



AmeriCorps

OFFICE OF INSPECTOR GENERAL

AUDIT OF AMERICORPS' FISCAL YEAR 2023 CONSOLIDATED FINANCIAL STATEMENTS

OIG Report 24-01

Prepared by:

RMA Associates LLC
1005 North Glebe Road, Suite 610
Arlington, VA 22201

OFFICE OF INSPECTOR GENERAL


November 15, 2023

MEMORANDUM TO: Michael D. Smith
Chief Executive Officer

FROM: Monique P. Colter *Monique P. Colter*
Assistant Inspector General for Audit

SUBJECT: Audit of AmeriCorps' Fiscal Year 2023 Consolidated Financial Statements, OIG Report 24-01

We contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to audit the consolidated financial statements of AmeriCorps for the fiscal year (FY) ended September 30, 2023. The contract required RMA to express an opinion on whether AmeriCorps' FY 2023 financial statements are fairly presented, in all material respects; report on internal controls over financial reporting; and report on compliance with the provisions of laws, regulations, contracts, and grant agreements. The contract also required RMA to conduct the audit in accordance with the Generally Accepted Government Auditing Standards (GAGAS) and Office of Management and Budget Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

- **Disclaimer of Opinion:** AmeriCorps continues to have unresolved accounting issues and material weaknesses in internal control that cause AmeriCorps to be unable to provide sufficient appropriate evidential matter in a timely manner for complete and accurate consolidated financial statements. As a result of these matters, RMA was unable to determine the effect of the lack of sufficient appropriate audit evidence, and whether any adjustments might have been found necessary in respect of recorded or unrecorded balances on AmeriCorps' consolidated financial statements as of and for the years ended September 30, 2023 and 2022.
- **12 material weaknesses** and **two significant deficiencies** in AmeriCorps' internal control over financial reporting. RMA reported the following material weaknesses and two significant deficiencies, Information Technology Security Controls (Modified Repeat) and Internal Software Cost (Modified Repeat), as described in [Exhibits I and II](#) of this report:
 1. Internal Controls Environment (Modified Repeat)
 2. Financial Reporting (Modified Repeat)

3. General Ledger Adjustments (Modified Repeat)
 4. Undelivered Orders – Grants and Grant Activity (Modified Repeat)
 5. Other Disbursements (New)
 6. Undelivered Orders – Procurement and Accounts Payable (Repeat)
 7. Trust Obligations and Liability Model (Repeat)
 8. Recoveries of Prior Year Obligations (Modified Repeat)
 9. Grant Processes
 10. Advances from Others (Modified Repeat)
 11. Migration to Shared Service (Modified Repeat)
 12. Other Liabilities (Modified Repeat)
- RMA considered AmeriCorps’ compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, RMA does not express such an opinion.

Had the scope of RMA’s work been sufficient to enable RMA to express an opinion on the consolidated financial statements, other instances of noncompliance or other matters may have been identified and reported.

As part of our contract oversight, we reviewed RMA’s report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the consolidated financial statements.

RMA is responsible for the attached independent auditors’ report, dated November 15, 2023, and the conclusions expressed therein. However, our review disclosed no instances where RMA did not comply, in all material respects, with GAGAS.

cc: Jenny Mauk, Chief of Staff
Gina Cross, Chief Operating Officer
Malena Brookshire, Chief Financial Officer
Prabhjot Bajwa, Chief Information Officer
Fernando Laguarda, General Counsel
Jill Graham, Chief Risk Officer
Rachel Turner, Audits and Investigations Program Manager
Stephen Ravas, Acting Inspector General
Debra Thomas, Partner, RMA Associates LLC

Independent Auditor's Report

Board of Directors, Chief Executive Officer, and Inspector General
AmeriCorps:

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of AmeriCorps, which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of net cost, consolidated statements of changes in net position, and the combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (collectively, referred to herein as the 'consolidated financial statements').

We do not express an opinion on the accompanying consolidated financial statements of AmeriCorps. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion on the consolidated financial statements.

Basis for Disclaimer of Opinion

AmeriCorps continues to have unresolved accounting issues and material weaknesses in internal control that cause AmeriCorps to be unable to provide sufficient appropriate evidential matter in a timely manner for complete and accurate consolidated financial statements. As a result of these matters, we were unable to determine the effect of the lack of sufficient appropriate audit evidence, and whether any adjustments might have been found necessary in respect of recorded and unrecorded balances on AmeriCorps' consolidated financial statements as of and for the years ended September 30, 2023 and 2022.

Furthermore, the consolidated financial statements and accompanying notes as of and for the years ended September 30, 2023 and 2022 (1) were not in accordance with U.S. generally accepted accounting principles, (2) were not in compliance with the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, (OMB A-136), and (3) had mathematical errors and inconsistencies.

Other Matters – Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the Annual Management Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or other interactive data has not been subjected to any of our procedures, and accordingly, we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of AmeriCorps' consolidated financial statements in accordance with the U.S. generally accepted auditing standards (GAAS), *Government Auditing Standards*, and OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion on these consolidated financial statements.

We are required to be independent of AmeriCorps and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

U.S. generally accepted accounting principles require the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context.

We were unable to apply certain limited procedures to the Required Supplementary Information in accordance with GAAS because management did not provide sufficient appropriate evidential matter in a timely manner. We do not express an opinion or provide any assurance on the information.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit AmeriCorps' consolidated financial statements, we considered AmeriCorps' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of AmeriCorps' internal control. Accordingly, we do not express an opinion on the effectiveness of AmeriCorps' internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying [Exhibit I](#) and [Exhibit II](#), we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies, respectively. The status of prior year recommendations is in [Exhibit III](#).

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statement will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Report on Compliance and Other Matters

In connection with our engagement to audit the basic consolidated financial statements, we considered AmeriCorps' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, we do not express such an opinion.

We were not able to perform the applicable tests of compliance due to the aforementioned inability to obtain sufficient appropriate audit evidence to enable us to express an opinion on the consolidated financial statements.

AmeriCorps' Response to Audit Findings and Recommendations

AmeriCorps' Response to Audit Findings and Recommendations comments can be found in [Appendix A](#). AmeriCorps expressed concurrence and nonconcurrence to our findings and recommendations. AmeriCorps' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The Purpose of the Other Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting on Internal Control and the Report on Compliance and Other Matters sections is solely to describe the deficiencies we consider to be material weaknesses and significant deficiencies, the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2023

Exhibit I – Material Weaknesses

I. Internal Control Environment (Modified Repeat)

Establishing internal controls that meet Federal standards is a core responsibility of AmeriCorps' management.¹ Thus, AmeriCorps' executive leadership made financial and operational reform a top priority and began making significant investments in its financial management operations, including procuring contractor support to advise senior leadership on financial reform and work with management to develop processes and accompanying policies and procedures. However, in its statement of no assurance dated October 17, 2023, AmeriCorps acknowledged its system of internal control does not currently provide the necessary level of assurance in any of the three required areas, internal control over operations, reporting, and compliance.

AmeriCorps continues to demonstrate an ineffective internal control program. Specifically, AmeriCorps' risk profile was not sufficiently designed to achieve its stated control objectives, appropriate processes were not in place to provide assurances over the reliability and completeness of its financial and performance data, and knowledge and skills gap continue to exist with AmeriCorps personnel related to financial management.² Also, AmeriCorps needs to identify the correlation between financial reporting and the potential and known fraud committed by grantee and subgrantee recipients.

A. Risk Management (Modified Repeat)

Federal Managers Financial Integrity Act (FMFIA) requires management to continuously monitor, assess, and improve the effectiveness of internal control objectives identified as part of its risk profile to support the annual assessment and report on internal control. Management must have processes in place to assess whether risks continue to exist, new risks have emerged, and the impact of those risks in providing assurance on the effectiveness of controls. Entity-level controls (ELCs) are controls that have a pervasive effect on an entity's internal control system and may pertain to multiple components. ELCs may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

AmeriCorps' Office of Chief Risk Officer (OCRO) reported in its ELC Assessment that 8 of the 17 principles were not sufficiently designed to achieve its stated control objectives for

¹ Federal Managers Financial Integrity Act of 1982 (FMFIA), Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO Green Book).

² Technology issues exists as a contributing factor to the poor internal control environment. Refer to Migration to Shared Service.

effective internal control based on the Government Accountability Office (GAO) Green Book³ framework.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

1. Design and implement control activities to address 8 of the 17 Government Accountability Office Green Book framework principles that were not sufficiently designed during its FY 2023 Entity Level Control Assessment. **(New)**

B. Processes (Modified Repeat)

Although AmeriCorps' management was able to begin making progress towards addressing the prior year's recommendations, which stated that AmeriCorps "*must complete a performance diagnostic, which includes a root cause analysis, and then develop, design, and implement a plan towards short- and long-term goals,*" AmeriCorps continued to lack sufficient processes to support the transaction and account balances reported in its consolidated financial statements and accompanying notes for the following:

- Consolidated balance sheet: advances to others, accounts payable, advances from others, other liabilities, trust service award liability, and net position.
- Consolidated statement of net cost: total gross program cost.
- Consolidated statement of changes in net position: beginning and ending balances, appropriations received, and appropriations used.
- Combined statement of budgetary resources: unobligated balance from prior year budget authority (net), appropriations, new obligations, unobligated-unapportioned-unexpired balances, and outlays (net).

