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**Sent:** Friday, July 18, 2014 4:51 PM

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**Subject:** Response to 7/16 Additional Information Request from the Finance Committee

**Importance:** High

**To all:**

As requested at the most recent Finance Committee Meeting, please see the additional information to further clarify the OIG's FY 2016 budget request of \$5.1M:

**1. OIG Functions and Performance:**

The LSC OIG functions and performance can be seen in the Semiannual Reports to Congress (<http://www.oig.lsc.gov/sar/sar.htm>) released through the Board. The report provides an overview of the LSC OIG's mission (page 1) and a comprehensive listing of the finished products of the Office for that reporting period. The Semiannual reports are a six month performance report of OIG activities. The most recent report is attached for your reference. It is my understanding that Congress has relied on the oversight provided by an independent and effective OIG to support continued funding of LSC as a whole. An independent and effective OIG can give assurance the money provided to LSC will be well-used.

Separately, the IG annually submits a performance report to the Governance and Performance Review Committee. The report describes IG statutory duties, performance measures and OIG activities and accomplishments. The 2013 performance report is attached for your reference.

It should be noted that in addition to the traditional functions of a federal OIG, the LSC OIG has been directed since 1996 in LSC's annual appropriations, to have a role in overseeing grantee compliance.

In summary the FY 2013 OIG Performance Highlights include:

- 55 OIG recommendations for improvements to LSC Grantees.
- 132 grantee audit reports reviewed.
- 8 OIG audit reports issued (reviewing \$29.9 million in LSC grant funds).
- 30 grantee audit quality control reviews.
- 23 closed investigations.
- 20 fraud prevention briefings and 1 nationwide fraud awareness webinar.
- \$301,577 in total questioned costs.
- \$85,328 in court-ordered investigative recoveries.
- Issued summary reports on the fraud vulnerability assessments and regulatory vulnerability assessments programs.
- Recommended improvements to LSC's grantee enforcement mechanisms.

- Issued advisories and commented on LSC initiatives including: risk management program, conflicts of interest policy, procurement management, and IT planning.
- Received the Council of Inspectors General on Integrity and Efficiency (CIGIE) Award for Excellence for the OIG's innovative regulatory vulnerability assessment program.

Collectively, OIG results and recognition of our work by Congress, CIGIE and the LSC Board of Directors demonstrate the OIG is performing at a satisfactory level.

## **2. OIG Cost Comparison**

The OIG FY 2016 request is 1.05% of the total LSC request (\$5.1 million/\$486.9 million). The attached chart compares the FY 2013 LSC OIG appropriation to other Designated Federal Entities (DFEs) OIG budgets. It provides a list of seven other OIGs whose agencies have similarly sized budgets to LSC (\$250-500 million). In FY 2013 the LSC OIG appropriation was 1.14% (\$3.915 million/\$343.409 million) of LSC's appropriation as a whole. This budget ratio is below the average ratio of 1.22% for all eight OIG budgets and generally in the middle of the comparison group. A separate analysis of a confidential CIGIE data set of 53 agencies/DFEs found the OIG/LSC budget ratio of 1.14% is below the average OIG/agency budget ratio of 1.72%.

The combined analyses demonstrate that the LSC OIG budget is generally in the appropriate cost level.

## **3. Productivity Increases**

The OIG has made significant and prudent management and business improvements in the past two years. These investments have greatly enhanced OIG productivity and efficiency and effectiveness.

### **A. Management and Program Improvements:**

Under the leadership of our Inspector General and John Seeba, the new AIG for Audit, the OIG audit unit is in the process of restructuring, including the recent hiring of skilled former government professionals. Combined with the introduction of information management systems, and the on-going restructuring, the OIG is already performing a higher volume of grantee internal control audits. The QCR program has enabled us to identify deficiencies in IPA work and improve their compliance with applicable standards and OIG guidance, improving the effectiveness of grantee audits. We plan to continue this program past FY 2016.

### **B. OIG Business Systems Sustainability and Improvements:**

- i. Continued development of a SharePoint intranet platform: This document management system allows a better management of OIG, LSC information and improved collaboration among OIG staff. The OIG anticipates further expansion including grantee information.
- ii. Continued development of an investigation case management system: Our investigators perform all work using this system. We are anticipating adding more functionality in this area.
- iii. Procurement and ongoing support of an audit management system: Our audit team performance has been significantly enhanced by the procurement of Teammate, an audit management software that is predominantly used in federal OIG offices. Teammate was rolled out in Summer 2012, enhances the efficiency of OIG audit work and requires an annual maintenance contract.
- iv. The OIG relies on the services of an IT services consultant to ensure OIG systems are stable, current and available 99.9% of the time. This support allows the sustainability of our systems and significant improvements to our performance including development of remote access solutions for our traveling

staff, investment in new equipment, various software licenses and the future development of a new website.

### **Conclusion**

For FY 2016, the LSC OIG is requesting an appropriation of \$5.1 million or \$750,000 more than the FY 2014 appropriated amount of \$4.35 million. As previously submitted in the OIG section of the July 10, 2014 *Management's Recommendation for LSC's FY 2016 Budget Request*, of the \$750,000 increase, 53% (or \$400,000) is required to sustain base operations and 47% (or \$350,000) is planned to support the continuation and development of programs. Funding below this level would significantly impact the OIG's ability to fulfill its mission and would require adjustments and eliminations in operational elements. The requested increase is 0.15% of the total LSC Budget Request to Congress for FY 2016.

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3 Attachments