



# MANAGEMENT CHALLENGES

NOVEMBER 15, 2023

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# FROM THE ACTING INSPECTOR GENERAL: FISCAL YEAR 2023 TOP MANAGEMENT CHALLENGES

AmeriCorps is the federal agency for national service and volunteerism.<sup>1</sup> It provides opportunities for Americans from different backgrounds to serve their country domestically by addressing pressing challenges facing the nation. Each year, the agency places more than 200,000 AmeriCorps members and AmeriCorps Seniors volunteers in service roles to help our nation's most at-risk individuals and communities in need.

National service has never been more important as the country struggles to find its way in the aftermath of the Covid-19 pandemic. AmeriCorps programs offer help and hope to communities, and the agency is uniquely positioned to lift communities and offer critical services to children, young adults, and older adults who need them most. These programs also provide important service opportunities to populations of different ages who are looking for a meaningful and impactful way to serve.

This is a critical time for AmeriCorps' leadership to reflect on where the organization stands, to take steps that will successfully address longstanding issues, achieve significant improvements that strengthen the organization and ensure the effective stewardship of U.S. funds dedicated to national and community service. AmeriCorps' challenges are not likely to be resolved without the continued attention from agency leadership and stable, adequate funding over many years.

This report identifies three management challenges confronting AmeriCorps in fiscal year (FY) 2024 and beyond:

- Improving financial management;
- Prioritizing grant fraud prevention and detection in its programs; and
- Modernizing and securing information technology.

While it does not rise to the significance of a management challenge, we believe that AmeriCorps will be challenged in the future if American Rescue Plan (ARP) funding is not effectively used during FY 2024. We identified Effective Use of American Rescue Plan Funding as an emerging challenge, which is discussed later in this report.

These challenges were identified through our oversight work. They touch every aspect of AmeriCorps' programs and operations and highlight the importance of AmeriCorps' mission and its independent and objective oversight.

Looking forward, AmeriCorps faces challenges with the integration of two new initiatives into its current operating structure. The Covid-19 pandemic saw the creation of the Public Health AmeriCorps, and in September 2023, the Biden Administration announced the American Climate Corps, an interagency partnership between AmeriCorps, the National Oceanic and Atmospheric Administration,

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<sup>1</sup> As of September 29, 2020, AmeriCorps is the operating name of the Corporation for National and Community Service.

and the U.S. Departments of Labor, Interior, Agriculture, and Energy. The first initiative under the American Climate Corps is the creation of the AmeriCorps National Civilian Community Corps (NCCC) Forest Corps, in coordination with the U.S. Department of Agriculture. The NCCC Forest Corps will deploy across America to conserve national forests and grasslands, mitigate risks of wildfires in high-risk regions, and support reforestation efforts and wildfire crisis response. Our office will monitor these programs to evaluate whether they meet the stated objectives.



Stephen H Ravas

# CHALLENGE 1: IMPROVING FINANCIAL MANAGEMENT

Agency leaders are responsible for effective stewardship of Federal resources, including reliable financial management and associated reporting. Internal controls over operations, financial reporting, and compliance with laws and regulations are essential to maintain transparency and accountability, and to safeguard Federal funds.

AmeriCorps' financial management, accounting, and internal controls are insufficient to properly account for its funds. This has continued to be an obstacle for AmeriCorps—beginning in FY 2017, the OIG reported defects so pervasive and severe that independent auditors engaged by the OIG to audit AmeriCorps' financial statements declined to express an opinion by issuing a disclaimer. In FY 2022, AmeriCorps received its seventh consecutive disclaimer of opinion. AmeriCorps' internal control weaknesses, absence of standard operating procedures, noncompliance with generally accepted accounting principles, and lack of knowledge in financial management throughout all levels of the organization puts funds at risk of not being used for the intended purpose.

## Progress Toward Addressing the Challenge

To their credit, AmeriCorps' senior leadership has prioritized the agency's financial management issues and is taking steps to ensure a sustained leadership commitment, thoughtful planning, and meaningful accountability over financial practices. Notably, the current Board of Directors has stood up an Oversight, Governance, and Audit Committee. This Committee is charged with monitoring AmeriCorps management and financial stewardship practices. AmeriCorps' financial management has suffered from neglect for many years—long before this management team took over—and, as a result, the problems cannot be resolved overnight.

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**"I am committed to putting AmeriCorps on a path to resolution. I am approaching this challenge with eyes wide open, acknowledging that significant work remains and will take time to achieve."**

**-Michael Smith, Chief Executive Officer  
Testimony before the House Education and Labor  
Subcommittee on December 14, 2022**

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During FY 2021, AmeriCorps transitioned to a shared service platform offered by the U.S. Treasury Department's Administrative Resource Center (ARC). Despite the migration to shared services, AmeriCorps elected to continue to conduct critical financial transactions relating to its core business (*i.e.*, grant activities, member payroll, cost share, and disbursements from the National Service Trust) in its legacy accounting system. This resulted in reliance on manual workarounds to temporarily fix the issues and meet financial reporting requirements, ultimately resulting in an additional material weakness on the financial statement.<sup>2</sup> AmeriCorps does not anticipate finalizing its data migration to ARC for another year—by September 30, 2024.

AmeriCorps' financial management challenges were the subject of a December 1, 2021 hearing before the Committee on Education and Labor (E&L) and a December 14, 2022 hearing before E&L's

<sup>2</sup> A material weakness is defined as a deficiency in an organization's internal controls over financial reporting that could potentially result in a material misstatement in the financial statements. It is a serious weakness or flaw in internal controls that warrants corrective action on the part of management.

Subcommittee of Higher Education and Workforce Investment. Since the December 2021 hearing, AmeriCorps has taken steps towards improving its financial management, including the development of corrective action plans. The plans are intended to address material weaknesses identified and centralize and elevate accountability to the senior leadership level. AmeriCorps anticipates the full completion of the corrective actions by November 30, 2026. With a sustained commitment from senior leadership and additional funding for salaries and expenses, AmeriCorps can substantially improve its financial management infrastructure.

During the FY 2022 Financial Statement audit, AmeriCorps did not demonstrate adequate knowledge and understanding of Federal accounting standards and financial reporting requirements, and effective financial management practices (i.e., people, processes, and systems), which resulted in the material weakness related to knowledge gaps. In response to this material weakness, AmeriCorps senior leadership secured the services of the former Chief Financial Officer of the U.S. Department of Housing and Urban Development (HUD) as its Senior Advisor to the Chief Executive Officer on Financial Reform. With this adviser's experience in resolving material weaknesses at HUD, AmeriCorps developed the Financial and Operational Reform plan.

