



**AmeriCorps**  
**Office of Inspector General**

# **Audit of AmeriCorps' Fiscal Year 2024 National Service Trust Fund Financial Statements**

**Audit Report**

**Number: OIG-AR-25-02**

**November 15, 2024**



## AmeriCorps Office of Inspector General

November 15, 2024

MEMORANDUM TO: Michael D. Smith  
Chief Executive Officer

FROM: Lauren Lesko  
Acting Assistant Inspector General for Audits

SUBJECT: Audit of AmeriCorps' Fiscal Year 2024 National Service Trust Fund  
Financial Statements, OIG Report- AR-25-02

The AmeriCorps Office of Inspector General (OIG) 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, 2024. The contract required RMA to express an opinion on whether AmeriCorps' FY 2024 Trust 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. 24-02, *Audit Requirements for Federal Financial Statements*.

RMA was not able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion. Therefore, RMA does not express an opinion on AmeriCorps' FYs 2024 and 2023 Trust financial statements.

- **Disclaimer of Opinion:** AmeriCorps could not provide sufficient appropriate evidential matter in a timely manner to support the amounts in the Trust financial statements due to inadequate processes, controls, and records to support transaction and account balances. As a result, RMA cannot determine the effect of the lack of sufficient appropriate audit evidence on AmeriCorps' Trust financial statements as of and for the years ending September 30, 2024, and September 30, 2023. Due to these limitations, RMA was not able to perform the required tests of controls and compliance. Furthermore, the Trust financial statements and accompanying notes as of and for the years ending September 30, 2024 and September 30, 2023, were not in compliance with the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements, and had mathematical errors and inconsistencies.
- **Five material weaknesses and one significant deficiency** in the Trust's internal control over financial reporting. RMA reported the following material weaknesses and a significant deficiency as described in Exhibits I and II of this report:



**Material Weaknesses:**

1. Internal Controls Environment (Modified Repeat)
2. Financial Reporting (Modified Repeat)
3. General Ledger Adjustments (Modified Repeat)
4. Trust Obligations and Liability Model (Repeat)
5. Interface Issues Between Momentum and Oracle (Modified Repeat)

**Significant Deficiency:**

Information Technology Security Controls (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 Trust 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 of noncompliance or other matters may have been identified and reported.

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

RMA is responsible for the attached independent auditors' report, dated November 15, 2024, and the conclusions expressed therein. However, the OIG's 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  
Andrea Grill, Acting General Counsel  
Jill Graham, Chief Risk Officer  
Rachel Turner, Audits and Investigations Program Manager  
Stephen Ravas, Acting Inspector General  
Pamela Van Dort, Acting Deputy Inspector General  
Meliha Tokay, Special Assistant to the Chief of Staff and Assistant to the Board of Directors  
Tim Hanlon, Principal, RMA Associates, LLC

## REPORT NOTICE—NDAA REQUIREMENT

THIS REPORT IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THE AMERICORPS OIG, AMERICORPS, AND U.S. CONGRESS AND IS NOT INTENDED TO BE, AND SHOULD NOT BE, USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES. PURSUANT TO P.L. 117-263, SECTION 5274, NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES IDENTIFIED IN THIS REPORT HAVE THE OPPORTUNITY TO SUBMIT A WRITTEN RESPONSE FOR THE PURPOSE OF CLARIFYING OR PROVIDING ADDITIONAL CONTEXT TO ANY SPECIFIC REFERENCE. COMMENTS MUST BE SUBMITTED WITHIN 30 DAYS OF THE REPORT ISSUANCE DATE.

FURTHER, PURSUANT TO P.L. 117-263, SECTION 5274, NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES IDENTIFIED IN THIS REPORT HAVE THE OPPORTUNITY TO SUBMIT A WRITTEN RESPONSE FOR THE PURPOSE OF CLARIFYING OR PROVIDING ADDITIONAL CONTEXT TO ANY SPECIFIC REFERENCE. COMMENTS MUST BE SUBMITTED TO [L.LESKO@AMERICORPSOIG.GOV](mailto:L.LESKO@AMERICORPSOIG.GOV) WITHIN 30 DAYS OF THE REPORT ISSUANCE DATE AND WE REQUEST THAT COMMENTS NOT EXCEED 2 PAGES. THE COMMENTS WILL BE APPENDED BY LINK TO THIS REPORT AND POSTED ON OUR PUBLIC WEBSITE. WE REQUEST THAT SUBMISSIONS BE SECTION 508 COMPLIANT AND FREE FROM ANY PROPRIETARY OR OTHERWISE SENSITIVE INFORMATION.

## Independent Auditor's Report

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

### **Report on the Audit of the Trust Financial Statements**

AmeriCorps' Office of Inspector General engaged RMA to audit the financial statements of the National Service Trust of AmeriCorps, which comprise the National Service Trust balance sheets as of September 30, 2024 and 2023, the related National Service Trust statements of net cost and changes in net position, and the statements of budgetary resources for the fiscal years (FYs) then ended, and the related notes to the National Service Trust financial statements (collectively, referred to herein as the 'Trust financial statements').

### **Disclaimer of Opinion**

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the FYs 2024 and 2023 Trust financial statements.

