

AmeriCorps Office of Inspector General

FY 2024 Congressional Budget
Justification

THE OFFICE OF INSPECTOR GENERAL

Program and Mission Summary

Protecting the public’s investment in national service is the mission of AmeriCorps’ Office of Inspector General (OIG). Independent oversight promotes efficiency and effectiveness in agency programs, holds agency officials and grantees accountable for misconduct, safeguards the integrity of national service, and protects the rights of whistleblowers. The OIG oversees AmeriCorps programs and operations by conducting audits and reviews to curb wasteful spending and mismanagement, investigating fraud and wrongdoing, recommending effective policies and best practices, and taking steps necessary to prevent and detect fraud, waste, and inefficiencies. Investing in oversight strengthens national service and improves stewardship of taxpayer resources.

The OIG’s oversight extends to over 2,600 grants (plus thousands of subrecipient organizations, members, and volunteers) throughout the United States, the Territories, and the Indian Tribes. Recent changes within the agency—including a major reorganization and restructuring of all grant operations—and legacy weakness in financial management require heightened oversight to ensure the agency is effectively managing its grant programs and satisfactorily executing its core business functions. Other risks include frequent turnover of staff, a complex grant risk assessment model, limited and under-resourced grant monitoring, a high-risk acquisition and development plan to replace an outdated grants and member management system, and cybersecurity vulnerabilities. AmeriCorps’ leadership team recognizes these challenges and has welcomed the OIG’s active engagement.

Fiscal Year 2024 Budget Request Summary

The Budget provides \$8,572,000 to the AmeriCorps OIG to conduct operations and meaningful oversight.

OIG Budget Summary (in thousands)

	FY 2022 Enacted Budget	FY 2023 Enacted Budget	FY 2024 President’s Budget	Difference (FY23-FY24)
Audit	\$2,093	\$2,344	\$2,719	\$375
Investigation	\$2,125	\$2,183	\$2,479	\$296
Counsel	\$595	\$670	\$838	\$168
Information Technology	\$602	\$993	\$1,107	\$114
Mission Support	\$1,100	\$1,279	\$1,295	\$16
Training	\$50	\$95	\$98	\$3
CIGIE	\$30	\$31	\$36	\$5
Totals	\$6,595	\$7,595	\$8,572	977

The OIG’s work is divided into two operating units, the Offices of Investigation and Audit, with support from the Offices of Information Technology, Counsel, and Mission Support,

including the Inspector General's Immediate Office. Below are highlights from each of these areas.

Investigation Outcomes and Strategic Focus

The OIG's Office of Investigation pursues criminal, civil, and administrative wrongdoing related to AmeriCorps programs and operations, including by entities that receive AmeriCorps funds, as well as whistleblower reprisal investigations. Its goal is to identify and prosecute fraud schemes, helping AmeriCorps and its grantees develop strong internal controls that deter and prevent additional fraud in the future. Collaborative relationships with United States Attorneys' offices across the nation serve as a force multiplier in this mission. OIG investigations ensure that those who misuse AmeriCorps funds are held accountable, which serves as a meaningful deterrent to fraud and other misconduct.

Since FY 2019, the OIG has directed its investigative resources primarily to civil and criminal enforcement of significant fraud cases. These efforts have yielded ten civil settlements and four criminal pleas, with notable resolutions anticipated in additional criminal and civil investigations in the coming months. Combined, over \$15 million has been recovered or put to better use as a result of OIG civil, criminal, and administrative investigations during that period. The OIG is currently working with Federal prosecutors and civil litigators throughout the country on 11 additional civil and criminal investigations, as well as preparing other cases for referral. Typical investigations involve:

- theft, diversion of funds, and embezzlement from AmeriCorps grant programs for personal gain;
- time and attendance fraud by grant-funded staff and national service members, which deprives communities of needed services, defrauds the public, and misdirects Federal resources;
- theft from Federal benefit programs, including veterans' benefits and the Federal Pandemic Unemployment Program;
- fabrication or alteration of the criminal history checks required by law to protect program beneficiaries by excluding convicted murderers and sex offenders from national service; and
- theft or fabrication of member/volunteer identities to steal stipends and living allowances.

These investigatory outcomes reflect a small but highly effective unit. For example, in Fiscal Year 2022, the OIG served an unprecedented 32 administrative subpoenas and 83 grand jury subpoenas. In the past six months, the OIG executed multiple search warrant operations in two cases, with an additional operation anticipated in the coming months, a marked increase from prior years. The AmeriCorps OIG faces a growing need for forensic accounting capabilities and will obtain these capabilities through a combination of appropriate technology acquisitions and by hiring or contracting with experienced forensic auditors.

Protecting the public against future fraud is an important element of the OIG's mission. Working with investigators, the Office of Counsel has recommended 18 Government-wide suspensions and 24 Government-wide debarments since FY 2019. AmeriCorps instituted 28

administrative actions during this time based on the OIG's work, with additional recommendations pending.

To support this investigative work, the OIG's Office of Information Technology deploys leading data analytics practices, aggregating information from open and proprietary sources to identify suspicious patterns and anomalous conduct, allowing early detection and intervention before losses mount. Expanding analytics to pursue more leads is an operational priority of the OIG.