As part of its Financial and Operational Reform plan to improve its financial management and internal control environment, AmeriCorps engaged a team of contractors to advise them on proper Federal financial management and internal controls in May 2023. The contractors are to provide accelerated remediation in the areas of financial systems and reporting, grant accrual payables and advances, undelivered orders—grants, undelivered orders accounts payable—procurement, and other liabilities. To date, these contractors have prepared an “Initial Observations and Recommendations” report which details the results of their initial assessment and mirrors most of the issues identified by the financial statement auditors. In addition to engaging contractors, AmeriCorps has filled some critical accounting leadership positions, such as the Budget Director, and created an audit readiness team consisting of AmeriCorps personnel to assist with the facilitation of the OIG's annual financial statements audit and preparation of AmeriCorps' Annual Management Report. Also, AmeriCorps incorporated root cause identification and milestones in its corrective action plan and invested in new technology to support its core operations.<sup>3</sup>

### **Work Remaining to Address the Challenge**

While the steps taken to date have been promising, significant substantive work remains for AmeriCorps financial management to reach a maturity level where AmeriCorps can properly account for its funds. As noted in a review of AmeriCorps' January 2022 corrective action plan, we recognized AmeriCorps' effort to prepare, centralize, review, and track corrective actions as a welcome development that could help to guide the agency's long-term efforts to improve financial management. In our review, we found that AmeriCorps had increased investment and level of effort toward remedying the longstanding issues identified in annual audits of the financial statements and the Federal Information Security Modernization Act (FISMA) evaluation. However, we identified that additional work was needed to ensure that all of the corrective action plans would fully address the underlying issues identified.<sup>4</sup>

Our FY 2022 financial statement audit found that AmeriCorps continues to lack personnel who were experts on Federal financial operations and can ensure oversight of AmeriCorps' contractors and a

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<sup>3</sup> We discuss AmeriCorps' information security and technology challenges in further detail in [Challenge 3: Modernizing and Securing Information Technology](#).

<sup>4</sup> [Special Review Assessing AmeriCorps' Financial Statement Audit and Cybersecurity Corrective Action \(June 22, 2022\)](#).

successful data migration to ARC. Further, it is essential that the contractors brought in to perform financial remediation activities are appropriately supervised by AmeriCorps personnel knowledgeable of Federal financial operations. Due to gaps in the knowledge and skills necessary for proper oversight identified as part of the FY 2022 financial statement audit, there is a heightened risk that these contractors could perform inherently governmental functions. AmeriCorps management indicated that activities related to training and upskilling employees is planned as part of their financial remediation efforts.

Management must continue to prioritize financial management. With the \$29 million initial investment in new technology for its core operations, AmeriCorps must ensure that the new systems can interface with ARC's platform and other related systems that support financial transactions for grants and members. As much of the financial management reform has been funded through ARP funds, management will be challenged to ensure that financial reform is appropriately resourced in the future for sustainability of financial reform efforts.<sup>5</sup>

## Related OIG Products

### Audits

Report Number	Title	Issue Date
OIG-EV-23-08	<a href="#">FY 2023 Federal Information Security Modernization Act Evaluation of AmeriCorps</a>	09/29/2023
OIG-EV-23-03	<a href="#">FY 2022 Federal Information Security Modernization Act Evaluation</a>	04/03/2023
OIG-AR-23-01	<a href="#">Audit of AmeriCorps' FY 2022 Consolidated Financial Statements</a>	11/19/2022
OIG-SR-22-05	<a href="#">Special Review Assessing AmeriCorps' Financial Statement Audit and Cybersecurity Corrective Action Plan</a>	06/22/2022
OIG-EV-22-03	<a href="#">FY 2021 Federal Information Security Modernization Act Evaluation</a>	12/15/2021
OIG-AR-22-01	<a href="#">Audit of AmeriCorps' FY 2021 Consolidated Financial Statements</a>	11/15/2021
OIG-AR-21-05	<a href="#">FY 2021 Performance Audit of AmeriCorps Compliance under the Digital Accountability and Transparency Act of 2014</a>	11/08/2021
OIG-AR-20-01	<a href="#">Audit of the Corporation for National and Community Service's FY 2019 Consolidated Financial Statements</a>	11/20/2019

The reports listed in the table above have 126 open recommendations as of the date of this report. Of those, 87 are related to the financial statement audit.

<sup>5</sup> We discuss the implications of utilization of ARP funding in further detail in [Emerging Challenge: Effective Utilization of American Rescue Plan Funding](#).

# CHALLENGE 2: PRIORITIZING GRANT FRAUD PREVENTION AND DETECTION IN ITS PROGRAMS

Fraud negatively impacts AmeriCorps' ability to carry out its mission. Grant fraud in AmeriCorps' programs deprives deserving beneficiaries and organizations of essential funding and erodes the public's trust in national service programs. To combat fraud at all levels, oversight, transparency, and accountability measures are essential to ensure that grant funds are used for their intended purposes. AmeriCorps and its grantees must prioritize fraud prevention and detection to mitigate fraud risks.

AmeriCorps programs are susceptible to fraud at both the grantee and subgrantee levels. Fraud may involve individuals or organizations obtaining AmeriCorps grants through dishonest means, such as providing false information about the nature or scope of their service projects, conflicts of interest, the creation of fictitious members, inflating the number of members or volunteers or hours served, or diverting funds for personal gain. Each dollar lost to fraud is a dollar that does not help individuals and communities who need assistance.

Identifying and understanding fraud indicators is key to preventing and detecting fraud. AmeriCorps should prioritize training its staff, as well as grantees and subgrantees, on the implementation of proper internal controls to reduce opportunities for fraud to occur and how to identify fraud when it does happen.