### **Basis for Disclaimer of Opinion**

AmeriCorps could not provide sufficient appropriate evidential matter in a timely manner to support the amounts in the Trust financial statements due to inadequate processes, controls, and records to support transaction and account balances. As a result, we cannot determine the effect of the lack of sufficient appropriate audit evidence on AmeriCorps' Trust financial statements as of and for the years ending September 30, 2024, and September 30, 2023. Due to these limitations, we were not able to perform the required tests of controls and compliance. Furthermore, the Trust financial statements and accompanying notes as of and for the years ending September 30, 2024, and September 30, 2023, were not in compliance with the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and had mathematical errors and inconsistencies.

### **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 the United States (U.S.) generally accepted accounting principles (GAAP), 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 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 OMB Bulletin No. 24-02, *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, above, we could not 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. GAAP require the information in the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) 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 (FASAB), 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 could not apply certain limited procedures to the RSI in accordance with U.S. 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.

### **Other Information**

Management is responsible for the Other Information presented in the Annual Management Report (AMR). The *Message from the Chief Executive Officer* and *Other Information* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and we do not express an opinion or any form of assurance thereon.

In connection with our engagement to audit the basic financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information that otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

## **Other Reporting Required by *Government Auditing Standards***

### **Report on Internal Control over Financial Reporting**

In accordance with *Government Auditing Standards*, we are required to report material weaknesses and significant deficiencies. 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.

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 – Material Weaknesses](#) and [Exhibit II – Significant Deficiency](#), 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 described in [Exhibit III – Status of Prior Year Recommendations](#).

Furthermore, we were not able to perform the applicable tests of controls due to the aforementioned scope limitation and inability to obtain sufficient appropriate audit evidence to enable us to express an opinion on the financial statements.

### **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.

Furthermore, we were not able to perform the applicable tests of compliance due to the aforementioned scope limitation and inability to obtain sufficient appropriate audit evidence to enable us to express an opinion on the Trust financial statements.

### **Management's Response to Audit Findings and Recommendations**

Management's Response to Audit Findings and Recommendations comments can be found in [Exhibit IV – Management's Response](#). 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 required by *Government Auditing Standards* section of this report 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*

RMA Associates  
Arlington, VA  
November 15, 2024



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## **Exhibit I – Material Weaknesses**

### **I. Internal Control Environment (Modified Repeat)**

A strong internal control environment is crucial for ensuring that a federal entity manages its activities effectively and efficiently, produces reliable financial reports, and complies with all relevant laws and regulations. Since FY 2018, external auditors have identified AmeriCorps' internal control environment as a material weakness in the agency's financial statements. Despite the implementation of corrective action plans (CAPs), pervasive gaps in the agency's operations continue to prevent the complete remediation of its internal control environment.

#### ***A. Financial and Operational Reform (FOR) Plan (Modified Repeat)***

In FY 2023, AmeriCorps began working with contractors to develop and implement a comprehensive plan, referred to as the Financial and Operational Reform (FOR) plan, to improve its audit results and internal control program. As part of this effort, AmeriCorps aligned its material weaknesses into target areas to focus its remediation efforts. According to AmeriCorps, the FOR plan is to address the following previously identified internal control issues:

- Strengthen AmeriCorps' understanding of federal accounting standards and federal financial reporting;
- Develop effective financial management practices (i.e., people, processes, and systems);
- Develop a proper internal control environment to mitigate risk(s); and
- Improve the quality of the financial statements and other financial reporting activities.

During an initial review of AmeriCorps' internal control environment, AmeriCorps' contractors noted a lack of financial management governance structure, missing documentation on roles and responsibilities, and a lack of process control monitoring. AmeriCorps and its contractors identified remediation efforts to address these observations to include documenting AmeriCorps' processes and procedures, identifying gaps in the current processes, and developing a "future state" version of the processes that are expected to remediate AmeriCorps' contractors' identified gaps. At the beginning of FY 2024, we determined that several key areas of AmeriCorps' operations would not be audit-ready due to the ongoing remediation efforts of the FOR plan and the delayed implementation of CAPs, including:

- Accounts Payable,
- Advances and Prepayments,
- Advances from Others,
- Grants Payable,
- Undelivered Orders – Grants
- Undelivered Orders and Accounts Payable – Procurement,

- Other Liabilities,
- Trust Obligations and Liability Model, and
- Recoveries from Prior Year Obligations.

Since AmeriCorps indicates that the FOR plan would address implementing corrective actions for the key areas listed above, AmeriCorps has opted not to track certain prior audit recommendations through a CAP system. As a result, the current progress of implementing these recommendations is undetermined. In AmeriCorps' Quarterly Congressional Briefing for the third quarter of FY 2024, AmeriCorps reported the remediation efforts of the FOR plan were still ongoing. According to AmeriCorps, the target areas of the FOR plan were due to be remediated at the end of FY 2024 and improvements in these areas are expected to be implemented into AmeriCorps' FY 2025 operations. For the prior years' audit recommendations not directly tied to the FOR plan, AmeriCorps continues to monitor and make progress on implementing its CAPs. In FY 2024, AmeriCorps created CAP closure packages to support the implementation of audit recommendations for the auditors' review. Of the 27 packages provided, we determined that 20 of the CAPs were effectively implemented.