In addition to detecting and deterring fraud, the OIG's investigative work identified weaknesses in agency processes and produced programmatic improvements. Using lessons learned from recent fraud cases, investigators train AmeriCorps staff and grantee and subgrantee personnel in strategies to identify and prevent fraud. An outreach program led by the OIG investigators, auditors, and attorneys provide training for incoming agency staff and briefings for the grantee community intended to improve fraud awareness and prevent fraud. These interactions between OIG personnel and front-line grantee and agency staff play an important role in improving grantee stewardship and mitigating fraud, waste, and abuse.

As active members of the oversight community, OIG investigators and attorneys are sought after instructors and speakers for the Inspector General Academy and other training programs on a variety of grant-related subjects. The OIG will increase outreach and training in 2024.

Audit Outcomes and Strategic Focus

The OIG's Office of Audit conducts audits, evaluations, and reviews of AmeriCorps' grants, programs, and activities, as well as the agency's internal operations, playing a role in the oversight of AmeriCorps grantees and subgrantees. Audits, evaluations, and reviews help mitigate risks of fraud, waste, and abuse by assessing whether AmeriCorps grant recipients provide adequate stewardship and identifying systemic deficiencies and misspent funds. These tools uncover evidence of fraud or other unlawful conduct that auditors refer to OIG investigators for further action, generating cases that are ultimately referred to the Department of Justice (DOJ). Audit oversight also uncovers systemic weaknesses, which AmeriCorps must address. The OIG's oversight helps ensure that the financial, administrative, and programmatic activities of national service operate effectively, efficiently, and in compliance with the law. The OIG's audits have a direct effect on agency grantees, strengthening the performance and integrity of those organizations.

Areas of Internal Risk for Oversight

AmeriCorps has recently expanded its programs and faces a number of operational and programmatic challenges and risks, many of them originally identified by the OIG. The OIG's new contracts for mandatory audits of AmeriCorps' financial statements, cybersecurity and improper payments, all of which have identified substantial vulnerabilities, cost more than in the past due to market conditions, including the large volume of contract audit work associated with pandemic recovery oversight, and they will continue to escalate for the foreseeable future.

The Office of Audit has identified the following seven high-risk areas, in which additional resources for oversight will support important priorities identified in AmeriCorps' 2022 Strategic Plan:

1. Agency Financial Management

Since FY 2017, independent auditors have been unable to confirm the accuracy or completeness of the agency-wide financial statements, as well as the financial statements for the National Service Trust. The auditors have repeatedly issued disclaimers of opinion and identified twelve material weaknesses in the FY 2022 financial statements audit—three more than in FY 2021—preventing AmeriCorps from accurately reporting on the taxpayer's investment. To address these weaknesses, AmeriCorps shifted its accounting and financial management functions to a shared services platform operated by the Department of Treasury, Bureau of Fiscal Services, Administrative Resources Center (ARC). AmeriCorps has not yet realized the benefit of this transfer because it remains incomplete, leaving the agency with a financial and grant management system that has limited interoperability. Resolving this is expected to be a multi-year project.

The FY 2022 disclaimers were the subject of a December 14, 2022 hearing before the House Committee on Education and Labor, Subcommittee on Higher Education and Workforce Investment, at which Inspector General Jeffrey testified.¹ This was the second consecutive hearing on the challenges facing AmeriCorps in accurately tracking and reporting on its management of public resources.

While AmeriCorps established a comprehensive corrective action plan (CAP) to improve financial management and resolve longstanding weaknesses after the FY 2021 disclaimers, it has made limited progress in improving its financial management. These weaknesses are significant and correcting them is essential to continuing the national service mission. AmeriCorps is undertaking an ambitious effort to improve its business operations, requiring multi-year OIG oversight to ensure that the agency addresses the 79 open recommendations effectively and achieves responsible financial management within the contemplated timeframe. OIG leadership and staff continue to have extensive dialogue with AmeriCorps to promote progress in making the necessary reforms.

2. Information Security

Annual evaluations since FY 2017 have shown that AmeriCorps' cybersecurity program is not effective, with substantial risks and vulnerabilities remaining to be addressed. AmeriCorps made little progress in maturing its information security program. The FY 2022 FISMA evaluation determined that AmeriCorps closed 12 of the 42 prior-year recommendations and advanced in one of the five cybersecurity functions areas. The agency's corrective action planning and implementation to manage and mitigate these risks remains a top priority.

3. Effects of Reorganization

AmeriCorps continues to evaluate the effects of the FY 2019-2020 reorganization and restructuring of its grant-making, grant management, and grant administration activities. Since its reorganization, AmeriCorps has seen substantial turnover of staff in its Office of

¹ The hearing and testimony are available at <https://edworkforce.house.gov/calendar/eventsingle.aspx?EventID=408698>.

Regional Operations and Office of Monitoring,² impacting the continuity of knowledge in AmeriCorps programs, management of its grants, and ability to offer support to grantees.

