, the regional training conferences, and other venues.

training events, including the annual AmeriCorps Grantee Symposium and regional training conferences, where grant requirements are discussed⁵.

Detection: CNCS staff works diligently to verify that grantees comply with our rules, including using a risk-based approach to monitoring. CNCS conducts an annual review of State Commissions and direct grantees to assess and prioritize our monitoring activity and resources. Staff review materials to see if they raise questions about a grantee's performance or compliance. These reviews inform the monitoring plan that establishes the level of additional monitoring activity to be conducted during the course of that fiscal year.

- A key part of the monitoring protocol is to determine whether the grantee has developed the necessary policies and procedures to assure compliance and is actually implementing those policies and procedures. During site visits, CNCS staff review service activities and often speak directly to AmeriCorps members to check for compliance. Because no system of internal controls is foolproof, when non-compliance is discovered, CNCS works to bring grantees into compliance as quickly as possible and take appropriate enforcement action.
- We require our direct grantees to monitor and review the performance and compliance of their subgrantees.
- In addition to our own efforts to detect whether prohibited activities are taking place, the Office of the Inspector General (OIG) plays a crucial role. CNCS requires grantees to contact the OIG and their program officer if they suspect waste, fraud, abuse, or criminal activity. The OIG maintains a hotline for anyone to call if they believe a prohibited activity may be taking place. The OIG also conducts its own audits and investigations of CNCS grantees, and brings the agency findings in specific cases and provides recommendations for improving our accountability measures in general.

Enforcement. CNCS can implement a range of enforcement options if an individual or organization violates the rules, depending on the circumstances and severity of the infraction.

- The range of options include requiring a corrective action plan; disallowing member hours; disallowing member education awards; recovering unallowable costs; placing a manual hold on disbursements; suspending or placing special conditions on the grant; or terminating the grant.
- CNCS may also suspend or debar individuals or organizations from handling federal funds.
- The OIG also has the option of conducting an independent investigation and may refer cases to the Department of Justice for civil action or criminal prosecution.

⁵ Agenda for CNCS North Central National Service Training Conference: <http://www.nationalservicetraining.org/north-central-agenda1.html>, one of four regional training conferences in 2016 for CNCS grantees.

- State Commissions and direct grantees have the same range of options in dealing with their subgrantees, including reporting prohibited activities to the Inspector General. In case of a subgrantee's failure to comply, the agency may require its direct grantee to take specific actions with respect to the subgrantee.

Recent Compliance Activities

Given the priority we place on accountability, we were deeply disappointed to learn that an AmeriCorps grantee, the National Association of Community Health Centers (NACHC), authorized national service participants to engage in prohibited activities.

Once we learned about this matter, we immediately referred the matter to the OIG for investigation and placed the grantee on manual hold, during which period they could not access grant funds without our approval. Once the results were known, we took immediate and robust action. CNCS suspended the grantee's ability to enroll any new national service members under its grant and directed the grantee to engage, at its own expense, a person to serve as its independent oversight monitor to oversee its compliance—a technique commonly used in the private sector. In the case report on the incident⁶, the Inspector General concluded that CNCS had undertaken a robust response.

The OIG investigation concluded the non-compliance was extremely limited in scope, involving six of the nearly 1,600 members serving under NACHC's three-year grant cycle at just one subgrantee. To put that in perspective, that represents six members out of a total of 1.06 million AmeriCorps and Senior Corps service positions in the last three years. Over that same period, AmeriCorps members and Senior Corps volunteers provided more than 466.2 million hours of service across the country.

While we have no reason to believe that such non-compliance is widespread, we have initiated a process for reviewing current AmeriCorps grantees with regards to the prohibited activities identified in this investigation. Our swift action demonstrates the seriousness with which we treat this issue.

Conclusion

Chairwoman Foxx, Ranking Member Hinojosa, thank you for inviting me to come before you today.

This testimony makes clear that that CNCS shares the Committee's concern about the importance of accountability in national service. It underscores how we have taken numerous steps to enhance grantee monitoring and oversight and are implementing comprehensive risk-based monitoring to achieve even higher levels of accountability.

We look forward to working with the Committee to further strengthen the impact of national service on the challenges facing our communities and the nation.

⁶ CNCS OIG Report Case ID: 2016-003; <https://www.cncoig.gov/news/closed-cases>