AmeriCorps

OFFICE OF INSPECTOR GENERAL

AUDIT OF AMERICORPS' FISCAL YEAR 2022 CONSOLIDATED FINANCIAL STATEMENTS

OIG Report 23-01

Prepared by:

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

OFFICE OF INSPECTOR GENERAL
AmeriCorps

OFFICE OF INSPECTOR GENERAL
AmeriCorps

November 19, 2022

MEMORANDUM TO: Michael D. Smith
Chief Executive Officer

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

SUBJECT: Audit of AmeriCorps' Fiscal Year 2022 Consolidated Financial Statements, OIG Report 23-01

We contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to audit the consolidated financial statements of AmeriCorps for the fiscal year (FY) ended September 30, 2022. The contract required RMA to express an opinion on whether AmeriCorps' FY 2022 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 other applicable standards.

- **Disclaimer of Opinion:** AmeriCorps could not provide sufficient appropriate evidential matter to support the amounts in the consolidated financial statements due to inadequate processes, controls, and records to support transaction and account balances. As a result, RMA could not determine the effect of the lack of sufficient appropriate audit evidence on AmeriCorps' financial statements as of and for the year ended September 30, 2022. Furthermore, due to the limitations described above, RMA was not able to perform the required tests of controls and compliance.

- **12 material weaknesses** and **two significant deficiencies** in AmeriCorps' internal control over financial reporting. RMA reported the following material weaknesses and two significant deficiencies, Information Technology Security Controls (Modified Repeat) and Accounts Receivable and Allowance for Doubtful Accounts (Repeat), as described in Exhibits I and II of this report:

    1. Knowledge Gap throughout Financial Management Operations (New)
    2. Internal Controls Program (FMFIA)- (Modified Repeat)
    3. Financial Reporting (Modified Repeat)

AmeriCorps
Office of Inspector General
250 E St., SW, Suite 4100
Washington, DC 20525

4. General Ledger Adjustments (Modified Repeat)
5. Undelivered Orders – Grants and Grant Activity (Modified Repeat)
6. Undelivered Orders – Procurement and Accounts Payable (Modified Repeat)
7. Trust Obligations and Liability Model (Modified Repeat)
8. Recoveries of Prior Year Obligations (Modified Repeat)
9. Grant Accruals and Advances (Modified Repeat)
10. Advances from Others (New)
11. Migration to Shared Service (Modified Repeat)
12. Other Liabilities (Repeat)

- RMA considered AmeriCorps' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, RMA does not express such an opinion.

Had RMA been able to obtain sufficient appropriate audit evidence to express an opinion on the consolidated financial statements, other material weaknesses or significant deficiencies, or instances of noncompliance or other matters may have been identified and reported.

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

RMA is responsible for the attached independent auditors' report, dated November 18, 2022, and the conclusions expressed therein. However, our review disclosed no instances where RMA did not comply, in all material respects, with GAGAS.

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

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

We were engaged by AmeriCorps' Office of Inspector General to audit the accompanying financial statements of AmeriCorps, which comprise the consolidated balance sheet as of September 30, 2022, the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the fiscal year then ended, and the related notes to the financial statements (referred to herein as the 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 to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the fiscal year 2022 financial statements.

Basis for Disclaimer of Opinion

AmeriCorps could not provide sufficient appropriate evidential matter to support the amounts in the consolidated 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' financial statements as of and for the year ended September 30, 2022. Due to the limitations described above, we were not able to perform the required tests of controls and compliance. Furthermore, the financial statements and accompanying notes as of and for the year ended September 30, 2022 (1) were not in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), (2) were not in compliance with the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, (OMB A-136), and (3) had mathematical errors and inconsistencies.

Other Matter

The financial statements of the prior period were engaged to be audited by a predecessor auditor. The predecessor auditor issued a disclaimer of opinion as of and for the year ended September 30, 2021. The predecessor auditor report was dated November 8, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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 Financial Statements

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the U.S. generally accepted auditing standards; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the U.S.; and OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 financial statements in an appropriate operational, economic, or historical context.

We were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because we were not provided with the information timely. 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. 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 basic the 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.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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 first 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 Exhibit I and Exhibit II, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency, respectively. The status of prior year recommendations is in Exhibit III.

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 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 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 financial statements.