One of the most frequently encountered frauds identified by our office is falsified or otherwise non-compliant timesheets. This type of fraud has a negative impact on AmeriCorps' core mission and financial statements and can be mitigated with the proper controls. Members earn education awards based on the number of hours served and AmeriCorps Seniors volunteers receive stipends based on the amount of time they volunteer. When members' and volunteers' service hours are inflated or misrepresented, AmeriCorps expends funds for falsely certified education awards and stipend payments. Typical fraud encountered includes timesheets crediting members or volunteers with service for obvious non-service activities, "bonus" hours, service prior to enrollment, and backdated or missing timesheets. Falsified timesheets have an accounting impact, as any fraudulent awards based on falsified timesheets are an overstatement of liabilities to AmeriCorps.<sup>6</sup> One of our investigations found University of North Carolina and East Carolina University AmeriCorps programs falsely certified member timesheets that included hours claimed to be served on holidays and weekends, excessive hours claimed towards the end of school years, and 16-hour service days which were beyond available service site hours. The universities paid a combined \$515,000 to settle the false claims allegations related to the timesheets in question.<sup>7</sup>

By statute, the agency's largest and most complex grant program, AmeriCorps State and National (ASN), follows a decentralized Federal model, in which much of the responsibility for monitoring grants lies with state commissions on volunteerism and AmeriCorps' largest grantees. Our audits, evaluations, and investigations of the monitoring activities performed by state commissions have shown a lack of

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<sup>6</sup> Education awards earned are put into a trust and expended when the recipient enters college. Awards earned, but not yet paid are considered a liability to AmeriCorps and reflected as such on the agency's balance sheet.

<sup>7</sup> Department of Justice, Press Release, [United States Reaches \\$842,500 Settlement with Two Public Universities and the North Carolina Commission on Volunteerism and Community Service to Resolve Alleged False Claims for AmeriCorps Funds \(Sept. 21, 2021\)](#).



adequate oversight and monitoring activities of their subgrantees, putting Federal funds at increased risk. In our 2021 evaluation of the Maine Commission for Community Service, we identified that opportunities existed to strengthen commission oversight of subgrantees.<sup>8</sup> In another instance, a different commission also failed to recognize that a program director for a subgrantee was debarred and continued to interact with him on matters related to AmeriCorps grants.<sup>9</sup> Had the commission adequately monitored its subgrantees, it would have likely identified the schemes used by the program director, which included enrolling ghost members and paying education awards in members' names to his own accounts. Instead, the schemes continued for years and resulted in the loss of hundreds of thousands of dollars.<sup>10</sup>

Further, a lack of fulsome and consistent data within eGrants leaves AmeriCorps without a way to properly oversee its subgrantees.<sup>11</sup> This is significant as a large amount of AmeriCorps funds are spent (and therefore have the potential to be misspent) at the subgrantee level. If AmeriCorps and its grantees collected more financial and performance data from subgrantees, they would be better able to leverage data analytics to identify the organizations that are receiving funding and how those funds are spent, enabling AmeriCorps to mitigate potential fraud.

Although the number of monitoring activities performed by AmeriCorps increased in recent years, in FY 2022, AmeriCorps only monitored the activities of 100 grantees out of over 2,000 active grantees (5 percent of all active grantees). Further, for a small subset of the 100 grantees, monitoring activities only occurred at the grantee level, and did not extend to associated subgrantees, missing an opportunity to perform meaningful oversight. This means that inspection did not occur at the level where funds were being expended – the subgrantees.

## Progress Toward Addressing the Challenge

AmeriCorps' March 2022 Strategic Plan identified *“Strengthen agency and program integrity by protecting AmeriCorps resources from fraud and mismanagement”* as a sub-objective to Strategic Goal 4: Effectively Steward Federal Resources. Initiatives led by the Chief Risk Officer and Office of Monitoring intend to raise the overall awareness of fraud risk across

AmeriCorps programs, resulting in the creation of its first-ever organization-wide fraud risk assessment. Additionally, in FY 2022, AmeriCorps developed a new antifraud training course, utilizing case studies to inform its grantees of the risks of fraud. However, AmeriCorps does not require that all grantees and subgrantees take the anti-fraud training—a best practice to communicate the importance of anti-fraud measures on a recurring basis. Establishing required fraud risk training for grantees and subgrantees, as well as all AmeriCorps employees, would enhance fraud detection throughout its operations.

In 2018, prior AmeriCorps senior leadership implemented an ambitious plan to reorganize. This reorganization, referred to as the Transformation Sustainability Plan, negatively impacted AmeriCorps'

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**“A fundamental element of stewardship is ensuring responsible use and management of taxpayer dollars, pertaining both to how our agency administers those funds and how recipients use those funds.”**

– AmeriCorps Strategic Plan 2022- 2026

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<sup>8</sup> AmeriCorps OIG [Evaluation of AmeriCorps Grants Awarded to the Maine Commission for Community Service](#) (March 30, 2021)

<sup>9</sup> Debarment excludes a person or entity from receiving government awards for a set period, generally up to three years, based upon a finding of wrongdoing related to honesty or integrity, a history of poor performance, or willful failure to perform the requirements of an award, or any cause serious enough to affect present responsibility.

<sup>10</sup> [Hawaiian Non-Profit Executive Pleads Guilty to Embezzling Over \\$500,000 from AmeriCorps and Agreeing to Receive a Bribe for Administering CARES Act Grants](#)

<sup>11</sup> eGrants is the system of record for grant activity used by AmeriCorps.

grant oversight and monitoring. Grant and program offices located at AmeriCorps headquarters, 46 state offices, and at the Field Financial Management Center in Philadelphia were reorganized to establish the eight-region structure of the Office of Regional Operations and centralized headquartered units, including the newly configured Office of Grant Administration and a centralized monitoring unit, the Office of Monitoring. In an April 2019 OIG Management Alert, we cautioned AmeriCorps to be attuned to the risks of reorganizing while simultaneously reforming its core business infrastructure.<sup>12</sup> Specifically, we recommended that AmeriCorps sequence the reforms, concentrating first on standing up infrastructure supporting informed and risk-based grantmaking and monitoring to accurately track expenditures. Since the release of our Management Alert, AmeriCorps has made little progress in expanding its monitoring—it annually monitors a small percentage of grantees that receive AmeriCorps funds. This has been compounded by the fact that AmeriCorps has continued to be challenged with financial management problems, receiving repeated disclaimers of opinion on its annual financial statements.