In addition, AmeriCorps was unable to provide sufficient adequate support in a timely manner for the following:

- Consolidated financial statements and accompanying notes as of and for the year/period ended September 30, 2023 and June 30, 2023;
- Interim and draft year-end AMR; and
- Compliance with certain provisions of laws, regulations, contracts, and grant agreements. Noncompliance with these requirements could have a direct and

³ Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book).

material impact on the consolidated financial statements (e.g., OMB A-136, *Financial Reporting Requirements*, Antideficiency Act (ADA)).

Further, AmeriCorps did not provide evidence of the remediation of corrective action plans (CAPs) for the grant accrual and advances, accounts payable, advances from others, undelivered orders, recoveries of prior year obligations, journal entries, other liabilities, trust service award liability, and fluctuation analysis (financial reporting) which were expected to be completed during FY 2023. As a whole, the CAPs are intended to be remedial actions undertaken to develop internal controls and processes designed to produce credible financial information.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

C. Knowledge and Skills Gap⁴ (Modified Repeat)

AmeriCorps personnel did not have the appropriate knowledge and skills to ensure its internal control environment was operating effectively and provide sufficient appropriate evidence in a timely manner to support complete and accurate consolidated financial statements or its performance data. The information we received continued to demonstrate a lack of understanding related to (1) Federal accounting standards, (2) Federal financial reporting, (3) effective financial management practices (i.e., people, processes, and systems), and (4) the proper internal control environment that mitigates risk.

The lack of adequate understanding, proper use, effective review, and approval processes over financial information may result in inconsistent, incomplete, and unreliable financial statements and note disclosures.

In addition, the accounts payable walkthrough was incomplete and the post-award grant process was not conducted. The accounts payable walkthrough did not adequately demonstrate or communicate AmeriCorps' controls and processes. We communicated the weaknesses to AmeriCorps regarding the inadequacies of this walkthrough and why we assessed the walkthrough as incomplete. We were initially informed that the post-award grant process walkthrough could be performed in August and no later than early September. However, as of the end of September, we were informed that the post-award grant process was still under review and therefore needed to be postponed. These

⁴ In FY 2022, the knowledge gap was identified as a stand-alone material weakness. However, in FY 2023, AmeriCorps undertook steps to bring in temporary contracted support to assist in improving financial management practices, for a portion of FY 2023. We have combined the knowledge gap weakness into a broader internal control NFR due to the existence of contract support and filling key positions, including the Budget Director.

walkthroughs were necessary to obtain an understanding of internal controls over the following financial statement line items:

- Consolidated balance sheet: advances and prepayments, and accounts payable.⁵
- Consolidated statement of net cost: total gross program cost.
- Consolidated statement of changes in net position: appropriations used.
- Combined statement of budgetary resources: unobligated balance from prior year budget authority (net), new obligations, and outlays (net).

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

2. Identify resource capabilities and needs, then recruit, train, develop, and retain financial leaders and personnel with relevant Federal financial management capabilities to achieve operations, reporting, and compliance objectives, complete and document performance evaluations in a readily accessible form, and hold individuals accountable for related control responsibilities. **(Modified Repeat)**

D. Fraud Risk Management (New)

Management is required to analyze and respond to identified fraud risks, estimate their significance, and implement appropriate risk responses. Changes in internal and external conditions should be promptly identified and communicated within the organization. Such changes may necessitate revisions to the internal control system to maintain its effectiveness. Additionally, new risks or modifications to existing risks should be assessed as part of the analysis and response to changing conditions, which may require adjustments to risk tolerances and responses.⁶

During our annual fraud risk inquiries with AmeriCorps management, we discovered AmeriCorps' management did not understand:

- The connection between the impact of known and potential fraud by AmeriCorps' grantee and subgrantee recipients to its consolidated financial statements, specifically, the Trust fund liability; and

⁵ Grant accruals are embedded in the accounts payable (other than intragovernmental) line item in the balance sheet.

⁶ Government Accountability Office's (GAO), Standard for Internal Control in the Federal Government (Green Book), Section 8.06 and 8.07.

- The need to evaluate its known fraud, the increased fraud risks, and the related impact on its consolidated financial statements.

Failure to identify the correlation between financial reporting and the financial data reported by grantee and subgrantee recipients such as false certifications, fictitious expense, mischaracterized, and/or ineligible expenses, could result in misstatement(s) to AmeriCorps annual financial statements and other financial reporting.

In addition, AmeriCorps' Financial Management Processes (i.e., standard operating procedures) regarding its Fraud Risk Profile did not:

- Require updates to its risk profile annually;
- Include an assessment of known, suspected, and alleged fraud risks associated with grantee and subgrantee recipients;
- Have guidance to train employees to rate risk accurately considering known or potential fraud; and
- Have guidance for adequate documentation on the risk determination reviews to match risk ratings or detect errors within the risk assessment.

As a result, AmeriCorps' fraud risk assessment practices may result in masking fraud risk that warrants mitigation.

We recommend AmeriCorps:

3. Ensure its fraud risk management process includes external risk factors such as grantee and subgrantee recipients in its standard operating procedures for the agency risk profile. This process should include:
 - a. A scheduled risk assessment, mitigation plan, and monitoring and reporting (e.g., relating to grantee and subgrantee recipients);
 - b. An integration of the fraud risk components for known, suspected, and alleged fraud risks;
 - c. Documentation on how the fraud risk components integrate;
 - d. How the risk scoring is conducted and applied;
 - e. The use of the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response; and
 - f. Guidance for adequate documentation on the risk determination reviews to match risk ratings or detect errors within the risk assessment. **(New)**

4. Provide internal training that addresses:
 - a. Management’s overall responsibility for establishing internal controls to manage the risk of fraud, and the related impact on the financial statements; and
 - b. The connection between potential and known fraud by the grantee and subgrantee recipients and the impact that fraud may have on the underlying financial data being provided by the recipients and ultimately used for the preparation of information reported in the financial statements. **(New)**

II. Financial Reporting (Modified Repeat)

The financial reporting compilation function is central to an entity’s internal control environment, and its ability to accurately report to Congress, the public, and other stakeholders about its stewardship of Federal funds. AmeriCorps made little progress in improving its financial reporting in FY 2023, therefore, several critical areas remain unresolved.

AmeriCorps’ draft interim and year-end consolidated financial statements were not prepared in accordance with U.S. generally accepted accounting principles, did not comply with OMB A-136, and contained mathematical errors throughout.

A. Preparing and Reviewing Financial Reports (Modified Repeat)

AmeriCorps did not effectively implement its CAPs related to financial reporting to ensure financial statements were properly validated, reviewed, and approved by appropriate personnel. AmeriCorps’ financial reporting lacked sufficient processes and effective internal control to ensure complete, reliable, timely, and accurate consolidated financial statements, which were free from material misstatement, whether due to fraud or error. AmeriCorps failed to correct errors identified and communicated relating to its June 30, 2023 consolidated financial statements, and some of the same errors continued to exist at year-end.

The draft year-end AMR was not received in a timely manner. Based on our limited procedures, we observed the following:

- Target and actual amounts reported in the Performance Goals, Objectives, and Results were not provided;
- The Analysis for Financial Statements contained within the Management Discussion and Analysis section did not present any discussion related to the consolidated financial statements; and

- No discussion on significant changes in the Analysis of Financial Statements.⁷

In addition, AmeriCorps FY 2023 consolidated financial statements and the accompanying notes presentation contained:

- Inadequate review performed to address compliance, technical, editorial, and consistency errors;
- Incomplete note disclosure for the reconciliation of the net cost to net outlays required by SFFAS 53.⁸ In AmeriCorps' Note 16, *Reconciliation of Net Cost to Net Outlays*, did not properly explain the purpose, nature, and the material line items included in the reconciliation. Additionally, the reconciliation did not include any prior year note schedule for comparative purposes;
- Excluded the 'Combining SBR', which was communicated to AmeriCorps at interim and year-end;
- Excluded 'Commitments and Contingencies' line item on its consolidated balance sheet;
- Missing note disclosures and/or the amounts in note schedules did not agree with the principal statements;
- Prior year amounts did not agree, due to differences in rounding applied this year; and
- Inaccurate reference to its accounting standards.

Additionally, AmeriCorps' internal controls related to its financial statement preparation and compilation failed to detect and prevent the following items on its consolidated financial statements as of and for the period ended June 30, 2023:

- Include the required Budget to Actual Reconciliation note schedule and note narrative disclosure as required by SFFAS 53;
- Ensure the presentation complies with OMB A-136 (e.g., Include 'Commitments and Contingencies' Line Item is not on the Balance Sheet);
- Ensure financial statements and notes comply with the United States Standard General Ledger crosswalk;
- Include a note disclosure for Other Liabilities; and

⁷ Required per OMB No. A-136, II.2.3 *Analysis of Financial Statements*.