Management's Response to Audit Findings and Recommendations

AmeriCorps' Response to Audit Findings and Recommendations comments can be found in Exhibit IV. AmeriCorps did not express concurrence or nonoccurrence to our findings and recommendations. AmeriCorps' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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 deficiencies we consider to be material weaknesses and significant deficiencies, the scope of our testing of compliance and results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 18, 2022

Exhibit I – Material Weaknesses

I. Knowledge Gap throughout Financial Management Operations (*New*)

The recurring annual disclaimer of opinion on AmeriCorps' financial statements and the repeat material weaknesses are indicative of knowledge gaps at all levels of AmeriCorps' financial management operation. Management has not demonstrated adequate knowledge and understanding of (1) Federal accounting standards, U.S. GAAP promulgated by FASAB, (2) Federal financial reporting requirements provided by OMB A-136, (3) effective financial management practices (i.e., people, processes, and systems), and (4) the internal control environment necessary to mitigate the associated risks. Without the proper subject matter experts that can assist in creating sustainable processes and systems that operate effectively in a U.S. GAAP-compliant environment, AmeriCorps is unable to develop, implement, and execute an effective internal control environment, which includes people, processes, and systems.

Furthermore, AmeriCorps' inability to invest sufficient resources to recruit, train, and retain financial management personnel at all levels with the requisite knowledge, skill, and experience in sound financial management has led to its (1) ineffective operations, (2) repeat deficiencies in internal control, and (3) inadequate processes to address changes to accounting standards issued by FASAB and reporting requirements provided by OMB. Without sound financial management, AmeriCorps cannot report accurately to Congress, the public, and other stakeholders about its stewardship of Federal funds and credibly hold grantees accountable for their financial management practices.

We recommend AmeriCorps:

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. **(*New*)**

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. **(*New*)**

3. Recruit financial leaders with relevant Federal financial management capabilities. **(*New*)**

4. Implement core and specialized training to develop competencies in internal control and financial management, including the development of hands-on workshops to address existing and future standards, and financial management and reporting requirements. **(*New*)**

II. Internal Controls Program (FMFIA) (*Modified Repeat*)

An effective system of internal control is necessary to provide reasonable assurance that a Federal entity conducts its programmatic activities effectively and efficiently, has a reliable

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

financial reporting system, and complies with applicable laws and regulations. Without a fully functional internal controls program, AmeriCorps might not meet its financial, programmatic, and compliance objectives. Establishing internal controls that meet Federal standards is a core responsibility of the management of a Federal agency, as required by the Federal Managers Financial Integrity Act of 1982 (FMFIA), OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, (OMB A-123), and GAO's Standards for Internal Control in the Federal Government (GAO Green Book). In management's statement of no assurance dated October 28, 2022, AmeriCorps acknowledged that its system of internal controls does not currently provide the necessary level of assurance in any of the three required areas.

Although AmeriCorps made some improvements in developing and monitoring Corrective Action Plans (CAPs) and hired additional resources to help support financial operations, AmeriCorps continues to have internal control deficiencies. More specifically:

- As management recognized, AmeriCorps lacked the capacity to effectively implement all its CAPs during FY 2022 sufficiently to resolve the nine material weaknesses and one significant deficiency reported in the prior year's audit report.
- AmeriCorps did not conduct tests of design and effectiveness to ensure its CAPs resolved the prior year's findings.
- AmeriCorps advised that it had completed CAPs for material weaknesses, but the new controls and revised procedures intended to address the prior year's identified issues did not remedy them.
- AmeriCorps' entity-level control risk assessment is not consistent with the prior years' audit results nor with observations of the current year's results. AmeriCorps rated 15 of the 17 entity-level control principles as medium risk and two as high risk. We disagree with some of these ratings:
    - **Medium Risk - Principle 9 – Identify, Analyze, and Respond to Changes that could impact the internal control system**.[1] AmeriCorps did not originally appreciate the magnitude of the risks associated with the data migration to the Administrative Resource Center (ARC) within the U.S. Treasury Department's Bureau of Fiscal Services, such as interface issues between Momentum and Oracle, and did not devote the necessary level of effort and resources to clean-up and support financial information prior to the migration. These difficulties, which AmeriCorps knew of by FY 2022, plus the delays in implementing changes to the Trust Model, Grant Accrual, and Accounts Payable methodologies, together contributed substantially to this year's disclaimer. Accordingly, we do not see how this principle could reasonably be regarded as medium risk.
    - **Medium Risk - Principle 17 – Management remediates identified internal control deficiencies on a timely basis**.[2] The repeated material weaknesses and disclaimer status since FY 2017 demonstrate that internal control deficiencies are not being remediated in a timely manner. The likelihood and impact of this risk are both extremely high.

[1] GAO's Standards for Internal Control in the Federal Government (GAO Green Book), Section 9.01
[2] GAO's Standards for Internal Control in the Federal Government (GAO Green Book), Section 17.01

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

- AmeriCorps' Grants Financial Management Process Narrative updated as of March 2022 did not identify a control gap to verify the accuracy of AmeriCorps' reporting of Advances and Prepayments, which is adjusted based on the grant accrual estimate. Grants Payable and Advances has been reported as a material weakness for the previous three audit cycles and is again reported as a material weakness in FY 2022.