### **Work Remaining to Address the Challenge**

AmeriCorps' monitoring and fraud risk prevention is impeded by a series of legacy burdens and missteps, including frequent turnover in staff and key leadership positions, outdated information technology that does not support basic oversight functions, lack of financial resources, and the lack of modern oversight tools such as data analytics.<sup>13</sup> As long as these issues remain, AmeriCorps will not be able to conduct effective oversight of its grants. Further, information system limitations, particularly those within the eGrants system, have an oversized impact on the ability of AmeriCorps to adequately monitor grant activity.<sup>14</sup>

AmeriCorps must enhance its resources and tools to analyze grantees' data and activities to ensure that taxpayer funds are not being misused or stolen. Similarly, grantees need to engage in active oversight of subrecipient activities, that involves detection of fraud risks and the allowability of grant expenditures. AmeriCorps and its grantees should engage in industry recognized best practices of "trust but verify" the data received from subgrantees.

Finally, AmeriCorps should impress upon state commission and prime grantees their obligation to ensure subgrantees are adequately monitored, fraud risks are mitigated through internal controls, and suspected fraud is referred to the OIG by both the agency and its grantees without delay.

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<sup>12</sup> AmeriCorps OIG, [Draft Management Alert: Unrealistic Transformation Plan Unnecessarily Jeopardizes CNCS Mission \(May 14, 2019\)](#).

<sup>13</sup> We discuss the limitations that poor financial management practices present to grant oversight in [Management Challenge 1: Improving Financial Management](#).

<sup>14</sup> Challenges related to information technology are further discussed in [Management Challenge 3: Modernizing and Securing Information Technology](#).

## Related OIG Products

### Audits

Report Number	Report	Issue Date
OIG-AR-23-06	<a href="#">Performance Audit of AmeriCorps Seniors Grantees' Financial Management Systems</a>	08/01/2023
OIG-EV-21-01	<a href="#">Evaluation of AmeriCorps Grants Awarded to the Maine Commission for Community Service</a>	03/30/2021
OIG-AR-20-07	<a href="#">Audit of the Corporation for National and Community Service Grants Awarded to Youthprise</a>	09/30/2021
OIG-MA-19-01	<a href="#">Draft Management Alert: Unrealistic Transformation Plan Unnecessarily Jeopardizes CNCS Mission</a>	05/14/2019
OIG-AR-19-05	<a href="#">Agreed-Upon Procedures of Corporation for National and Community Service Grants Awarded to the North Carolina Commission on Volunteerism and Community Service</a>	03/12/2019

*The reports listed in the table above have 72 open recommendations as of the date of this report.*

### Investigative Results

Case Number	Report	Issue Date
I19HQ00064	<a href="#">U.S. Attorney's Office Reaches \$639,916 Settlement with Governor of Maryland's Office on Service and Volunteerism to Resolve Alleged False Claims for AmeriCorps Program Funds</a>	01/24/2023
I19HQ00041	<a href="#">Denver Public Schools Pays Over \$2.1 Million to Settle Allegations Relating to Misuse of AmeriCorps Funds</a>	08/02/2022
I19HQ00056	<a href="#">U.S. Settles Dispute with Lessie Bates Davis Neighborhood House over its AmeriCorps Program</a>	11/01/2021
I19HQ00060	<a href="#">Former Hawaii Public Official Pleads Guilty to Embezzling from AmeriCorps and Offering a Bribe in Return for a CARES Act Grant</a>	10/13/2021
I19HQ00044	<a href="#">United States Reaches \$842,500 Settlement with Two Public Universities and the North Carolina Commission on Volunteerism and Community Service to Resolve Alleged False Claims for AmeriCorps Funds</a>	09/21/2021
I19HQ00060	<a href="#">Wife of Hawaiian Non-Profit Executive Pleads Guilty Conspiring to Embezzle from AmeriCorps</a>	04/02/2021
I19HQ00060	<a href="#">Hawaiian Non-Profit Executive Pleads Guilty to Embezzling Over \$500,000 from AmeriCorps and Agreeing to Receive a Bribe for Administering CARES Act Grants</a>	03/26/2021
I17HQ00006	<a href="#">University of San Francisco Agrees to Pay over \$2.5M for Alleged False Claims in Its Administration of AmeriCorps Grants</a>	05/22/2020

## CHALLENGE 3: MODERNIZING AND SECURING INFORMATION TECHNOLOGY

For years, AmeriCorps has underinvested in its information systems, forcing personnel to work with antiquated systems that require work arounds or manual entries, and fail to capture necessary data. AmeriCorps also faces issues with capturing and retaining accurate data, outdated data systems, and safeguarding data and information systems.

Given the antiquated nature of its systems, AmeriCorps is unable to use its data effectively. These systems are not designed to capture accurate and complete data such as grant, member, volunteer, procurement, and financial reporting data. In our FY 2021 annual financial statement audit, we identified issues in AmeriCorps' financial management and reporting services arising from AmeriCorps' transition to ARC. Specifically, some grant transactions did not transfer from AmeriCorps' old financial reporting system to ARC's financial system and there was inadequate quality control in the conversion to ensure that the transactions transferred were in accordance with government-wide data standards.<sup>15</sup>

AmeriCorps' "work arounds" for its information systems have contributed to an overall lack of accountability—especially when shifts occur in programs that necessitate systems changes. For example, during the Covid-19 pandemic, AmeriCorps utilized flexibilities provided by the CARES Act to allow members to earn full and half education awards for completing less than the required hours for each award. Rather than making system adjustments reflecting the pandemic-related change, grantees were instructed to record the hours necessary to receive the education award, rather than the hours actually served, to trigger the system to pay an education award. This is problematic because the system of record no longer reflects actual hours served, meaning program performance metrics related to hours served are inaccurate. Further, the lack of accurate information reduces the integrity of the system and basis for educational awards and creates opportunities for fraud. Moving forward, AmeriCorps will be challenged to monitor hours served and validate education awards for the period when grantees were instructed to record inaccurate hours. This practice sends a message to grantees and subgrantees that AmeriCorps does not value data accuracy and provides opportunities for individuals to rationalize fraudulent record keeping.<sup>16</sup>

Safeguarding data and information systems also poses a continuing challenge throughout the Federal government, including at AmeriCorps. Cybersecurity is a critical risk, and effective information security is essential for the future of national service. Our FISMA evaluations have consistently rated AmeriCorps cybersecurity as *not effective* as defined by government standards. This is concerning, as AmeriCorps information systems hold over 25 years' worth of personally identifiable information for national service participants, including names, dates of birth, social security numbers, and, in some instances, health information. Additionally, our FY 2022 financial statement audit included a penetration test which discovered exploitable vulnerabilities that could compromise AmeriCorps' financial systems.