⁸ SFFAS 53, *Budget and Accrual Reconciliation*, Amending SFFAS 7 and 24, and Rescinding SFFAS 22.

- Include Note 26: Statement of Budgetary Resources note that includes a reconciliation of prior year's unobligated balance, end of year, to the current year's unobligated balance from prior year budget authority, net.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

5. Establish policies and procedures on financial reporting in compliance with standards and guidance (i.e., U.S. generally accepted accounting principles, Office of Management and Budget Circular No. A-136, and the U.S. Standard General Ledger), which should include an end-to-end business process and flowcharts. **(New)**

B. Adequate Support for Financial Information in a Timely Manner (Modified Repeat)

AmeriCorps continued to struggle throughout FY 2023 in preparing, reviewing, and providing documentation to support its reported financial activity. In some cases, the information was not provided timely or completely, and in others, it was not provided at all because there were no policies and procedures for various processes. For example, we observed the following:

- AmeriCorps reported Unapportioned, Unexpired Accounts totaling \$206.6 million, an understatement of approximately \$33.5 million of the total unapportioned amount of \$240.1 million which was reported on the Standard Form-132⁹ (SF 132).
- AmeriCorps' current process over the SF 132 and the SF 133¹⁰ reconciliation was incomplete and ineffective. AmeriCorps only conducts a manual/visual check to validate the appropriation and the spending authority balances reported on the SF 133 agrees to what is apportioned on the SF 132 and documents any discrepancies in a Microsoft Word document. There is no evidence of review and approval and there is no additional documentation to show what was reconciled. Additionally, the reconciliation between the SF 132 and the SF 133 was not provided timely and had no evidence of when the reconciliation was completed.
- Similar to previous years, AmeriCorps did not document its financial account balance fluctuation expectations based on its operating environment nor were they able to explain significant fluctuations in its financial activity from period to period. Without effective analysis of financial activity, such as analyzing changes in balances from one period to another, AmeriCorps' consolidated financial statements may have significant omissions or misstatements that may not be detected and corrected in a

⁹ SF 132, *Apportionment and Reapportionment Schedule*.

¹⁰ SF 133, *Report on Budget Execution and Budgetary Resources*.

timely manner, which could lead to an increased risk of error, some of which may be material.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

6. Establish policies and procedures that define its roles and responsibilities and those of its service provider to ensure that required internal policies and procedures regarding the SF 132, *Apportionment and Reapportionment Schedule* and SF 133, *Report on Budget Execution and Budgetary Resources* reconciliations are completed in timely. **(New)**
7. Develop and implement standard operating procedures for a comprehensive reconciliation that includes reviews and approval and proper documentation to support the SF 132 and SF 133 reconciliation. **(New)**
8. Develop and implement standard operating procedures to ensure the applicable line items in the combined Statement of Budgetary Resources are properly reconciled in a timely manner to the SF 132, *Apportionment and Reapportionment Schedule* and differences are properly documents, explained, and available upon request. **(New)**
9. Complete a comprehensive fluctuation analysis for its consolidated financial statements that is supported and detailed enough to allow management to detect accounting errors or evaluate the reasonableness of balances. **(Modified Repeat)**
10. Develop and implement standard operating procedures for a comprehensive fluctuation analysis to ensure the fluctuation analysis is properly reviewed, approved, and validated in a timely manner by appropriate AmeriCorps resources and account balances are accurate as of and through the reporting period. **(Modified Repeat)**

III. General Ledger Adjustments (Modified Repeat)

AmeriCorps continues to rely heavily on journal entries to correct financial reporting issues instead of fixing the root causes driving the need for these journal entries. Table 1 shows large dollar transactions in FY 2020, attributable to clean-up efforts preceding the conversion to shared services. Despite the decrease in the number of manual journal entries, the value of the entries continued to increase significantly post migration to shared services between FY 2021 and FY 2023.

Table 1: JE Detail

| Year | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Count of JEs | 120 | 395 | 337 | 281 |
| Total \$ Value of JEs (in Millions) | \$22,539.1 | \$13,275.8 | \$19,348.6 | \$33,271.1 |

Finally, during FY 2023, AmeriCorps was unable to provide the requested reconciliation of the journal entry detail to its general ledger for the period ended June 30, 2023, because policies and procedures defining the roles and responsibilities of AmeriCorps and its service provider regarding journal entries were not established.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

11. Establish, implement, and document policies and procedures that define the roles and responsibilities of AmeriCorps and its service provider, such as an end-to-end business processes narrative with flowcharts related to journal entries activity. **(New)**

IV. Undelivered Orders – Grants and Grant Activity (Modified Repeat)

AmeriCorps was unable to provide a reconciled detailed list of its undelivered orders (UDOs) as of June 30, 2023, because policies and procedures regarding the reconciliation of UDOs were not established. AmeriCorps reported a UDO balance of \$1.75 billion. Its UDOs are comprised of grant, non-grant, and trust transactions. The amount supported by the subsidiary ledgers totaled \$1.77 billion for a net difference of approximately \$20.2 million, comprised of:

Table 2: UDO Reconciliation as of June 30, 2023

| Item | Trial Balance Amount (in millions) | Subledger Amount (in millions) | Absolute Difference (in millions) |
|-----------------|------------------------------------|--------------------------------|-----------------------------------|
| Non-Grant UDO | \$ 83.7 | \$ 84.0 | \$ 0.3 |
| Grants UDO | \$ 1,494.1 | \$ 1,506.5 | \$ 12.4 |
| Trust UDO | \$ 179.5 | \$ 181.9 | \$ 2.4 |
| Journal Entries | \$ (5.1) | - | \$ 5.1 |
| Total: | \$ 1,752.2 | \$ 1,772.4 | \$ 20.2 |

AmeriCorps is unable to determine how much of the total net difference of approximately \$20.2 million represents an overstatement or understatement of its UDO balance and is unable to determine a net adjustment to correct the balance. Therefore, AmeriCorps' consolidated financial statements are misstated, and unsupported by an undetermined amount.

Management did not have written policies and procedures, including defined end-to-end business processes, defined roles and responsibilities at all levels, as well as updates necessary to the systems used to track the UDOs. In addition, we were unable to determine the potential impact of what the overall effect might have on AmeriCorps' compliance with ADA.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

12. Identify the root cause for the differences between the trial balance and the subsidiary ledger details for its undelivered orders. **(New)**
13. Establish, document, and implement the required accounting policies and standard operating procedures, as well as establish an efficient control framework for reconciling undelivered order balances in the trial balance and the subsidiary ledgers on a routine basis. **(New)**
14. Assess the training necessary to ensure established policies and procedures are followed, undelivered orders are recorded in the financial system, and amounts are properly supported. **(New)**
15. Establish, document, and implement policies and procedures to monitor outstanding balances resulting from financial system configuration issues and fix the issues for future transactions to be interfaced into shared service provider's financial management system. **(New)**

V. Other Disbursements (New)

Federal agencies are required to preserve records containing adequate and proper documentation of the organization, policies, procedures, and essential transactions of the agency.¹¹ Additionally, each Federal agency shall establish safeguards against the removal or loss of records the head of such agency determines to be necessary and required by regulations of the Archivist.¹²

¹¹ Federal Records Act, Title 44, Chapter 31, section 3101 ([Title 44 USC 3101](#)).

¹² Federal Records Act, Title 44, USC 3105.

We selected 35 disbursement samples from a population of \$82.1 million¹³ for the quarter ended June 30, 2023. Through our testwork, we identified one substantive exception and one internal control exception, that resulted from the following:¹⁴

- For one of the 35 samples, AmeriCorps was unable to provide sufficient documentation to substantiate its disbursement. The invoice amount did not agree to the disbursement amount, resulting in a total potential overstatement of \$2.6 million.
- For another sample, AmeriCorps was unable to provide sufficient documentation to support its controls were operating effectively. AmeriCorps was not able to provide the purchase requisitions to validate proper approval of the procurement.

AmeriCorps management did not have policies and procedures in place to establish an effective internal control environment with end-to-end business processes and quality assurance processes to ensure all balances recorded are supported by underlying source documentation.

In addition, we were unable to determine the potential impact of what the difference might have on AmeriCorps' compliance with ADA.

We recommend AmeriCorps:

16. Identify the root cause of why documentation for all financial transactions were not properly documented, maintained, and readily available for examination as required by Federal laws and regulations. **(New)**
17. Develop, implement, and document the necessary standard operating procedures to establish an effective internal control environment, along with the end-to-end business processes and quality assurance process to ensure all balances recorded are supported by underlying source documentation. **(New)**
18. Conduct the training necessary to ensure established policies and procedures for records management are communicated in effectively implemented. **(New)**

VI. Undelivered Orders-Procurement and Accounts Payable (Repeat)

UDOs reflect legally binding agreements for which AmeriCorps has not yet received the contracted good or service.¹⁵ AmeriCorps was unable to support the initial UDO amounts, along with related contracted activities and accounts payables. The combination of these deficiencies results in a material weakness in internal control related to UDO activity and accounts payable. Therefore, AmeriCorps is unable to report accurately the amount of its

¹³ Samples were selected using the Stratified Probability Proportional to Size (PPS) methodology.

