



AmeriCorps

OFFICE OF INSPECTOR GENERAL

**AUDIT OF AMERICORPS' FISCAL YEAR 2023
NATIONAL SERVICE TRUST FUND
FINANCIAL STATEMENTS**

OIG Report 24-02

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 National Service Trust Fund
Financial Statement, OIG Report 24-02

We contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to audit AmeriCorps' National Service Trust Fund financial statements (Trust financial statements) 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 trust 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' trust financial statements as of and for the years ended September 30, 2023 and 2022.
- **Five material weaknesses and one significant deficiency** in the Trust's internal control over financial reporting. RMA reported the following material weaknesses and one significant deficiency, Information Technology Security Controls (Modified Repeat), as described in [Exhibit I](#) of this report:
 1. Internal Control Environment (Modified Repeat)
 2. Financial Reporting (Modified Repeat)

3. General Ledger Adjustments (Modified Repeat)
 4. Trust Obligations and Liability Model (Repeat)
 5. Migration to Shared Service (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 trust financial statements, other instances on 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 Trust financial statements in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the Trust 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 Trust Financial Statements

Disclaimer of Opinion

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

We do not express an opinion on the accompanying trust 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 trust 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 trust 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' trust financial statements as of and for the years ended September 30, 2023 and 2022.

Furthermore, the trust 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 trust financial statements. Such information is not a required part of the trust 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 Trust Financial Statements

Management is responsible for the preparation and fair presentation of the trust 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 the trust financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to conduct an audit of AmeriCorps' trust financial statements in accordance with the U.S. generally accepted auditing standards (GAAS), *Government Auditing Standards*, and Office of Management and Budget (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 trust 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 trust financial statements. Such information is the responsibility of management and, although not a part of the basic trust 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 trust 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' trust 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 trust 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 a significant deficiency, 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 trust 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 trust 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 trust 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 trust 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 Weakness

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 continued to demonstrate an ineffective internal control program. Specifically, knowledge and skills gap continue to exist with AmeriCorps personnel related to financial management and appropriate processes not in place to provide assurances over the reliability and completeness of financial and performance data.² Also, AmeriCorps' risk profile was not sufficiently designed to achieve its stated control objectives.

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

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 exist as a contributing factor to the poor internal control environment. Refer to Migration to Shared Service

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

Therefore, the prior year's material weakness and 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 recommendation, which stated 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 trust financial statements and accompanying notes for the following:

- Trust balance sheet: trust service award liability and net position.
- Trust statement of net cost: total gross program cost.
- Trust statement of changes in net position: beginning and ending balances.
- Trust statement of budgetary resources: unobligated balance from prior year budget authority (net), appropriations, new obligations, unapportioned-unexpired balances, and outlays (net).

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

- Trust 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 material impact on the trust financial statements (e.g., OMB Circular No. A-136, *Financial Reporting Requirements*).

Further, AmeriCorps did not provide evidence of the remediation of corrective action plans (CAPs) for trust service award liability, undelivered orders, recoveries of prior year obligations, journal entries, 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 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 trust 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.

Therefore, the prior year's material weakness and 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.⁵

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.

⁵ Government Accountability Office's (GAO), Standard for Internal Control in the Federal Government (Green Book), Section 8.06 and 8.07.

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 trust financial statements specifically, the Trust fund liability; and
- The need to evaluate its known fraud and the increased fraud risks and the related impact on its trust 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 trust 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 trust 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 trust financial statements were not prepared in accordance with U.S. generally accepted accounting principles, did not comply with OMB Circular No. A-136 (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 are properly validated, reviewed, and approved by appropriate personnel. AmeriCorps’ financial reporting lacked sufficient processes and effective internal controls to ensure complete, reliable, timely, and accurate trust 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, trust 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 Statement contained within the Management Discussion and Analysis section did not present any analysis or discussion related to the trust financial statements; and
- No discussion on significant changes in the Analysis of Financial Statements.⁶

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

- Inadequate review performed to address compliance, technical, editorial, and consistency errors;
- Excluded the reconciliation of net cost to net outlays note as required by SFFAS 53⁷ and OMB A-136. AmeriCorps was notified by the auditors of this missing note schedule at interim and year-end. Upon receiving the updated draft, AmeriCorps had provided a reconciliation, however, there were several errors with the schedule and/or note narrative presentation. As a whole, the note disclosure did not properly explain the purpose, the nature, and the material line items included in the reconciliation. Additionally, the reconciliation did not include any prior year information for comparative purposes;
- Excluded the 'Commitments and Contingencies' line item on its trust balance sheet;
- Missing note disclosures and/or amounts in note schedules did not agree with 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 trust financial statements as of and for the period ended June 30, 2023:

- Note 1H, *Reclassification*, mentioned that certain balances have been reclassified for the current year presentation, however, the trust financial statements were not labeled "reclassified."
- Note 5, *National Service Award Expense*, did not agree to the statement of net cost and there was no additional information to inform the reader how these expenses agree to the abnormal balance on the statement of net cost.
- Missing the following note disclosures required by the OMB A-136:
 - Note 20: Commitments and Contingencies.

⁶ Required per OMB No. A-136, II.2.3, *Analysis of Financial Statements*.

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

- Note 26: Statement of Budgetary Resources.
- Unobligated balances (to explain difference from prior year).

Therefore, the prior year's material weakness and 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 of \$95.9 million. However, the unapportioned amount reported on the Standard Form 132⁸ (SF 132), *Apportionment and Reapportionment Schedule* was \$200.1 million; a difference of approximately \$104.2 million more than reported by AmeriCorps.
- 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' trust financial statements may have significant omissions or misstatements that may not be detected and corrected in a 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 related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

6. Develop and implement standard operating procedures to ensure the applicable line items in the trust statement of budgetary resources are properly reconciled to the

⁸ SF 132, Apportionment and Reapportionment Schedule.

SF 132, *Apportionment and Reapportionment Schedule*, and differences are properly documented, explained, and available upon request. **(New)**

7. Complete a comprehensive fluctuation analysis for its trust financial statements that is supported and detailed enough to allow management to detect accounting errors or evaluate the reasonableness of balances. **(Modified Repeat)**
8. 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 service 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	22	93	102	91
Total \$ Value of JEs (in Millions)	\$3,436.0	\$6,320.2	\$8,513.1	\$29,895.1

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 related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

9. Establish, implement, and document policies and procedures that outline 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. 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' trust 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 related recommendations in [Exhibit III](#) remain open and unimplemented.

V. 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 related recommendations in [Exhibit III](#) remain open and unimplemented.

We recommend AmeriCorps:

10. 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, Oracle. **(Modified Repeat)**

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 trust 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 trust 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,⁹ AmeriCorps continues to face challenges in consistently implementing its information security program and monitoring security controls. In addition, we identified new and continued control weaknesses in the information security program

⁹ 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.

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 Administrative Resource Center (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.

Because AmeriCorps has not taken and/or completed corrective action, these material weaknesses and the related prior year recommendations in [Exhibit III](#) remain open and unimplemented.

Exhibit III – Status of Prior Year Recommendations

The summary of the status¹⁰ of FY 2019, FY 2021, and FY 2022 financial statement audit recommendations in FY 2023 is in Table 2. The details of each open FY 2019, FY 2021, and FY 2022 recommendations are presented in Table 3, Table 4, and Table 5, respectively.

Table 2: Summary of the Status of FY 2019, 2021, and 2022 Trust Financial Statement Audit Recommendation in FY 2023

Status in FY 23	Count of Recommendations in FY 19	FY 19 Audit Trust Report Recommendation Number	Count of Recommendations in FY 21	FY 21 Audit Trust Report Recommendation Number	Count of Recommendations in FY 22	FY 22 Audit Trust Report Recommendation Number
Closed Recommendations	1	26	0	-	0	-
Modified Repeat – Superseded by FY23 Recommendations	-	-	2	2, 10	2	3, 4
Repeat – Open Recommendations	18	-	8	-	10	-
Total:	19		10		12	

¹⁰ No Financial statement audit conducted in FY 2020.