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

#### **B. Internal Control Program (Modified Repeat)**

AmeriCorps' Office of the Chief Risk Officer (OCRO) performs an annual Entity Level Control (ELC) Assessment to determine whether appropriate entity-level controls are in place according to the framework provided in the Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* – otherwise known as the Green Book. The results of this assessment lead OCRO to attribute one of three risk levels to AmeriCorps' implementation of the 17 principles from the GAO Green Book; (1) principle exists and operates effectively, (2) principle exists but operates with deficiencies, or (3) principle does not exist and is ineffectively functioning. OCRO's FY 2024 ELC assessment reported that 7 of the 17 principles did not exist and were ineffectively functioning. Those principles include:

- Principle 5: Management evaluates performance and holds individuals accountable for their internal control responsibilities.
- Principle 9: Management should identify, analyze, and respond to changes that could impact the internal control system.
- Principle 10: Management designs control activities to achieve objectives and respond to risks.
- Principle 12: Management implements control activities through policies and procedures.
- Principle 13: Management uses quality information to achieve the entity's objectives.
- Principle 15: Management should externally communicate the necessary quality information to achieve the entity's objectives.

- Principle 17: Management remediates identified internal control deficiencies on a timely basis.

AmeriCorps continues to show only one principle existing and effectively functioning with the remaining 9 principles operating with deficiencies.

Once OCRO finalized its assessment of risk and internal control, AmeriCorps' Chief Executive Officer provided a statement of no assurance, dated October 10, 2024. The statement of no assurance represents the agency head's informed judgment as to the overall adequacy and effectiveness of internal control within the agency when no processes are in place or there are pervasive material weaknesses.<sup>1</sup> Per the statement, AmeriCorps acknowledged that its system of internal controls does not currently provide the necessary level of assurance towards the effectiveness of internal control over operations, reporting, and compliance.

Proper financial reporting has not been achieved in the current state of AmeriCorps' internal control environment. AmeriCorps continues to work towards (1) acquiring resources in the financial infrastructure related to people, processes, and technology; (2) recruiting, training, and retaining financial management personnel at all levels; (3) achieving control objectives, properly designing the control environment to respond to risks, consistently monitoring the control environment, and timely and effectively completing its CAPs; and (4) ensuring timely submission of evidential matter.

AmeriCorps' internal control environment remains ineffective in assisting management with achieving its operational, reporting, and compliance objectives. While AmeriCorps is working on acquiring more resources to help achieve its objectives, its current reliance on outdated systems and the incomplete documentation of policies and procedures negatively impacts the reliability of all financial data that the agency processes. This direct relationship between the gaps identified in AmeriCorps' internal control environment and financial reporting efforts results in repeated material weaknesses and significant deficiencies and a disclaimer of opinion on its financial statements. AmeriCorps' internal control program will continue to operate with a high level of risk until reasonable assurance can be given over its adequacy and effectiveness.

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

**We recommend AmeriCorps:**

1. Design and implement control activities to ensure all 17 Government Accountability Office Green Book framework principles exist within the internal control program. Corrective actions should be implemented for any principle that operates with deficiencies to identify and remediate the cause(s) of the deficiencies. **(Modified Repeat)**

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<sup>1</sup> OMB Circular A-123 *Management's Responsibility for Internal Control*, VI. Reporting on Internal Controls, E. Reporting Pursuant to Section 2 – 31 U.S.C. 3512(d) (2)

## **II. Financial Reporting (Modified Repeat)**

For several years, AmeriCorps' financial reporting process has lacked sufficient processes and internal controls to ensure complete, reliable, and accurate data is produced throughout the agency. While AmeriCorps asserts that its ongoing FOR plan has brought forth significant improvements, our audit identified discrepancies impacting the integrity of the agency's financial reporting.

### ***A. Preparing and Reviewing Financial Reports (Modified Repeat)***

The National Service Trust's (Trust's) Fund Balance with Treasury (FBwT) as of year-end, September 30, 2024, was negative \$62 million. AmeriCorps provided a final white paper to the AmeriCorps Office of Inspector General (OIG) and the external auditors on November 1, 2024, to disclose the series of events that led up to this abnormal balance. This disclosure explained that on March 23, 2024, Congress enacted Public Law 118-47, *Further Consolidated Appropriations Act, 2024*, by which Congress permanently rescinded \$243 million in prior appropriations made available to the Trust. AmeriCorps indicated that it coordinated with OMB and the U.S. Department of the Treasury Administrative Resource Center (ARC) to determine the agency's next steps for accounting for the rescission. According to AmeriCorps, it wasn't until September 25, 2024, that a decision was made to record the rescission as a capital transfer from the Trust. AmeriCorps further indicated that ARC recorded the rescission transaction on October 1, 2024, with an effective date of September 30, 2024.

In the usual course of business, AmeriCorps invests available funds in the Trust in Federal securities. AmeriCorps' investment process begins with a representative from AmeriCorps' Trust office reviewing its FBwT account to ensure there are funds available to execute purchases of Federal securities. AmeriCorps indicated that on September 26, 2024, it executed the purchase of multiple Federal securities noting that its account stated an available balance of \$43 million. However, after ARC recorded the rescission transaction on October 1, 2024, with an effective date of September 30, 2024, AmeriCorps noted that its Trust account then stood with an abnormal (negative) balance of \$62 million. Management asserts that the abnormal balance was discovered on October 3, 2024. A final white paper disclosing this series of events was not provided to OIG and the auditors until November 1, 2024. An AmeriCorps internal inquiry into the overinvestment is ongoing. AmeriCorps indicated that it plans to take corrective actions in line with OMB Circular A-11, Section 113. We are unable to independently verify its assertions above, because AmeriCorps did not provide evidentiary documentation to support the statements in its white paper. However, the \$62 million negative balance may indicate a violation of the Antideficiency Act and require adjustments and additional disclosures.