¹⁴ The initial unsupported sample as of October 20, 2023, was 26 items with a potential overstatement of \$15.3 million.

¹⁵ Delivered orders and the related expenses are incurred and recognized when AmeriCorps obtains goods and services from the public or other Federal entities.

UDOs. Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

VII. Trust Obligations and Liability Model (Repeat)

The National Service Trust holds the funds set aside to pay the education awards of national service members who successfully complete their service terms. Responsibility for the education awards that have been earned or will be earned in the near future is the largest liability on AmeriCorps' financial statements at \$315 million. The liability is estimated based on historical data, including the number of filled member slots, the percentage of members who earn an education award by successfully completing their service terms, the rate and time at which members use the education awards that they have earned, and similar factors.

The Trust Obligation and Trust Service Award Liability may be materially misstated because the data input has not been verified and validated. Therefore, AmeriCorps' methodology to calculate the value of the Trust Liability could have incorrect assumptions, ultimately impacting the output of the financial information.

In the first quarter of FY 2019, AmeriCorps began to apply a new actuarial model (the Trust Obligation Liability Model or TOLM) to the member data. Although AmeriCorps originally committed to perform data validation in the third quarter of 2023, the validation is not scheduled to be completed until FY 2025. Management's methodology is subject to change after an assessment of the underlying input data is completed.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

VIII. Recoveries of Prior Year Obligations (Modified Repeat)

During our audit planning process, AmeriCorps represented that previously identified findings related to its recoveries of prior year obligation balances were remediated. However, AmeriCorps was unable to provide any support for the 78 sample items selected, totaling \$154 million absolute value because management did not have policies and procedures defining the roles and responsibilities of AmeriCorps and its service provider to provide timely documentation. There is a risk the balance of prior year recoveries, along with related obligation and/or unobligated amounts, is materially misstated on the combined statement of budgetary resources. AmeriCorps may be recording more budgetary resources than those available. We are unable to determine the impact this potential error has on the status of budgetary resources section and the combined statement of budgetary resources.

In addition, we were unable to determine the potential impact of what the difference might have on AmeriCorps' compliance with ADA. Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

19. Establish policies and procedures related to prior year recoveries that define the roles and responsibilities of AmeriCorps and its service provider to provide supporting documentation in a timely manner, such as an end-to-end business process and flowcharts. **(New)**

IX. Grant Processes (includes Grant Accrual, Advances, and Undelivered Orders) (Modified Repeat)

Sufficient internal controls are not in place to provide assurance over the grants process. During the audit, AmeriCorps was unable to accommodate a walkthrough, stating that a new grants process was still going through approval. Additionally, AmeriCorps personnel were unable to articulate or provide documentation supporting the post-award grants process. Furthermore, AmeriCorps' management did not have policies and procedures, including defined end-to-end business processes, and defined roles and responsibilities at all levels related to its grant process.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

20. Establish policies and procedures related to grant accruals that define the roles and responsibilities of AmeriCorps and its service provider to provide supporting documentation in a timely manner, such as an end-to-end business process and flowcharts. **(New)**

21. Assess resource capabilities and needs, followed by the recruitment, training, development, and retention of personnel possessing pertinent grant management expertise, in order to attain operational, reporting, and compliance objectives. **(New)**

X. Advances from Others (Modified Repeat)

AmeriCorps has open recommendations related to Advances from Others, which were intended to be completed by the end of FY 2023 based on AmeriCorps' presentation on April 6, 2023. However, AmeriCorps was unable to provide sufficient appropriate evidence in a timely manner to support its implementation of the recommendations because it did not have policies and procedures relating to maintaining adequate and reasonable documentation.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

22. Establish, implement, and document policies and procedures that define the roles and responsibilities of AmeriCorps and its service provider relating to Advances from Others, including an end-to-end business processes narrative with flowcharts. **(New)**

XI. Migration to Shared Service (Modified Repeat)

According to AmeriCorps, prior year recommendations related to migrating data to its shared service provider's financial management system (Migration to Shared Service) were completed by the end of FY 2022. However, AmeriCorps was unable to provide sufficient appropriate evidence in a timely manner related to journal entry and grant obligation test work procedures. Therefore, we were unable to achieve the objectives of the audit because configuration and compatibility issues remain unresolved.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

23. Monitor outstanding balances resulting from financial system configuration issues and fix the issues for future transactions to be interfaced into the shared service provider's financial management system. **(Modified Repeat)**

XII. Other Liabilities (Modified Repeat)

AmeriCorps has had long-standing open recommendations related to its Other Liabilities. We were informed by AmeriCorps that the planned remediation related to Other Liabilities would not be completed in time for us to audit during FY 2023. Additionally, during the audit, we found that management did not have written policies and procedures for processes over recording and reporting other liabilities. Also, management was unable to provide evidence that any remediation had occurred. Therefore, we were unable to test other liabilities balances.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

24. Establish, implement, and document policies and procedures that define the roles and responsibilities of AmeriCorps and its service provider relating to Other Liabilities, including an end-to-end business processes narrative with flowcharts. **(New)**

Exhibit II – Significant Deficiency

I. Information Technology Security Controls (Modified Repeat)

AmeriCorps relies extensively on information technology (IT) systems to initiate, authorize, record, process, summarize, and report financial transactions in the preparation of its financial statements. Internal controls over these financial and supporting operations are essential to ensure critical data's integrity, confidentiality, and reliability while reducing the risk of errors, fraud, and other illegal acts.

To balance high levels of service and reduce costs, AmeriCorps' Office of Information Technology has outsourced the operation, maintenance, and support of most of its IT systems. This was the third year AmeriCorps outsourced its financial operations to a shared service provider. Shared service provider systems interface with a legacy application for the purpose of retrieving grants management data from the Electronic-System for Programs Agreements and National Service Participant (eSPAN).

AmeriCorps plans to complete data migration from the mainframe legacy application to an up-to-date shared cloud service provider by December 2024. In FY 2023, we found unsupported software not patched, and AmeriCorps continued not to devote sufficient resources to complete general ledger account configuration and compatibility issues. The compatibility issues identified in FY 2022 and evidenced by the significant use of journal entries and differences when reconciling the two ledgers, continue in FY 2023. Additionally, the Grants UDOs reconciliation between Oracle and the legacy application displayed numerous differences attributed to how spending adjustments are posted and certain activities within the legacy application's report were not being captured. The challenge arises when financial reporting issues previously identified in the mainframe legacy environment continue to exist. As such, the balances reported on the consolidated financial statements are unreliable, as there is no assurance of the balances' completeness, existence, and accuracy.

Outsourcing introduces special considerations and risks regarding the protection of information and information systems. Despite outsourcing IT systems, AmeriCorps, by law, retains responsibility for complying with the requirements of the security control implementation.

While AmeriCorps has taken some steps to remediate previously identified information security control weaknesses,¹⁶ AmeriCorps continues to face challenges in consistently implementing its information security program and monitoring security controls. In addition,

¹⁶ We identified security control weaknesses that were corrected for certain control activities. Examples of AmeriCorps' improvements in its IT control environment include conducting background investigations and reinvestigations of current employees and enhancing physical access controls to safeguard personally identifiable information.

we identified new and continued control weaknesses in the information security program that need to be addressed, most importantly pertaining to configuration management controls, including vulnerability management, access controls, and organization-wide risk management. Specifically, we identified enterprise findings for each of the following domains:

Security Management

- AmeriCorps did not maintain a complete and accurate inventory of all its information systems. During fieldwork, AmeriCorps provided its Information System Inventory List, and we observed one system, the ARC Financial System, was not maintained as part of the information system inventory.
- AmeriCorps did not upgrade to a supported version for one of its systems. For one of four selected systems for testing, we determined the FY 2023 Business Impact Analysis (BIA) included unsupported software. The support for this software version ended on March 1, 2020. However, the software continues to provide business capabilities to AmeriCorps' operation, which is critical because it contains AmeriCorps' transactions.
- AmeriCorps did not update its Authorization to Operate (ATO) documentation in accordance with its policies. An ATO signifies the system has met the required standards and has been authorized to operate within a specific organization. Specifically, ATO letters for eSPAN and another system selected for testing were not updated within three years in accordance with AmeriCorps policies and procedures.
- AmeriCorps did not authorize the System Security Plans (SSP) for eSPAN, General Support System (GSS), and another system selected for testing. The SSPs were marked draft and without the approval signatures.
- AmeriCorps was unaware they needed to account for third-party systems and prepare an authorization package, including SSPs, Authorization to Use, and Security Assessment Report for the ARC Financial System.
- AmeriCorps did not develop, document, and communicate an overall Supply Chain Risk Management strategy, implementation plan, and related policies and procedures to guide and govern supply chain risk management activities.
- AmeriCorps did not ensure individuals with access to personally identifiable information (PII) completed annual privacy-role-based training.