4. Modernization of Grants and Member Management Information Systems

AmeriCorps has budgeted \$29 million to replace its outdated grants and member management systems: \$15 million from American Rescue Plan funding and \$14 million awarded by the Technology Modernization Fund. This investment aims to deliver simple, secure, and effective digital solutions for the thousands of local, nonprofit, faith, and community-based organizations managing their AmeriCorps grants and improve the customer experience for over 200,000 individuals serving in AmeriCorps programs. This investment is a key component in AmeriCorps' execution of the President's Management Agenda item "Delivering Excellent, Equitable, and Secure Federal Services and Customer Experience," specifically, "Delivering Service Powered by 21st Century Technology." Real-time oversight of AmeriCorps' expenditure of this investment is a priority to ensure that AmeriCorps does not repeat a complete write-off of \$33.8 million invested in its prior unsuccessful efforts.³

5. Grant Monitoring

The agency's centralized Office of Monitoring (OM) has been challenged to develop and execute a monitoring approach that provides reasonable assurance that AmeriCorps grantees practice appropriate stewardship and properly expend Federal funds. In FY 2023, OM plans to monitor 187 grantees, a small fraction of the grant portfolio, with limited attention to grantees' financial management. These monitoring activities often overlook fraud and misuse of funds. OM has contracted with another Federal agency to provide additional financial monitoring. Using an agile approach, the OIG will examine the effectiveness of OM's monitoring strategy, as it evolves, to identify areas of improvement. This recurring activity will require ongoing time and attention as OM continues to shift its strategies and deploy its resources.

6. Grant Recipients' Financial Management and Expenditures

AmeriCorps disburses approximately three-quarters of its annual appropriations in the form of grants, making oversight of funding recipients important. In the AmeriCorps State and National program, the majority of funds are further disbursed to subgrantees for service in their local communities. OIG audits routinely find that AmeriCorps grantees do not monitor subgrantees effectively, allowing fraud, misuse of funds, and other irregularities to go uncorrected. In other programs, the OIG has found widespread inability by grantees to account for Federal grant funds. Several of the OIG's largest investigative recoveries developed from the discovery of fraud in grant audits.

² Of the current ORO staff, 73.3 percent joined AmeriCorps after the reorganization. ORO experienced staff turnover (not including transfers to other AmeriCorps units) of between 10 and 15 percent annually since 2020. Of the current OM staff, 83.8 percent joined AmeriCorps after the reorganization. OM experienced turnover of approximately 19 percent during the same period. This exceeds the turnover rate across the Federal government reported by the Bureau of Labor Statistics (BLS). BLS, Job Openings and Labor Turnover, Table A, p. 5 (Dec. 2022), available at: <https://www.bls.gov/news.release/pdf/jolts.pdf>.

³ OIG Report 20-01, *Audit of the Corporations for National and community Service's FY 2019 Consolidated Financial Statements*, p. 23, available at: https://www.oversight.gov/sites/default/files/oig-reports/20-01_CNCS_FY19_FSAudit.pdf.

AmeriCorps' strategic goal of engaging new grantees also calls for increased oversight. New grantees often pose high risks as they try to master complex and new grant requirements, and may not have sufficient internal controls to prevent fraud and theft. Early outreach and oversight promote long-term success and allow course corrections before problems become severe. The Budget level will provide for additional preventive efforts.

7. Pandemic Oversight

During FY 2022, AmeriCorps began to distribute portions of its \$1 billion in ARP funding. An interagency agreement with the Centers for Disease Control brought AmeriCorps an additional \$400 million investment for Public Health AmeriCorps (PHA), \$74.5 million of which has been expended as of October 1, 2022, and an additional round of grant awards is expected to be made in Summer 2023. Like other new programs, PHA is considered high-risk.

In FY 2021, the OIG ramped up its oversight activities and continues to engage the agency in areas of risk specific or unique to American Rescue Plan funding or programs. The OIG's Director of Pandemic Oversight coordinates these efforts, including front-end oversight of new or expanded programs and the use of data analytics to uncover fraudulent misuse of Paycheck Protection Program loans and the Economic Injury Disaster Loan program.

Experience shows that dishonest individuals who divert funds from AmeriCorps programs may likewise abuse pandemic assistance programs. A recent investigation discovered that two individuals who had together embezzled over \$571,000 from AmeriCorps programs were also coordinating to steal more than \$800,000 in pandemic assistance, a loss that the OIG's investigation prevented. Other cases currently under investigation highlight this particular threat to the integrity of agency programs and the costs to communities in need of these funds. The OIG coordinates closely with the Council of Inspectors General on Integrity and Efficiency's (CIGIE) Pandemic Response Accountability Committee to share information and resources, as well as to help address other Government-wide pandemic related and grant fraud issues.

Inspector General Reform Act Statement

Pursuant to Section 6(g)(1) of the IG Act, as amended, OIG submits the following summary concerning the OIG's annual budget, which is expected to suffice:

- AmeriCorps OIG's requested appropriation for FY 2024 is \$8.572 million;
- The amount for OIG's training needs is \$98,000; and
- The portion of these amounts needed to support the operations of the CIGIE is \$36,000, based on CIGIE's annual assessment of 0.40 percent of each OIG's appropriation.