Table 3: Status in FY 2023 and Detail Description of Each Recommendation from FY 2019 Trust 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>	16 (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>	20 (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
	21 (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
	22 (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. c. Consider changes in conditions or programs that require further research and analysis. Update the assumptions when necessary.	Repeat – Open

FY 19 Audit Report Finding Area	FY 19 Audit Report Rec. Number	Recommendation Description	Status of FY 19 Recommendations in FY 23
	23 (24)	<p>d. Compare estimates with subsequent results to assess the reliability of the assumptions and data used to develop estimates.</p> <p>Document and implement policies and procedures to include the following:</p> <ul style="list-style-type: none"> 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; 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; c. review obligations to verify that amounts, timeframe (i.e., grant dates are correctly reflected in the obligation); d. ensure obligations are sufficiently supported (i.e., by documentary evidence); and e. perform complete reconciliations of all outstanding obligations monthly, and ensure any discrepancies identified are promptly researched and resolved. 	Repeat – Open
	24 (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

FY 19 Audit Report Finding Area	FY 19 Audit Report Rec. Number	Recommendation Description	Status of FY 19 Recommendations in FY 23
	25 (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: <ul style="list-style-type: none"> 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
Significant Deficiency IT Security Controls	26 (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
	27 (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
	28 (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
	29 (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
	30 (62)	Strengthen and refine the process for holding contractors accountable for remediation of control deficiencies in AmeriCorps information systems.	Repeat – Open

FY 19 Audit Report Finding Area	FY 19 Audit Report Rec. Number	Recommendation Description	Status of FY 19 Recommendations in FY 23
	31 (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
<p>Non-Compliance</p> <p>Single Audit Compliance</p>	32 (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
	33 (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
	34 (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
	35 (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
	36 (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
	37 (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 4: Status in FY 2023 and Detail Description of Each Recommendation from FY 2021 Trust 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 (1)	Perform a risk assessment over the current state of the conversion to ARC and work jointly with ARC, senior leadership, Office of Chief Risk Officer, 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 (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 FY 23 Recommendation #10
	3 (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 (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 Internal Controls Program (FMFIA)	7 (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 Financial System and Reporting	9 (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

FY 21 Audit Report Finding Area	FY 21 Audit Report Rec. Number	Recommendation Description	Status of FY 21 Recommendations in FY 23
	10 (11)	<p>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 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 Government-wide Treasury Account Symbol edit failures prior to GTAS certification. e. Document resolution for all balance differences and retain supporting documentation of related research. 	<p>Modified Repeat – Superseded by FY 23 Recommendations #7 and #8</p>

FY 21 Audit Report Finding Area	FY 21 Audit Report Rec. Number	Recommendation Description	Status of FY 21 Recommendations in FY 23
	11 (12)	Continue working with Administrative Resource Center 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
	12 (13)	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: a. A process to track the sequence of journal entry transactions for completeness. 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. c. A requirement to provide a fact-specific description of the purpose of the journal entry, along with adequate supporting documentation. d. Documentation needed to support journal entries and how it will be maintained.	Repeat – Open
	13 (14)	Validate and ensure journal entries are properly supported, documented, and are readily available for examination.	Repeat – Open

Table 5: Status in FY 2023 and Detail Description of Each Recommendation from FY 2022 Trust 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 Knowledge Gap throughout Financial Management Operations	1 (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 (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 (3)	Recruit financial leaders with relevant Federal financial management capabilities.	Modified Repeat – Superseded by FY 23 Recommendation #2
	4 (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 Internal Controls Program (FMFIA)	5 (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. Furthermore, this understanding should be used to develop and implement CAPs to address the deficiencies.	Repeat – Open

FY 22 Audit Report Finding Area	FY 22 Audit Report Rec. Number	Recommendation Description	Status of FY 22 Recommendations in FY 23
	6 (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 (7)	Revise the Business Process Narratives to incorporate significant changes in the current financial and control environment.	Repeat – Open
Material Weakness	8 (8)	Develop and implement effective controls, including a quality assurance process, necessary to ensure that: 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
Financial Reporting	9 (9)	Develop, identify and make available the training necessary to ensure that staff obtain and update the skills necessary to ensure compliance with: a. FASAB concept and accounting standards. b. OMB A-123. c. OMB A-136. d. GAO Disclosure checklist. e. Treasury's U.S. Standard General Ledger annual update. f. the correct use of the Business Event Transaction Codes (BETC) when submitting transactions to Treasury.	Repeat – Open

FY 22 Audit Report Finding Area	FY 22 Audit Report Rec. Number	Recommendation Description	Status of FY 22 Recommendations in FY 23
Material Weakness General Ledger Adjustments	10 (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 Trust Obligations and Liability Model	11 (14)	Verify and validate the underlying input data to the TOLM.	Repeat – Open
	12 (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

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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