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<sup>15</sup> [Audit of AmeriCorps' FY 2021 Consolidated Financial Statements \(Nov. 15, 2021\)](#).

<sup>16</sup> The Association of Certified Fraud Examiners uses the Fraud Triangle to help explain why people commit fraud. The Fraud Triangle hypothesizes that if all three components are present — financial need, perceived opportunity, and rationalization — a person is highly likely to pursue fraudulent activities. Rationalization is part of the motivation of the fraud and allows the perpetrator to justify his or her actions before the fraud is committed.

## Progress Toward Addressing the Challenge

AmeriCorps encountered obstacles in replacing its antiquated grant management system, eGrants, and eSPAN, the Electronic Systems for Program Agreements and National Service Participants, which retains members' data. Both systems provide pertinent source data for its financial reporting.

In FY 2019, AmeriCorps wrote off a total of \$33.8 million expended for the development and acquisition of the Grants and Member Management System (GMM) software, which was intended to replace the eGrants and eSPAN systems.<sup>17</sup> In FY 2022, with the assistance of \$15 million in ARP funding and \$14 million in Technology Modernization funding, AmeriCorps issued two new contracts to modernize the eGrants and eSPAN systems.

Small gains have been made in cybersecurity. Our FY 2023 FISMA evaluation determined that AmeriCorps progressed in information system security management, moving from an overall rating of *defined* to *consistently implemented*. Despite this positive development, AmeriCorps' information security program continues to be deemed *not effective* by government benchmarks.<sup>18</sup>

## Work Remaining to Address the Challenge

As part of the information systems upgrade, management must prioritize implementation of appropriate internal controls and information security. AmeriCorps is at a crossroads—the system design decisions made during this critical period will determine the success or failure of the agency in the future. As the grant system is re-designed, management should pay particular attention to payment controls, data conversion, system and data documentation, interface requirements, identity verification, reporting, monitoring activities, grant closeout enhancements, subaward application process and data, reconciliations, program specific requirements, and resolution of prior audit findings. AmeriCorps should also take steps to plan for data conversion and attempt to avoid the challenges they experienced when migrating data to its shared services provider for their financial management system.<sup>19</sup>

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**“We hear loud and clear from the organizations who already work with AmeriCorps that the number one way we can support the organizations that apply for and administer our awards is to improve the operational performance and user-friendliness of the technology platform – eGrants, a 20+ year old system – through which organizations apply for and administer grants.**

**Additionally, AmeriCorps employees indicate that the antiquated system is a source of operational inefficiency and employee job dissatisfaction.”**

**– AmeriCorps Strategic Plan 2022-2026**

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<sup>17</sup> [Audit of the Corporation for National and Community Service's FY 2019 Consolidated Financial Statements \(Nov. 20, 2019\).](#)

<sup>18</sup> [Fiscal Year 2023 Federal Information Security Modernization Act Evaluation of AmeriCorps \(Sept. 29, 2023\).](#)

<sup>19</sup> We discuss AmeriCorps' data conversion issues with its shared services provider in [Challenge 1: Improving Financial Management](#).

## Related OIG Products

### Audits

Report Number	Report	Issue Date
OIG-EV-23-08	<a href="#">FY 2023 Federal Information Security Modernization Act Evaluation of AmeriCorps</a>	09/29/2023
OIG-EV-23-03	<a href="#">FY 2022 Federal Information Security Modernization Act Evaluation</a>	04/03/2023
OIG-AR-23-01	<a href="#">Audit of AmeriCorps' FY 2022 Consolidated Financial Statements</a>	11/19/2022
OIG-EV-22-03	<a href="#">FY 2021 Federal Information Security Modernization Act Evaluation</a>	12/15/2021
OIG-AR-22-01	<a href="#">Audit of AmeriCorps' FY 2021 Consolidated Financial Statements</a>	11/15/2021
OIG-AR-21-05	<a href="#">FY 2021 Performance Audit of AmeriCorps Compliance under the Digital Accountability and Transparency Act of 2014</a>	11/08/2021
OIG-AR-20-01	<a href="#">Audit of the Corporation for National and Community Service's FY 2019 Consolidated Financial Statements</a>	11/20/2019

The reports listed in the table above have 126 open recommendations as of the date of this report. Of those, 87 are related to the financial statement audit.

# EMERGING CHALLENGE: EFFECTIVE UTILIZATION OF AMERICAN RESCUE PLAN FUNDING

While the effective utilization of ARP funding does not yet rise to the level of a management challenge, it will develop as we begin to see the operational ramifications of management's ARP funding decisions. While these funds are subject to the same challenges as the appropriated funds, additional risks exist due to the speed at which the funds were disbursed. Our office is carefully monitoring how AmeriCorps utilizes funding under ARP and the impacts to the organization when the funding is no longer available.

The American Rescue Plan Act of 2021 is a \$1.9 trillion economic stimulus bill signed into law on March 11, 2021.<sup>20</sup> The legislation's primary intent was to speed up the country's recovery from the economic and health effects of the Covid-19 pandemic. Crafted in response to the economic and healthcare challenges posed by the Covid-19 pandemic, this comprehensive relief package sought to address a wide range of urgent needs, among those by furthering national service to communities in need. AmeriCorps received \$1 billion in ARP funding that would be available through the end of FY

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## American Rescue Plan Funding

\$620M for AmeriCorps State and National  
 \$148M for the National Service Trust  
 \$80M for AmeriCorps VISTA  
 \$73M for AmeriCorps Administrative Expenses  
 \$30M for AmeriCorps Seniors  
 \$20M for State Service Commissions  
 \$20M for the Volunteer Generation Fund  
 \$9M for the Inspector General

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2024.<sup>21</sup> While the legislation directed most of the funds towards national service, including operational grants to the state commissions and payments to the National Service Trust, it also directed \$73 million towards program administration and expenses necessary to carry out the programs and activities funded by the bill.

As directed by Congress, AmeriCorps directed the majority of its ARP funding to either augment ongoing activities or award additional grants. For example, AmeriCorps leveraged ARP funding to increase the living allowance for members, provide match replacement for some grantees, and create additional member slots. Additionally, ARP funds resulted in the award of additional grants that would not have been awarded under AmeriCorps' current appropriation level.