Configuration Management

- AmeriCorps did not resolve critical and high-risk vulnerabilities within the timeframes specified by its internal operating policies. Our evaluation identified delays in applying patches and fixes for critical and high-severity vulnerabilities. Approximately 24 percent of the discovered critical and high vulnerabilities were over 12 months old. As a result, vulnerabilities related to patch management, configuration management, and

unsupported software continue to expose AmeriCorps' network to critical and high-severity vulnerabilities. The longer the vulnerability is exposed on the network, the greater the risk that the vulnerability can be exploited. An independent network vulnerability scan noted exploitable vulnerabilities that could compromise a complete system. The vulnerability could allow unauthorized access to the targeted system. If an exploitable system were compromised, the malicious attacker could operate for an extended time without detection.

Access Control

- AmeriCorps did not annually review and update its enterprise-wide Incident Response Plan (IRP) as defined within the AmeriCorps Security Controls Catalog. During the evaluation, AmeriCorps provided an IRP dated May 5, 2021; no updates have been made to the document since April 2021. AmeriCorps Officials stated the most recent version of the IRP was under review and was presented at the AmeriCorps Policy Council Meeting on June 21, 2023.
- AmeriCorps did not meet the logging requirements set forth by the OMB M-21-31, which requires agencies to reach a tier maturity within 18 months of the M-21-31 memorandum issued on August 27, 2021. As of June 27, 2023, or 22 months since issuance, AmeriCorps has not implemented the requirement to retain logs in acceptable formats.

Contingency Planning

- AmeriCorps did not conduct the Disaster Recovery Exercise for four systems, GSS/eSPAN, ARC Financial System, and another system selected for testing, in FY 2023.
 - The last exercise was conducted for the GSS and eSPAN systems from October 2021 to November 2021.
 - The last exercise for one of the systems selected for testing was conducted in May 2022.
 - The ARC Financial System was not included in the previous year's Disaster Recovery exercises or the FY 2023 exercise.
- AmeriCorps did not have the minimum requirements for one of the systems selected for testing BIA to:
 - Identify essential mission/business processes and determine the impact of a system disruption on those processes along with outage impacts and estimated downtime; and
 - Identify recovery priorities for system resources.
- AmeriCorps did not perform a contingency plan and BIA for the ARC Financial System.

Many of these weaknesses can be attributed to inconsistent enforcement of the agency-wide information security program across the enterprise. These deficiencies can increase the risk of unauthorized access to AmeriCorps' systems to capture, process, and report financial

transactions and balances. Effective system security begins with strong governance, including agency-level oversight and control monitoring of AmeriCorps' field offices. This includes ensuring accountability within the Office of Information Technology leadership for accomplishing milestones and achieving measurable results in support of a strategy to achieve an effective level of information security at AmeriCorps.

By not effectively implementing and enforcing IT policies and procedures and working towards automation, continuous monitoring, and consistent application of controls, there is an increased risk that financial information and PII may be inadvertently or deliberately misused and may result in improper disclosure or theft without detection. Without remediating all significant security vulnerabilities, systems could be compromised, resulting in potential harm to the confidentiality, integrity, and availability of AmeriCorps' financial and sensitive data.

Therefore, the prior year's significant deficiency and the related recommendations in [Exhibit III](#) remain open and unimplemented.

II. Internal Software Cost (Modified Repeat)

AmeriCorps did not properly record and account for capital expenses associated with its development of internal use software in accordance with the SFFAS 10, *Accounting for Internal Use Software*. As of June 30, 2023, AmeriCorps capitalized approximately \$2 million for the development of its new grant system. However, AmeriCorps continues to have unresolved accounting issues identifying direct and indirect costs incurred internally by management related to payroll cost for its employees who are working on the software development project.

Therefore, the prior year's material weakness and the related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

25. Establish and implement periodic training requirements to enhance knowledge of Federal capitalization standards and AmeriCorps capitalization policy for internal use software. **(Modified Repeat)**
26. Develop and implement a project management tool to track and monitor all project costs associated with the software in development including direct and indirect cost (e.g., labor). **(New)**

Exhibit III – Status of Prior Year Recommendations

The summary of the status¹⁷ of FY 2019, FY 2021, and FY 2022 financial statement audit recommendations in FY 2023 is in Table 3. The details of each open FY 2019, FY 2021, and FY 2022 recommendations are presented in Table 4, Table 5, and Table 6, respectively.

Table 3: Summary of the Status of FY 2019, 2021, and 2022 Financial Statement Audit Recommendation in FY 2023

| Status in FY 23 | Count of Recommendations in FY 19 | FY 19 Audit Report Recommendation Number | Count of Recommendations in FY 21 | FY 21 Audit Report Recommendation Number | Count of Recommendations in FY 22 | FY 22 Audit Report Recommendation Number |
|---|-----------------------------------|--|-----------------------------------|--|-----------------------------------|--|
| Closed Recommendations | 7 | 58, 64, 65, 66, 67, 68, 69 | 0 | - | 0 | - |
| Modified Repeat – Superseded by FY 23 Recommendations | 1 | 44 | 2 | 2, 11 | 2 | 3, 4 |
| Repeat – Open Recommendations | 40 | - | 10 | - | 19 | - |
| Total: | 48 | | 12 | | 21 | |

¹⁷ No financial statement audit conducted in FY 2020.

Table 4: Status in FY 2023 and Detail Description of Each Recommendation from FY 2019 Financial Statement Audit

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---|--------------------------------|---|--|
| <p>Material Weakness</p> <p>Financial System and Reporting</p> | 17 | Strengthen coordination between Accounting and Financial Management Services and the Office of Budget to ensure that transactions are recorded accurately and timely. | Repeat – Open |
| <p>Material Weakness</p> <p>Trust Obligations and Liability Model</p> | 21 | Complete the Trust Accounting Handbook to clearly reflect the assumptions used in the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator, including establishing control activities; finalize materiality thresholds applied; update accounting transactions, and clearly identify periods when adjustments will be made regardless of materiality. | Repeat – Open |
| | 22 | Develop a more standardized, secure, and automated method to estimate the Trust obligations and Trust Service Award Liability that ensures minimal human errors. As part of the ongoing AmeriCorps transition to shared service, coordinate with the service provider to determine methods that would enhance the security and quality of the existing estimation models. | Repeat – Open |
| | 23 | Strengthen controls to ensure the Trust modeling is performed by trained personnel to: a. Conduct detailed analysis and validation of data sources. b. Review and ensure the reasonableness of assumptions used and document the rationale behind estimation assumptions. | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---------------------------------|--------------------------------|---|--|
| | | <p>c. Consider changes in conditions or programs that require further research and analysis. Update the assumptions when necessary.</p> <p>d. Compare estimates with subsequent results to assess the reliability of the assumptions and data used to develop estimates.</p> | |
| | 24 | <p>Document and implement policies and procedures to include the following:</p> <p>a. establish a thorough and robust quality control process to ensure that the Trust Obligation and Liability Model (TOLM) and Monthly Obligation and Liability Calculator (Calculator) are reviewed by qualified AmeriCorps personnel prior to relying on its outputs to record transactions. All errors identified for which management ultimately decided against making updates to the TOLM or Calculator should be documented along with an explanation as to how management arrived at the final decision;</p> <p>b. perform monthly reviews and reconciliations of the recorded new and outstanding obligations to ensure the accounting information is valid and proper; review obligation amounts to ensure amounts accurately reflect the status of the obligation;</p> <p>c. review obligations to verify that amounts, timeframe (i.e., grant dates are correctly reflected in the obligation);</p> <p>d. ensure obligations are sufficiently supported (i.e., by documentary evidence); and</p> <p>e. perform complete reconciliations of all outstanding obligations monthly, and ensure any discrepancies identified are promptly researched and resolved.</p> | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---|--------------------------------|---|--|
| | 25 | Coordinate with the Office of the Chief Risk Officer (OCRO) to properly identify the National Service Trust Fund’s financial reporting risks and incorporate those risks into the OCRO’s annual testing of key controls. | Repeat – Open |
| | 26 | Develop a succession plan to ensure the required expertise is available in anticipation of planned employee turnover, particularly with respect to the complex trust calculations. AmeriCorps needs to: a. Train, mentor, and work to retain qualified employees; b. Cross-train employees so that knowledge of the model will reside with multiple staff rather than with one person; and c. Implement a peer review process to carry out the necessary quality control reviews of the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator. | Repeat – Open |
| <p>Material Weakness</p> <p>Grants Accrual Payable and Advances</p> | 27 | <p>Coordinate with the program and grant officers to gather and analyze key grant programs’ (AmeriCorps State and National and Senior Corps) historical data and the grantees’ spending pattern to develop the following key factors for grant accrual estimation:</p> <ul style="list-style-type: none"> - Percentage of AmeriCorps grantees who drawdown funds in advance versus those on a reimbursable basis and their related grant amounts to its grant spending as a whole. If different key programs have different spending patterns, perform this analysis at the program level; - An inventory of relevant and reliable grant data to be used for the grant accrual assumptions and documentation to support | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---------------------------------|--------------------------------|--|--|
| | | <p>what data is considered relevant and reliable;</p> <ul style="list-style-type: none"> - Grantees' incurred but not reported (IBNR) reporting pattern from when the expenses have been incurred to the time those expenses are included the grantees' Federal Financial Reports (FFR). Grantee surveys may be conducted to confirm the reasonableness of an IBNR estimate methodology. When alternative procedures are used, management should provide its data-based analysis to validate its assertion; and - Post-accrual analysis to compare the accrual (without the IBNR) and the expenditures reported in the FFRs for the same quarter. Thresholds should be established and documented based on materiality and the degree of risk that management is willing to accept. When grantees' reported spending pattern deviates from its methodology, an analysis should be performed to determine whether any deviation is acceptable, or the methodology should be further refined to reflect the actual grantees' reported expenditure pattern. | |
| | 28 | <p>Revise and implement policies and procedures for the grant accrual methodology so that:</p> <ul style="list-style-type: none"> - A validation process is established for management to verify the accuracy of the grant accrual, so that management can make any necessary adjustments to improve the precision of the grant accrual and to account for grant advances and payables to ensure the resulting amounts are materially consistent with grantees' drawdown and spending patterns; and - It addresses how the calculations are used to arrive at the | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|--|--------------------------------|---|--|
| | | Grants Payable and Advances to Other line items in the financial statements. | |
| Material Weakness Undelivered Orders and Accounts Payable - Procurement | 31 | Strengthen internal control to ensure procurement documents are properly approved and retained. | Repeat – Open |
| | 32 | Analyze procurement undelivered orders balances quarterly to verify that balances are still valid for those without financial activities for an extended period. | Repeat – Open |
| | 33 | Research, resolve and document the disposition of any abnormal undelivered orders transactions/balances. | Repeat – Open |
| | 35 | Document the accounts payable accrual methodology to include the recognition and reporting of the incurred but not reported. The methodology should also document key controls related to review and approval process of the accrual estimation; materiality and how it is applied; reviewing, approving, and recording of invoices prior to processing payments; inputs to be used in the validation consideration of payment types; and the basis for including or excluding typical factors in estimating accruals, such as period of performance, type of contract, billing patterns, and others. | Repeat – Open ¹⁸ |
| | 36 | Conduct validation assessment of amounts accrued for the incurred but not reported on a periodic basis. As part of the validation, AmeriCorps should consider the following: a. Subsequent activities against the amount estimated to determine the level of precision in the estimation; | Repeat – Open |