In addition to the above, several discrepancies were noted throughout the AMR, such as:

- Background information related to AmeriCorps' Reconciliation of Net Cost to Net Outlays note disclosure was not included and the note itself did not agree to the face of the financial statements;
- The Analysis for Financial Statements contained within the MD&A section did not present information related to the Trust financial statements; and

- Inconsistent references to Financial Statement line items.

Accurate and timely financial reporting cannot be achieved due to AmeriCorps' ineffective internal control environment over financial reporting. Management has not fully implemented its CAPs to address the agency's financial reporting material weaknesses; and therefore, may not have finalized procedures in place to properly perform various financial functions, such as recording transactions timely and balancing accounts. A lack of effective, timely review and approval processes over financial information will result in inconsistent, incomplete, and unreliable financial statements and note disclosures. AmeriCorps' overinvestment resulting in an abnormal (negative) balance in the FBwT asset on the Trust Balance Sheet is an example of this, as is the Trust financial statement note disclosures for FBwT and Investments.

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

**We recommend AmeriCorps:**

2. Work with AmeriCorps' Office of General Counsel (OGC) and follow OMB Circular A-11, section 113.10, to determine if there are any potential violations, including violations of the Antideficiency Act. **(New)**
3. Complete its internal inquiry related to the overinvestment of the Trust Fund, document the causes and timing, and determine appropriate next steps in coordination with the Office of Inspector General. **(New)**
4. Evaluate its fund's control system to mitigate the risk of overinvesting. **(New)**

***B. Analysis of Financial Reporting Data, including Trust Financial Statements (Modified Repeat)***

AmeriCorps continues to rely on these audits to identify errors in its financial reporting data rather than implementing sufficient measures to detect and correct the errors through its own processes. We previously recommended that AmeriCorps complete a fluctuation analysis of its Trust financial statements to evaluate the reasonableness of balances and detect accounting errors. While AmeriCorps acknowledges the benefit of implementing a fluctuation analysis into its control environment, it ultimately determined that the completion of the exercise was not required. Instead, AmeriCorps has implemented other controls which are designed to assist the agency in monitoring account balances. These controls involve validations, reconciliations, and reviews of its general ledger (GL), trial balances, financial statements, and any transactional activities.

During the FY 2023 audit of AmeriCorps' Compliance with the Payment Integrity Information Act (PIIA) of 2019, external auditors noted significant fluctuations in the net operating costs reported on the Statement of Net Cost, specifically for the State and National and National Civilian Community Corps (NCCC) programs. Through correspondence with the auditors, AmeriCorps identified that the significant fluctuations were attributable to an improper allocation of reimbursable costs across its programs. AmeriCorps reevaluated its cost allocation methodology



and retroactively changed the balances for its programs' FY 2023 net operating costs by \$52 million.

AmeriCorps' internal controls related to monitoring significant fluctuations in account balances are not effective in detecting and addressing accounting errors in a timely manner. Untimely detection of significant fluctuations leads to an increased risk of error associated with the reliability of financial data, some of which may be material. Further, AmeriCorps' controls related to analyzing its account balances are not finalized and may be subject to change. As part of the FOR plan, AmeriCorps indicated that a standard operating procedure (SOP) is being developed to improve internal controls, enhance data integrity, and resolve longstanding audit findings related to financial statement analysis; including monitoring significant fluctuations in account balances. AmeriCorps has stated that the SOP was to be finalized by the end of FY 2024 and implemented into its FY 2025 operations. Given the timing of this report relative to the asserted completion of the SOP, the auditors have not independently verified the completion or effectiveness of the SOP.

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

**We recommend AmeriCorps:**

5. Develop and implement standard operating procedures for analyzing account balances and monitoring significant fluctuations which will allow management to evaluate, document, and approve the reasonableness of balances and detect accounting errors in its financial statements. AmeriCorps should ensure these procedures and the staff responsible for performing, reviewing, and approving the procedures are documented. **(Modified Repeat)**

**C. Utilization of Budgetary Documents (Modified Repeat)**

AmeriCorps has not finalized a process to properly reconcile the applicable line items in the Trust Statement of Budgetary Resources (SBR) to the Standard Form (SF) 132 apportionment document in a timely manner. As of the date of this audit, remediation efforts have not been completed and the prior years' recommendations regarding the Appropriations and Unappropriated, Unexpired Accounts line items remain unimplemented. As such, the amounts reported on the Trust SBR may not be properly supported or stated.

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

**III. General Ledger Adjustments (Modified Repeat)**

AmeriCorps continues to rely on manual journal entries (JEs) to correct financial reporting issues rather than addressing the root causes that necessitate these entries. The root causes of these issues stem from AmeriCorps' reliance on its legacy Momentum system, which still provides Grants Management and other functions. In FY 2020, AmeriCorps committed to extensive clean-up efforts of its financial reporting systems before migrating accounting and financial management, procurement, and travel functions from Momentum to the shared service platform offered by ARC

within the U.S. Treasury Department's Bureau of Fiscal Services - Oracle. However, following the migration, AmeriCorps continues to utilize Momentum, resulting in compatibility challenges with Oracle that necessitate clean-up entries to reconcile differences between the systems. Although AmeriCorps transitioned to Oracle (ARC) for financial reporting and data summarization, it has not fully moved away from Momentum due to its integration with other systems. The expansion of Oracle's capabilities is ongoing, with plans to implement a new grants system that will interface with Oracle in FY 2025, further reducing Momentum's role.