As noted in Management Challenge 1: Improving Financial Management, AmeriCorps is unable to properly account for its funds, meaning that ARP-related spending used to augment ongoing activities or award additional grants will be subject to the same accounting and control deficiencies as the grants funded by regular appropriations. Given the fraud risks that AmeriCorps faces due to their financial management issues, inherent risks associated with grants, and information system limitations, it is likely that the agency will face the same "pay and chase" model affecting other government agencies

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<sup>20</sup> The June 2023 Fiscal Responsibility Act rescinded unobligated American Rescue Plan Act funds across the government. AmeriCorps returned approximately \$70 million of the funding received under ARP back to Treasury.

<sup>21</sup> \$9 million of this funding is for OIG oversight activities, which is available until FY 2026.



who made large expenditures of pandemic-related funds without establishing proper internal controls.<sup>22</sup>

Another facet of AmeriCorps' ARP funding is the Public Health AmeriCorps (PHA). PHA is a program intended to support the recruitment, training, and development of the next generation of public health leaders who will be ready to respond to the nation's public health needs. The program has the goal of addressing public health needs of local communities and creating pathways to public health related careers for members. AmeriCorps issued 190 grant awards totaling \$155 million through two rounds of funding. These grants have been awarded to both existing grantees and new AmeriCorps grantees. In addition to the risks associated with new grantees, there are additional risks with grantees operating this new program, especially in the public health setting, where health and safety risks may be present, as well as increased risks of performing unallowable activities. We are concerned about the ability to recruit and retain 4,000 members to complete service in these positions. As of September 2023, AmeriCorps enrolled approximately 2,800 members. Although originally slated to provide \$400 million over 5 years, due to the Fiscal Responsibility Act, approximately \$175 million of unobligated Centers for Disease Control workforce development funds were returned to Treasury. Based on the low enrollment rate and uncertain funding, there is a risk that this program may not achieve its intended outcomes.

AmeriCorps ARP funds sunset at the end of FY 2024 and it is critical that the agency appropriately utilize its remaining funds and make plans for sustaining new initiatives created with ARP funding into the future. We strongly encourage AmeriCorps to pay particular attention to fraud risks, which is necessary for AmeriCorps to achieve their strategic objective entitled "Effectively Steward Federal Resources."

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<sup>22</sup> In addition to augmenting existing operations and awarding new grants, AmeriCorps used ARP funding for technology modernization. We discussed AmeriCorps' challenges related to information technology modernization in [Management Challenge 3: Modernizing and Securing Information Systems](#).

**Summary of Management Response:**

We provided a draft of this report and AmeriCorps provided a response on November 9, 2023. In their response, AmeriCorps noted that they are appreciative of the constructive engagement with our office. Regarding “Challenge 1: Improving Financial Management,” AmeriCorps stated that they now disagree with the knowledge gap material weakness issued as part of the FY 2022 financial statement audit. The response outlines ongoing and planned efforts regarding financial and operational reform. In response to “Challenge 2: Prioritizing Grant Fraud Prevention and Detection in its Programs,” AmeriCorps stated that they are committed to continuous improvement in grant oversight and monitoring and have taken steps to develop a dynamic, real time, portfolio risk assessment model to drive agency monitoring. The response to “Challenge 3: Modernizing and Securing Information Technology” outlined steps taken to secure information technology including the establishment of a cyber and privacy risk management program. Further, management identified efforts underway to replace legacy systems. Finally, in response to “Emerging Challenge: Effective Utilization of American Rescue Plan Funding,” AmeriCorps detailed the various initiatives and core programming for which ARP funds were used.

AmeriCorps response can be found in its entirety in Appendix A.

**Evaluation of Management Response:**

Our office found the response to the draft Management Challenges report to be appropriate and fully responsive. Regarding “Challenge 1: Improving Financial Management,” we disagree with AmeriCorps’ assessment that the FY2022 financial statements audit knowledge gap material weaknesses was inaccurate and instead a result of an underinvestment in systems and processes. We note that AmeriCorps formally concurred with the findings and recommendations related to a knowledge gap issued as part of the FY2022 financial statement audit. We look forward to future dialogue around the issue of personnel expertise and skills as it relates to financial reporting.

In response to “Challenge 2: Prioritizing Grant Fraud Prevention and Detection in its Programs,” our office is in alignment with AmeriCorps that steps need to be taken to further enhance monitoring efforts. We look forward to the outcomes of efforts described in the memo in the coming years.

As identified in “Challenge 3: Modernizing and Securing Information Technology,” AmeriCorps has taken steps to improve information technology and systems security, as evidenced by modest gains in the agency FISMA score in FY2023. The plans to replace legacy systems are a promising step and we encourage AmeriCorps to ensure that proper internal controls are built into the new systems and processes.

We will continue our oversight of ARP funds to ensure that they are effectively utilized, and that AmeriCorps puts plans in place to sustain initiatives undertaken with ARP funds when they are no longer available.

Our office appreciates AmeriCorps senior leadership’s continued engagement around the important issues described in this report.

# SCOPE AND METHODOLOGY

The Government Performance and Results Modernization Act of 2010 defines major management challenges as programs or management functions that are vulnerable to waste, fraud, abuse, and mismanagement, and where a failure to perform well could seriously affect the ability of AmeriCorps to achieve its mission or goals.

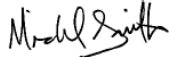
To develop the management challenges, we performed a review of OIG audits, investigations, other work products, and open recommendations to identify systematic issues facing AmeriCorps. We developed a list of risks that were then assessed for likelihood, impact, and velocity and further categorized into individual management challenges. Additionally, we reviewed relevant Government Accountability Office and Pandemic Response Accountability Committee reports.

# APPENDIX A: MANAGEMENT RESPONSE



## AmeriCorps

**To:** Stephen Ravas, Acting Inspector General, AmeriCorps Office of Inspector General

**From:** Michael D. Smith, Chief Executive Officer, AmeriCorps  


**CC:** Kimberly Benoit, Acting Deputy OIG  
 Jenny Mauk, Chief of Staff  
 Gina Cross, Chief Operating Officer  
 Danielle Melfi, Chief Program Officer  
 Fernando Laguarda, General Counsel  
 Malena Brookshire, Chief Financial Officer  
 Minh Dinh, Director Office of Reporting Compliance and Audit  
 Rachel Turner, Audits and Investigations Program Manager

**Date:** November 9, 2023

**Subject:** Management Response to OIG FY 2023 Draft Management Challenges Report

Thank you for the work of your office to provide an assessment of AmeriCorps' current status and offer suggestions to consider to support our improvement. The comments below summarize our initial response to each of the challenges and the emerging challenge outlined in the report. AmeriCorps will make its final determination for all findings and recommendations after receipt of the final report. We are grateful for the intent of this report as well as the constructive engagement to date.