¹⁸ This recommendation is asking AmeriCorps to document an accrual methodology taking into account certain factors to be included. Refer to Recommendation 22.13 as a continuation to this recommendation.

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---|--------------------------------|---|--|
| | | <p>b. Trend the validation results and adjust the incurred but not reported estimation process to address any recurring significant fluctuations; and</p> <p>c. Update the incurred but not reported estimation process as necessary to reflect changes in payment patterns.</p> | |
| | 37 | <p>Evaluate the materiality thresholds used in the accrual estimation to ensure it is appropriate to prevent misstatements. The materiality threshold used should be appropriate that, in the aggregate, identified misstatements would not rise to a level that will significantly impact management’s assertions on the financial statements.</p> | Repeat – Open |
| | 38 | <p>Implement controls to ensure that transactions interfaced from eGrants are reflected in Momentum for the correct amounts, accounts, and number of transactions</p> | Repeat – Open |
| <p>Former Material Weakness</p> <p>Property and Equipment</p> | 40 | <p>Update AmeriCorps policy to recognize and record capitalized costs in the period incurred.</p> | Repeat – Open |
| | 41 | <p>Update AmeriCorps policy to include requirements for compliance with accounting standards; track direct labor and other indirect costs, including hours, worked and payroll costs dedicated to existing and new software-in-development projects; track and amortize tenant improvement costs in accordance with the lease agreement.</p> | Repeat – Open |
| | 43 | <p>Consult with the future shared service provider and other stakeholders to determine the feasibility of procuring and using project management software to track project costs from the</p> | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|--|--------------------------------|---|--|
| | | inception to completion. The results of the analysis should be documented and made readily available. | |
| | 44 | Establish and implement periodic training on capitalization accounting standard, and AmeriCorps Capitalization Policy for accounting, program, Office of Facility Support Services, and information technology staff. | Modified Repeat – Superseded by FY 23 Recommendation #25 |
| Material Weakness Undelivered Orders - Grants | 46 | Determine the root cause behind the differences noted in the Undelivered Orders balance between Momentum and the Undelivered Orders balance derived from the net of grant award amount from the Notice of Grant Award and the grant expenditures from the Payment Management System and take the appropriate steps in resolving the reason behind the variances that are occurring. | Repeat – Open |
| | 47 | Determine the root causes and resolve discrepancies in the grant award amounts recorded in the NGA in eGrants and in Momentum to prevent such differences from occurring in the future. | Repeat – Open |
| | 48 | Determine the root causes and resolve expenditure differences between the Payment Management System and Momentum. | Repeat – Open |
| | 49 | Strengthen controls around the review of expired grant obligations by ensuring that: a. All financial, performance and other required reports are submitted no later than 90 calendar days after the end date of the period of performance. b. Document justifications for all required reports submission extensions granted to the grantee. | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---|--------------------------------|--|--|
| | 50 | Update the AmeriCorps transaction code posting logic for recording grant expenditures to comply with the United States Standard General Ledger guidance | Repeat – Open |
| Material Weakness Recoveries of Prior Year Obligations | 51 | Establish a requirement for Grant Officer/Portfolio Managers to provided documented certification that all required grantee information has been received, accepted, and documented before the grant is closed out. | Repeat – Open |
| | 53 | Establish a control requiring the Grant Officer/Portfolio Manager to provide documented certification, upon grant closeout, verifying the total award amount to total award expenses for the deobligated recovery amount. | Repeat – Open |
| | 55 | Inform all Grant Officers/Portfolio Managers to ensure that a reduction in funding to the award of a grant should be documented in eGrants which would result in modified Notice of Grant Awards. | Repeat – Open |
| Material Weakness Other Liabilities | 56 | Reconcile the amounts reported in Other Liabilities to supporting documents to verify that Other Liabilities are supported by valid transactions and properly classified. | Repeat – Open |
| | 57 | Strengthen financial reporting internal controls and ensure that financial statements accounting line items are reviewed and reconciled to supporting documents prior to recording. The internal control activities should ensure proper posting of Member Payroll related liabilities on the Balance Sheet. | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|--|--------------------------------|---|--|
| <p>Significant Deficiency (SD)</p> <p>IT Security Controls</p> | 58 | Develop a multi-year strategy to better strategically prioritize and allocate resources to address the new and continuing weaknesses identified and work towards automation, continuous monitoring, and consistent application of controls | Closed |
| | 59 | Enforce the agency-wide information security program across the enterprise and improve performance monitoring to ensure controls are operating as intended at all facilities. | Repeat – Open |
| | 60 | Strengthen and refine the process for communicating AmeriCorps facility-specific control deficiencies to AmeriCorps facility personnel, and coordinate remediation of the control deficiencies. | Repeat – Open |
| | 61 | Strengthen and refine the process for holding system owners and information system security officers accountable for remediation of control deficiencies and ensuring that the appropriate security posture is maintained for AmeriCorps information systems. | Repeat – Open |
| | 62 | Strengthen and refine the process for holding contractors accountable for remediation of control deficiencies in AmeriCorps information systems. | Repeat – Open |
| | 63 | Implement all detailed recommendations in the FY 2019 FISMA Evaluation report. Specifically, they are FY 2019-Recommendations 1, 2, 4, 6, 7, 23 and 25. | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---|--------------------------------|--|--|
| <p>Significant Deficiency</p> <p>AR & Allowance for Doubtful Accounts</p> | 64 | Reconcile the Accounts Receivable subsidiary ledger to the general ledger monthly. | Closed |
| | 65 | Reevaluate the policies and procedures for calculating the allowance for doubtful accounts. Related policies and procedures should include: (a) Chief Financial Officer (CFO) Office's staff's periodic review of the accounts receivable aging report, (b) assessment of the collectability of outstanding balances based on the age of the debt, collections attempted and received thus far and other information about the debtor and (c) determination for possible write-offs. | Closed |
| | 66 | Revise the Allowance for Doubtful Accounts methodology to be consistent with the Debt Management Policy. | Closed |
| | 67 | Develop a process and proactively monitor and follow-up on delinquent accounts receivables. Document any procedures performed and results reached as part of the follow-up process. | Closed |
| | 68 | Track and revise collection efforts based on data analysis to understand vendor payment characteristics. A reasonable timeframe for write-offs should be established for accounts receivable without any activity. Once an outstanding receivable is deemed uncollectible, it should be written off in accordance with management's established policy. | Closed |
| | 69 | Establish a documented process between accounting and the Office of Chief Risk Officer (OCRO) to ensure that key controls related to the Accounts Receivable cycle are properly identified and implemented. These key controls should be considered for testing as part of OCRO's annual internal control assessments | Closed |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|--|--------------------------------|--|--|
| <p>Non-Compliance</p> <p>Single Audit Compliance</p> | 70 | Develop, implement, and document procedures to identify all AmeriCorps grantees that are required to submit single audit reports with their due dates. | Repeat – Open |
| | 71 | Develop, implement, and document procedures on timely follow-up for those grantees whose audits have become past due, and to ascertain why report submission was late, when the audit report will be submitted to the Federal Audit Clearinghouse, and what corrective action has been taken to prevent a report submission delay in future. | Repeat – Open |
| | 72 | Develop a practice to capture the single audit data to assess the effectiveness of the single audit report submission for all its grantees. | Repeat – Open |
| | 73 | Develop, implement, and document procedures for implementing Office of Budget and Management (OMB) approved single audit report submission extensions, so that OMB approved extension approvals are documented and tracked as part of the single audit monitoring process. | Repeat – Open |
| | 74 | Update the Single Audit Resolution Policy to: - Reflect the current monitoring process to track all audit findings related to AmeriCorps-funded grants, and - Address AmeriCorps’ responsibilities as the cognizant/oversight agency and how these responsibilities would be carried out. | Repeat – Open |