We performed a judgmental analysis over AmeriCorps' JE Detail report as of June 30, 2024. The analysis excluded reversal entries, which are operational in nature and represent less than half of AmeriCorps' total JEs. Of the remaining 237 JEs, it was determined that 117 were directly attributed to conversions, corrections, reclassifications, and data clean-ups resulting in a debit total of \$47.4 billion.

Manual JEs are essential for any agency's day-to-day operation; however, AmeriCorps utilizes JEs as a compensating measure rather than addressing the root causes that necessitate the need for the JEs. Given that many of these entries are made to address conversions, corrections, and data clean-ups, there is an increased likelihood of errors that could affect the accuracy of the financial statements. Ongoing reliance on manual entries, particularly after transitioning to a new financial platform, may indicate that certain issues within the financial reporting process remain unresolved, resulting in persistent discrepancies in financial data. Additionally, because many JEs involve the correction of errors or reclassification of data, there is a risk that supporting documentation for these entries may not be sufficient. This can impact the overall reliability of AmeriCorps' financial records and pose challenges in tracing entries back to original transactions, potentially affecting compliance with internal control requirements and federal financial reporting standards.

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

**We recommend AmeriCorps:**

6. Develop and implement performance goals to reduce the reliance of journal entries as a compensating measure. Performance goals should accompany the implementation of internal controls designed to analyze and address the root causes of financial reporting errors between financial management systems. **(Modified Repeat)**

**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' financial statements at \$287 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.



In FY 2019, AmeriCorps began using a new actuarial model, the Trust Obligations and Liability Model (TOLM), to assess its member data. Following this implementation, AmeriCorps committed to refining the TOLM methodology and began performing procedures to validate the data and reassess key assumptions, including expanding the subjective elements within the calculations. However, due to the complexity involved in validating both the source data and the data transfer process between systems, the completion of the agency's CAPs has progressed incrementally. Given the current stage of the remediation efforts, it is not feasible for the auditors to fully assess the progress or determine the reliability of data in AmeriCorps' Trust Liability balance and records.

According to AmeriCorps, the implementation of the final TOLM CAP and certain components related to the application of subjective elements affecting the actuarial rates are expected to be completed by the end of FY 2025. Considering that AmeriCorps has not fully implemented its CAPs related to the TOLM, the Trust Obligations and Trust Service Award Liability may be materially misstated because (1) the data input validation process has not been verified; and (2) without verification of underlying data, AmeriCorps' methodology could have incorrect assumptions, ultimately impacting the output of the financial information.

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

## **V. Interface Issues Between Momentum and Oracle (Modified Repeat)**

AmeriCorps continues to experience data migration issues across its financial systems and relies on compensating controls to remediate system incompatibilities rather than addressing the root cause of its data migration errors. As stated in the **General Ledger Adjustments** material weakness, management has relied on JEs to resolve differences of prior years' data between financial systems. In addition to the use of JEs, AmeriCorps relies on a monthly reconciliation of Grants, Advances, Payables, and Undelivered Orders (UDOs) for the timely discovery and correction of data migration errors. While these control activities have proven to be effective in remediating identified discrepancies, they do not fully remediate the incompatibilities between the financial systems themselves as differences in account balances still exist between Oracle and the legacy system, Momentum.

In FY 2022, AmeriCorps conducted a risk assessment which identified risks regarding the relationship between Momentum and Oracle. While about half of the identified risks have been mitigated, the conversion of data between systems poses a risk until all issues are resolved. AmeriCorps previously indicated a plan to migrate from its legacy system to an up-to-date shared cloud service provider; however, as of FY 2024, AmeriCorps no longer has an established timeline for the final decommissioning of Momentum. Challenges arise when data integrity issues previously identified in the Momentum legacy environment continue to exist. Until AmeriCorps' legacy system is decommissioned, it will continue to run parallel with Oracle, requiring management to rely on compensating controls to mitigate any configuration issues. The compatibility issues that were previously identified in FY 2022, and evidenced by the significant use of JEs, create a risk that the data converted from Momentum to Oracle may be unreliable.

AmeriCorps' compensating controls may not be able to detect or address all outstanding differences between financial systems. As such, there is no assurance of the completeness, existence, and accuracy of data converted from Momentum to Oracle

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

**We recommend AmeriCorps:**

7. Coordinate with all functional groups affected by financial system interfacing issues to implement all recommendations related to interfacing issues across financial systems and mitigate the remaining risks identified in the FY 2022 risk assessment. **(Modified Repeat)**
8. Conduct monthly reviews of transactions processed in Momentum and migrated to Oracle through interface or reported in Oracle using journal entries to ensure that there are no differences between the systems and that the correct object class codes were applied. **(Modified Repeat)**
9. Develop and implement internal controls designed to identify the root causes of all financial system interfacing issues, notify management of compatibility issues between Momentum and Oracle, and mitigate the issue from occurring for future transactions. **(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 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 (OIT) outsourced the operation, maintenance, and support of most of its IT systems. This was the fourth 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 Participants (eSPAN).