### AmeriCorps Response to Challenge 1: Improving Financial Management

The agency disagrees with the Knowledge Gap material weakness as written. The agency's financial and operational infrastructure has suffered from a lack of sustained investment to deliver on its mission efficiently and effectively. Execution of the agency's financial and operational reform (FOR) plan is AmeriCorps' number one priority and the agency is moving full steam ahead investing in its financial infrastructure, modernizing its information technology systems, and standardizing and automating its processes to support improved performance by agency staff.

Agency leadership has confidence in the FOR plan as a catalyst for reform, confidence in the skills and expertise of the staff and contractors executing the FOR plan, and confidence that efforts to modernize AmeriCorps' systems will better prepare staff to sustain the progress the agency is making. The FOR plan remediation is focused on developing business process flowcharts, policy and procedure statements, internal control and financial reporting checklists, and training materials specific to AmeriCorps. These tools and training materials will provide the infrastructure to enable employees to effectively execute sound financial management processes specific to AmeriCorps.



Additionally, the agency is finalizing a first-ever comprehensive Office of the Chief Financial Officer organizational strategy. The strategy is informed by an internal analysis on infrastructure gaps within the office and outlines actionable efforts to sustain the FOR plan framework and operational improvements. The strategy includes a continuous improvement approach to competency management to ensure that gaps are addressed through the appropriate training and leadership development, and also proposes strategic organizational realignments to optimize performance.

AmeriCorps' path to excellence is focused on investing in its people, making improvements to its processes, and modernizing its technology to strengthen agency operations. We agree with the AmeriCorps Office of the Inspector General that progress to date has been promising and already has yielded tremendous results in FY 2023, including:

- Enhanced governance and decision making by engaging a financial and operational reform oversight team consisting of AmeriCorps senior executives and led by the chief of staff. This governance group meets every two weeks to monitor project deliverables and make resource decisions to advance progress.
- Re-established the agency's Board of Directors Oversight and Governance Committee, which regularly meets with management to ensure adherence to the FOR plan and recommend course corrections if required.
- Made progress in modernization efforts, including preparing for the critical system integrations phase between the grants management system and Administrative Resource Center Oracle financials, focusing efforts on developing a data migration plan, and developing a thoughtful strategy for decommissioning legacy systems.
- Standardized financial statement procedures and worked toward automating financial reporting processes by leveraging a cloud-based solution for producing financial statements, footnotes, and supporting reconciliations together with the agency's shared services provider. This effort will provide a more standard, controlled, automated process for preparing and producing financial statements and footnotes, helping to mitigate audit concerns related to the use of non-standardized Microsoft Excel templates and manual edits.
- Awarded a Comprehensive and Targeted Reform Blanket Purchase Agreement to efficiently engage contractor services as needed, a first for the agency. Under the Blanket Purchase Agreement, AmeriCorps will engage and receive the expertise of the contractors for a large array of FOR plan activities such as project management, systems accounting, internal controls design, report writing, and more.

AmeriCorps has worked hard to put these pieces into place and has cultivated a culture of accountability and a sense of optimism and excitement among staff and leadership related to reform efforts that will support sustained momentum moving forward.



I am confident our personnel have the expertise and experience to provide proper oversight and supervision of the contractors to ensure a successful transformation and data migration to the Administrative Resource Center. Contractors are not engaged to perform functions that are inherently governmental functions, nor are they making management decisions or performing any approval functions. The contractors are performing assessments and making recommendations for management to consider and assisting in the preparation of policy and procedure statements and training tools under management's supervision and direction.

#### **AmeriCorps Response to Challenge 2: Prioritizing Grant Fraud Prevention & Detection in Its Programs**

The agency is committed to continuous improvement in grant recipient oversight and monitoring, and we continue to make our systems and practices more robust. We have appreciated your office's perspectives, advice, and insights as we developed both the agency's monitoring processes and the grantee fraud risk processes.

The Office of Monitoring was established in 2019 and began monitoring in FY 2020. The office rebuilt the agency's monitoring framework by using the risk-based approach long recommended by the OIG and the Government Accountability Office. Since the Government Accountability Office issued report 17-90, Grants Management: Monitoring Efforts by Corporation for National and Community Service Could Be Improved, AmeriCorps has closed five of the six report recommendations. Agency staff are actively working to resolve the final open recommendation.

The Office of Monitoring is responsible for a significant component of the agency's grantee oversight framework and conducts independent on-site and remote compliance visits using data to target areas of risk with specific monitoring activities. In FY 2022, the office's third monitoring cycle and the first unimpacted by COVID-19, the Office of Monitoring completed monitoring activities for 103 grants. In FY 2023, the office nearly doubled the number of grants monitored to 203 grants. FY 2023 included monitoring completed via AmeriCorps' new interagency agreement with the Department of Veterans Affairs for enhanced financial monitoring and the "New to AmeriCorps" monitoring activity for grantees new to our agency. Throughout the development of new monitoring protocols and systems, the agency looked to the OIG for insights and recommendations and designed and refined the risk-based framework with valuable input from the OIG.

In addition to the work conducted by the Office of Monitoring, the agency's oversight framework also includes:

- A grantee payment integrity assessment, which reviewed 1,121 grantee transactions in FY 2023;
- A Grantee Progress Report and Federal Financial Report review, which in FY 2023, included the agency reviewing 2,784 Grantee Progress Reports and 3,411 Federal Financial Reports;



- Portfolio risk assessment indicators, while largely used by the Office of Monitoring to identify high risk grantees, also include analytics regarding grantee performance that were previously conducted manually (including drawdown analysis); and
- Pre-award financial stability reviews that were expanded from new recipient organizations to all new or renewing recipient organizations.