| FY 19 Audit Report Finding Area | FY 19 Audit Report Rec. Number | Recommendation Description | Status of FY 19 Recommendations in FY 23 |
|---------------------------------|--------------------------------|---|--|
| | 75 | Develop and implement procedures to monitor the effectiveness of the single audit monitoring process in accordance with the Uniform Grant Guidance, 2 Code of Federal Regulation §200.513 Responsibilities, (a) (3) (iv), related to monitoring the effectiveness of single audit findings follow-up and the effectiveness of single audits in improving grantee accountability and in their use by AmeriCorps in making award decisions. | Repeat – Open |

Table 5: Status in FY 2023 and Detail Description of Each Recommendation from FY 2021 Financial Statement Audit

| FY 21 Audit Report Finding Area | FY 21 Audit Report Rec. Number | Recommendation Description | Status of FY 21 Recommendations in FY 23 |
|--|--------------------------------|---|---|
| Material Weakness Migration to Shared Service | 1 | Perform a risk assessment over the current state of the conversion to ARC and work jointly with ARC, senior leadership, OCRO, and functional groups affected by the risk to develop a mitigation strategy and execute a realistic and properly designed corrective action plan. | Repeat – Open |
| | 2 | Fix incorrect outstanding balances, missing data, and missing supporting contract documentation resulting from financial system configuration issues and ensure future interfaces with Oracle do not have the same issues. | Modified Repeat – Superseded by FY23 Recommendation #23 |
| | 3 | Continue coordinating with ARC to ensure that its accounting platform is compatible with AmeriCorps’ operations and the type of accounting transactions that AmeriCorps processes. | Repeat – Open |

| FY 21 Audit Report Finding Area | FY 21 Audit Report Rec. Number | Recommendation Description | Status of FY 21 Recommendations in FY 23 |
|--|--------------------------------|---|--|
| | 4 | Conduct a review of transactions processed in Momentum and already migrated to Oracle through interface or reported in Oracle using journal entries, to ensure that correct object class codes were applied. | Repeat – Open |
| Material Weakness (MW) Internal Control Program (FMFIA) | 8 | Establish controls and training to ensure that each functional office/unit performs an independent assessment of internal controls to inform the CEO’s statement of assurance, even if unfavorable outcomes are expected. This proactive approach will promote the early detection of potential findings and allow for prompt remediation. | Repeat – Open |
| Material Weakness | 10 | Develop and implement audit readiness procedures to ensure that audit information is complete, accurate, has undergone proper quality control procedures, and readily available or can be retrieved timely. The audit readiness procedures should include audit coordination protocol with ARC that clearly define roles and responsibilities of all parties involved in the process. | Repeat – Open |
| Financial System and Reporting | 11 | Develop comprehensive policies and procedures to document its financial statement preparation process. The policies and procedures should clearly delineate responsibilities among various members of the Accounting and Financial Management Service (AFMS) group and team leads and those performed by AmeriCorps’ shared services provider, clarifying the responsibility of AmeriCorps for the accuracy of the reported information. The policies and procedures should address the | Modified Repeat – Superseded by FY 23 Recommendations #9 and #10 |

| FY 21 Audit Report Finding Area | FY 21 Audit Report Rec. Number | Recommendation Description | Status of FY 21 Recommendations in FY 23 |
|---------------------------------|--------------------------------|---|--|
| | | <p>following aspects:</p> <ul style="list-style-type: none"> a. The process to determine and document AmeriCorps' balance fluctuation expectations based on a combination of internal and external operating factors, and program and financial relevant information available. b. Detailed process to research significant balance fluctuations. AmeriCorps should research and explain all significant balance fluctuations at the account and transaction level. Maintain and have the supporting documentation readily available. c. Research and retain supporting documents required for any identified account balance differences derived from its abnormal balance review or the tie point analysis. d. Address fatal and non-fatal GTAS edit failures prior to GTAS certification. e. Document resolution for all balance differences and retain supporting documentation of related research. | |
| | 12 | Continue working with ARC to review and correct AmeriCorps' balances in detail to ensure they are properly supported and that balances migrated to the ARC platform are complete, accurate, and reliable. | Repeat – Open |
| | 13 | <p>Strengthen its policies and procedures over the processing of journal entries going forward now that AmeriCorps has transitioned to the shared service environment. The policies and procedures should cover the following:</p> <ul style="list-style-type: none"> a. A process to track the sequence of journal entries transactions for completeness. | Repeat – Open |

| FY 21 Audit Report Finding Area | FY 21 Audit Report Rec. Number | Recommendation Description | Status of FY 21 Recommendations in FY 23 |
|---|--------------------------------|---|--|
| | | <p>b. A policy as to when it is appropriate to use a journal entry and approval procedures for journal entries recorded to ensure segregation of duties.</p> <p>c. A requirement to provide a fact-specific description of the purpose of the journal entries, along with adequate supporting documentation.</p> <p>d. Documentation needed to support journal entries and how it will be maintained.</p> | |
| <p>Material Weakness</p> <p>Grants Accrual Payable and Advances</p> | 14 | Validate and ensure journal entries are properly supported, documented, and are readily available for examination. | Repeat – Open |
| | 15 | Develop a process to validate grant advances, IBNR and payable estimates. Such validation should be performed over a few years to show a trend of the estimates. Any benchmarks to assess reasonableness should be vetted for completeness and reliability. For example, the use of eGrants FFRS should be vetted to ensure inclusion of IBNR. Large (exceeding AmeriCorps acceptable range) and unusual fluctuations, if any, should be investigated and the research conclusions documented by management. Fluctuations should be reviewed at the absolute variances level and not using net differences. | Repeat – Open ¹⁹ |
| | 16 | Validate that the underlying data used in the accrual methodology, such as the use of grantee Undelivered Order balances to allocate accrual amounts, is reliable by ensuring previously reported conditions are remediated and recommendations are implemented. | Repeat – Open |

¹⁹ This recommendation is asking AmeriCorps to develop a process to validate grant advances and payable estimates. Refer to Recommendation 22.18 as a continuation to this recommendation.

Table 6: Status in FY 2023 and Detail Description of Each Recommendation from FY 2022 Financial Statement Audit

| FY 22 Audit Report Finding Area | FY 22 Audit Report Rec. Number | Recommendation Description | Status of FY 22 Recommendations in FY 23 |
|--|--------------------------------|---|---|
| Material Weakness (MW) Knowledge Gap throughout Financial Management Operations | 1 | Complete a detailed performance diagnostic and gap analysis on AmeriCorps' financial management personnel, processes, and systems, including a root cause analysis, and then develop, design, and implement a plan toward short- and long-term executable goals. | Repeat – Open |
| | 2 | Perform intermediate assessments of the effectiveness of its executed plans and final evaluations of its financial management operations to ensure desired results are achieved. | Repeat – Open |
| | 3 | Recruit financial leaders with relevant Federal financial management capabilities. | Modified Repeat – Superseded by FY 23 Recommendation #2 |
| | 4 | Implement core and specialized training to develop competencies in internal control and financial management, including the development of hands-on workshops to address existing and future standards, and financial management and reporting requirements. | Modified Repeat – Superseded by FY 23 Recommendation #2 |
| Material Weakness (MW) Internal Control Program (FMFIA) | 5 | Develop a process to understand the root causes and conditions behind each control deficiency and the discrepancies between the control deficiencies identified by AmeriCorps' internal control testing and those reported by the external auditors. The document should consider the information presented to the Risk Management Council and their decisions, as well as any other considerations used in determining the classification of the control deficiency. | Repeat – Open |