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

While AmeriCorps has taken some steps to remediate previously identified information security control weaknesses,<sup>2</sup> 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 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 FISCAM control categories.

#### ***Security Management***

- AmeriCorps did not maintain proper inventory management controls. Specifically, the inventory list outlining the model type and current state of assets was not accurately documented for all assets. AmeriCorps did not perform the monthly reviews for correctness to address inaccuracies within the ServiceNow system.
- AmeriCorps did not prepare an authorization package, including an Authorization to Use (ATU) and Business Impact Analysis (BIA) for the ARC Financial System. AmeriCorps was preparing an ATU for the ARC system based on the findings from the prior year, but lacked an ATU at the time of this audit.

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<sup>2</sup> We identified security control weaknesses that were corrected for certain control activities. Examples of AmeriCorps' improvements in its IT control environment include increased effectiveness of the information security and continuous monitoring program to deliver persistent situational awareness across the organization and more robust incident response planning capabilities.

- AmeriCorps did not develop, document, and communicate Supply Chain Risk Management procedures to guide supply chain risk management activities.

### ***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 25 percent of the discovered critical and high vulnerabilities were over 12 months old. As a result, vulnerabilities related to patch management and configuration management continue to expose AmeriCorps' network to critical and high-severity vulnerabilities.

### ***Access Control***

- AmeriCorps did not consistently ensure contractors had the proper background investigations. Two out of a sample of five new hires had not undergone an initial background investigation prior to gaining system access.
- AmeriCorps did not meet the Event Logging (EL) Level 2 (intermediate) 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. AmeriCorps has not implemented the requirement to retain logs in acceptable formats as of this report.

### ***Contingency Planning***

- 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 document the ARC Financial System contingency plan and BIA.

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' headquarters. This includes ensuring accountability within OIT 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 personally identifiable information (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 – Status of Prior Year Recommendations](#) remain open and unimplemented.

### Exhibit III – Status of Prior Year Recommendations

**Table 1** summarizes the statuses of audit recommendations from prior years as of FY 2024. Recommendations which are included in the FY 2024 Trust audit report are presented in detail in **Table 2**. Recommendations which are not included in the FY 2024 audit report are presented in detail in **Table 3**.

**Table 1: Summary of the Status of Prior Years' Trust Financial Statement Audit Recommendations in FY 2024**

	FY 2019		FY 2021		FY 2022		FY 2023	
	Count	Recommendation #	Count	Recommendation #	Count	Recommendation #	Count	Recommendation #
<b>Closed</b>	<b>11</b>	21, 27, 28, 29, 30, 32, 33, 34, 35, 36, 37	<b>1</b>	7	<b>2</b>	5, 7	<b>2</b>	3, 4
<b>Modified Repeat</b>		-	<b>3</b>	1, 3, 4	<b>1</b>	10	<b>3</b>	1, 9, 10
<b>Repeat – Open</b>	<b>7</b>		<b>4</b>		<b>7</b>		<b>5</b>	
<b>Total:</b>	<b>18</b>		<b>8</b>		<b>10</b>		<b>10</b>	

**Table 2: Status of Recommendations included in the FY 2024 Audit Report of the Trust Financial Statements**

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>Material Weakness (MW)-1: Internal Control Environment</b>	<b>FY 2023</b>	1 (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.	<b>Modified Repeat;</b>  Superseded by Recommendation #1
		2 (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.	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-1: Internal Control Environment</b>	<b>FY 2023</b>	3 (3)	<p>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:</p> <ul style="list-style-type: none"> <li>a. A scheduled risk assessment, mitigation plan, and monitoring and reporting (e.g., relating to grantee and subgrantee recipients);</li> <li>b. An integration of the fraud risk components for known, suspected, and alleged fraud risks;</li> <li>c. Documentation on how the fraud risk components integrate;</li> <li>d. How the risk scoring is conducted and applied;</li> <li>e. The use of the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response; and</li> <li>f. Guidance for adequate documentation on the risk determination reviews to match risk ratings or detect errors within the risk assessment.</li> </ul>	Closed



Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-1: Internal Control Environment</b>	<b>FY 2023</b>	4 (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.	Closed
	<b>FY 2022</b>	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

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-1: Internal Control Environment</b>	<b>FY 2022</b>	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 its 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.	Closed
		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.	Closed
	<b>FY 2021</b>	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.	Closed

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-2: Financial Reporting</b>	<b>FY 2023</b>	5 (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.	Repeat – Open
		6 (8)	Develop and implement standard operating procedures to ensure the applicable line items in the Trust Statement of Budgetary Resources are properly reconciled in a timely manner to the SF 132, <i>Apportionment and Reapportionment Schedule</i> and differences are properly documented, explained, and available upon request.	Repeat – Open
		7 (9)	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.	<b>Modified Repeat;</b> Superseded by Recommendation #5
		8 (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.	<b>Modified Repeat;</b> Superseded by Recommendation #5