Regarding the agency's fraud risk management, AmeriCorps developed a dynamic, real-time portfolio risk assessment model to drive agency monitoring. To develop this model, the agency benchmarked with 21 other federal agencies and grant makers, actively engaged in and sourced resources and ideas from a cross-federal risk assessment workgroup, and garnered insights from agency and OIG staff. The current model uses internal (e.g., drawdown rate and staff turnover) and external (e.g., Internal Revenue Service Form 990, Federal Audit Clearinghouse data, and Payment Management System data) information to populate real-time risk as sources are updated. Risk categories include organizational, compliance, operational, programmatic, and fraud risk. The fraud risk factors in this module were determined with consultation from the OIG and were specifically used by the Office of Monitoring to update the agency's monitoring methodology to assign Financial and Operational Fitness Assessments and Prohibited Activities monitoring activities to grantees with elevated fraud risks.

In addition to the portfolio risk assessment, the agency produces a broad risk profile and risk register in accordance with OMB Circular A-123, assesses grantee fraud risk annually to generate focused grantee fraud risk profile, and assesses annual internal agency fraud risk to produce an internal fraud risk profile. AmeriCorps also conducts a risk assessment, which includes assessment of fraud risk at annual stages of the annual internal controls assessment.

### **AmeriCorps Response to Challenge 3: Modernizing & Securing Information Technology**

AmeriCorps significantly fortified its organizational security by implementing robust measures, including multi-factor authentication, for added user account protection. Security awareness trainings were a key focus to reduce human errors that can lead to breaches. Furthermore, the Office of Information Technology has established a cyber and privacy risk management program to identify, assess, and manage security risks effectively. As a result, the agency has raised the organization's Federal Information Security Modernization Act score from two to three.

In addition, AmeriCorps is actively engaged in platform modernization efforts (such as zero-trust architecture) with Zscaler, the agency's Office of the Chief Financial Officer, and Office of Human Capital on business process modernization and inventory management via ServiceNow. The Office of Information Technology is also progressing toward the automation of human processes through robotic process automation, ultimately aiming to elevate AmeriCorps' capability maturity model.

Replacing legacy systems with a modern platform that brings Americans together for the betterment of communities through grants and national service is a top agency priority. Since



establishing a modernization team focused on connecting the people and processes to technology, significant milestones have been achieved. AmeriCorps has acquired a commercial off-the-shelf system that is configurable to federal standards and AmeriCorps' regulatory requirements and will replace the legacy eGrants system. This modernization project was awarded a Technology Modernization Fund investment, and in July 2023 attained an Interim Authority to Operate the new grant management solution. The solution will leverage existing federal systems to support grant management and oversight with integrations to SAM.gov and Login.gov. Additionally, the agency aligned our system modernization efforts with those related to financial and operational reform to ensure that we can complete the last phase of migration to the Administrative Resource Center Oracle financial systems and successfully integrate these systems. AmeriCorps continues to implement agile system development, conduct User Acceptance Testing of system releases that move us toward system launch in 2024, and pursue a full Authority to Operate and FedRAMP Authorization for the grant management solution. On the member side of our systems modernization initiative, the agency is implementing an in-house, custom build of the future Member and Volunteer Management System, which will replace the My AmeriCorps Portal. The agency recently awarded a contract to a vendor that will support our modernization and information technology teams with this modular build, beginning with national service applicant search and apply functions.

As part of the on-going modernization initiative to replace the legacy eGrants and My AmeriCorps Portal systems used by AmeriCorps, the modernization team has consulted with program representatives to develop business requirements that inform the design of the future systems. Pain points, like the limited eGrants system capabilities referenced by the OIG, are being identified and assessed for process refinements and system design considerations, especially where technology can support mitigations related to grantee noncompliance and fraud risk. The modernization team will continue to support AmeriCorps lines of business to ensure system requirements are designed to meet business needs, and wherever possible, processes are streamlined, standardized, and enhance the user experience. We are pleased to be at the stage of our modernization initiative where we can begin preparing to test critical system integrations, like those between the grants management system and Administrative Resource Center Oracle financials, and we can focus efforts on developing our data migration plan and a thoughtful strategy for decommissioning legacy systems. The agency continues to seek guidance and advice on our modernization efforts from industry experts and partners at the Grants Quality Services Management Office, the Technology Modernization Fund Program Office, and our coach at the Department of Homeland Security's Procurement Innovation Lab.

#### **AmeriCorps Response to Emerging Challenge: Effective Utilization of American Rescue Plan Funding**

American Rescue Plan funds were used to support the agency's core programming of distributing grants and resources to communities. Specifically, American Rescue Plan funds were used to increase the member living allowance, provide match replacement for some grantees, create additional member slots, augment existing grants, and award new grants. These activities align with the agency's strategic plan goal 1: partner with communities to alleviate poverty and advance racial equity. AmeriCorps remains committed to reducing barriers





to service, recruiting a diverse corps, and creating meaningful economic and educational pathways from service. Because of that, AmeriCorps will continue to maintain the increase to the living allowance. Without an increase in appropriations, AmeriCorps is prepared for a reduction of the members and volunteers serving to sustain increases to living allowance and stipend amounts. The agency is also seeking to advance match reform through rule making and statutory change for AmeriCorps State and National and the Volunteer Generation Fund respectively. The short-term augmentation and expansion of grants will not continue post-American Rescue Plan implementation.

Public Health AmeriCorps is a new program developed in partnership with the Centers for Disease Control and Prevention to achieve targeted goals around increasing public health capacity in communities and diversifying the future public health workforce. As a result, the program required significant ramp-up internally. Externally, grantees (especially those new to AmeriCorps) spent a portion of the first year developing their policies and procedures, hiring staff, and building their own programs before beginning to recruit.

While Public Health AmeriCorps is a new program, Public Health AmeriCorps funding is monitored with the same controls as AmeriCorps State and National programs. Public Health AmeriCorps grantees are tested as part the agency's annual payment integrity process and are monitored as part of the AmeriCorps portfolio. Many Public Health AmeriCorps grantees are new to the agency and have been assigned a "New to AmeriCorps" monitoring activity which looks proactively at policies, procedures, and internal controls that are in place at grantee sites to build capacity and ensure that grantees have a strong start with their new AmeriCorps grant implementation and administration. We expect the emphasis on strong internal controls at the beginning of the grant will help mitigate findings down the road.

The Fiscal Responsibility Act resulted in a \$70 million rescission of American Rescue Plan funds from AmeriCorps programs, and \$176 million from the Public Health AmeriCorps agreement with the CDC. Considering the Fiscal Responsibility Act's impact to programming, AmeriCorps is adjusting plans for the utilization of remaining American Rescue Plan and Public Health AmeriCorps funds.