| FY 22 Audit Report Finding Area | FY 22 Audit Report Rec. Number | Recommendation Description | Status of FY 22 Recommendations in FY 23 |
|---|--------------------------------|---|--|
| | | Furthermore, this understanding should be used to develop and implement CAPs to address the deficiencies. | |
| | 6 | Require each department head to be responsible and accountable for timely developing and implementing CAPs and require each department's staff to test the design and effectiveness of each CAP as implemented to ensure that it achieves the desired results. | Repeat – Open |
| | 7 | Revise the Business Process Narratives to incorporate significant changes in the current financial and control environment. | Repeat – Open |
| Material Weakness Financial System and Reporting | 8 | Develop and implement effective controls, including a quality assurance process, necessary to ensure that: <ul style="list-style-type: none"> a. accounting and reporting are in accordance with U.S. GAAP and financial information is presented in compliance with OMB Circular A-136. b. account balances are accurate as of and through the reporting period. c. the proper validation, review, and approval over financial reporting and the AMR compilation. | Repeat – Open |
| | 9 | Develop, identify and make available the training necessary to ensure that staff obtain and update the skills necessary to ensure compliance with: <ul style="list-style-type: none"> a. FASAB concept and accounting standards. b. OMB A-123. c. OMB A-136. d. GAO Disclosure checklist. | Repeat – Open |

| FY 22 Audit Report Finding Area | FY 22 Audit Report Rec. Number | Recommendation Description | Status of FY 22 Recommendations in FY 23 |
|--|--------------------------------|---|--|
| | | e. Treasury's U.S. Standard General Ledger annual update. f. the correct use of the BETC when submitting transactions to Treasury. | |
| Material Weakness General Ledger Adjustments | 10 | Develop and implement financial reporting internal controls to analyze and address the root causes of the need for journal entries and the corrective actions in financial management systems to reduce the necessity of future journal entries. | Repeat – Open |
| Material Weakness Undelivered Orders and Accounts Payable - Procurement | 11 | Determine the root cause behind the differences noted in the UDO balance derived from the procurement documents and the expenditures and the recorded GL amount and take the appropriate steps in resolving the reason behind the variances that are occurring. | Repeat – Open |
| | 12 | Strengthen controls to ensure proper authorization signatures on all contracts and amendments that require bi-lateral signatures for the proper execution of the award. | Repeat – Open |
| | 13 | Develop and implement its accounts payable accrual methodology and perform tests of design and effectiveness over its UDO and accounts payable accrual process. | Repeat – Open ²⁰ |

²⁰ Recommendation 22.13 is a continuation of Recommendation 19.35, which asks AmeriCorps to perform test of design and effectiveness over the methodology developed based on Recommendation 19.35.

| FY 22 Audit Report Finding Area | FY 22 Audit Report Rec. Number | Recommendation Description | Status of FY 22 Recommendations in FY 23 |
|--|--------------------------------|--|--|
| Material Weakness Trust Obligations and Liability Model | 14 | Verify and validate the underlying input data to the TOLM. | Repeat – Open |
| | 15 | After the verification and validation, reassess its assumptions and consider expanding the subjective elements of the calculation (i.e., those based on changes to the economy and the job market) to include changes in the way awards are utilized. | Repeat – Open |
| Material Weakness Recoveries of Prior Year Obligations | 16 | Establish a requirement for the Office of Grant Administration (OGA) or an appropriate AmeriCorps official to prepare a summary report, as part of the closeout process, verifying all required grantee information has been received and accepted, and the recovery amount reconciles to the underlying support (e.g., Notice of Grant Award for de-obligation, Final Federal Financial Report, Payment Management Services, etc.). | Repeat – Open |
| | 17 | Develop and implement financial reporting internal controls to analyze and address the root causes of the reconciliation errors. | Repeat – Open |
| Material Weakness Grants Accrual | 18 | Revamp the grant accrual processes to include internal controls such as reconciliations, calculation documentation, quality control reviews, and basis for the accrual methodologies to mitigate the risk of error. | Repeat – Open ²¹ |

²¹ Recommendation 22.18 is a continuation of Recommendation 21.15, which asks AmeriCorps to revamp the internal controls including basis for the accrual methodology covered in Recommendation 21.15.

| FY 22 Audit Report Finding Area | FY 22 Audit Report Rec. Number | Recommendation Description | Status of FY 22 Recommendations in FY 23 |
|---------------------------------|--------------------------------|--|--|
| Payable and Advances | 19 | Provide training to all personnel involved in the grant processing to ensure proper classification of funds in the Oracle system and ensure timely resolution of the variances between identified between the Momentum, Oracle, and Payment Management System (PMS) systems. | Repeat – Open |
| Material Weakness | 20 | Develop standard operating procedures to ensure all balances recorded in the Reimbursable Analysis are supported by underlying source documentation (e.g., invoices). | Repeat – Open |
| Advances from Others | 21 | Assess the training necessary to ensure advance liquidations are properly maintained, documented, and are readily available for examination. | Repeat – Open |

Appendix A – Management’s Response to Audit Report



MEMORANDUM FOR: Stephen Ravas
Acting Inspector General

FROM: Malena Brookshire  11/15/2023
Chief Financial Officer

SUBJECT: Management Response for the Fiscal Year 2023 Consolidated
Financial Statements and National Trust Financial Statements

On behalf of AmeriCorps, I am responding to the Independent Auditor’s Report on AmeriCorps’ Fiscal Year 2023 Consolidated Financial Statements and National Trust Financial Statements, which is included in our Fiscal Year 2023 Annual Management Report.

The independent audit of AmeriCorps’s financial statements and related processes provide an opportunity for continuous improvement of our financial management program. While I may not agree with certain conclusions in the audit report, I, along with the entire AmeriCorps leadership team, have confidence in the Financial and Operational Reform (FOR) plan as a catalyst for transforming the agency’s financial and operational infrastructure that has suffered from a lack of sustained investment to deliver on its mission efficiently and effectively. Through the agency’s FOR plan, AmeriCorps is investing in modernizing its information technology systems, and standardizing and automating its processes to support improved performance by agency staff.

Additionally, my office, the Office of the Chief Financial Officer, is finalizing a comprehensive organizational strategy. The organizational strategy will be informed by a comprehensive analysis on infrastructure gaps and will outline actionable efforts to sustain the FOR plan framework, operational improvements, and improvements in our internal controls and financial policies.

While much work remains ahead, and we expected this year’s audit report to read like last years, we are focusing our efforts on remediating long-standing issues. AmeriCorps' is making significant improvements that strengthen the agency and ensure the effective stewardship of federal resources dedicated to national and community service. Highlights of the tremendous progress we are making along this multi-year journey include:

- Developed a FOR plan governance structure that is fully functional and we are executing on a framework that provides a clear vision for current and future remediation efforts.
- Engaged an advisor and contractors who were directly involved in the Department of Housing and Urban Development’s transformational efforts, and with their help we are carrying out key remediation efforts to address observations and recommendations in targeted audit areas.
- Established a Reporting Compliance and Audit office that manages the financial statement audit process and has implemented improvements such as: a shared audit coordination site, improved communication protocols, standardized walkthrough templates, and an enhanced quality review process.



- Migrated our financial statements to a web-based tool to support automated, standardized presentation of the agency's financial statement tables and notes to the financial statements to ensure compliance with OMB A-136 presentations, and reduce risk for mathematical and manual errors.
- Onboarded a statistician to support the continued analysis and development of an accurate presentation of grant accruals, advances and overall financial activity.
- Established ongoing collaboration with the grants modernization team to align key project milestones and dependencies.
- Awarded a Comprehensive and Targeted Reform Services contract that provides support across a wide range of areas including but not limited to internal controls design, policy and procedures standardization and documentation, data analytics support, process automation, and project management and change management.
- Continued to implement the agency's existing fraud risk framework, which includes real-time, dynamic information regarding grant recipient fraud risk; internal and external fraud risk profiles which are updated annually; and multiple fraud risk analyses within the agency's internal controls assessment. In FY23, we focused on maturing our approach to fraud risk management, with the re-establishment of the agency's fraud risk subcommittee and the beginning of fuller integration of the agency's fraud risk approach with internal controls and enterprise risk management.

I acknowledge the independent public accounting firm's RMA Associates, LLC, *disclaimer of opinion* on AmeriCorps' Fiscal Year 2023 Financial Statements and AmeriCorps' National Trust Financial Statements. AmeriCorps has reviewed and concurs with 3 material weaknesses and the 2 significant deficiencies. AmeriCorps does not concur with 9 material weaknesses based on inaccurate conditions depicted within Notices of Findings and Recommendations. Specific evidence presented in findings, and sufficient time and opportunity for review and discussion, would support more effective remediation.

I am pleased that AmeriCorps was able to close seven prior year recommendations, eliminating the significant deficiency in accounts receivable. AmeriCorps is finalizing a detailed remediation roadmap as part of our FOR Plan to include sustained efforts toward achieving corrective action plans to continue to advance progress toward reforming the agency's operational infrastructure and to address longstanding findings.

AmeriCorps recognizes the importance of remediating underlying operational infrastructure issues and enhancing communications between the auditors and AmeriCorps personnel to facilitate education on the results of those remediation actions. As we continue working to improve and sustain progress of our internal controls and systems that support effective financial processes and reporting, we look forward to engaging in productive audit planning discussions with the OIG and auditors as AmeriCorps continues on its path to sound financial management.

We appreciate the opportunity to review this year's audit report and look forward to continuing our professional working relationship with your office.



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