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-2: Financial Reporting</b>	<b>FY 2022</b>	8 (8)	<p>Develop and implement effective controls, including a quality assurance process, necessary to ensure that:</p> <ul style="list-style-type: none"> <li>a. accounting and reporting are in accordance with U.S. GAAP and financial information is presented in compliance with OMB Circular A-136.</li> <li>b. account balances are accurate as of and through the reporting period.</li> <li>c. the proper validation, review, and approval over financial reporting and the AMR compilation.</li> </ul>	Repeat – Open
	<b>FY 2022</b>	9 (9)	<p>Develop, identify and make available the training necessary to ensure that staff obtain and update the skills necessary to ensure compliance with:</p> <ul style="list-style-type: none"> <li>a. FASAB concept and accounting standards.</li> <li>b. OMB A-123.</li> <li>c. OMB A-136.</li> <li>d. GAO Disclosure checklist.</li> <li>e. Treasury's U.S. Standard General Ledger annual update.</li> <li>f. the correct use of the BETC when submitting transactions to Treasury.</li> </ul>	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-2: Financial Reporting</b>	<b>FY 2021</b>	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
		11 (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
		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: <ul style="list-style-type: none"> <li>a. A process to track the sequence of journal entries transactions for completeness.</li> <li>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.</li> <li>c. A requirement to provide a fact-specific description of the purpose of the journal entries, along with adequate supporting documentation.</li> <li>d. Documentation needed to support journal entries and how it will be maintained.</li> </ul>	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-2: Financial Reporting</b>	<b>FY 2021</b>	13 (14)	Validate and ensure journal entries are properly supported, documented, and are readily available for examination.	Repeat – Open
	<b>FY 2019</b>	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
<b>MW-3: General Ledger Adjustments</b>	<b>FY 2023</b>	9 (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.	Repeat – Open
	<b>FY 2022</b>	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.	<b>Modified Repeat;</b> Superseded by Recommendation #6
<b>MW-4: Trust Obligations and Liability Model</b>	<b>FY 2022</b>	11 (14)	Verify and validate the underlying input data to the TOLM.	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-4: Trust Obligations and Liability Model</b>	<b>FY 2022</b>	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
	<b>FY 2019</b>	20 (21)	Complete the Trust Accounting Handbook to clearly reflect the assumptions used in the Trust Obligations and Liability Model and the Monthly Obligations 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.	Closed

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-4: Trust Obligations and Liability Model</b>	<b>FY 2019</b>	22 (23)	<p>Strengthen controls to ensure the Trust modeling is performed by trained personnel to:</p> <ul style="list-style-type: none"> <li>a. Conduct detailed analysis and validation of data sources.</li> <li>b. Review and ensure the reasonableness of assumptions used and document the rationale behind estimation assumptions.</li> <li>c. Consider changes in conditions or programs that require further research and analysis. Update the assumptions when necessary.</li> <li>d. Compare estimates with subsequent results to assess the reliability of the assumptions and data used to develop estimates.</li> </ul>	Repeat – Open



Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-4: Trust Obligations and Liability Model</b>	<b>FY 2019</b>	23 (24)	<p>Document and implement policies and procedures to include the following:</p> <ul style="list-style-type: none"> <li>a. establish a thorough and robust quality control process to ensure that the 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;</li> <li>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;</li> <li>c. review obligations to verify that amounts, timeframe (i.e., grant dates are correctly reflected in the obligation);</li> <li>d. ensure obligations are sufficiently supported (i.e., by documentary evidence); and</li> <li>e. perform complete reconciliations of all outstanding obligations monthly, and ensure any discrepancies identified are promptly researched and resolved.</li> </ul>	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-4: Trust Obligations and Liability Model</b>	<b>FY 2019</b>	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
		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"> <li>a. Train, mentor, and work to retain qualified employees;</li> <li>b. Cross-train employees so that knowledge of the model will reside with multiple staff rather than with one person; and</li> <li>c. Implement a peer review process to carry out the necessary quality control reviews of the Trust Obligations and Liability Model and the Monthly Obligations and Liability Calculator.</li> </ul>	Repeat – Open
<b>MW-5: Interface Issues Between Momentum and Oracle</b>	<b>FY 2023</b>	10 (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.	Repeat – Open

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>MW-5: Interface Issues Between Momentum and Oracle</b>	<b>FY 2021</b>	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.	<b>Modified Repeat;</b> Superseded by Recommendation #7
		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	<b>Modified Repeat;</b> Superseded by Recommendation #8
		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.	<b>Modified Repeat;</b> Superseded by Recommendation #9

Audit Report Finding Area	Fiscal Year	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 2024
<b>Significant Deficiency (SD)-1: Information Technology Security Controls</b>	<b>FY 2019</b>	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.	Closed
		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.	Closed
		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.	Closed
		30 (62)	Strengthen and refine the process for holding contractors accountable for remediation of control deficiencies in AmeriCorps information systems.	Closed
		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

**Table 3: Status of Recommendations not included in the FY 2024 Audit Report of the Trust Financial Statements<sup>3</sup>**

<b>Audit Report Finding Area</b>	<b>Fiscal Year (FY)</b>	<b>Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of Prior Recommendations as of FY 23</b>
<b>Non-Compliance Single Audit Compliance</b>	<b>FY 2019</b>	32 (70)	Develop, implement, and document procedures to identify all AmeriCorps grantees that are required to submit single audit reports with their due dates.	Closed
		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.	Closed
		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.	Closed
		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.	Closed
		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.	Closed

<sup>3</sup> The areas presented in Table 3 are not included in the body of the FY 2024 audit report as no significant findings were identified to report during the FY 2024 audit. However, we still consider it important to report the implementation status of AmeriCorps' corrective actions for these areas.

Audit Report Finding Area	Fiscal Year (FY)	Audit Report Rec. Number	Recommendation Description	Status of Prior Recommendations as of FY 23
Non-Compliance  Single Audit Compliance	FY 2019	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.	Closed

## Exhibit IV – Management’s Response



MEMORANDUM FOR: Stephen Ravas  
Acting Inspector General

FROM: Malena Brookshire  
Chief Financial Officer *Malena Brookshire*

SUBJECT: Management Response for the Fiscal Year 2024 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 (FY) 2024 Consolidated Financial Statements and National Trust Financial Statements which is included in our FY 2024 Annual Management Report (AMR).

The independent audit of AmeriCorps' 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, are confident that the progress made this year through Financial and Operational Reform (FOR) has laid the groundwork for the agency to deliver on its mission more efficiently and effectively. Through the FOR, AmeriCorps has invested in modernizing its grants management systems, completed remediation actions to address specific audit findings and identified improved process controls that will be implemented in 2025, and standardized and automated several financial and grants management processes to support improved performance by agency staff.

Additionally, my office, the Office of the Chief Financial Officer (OCFO), is executing a comprehensive organizational strategy. One of the first critical steps in our organizational strategy was to bring the Office of Grants Administration (OGA) under OCFO to facilitate greater alignment between grants and financial management functions, strengthen OGA authority over grantmaking procedures, and ensure financial management is a primary focus. This sets the foundation for our 2025 initiatives, including improvements to governance, clarifying and optimizing staff roles and responsibilities, and developing and implementing a robust training program.

While much work remains ahead, over the last year AmeriCorps has made significant improvements to strengthen the agency and ensure the effective stewardship of federal resource dedicated to national and community service. Highlights of the tremendous progress we are making along this multi-year journey include:

- Conducted a gap analysis across people, process, and systems to begin implementing improvements to equip staff for sustained success and enhanced mission delivery.
- Documented end-to-end business processes through narrative and flowcharts for Financial Systems and Reporting, Undelivered Orders-Accounts Payable (UDO-A/P), Procurement, Budget Formulation and Execution, Grants Management and Member Payroll.





- Continued Trust Obligations Liability Model (TOLM) remediation including collecting supporting documentation from grantees and stakeholders to validate the trust data and validating the Trust data used to calculate the actuarial rates (R and S Reports).
- Developed and implemented a comprehensive review policy for open obligations and a UDO review process to identify UDOs requiring de-obligation.
- Developed a comprehensive and streamlined approach to gathering grant accrual inputs from grantees to enhance the accuracy of accrual estimations.
- Developed and implemented a lookback policy and process, to confirm that the agency is appropriately capturing accounts payable accruals.
- Continued member payroll stipend data cleanup efforts, clearing around 93% of the invalid stipend balances.
- Developed formalized internal standard operating procedures for the review and approval of all JEs.
- Significant AMR process improvement, including implementing a Certification of Accuracy and Completeness process, has helped with quality control year-end financial reporting resulting in a more robust and compliant AMR.
- Developed an end-to-end process for submitting close-out packages to the auditors and Office of Inspector General (OIG) for fully remediated recommendations.
- Designed and implemented appropriate oversight and governance to prevent Fund Balance with Treasury (FBwT) Abnormal Balance from occurring in the future.

I acknowledge the independent public accounting firm's RMA Associates, LLC, *disclaimer of opinion*, AmeriCorps' FY 2024 Financial Statements and AmeriCorps' National Trust Financial Statements. AmeriCorps has reviewed and concurs with 6 material weaknesses and the 2 significant deficiencies. AmeriCorps does not concur with 5 material weaknesses based on inaccurate conditions depicted within Notices of Findings and Recommendations.

I am pleased that AmeriCorps was able to close twenty prior year recommendations, including two fraud risk recommendations received in FY 2023. These closures cleared a former material weakness and noncompliance. Additionally, AmeriCorps reduced the total number of material weaknesses from 12 to 11 in FY24. AmeriCorps recognizes the importance of remediating underlying operational infrastructure issues and enhancing communications between the auditors, OIG, 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 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.



## Appendix A – Listing of Acronyms

Acronym	Definition
AMR	Annual Management Report
ARC	Administrative Resource Center
ATU	Authorization to Use
BETC	Business Event Type Code
BIA	Business Impact Analysis
CAP	Corrective Action Plan
EL	Event Logging
ELC	Entity Level Controls
eSPAN	Electronic-System for Programs Agreements and National Service Participant
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FISMA	Federal Information Security Modernization Act
FOR	Financial and Operational Reformation
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
GAO	Government Accountability Office
GL	General Ledger
IT	Information Technology
JE	Journal Entry
MD&A	Management's Discussion and Analysis
NCCC	National Civilian Community Corps

Acronym	Definition
OCRO	Office of the Chief Risk Officer
OIG	Office of the Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act
RSI	Required Supplementary Information
SBR	Statement of Budgetary Resources
SF	Standard Form
SOP	Standard Operating Procedure
TOLM	Trust Obligations and Liability Model
Trust	National Service Trust
UDO	Undelivered Order
U.S.	United States
USSGL	United States Standard General Ledger



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