We recommend AmeriCorps:

5. Develop a process to understand the root causes and conditions behind each control deficiency and the discrepancies between the control deficiencies identified by AmeriCorps' internal control testing and those reported by the external auditors. The document should consider the information presented to the Risk Management Council and their decisions, as well as any other considerations used in determining the classification of the control deficiency. Furthermore, this understanding should be used to develop and implement CAPs to address the deficiencies. **(*Modified Repeat*)**

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. **(*New*)**

7. Revise the Business Process Narratives to incorporate significant changes in the current financial and control environment. **(*New*)**

III. Financial Reporting (*Modified Repeat*)

OMB A-123 requires agency management to establish and maintain internal controls to achieve, among other objectives, reliable financial reporting. All aspects of AmeriCorps' operations roll into its financial reporting and affect AmeriCorps' ability to produce reliable financial statements and disclosures. AmeriCorps' process for preparing and reviewing its financial statements continues to lack sufficient controls, and AmeriCorps did not produce financial information in a timely manner. When combined, the following deficiencies give rise to a material weakness in financial reporting:

(1) Financial statements and accompanying notes were not prepared in accordance with U.S. GAAP,
(2) Financial statements and accompanying notes were not prepared in compliance with the OMB A-136,
(3) AmeriCorps did not provide sufficient quality control review and validation processes to identify inaccurate and abnormal balances in the financial statements,
(4) The final draft of the Annual Management Report (AMR) was provided the late afternoon, November 14, 2022, which is the day before it was due with continued mathematical errors, inaccuracies, and prior year amounts that did not agree, and
(5) AmeriCorps did not verify that its note disclosures were complete and accurate.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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

AmeriCorps failed to correct errors identified and communicated by the auditors relating to its June 30, 2022, consolidated financial statements, and the same errors continued to exist in the Draft September 30, 2022, consolidated financial statements provided for audit. Therefore, AmeriCorps' draft consolidated financial statements and accompanying notes as of and for the year ended September 30, 2022 were not in accordance with U.S. GAAP nor in compliance with OMB A-136. More specifically, AmeriCorps' financial statements and accompanying notes had prior year balances that did not agree with the reported prior year financial statements, balances that did not agree with provided evidential matter, note disclosures that were missing, incomplete, inaccurate, or incorrect and misleading, mathematical errors, and formatting errors.

For example, the following required note disclosures were missing on the Draft financial statements:

- Liabilities Not Covered by Budgetary Resources
- Commitments and Contingencies
- Unobligated Balances Brought Forward
- Restatement Disclosures
- Statement of Budgetary Resources disclosure related to information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations
- Note 5, *General Property, Plant, and Equipment, Net*. did not disclose the roll forward of property, plant, and equipment.

The following required note disclosures were not provided timely or at all:

- Note 6, *Advances and Prepayments*
- Note 12, *Reconciliation of Net Cost to Net Outlays*
- Combining Statement of Budgetary Resources (if applicable to AmeriCorps)

Additionally, AmeriCorps did not properly present financial information and identify other errors in its consolidated financial statements and accompanying notes. For instance:

- 'Benefit Program Contribution Payable' and 'Federal Employee [and Veteran] Benefits Payable' has note references to Note 7, *Liabilities not Covered by Budgetary Resources*, but the amounts reported in the Balance Sheet do not agree to Note 7.
- Certain balances and line items in the financial statement did not agree with the trial balance provided as of and for the year ended September 30, 2022.
- AmeriCorps states that the financial statements were reclassified but did not annotate which financial statements and notes were reclassified. Additionally, the narrative in the note explained was unrelated to activities applicable to AmeriCorps.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

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

Similar to prior years, AmeriCorps continued to struggle throughout FY 2022 in preparing, reviewing, and providing documentation to support its reported financial activity. In some cases, the information was not provided timely or completely, and in others, it was not provided at all. For example:

- AmeriCorps did not document financial account balance fluctuation expectations based on its operating environment and compare those expectations to the identified significant balance fluctuations for reasonableness. Additionally, the explanations provided for significant fluctuations were generic and did not specify the transactions, changes in operations, and trends that would provide insight into the root cause of the balance fluctuations.
- The 'Appropriations Received' line item on the Statement of Changes in Net Position (SCNP) for the period ended March 31, 2022 reflected the sum of the prior year and current year annual appropriations in the total amount of $3.2 billion. The reported amount is overstated by $2.1 billion since appropriations received in FY 2022 totaled $1.1 billion. AmeriCorps' internal controls did not identify this error in its review of the financial statements.
- AmeriCorps reported 'Unapportioned, Unexpired Accounts' of approximately $200 million for the year ended September 30, 2022. AmeriCorps was unable to provide evidential matter to substantiate the reported balance.
- AmeriCorps did not reconcile its abnormal balances reported in the Government-wide Account (GWA) Statements. Specifically, the GWA Statement reported the following abnormal balances:
    - Gross Disbursements as of June 30, 2022 and September 30, 2022 reported abnormal balances of ($132.1) million and ($89.1) million, respectively.
    - Offsetting Collections as of September 30, 2022 reported an abnormal balance of ($205.9) million.
- A significant number of reclassification issues were identified between the Central Accounting Reporting System (CARS) and the Oracle system relating to the use of incorrect Business Event Transaction Codes (BETC)[3]. Specifically, we noted material differences between the amounts recorded in CARS and Oracle related to the authority for $340.0 million, transfers for $1.4 million, gross disbursements for $128.7 million, and offsetting collections for $210.0 million.
- AmeriCorps' current process over the SF 132, *Apportionment and Reapportionment Schedule*, to SF 133, *Report on Budget Execution and Budgetary Resources*, reconciliation, is not adequately documented to ensure amounts are consistent and accurate.

[3] Business Event Type Code (BETC) indicates the type of activity being reported for a specific transaction (e.g., disbursements, payments, collections, borrowing, refund, etc.).

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

We recommend AmeriCorps:

8. Develop and implement effective controls, including a quality assurance process, necessary to ensure that: **(*New*)**
   a. accounting and reporting are in accordance with U.S. GAAP and financial information is presented in compliance with OMB Circular A-136.
   b. account balances are accurate as of and through the reporting period.
   c. the proper validation, review, and approval over financial reporting and the AMR compilation.

9. Develop, identify and make available the training necessary to ensure that staff obtain and update the skills necessary to ensure compliance with: **(*New*)**
   a. FASAB concept and accounting standards.
   b. OMB A-123.
   c. OMB A-136.
   d. GAO Disclosure checklist.
   e. Treasury's U.S. Standard General Ledger annual update.
   f. the correct use of the Business Event Transaction Codes (BETC) when submitting transactions to Treasury.

IV. General Ledger Adjustments (*Modified Repeat*)

AmeriCorps did not properly design and implement internal controls over manual journal entries and other adjustments to the General Ledger (GL). Management continues to rely heavily on journal entries (JEs) to correct financial reporting issues instead of addressing the root causes driving the need for many JEs. For the nine months ended June 30, 2022, AmeriCorps used JEs to record approximately $19.3 billion in transactions (absolute value).

(Reported in millions)	June 30, 2020	June 30, 2021	June 30, 2022
Count of JEs	120	395	337
Total $ Value of JEs	$22,539.1	$13,275.8	$19,348.6

While the large dollar transactions in FY 2020 may have been attributable to clean-up efforts preceding the conversion to shared services, the use of manual journal entries continues to be substantial following the migration.

Additionally, in our sample testing of JEs, AmeriCorps did not complete all the description fields for 5 of 45 and JEs were improperly posted to incorrect accounts in 3 of 45 journal entries tested.

Therefore, the prior audit recommendations in Exhibit III remain open and unimplemented.

We recommend AmeriCorps:

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. **(*New*)**

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

Undelivered orders (UDOs) reflect legally binding agreements for which AmeriCorps has not yet received the contracted good or service. AmeriCorps' legally binding agreement for a grant is a Notice of Grant Award (NGA). Delivered orders and the related expenses are incurred and recognized when grantees incur allowable grant expenses. AmeriCorps was unable to support the initial UDO amounts, along with related grant expenditure activity. The combination of these deficiencies in aggregate results in a material weakness in internal control related to UDO's grant activity.

Therefore, AmeriCorps is unable to report accurately the amount of its UDOs, as required by GAO's Green Book, which states, "Accurate and timely recording of transaction: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.".

The difference between the NGA award amount and the Payment Management System (PMS) grant expenditures did not agree with the UDO amount recorded in the GL for 72 of the 108 grant UDO samples selected. AmeriCorps was unable to reconcile the total differences of approximately $57.6 million. There should be no differences in the UDO balance between Momentum, where the Grants UDO is recorded, and the UDO balance derived from the net grant awards from NGA and the grant expenditure from PMS.

In addition, expenditures for 15 grants reported in the PMS did not reconcile to the grant expenditures recorded in Momentum.

Therefore, the prior audit recommendations in Exhibit III remain open and unimplemented.

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

UDOs reflect legally binding agreements for which AmeriCorps has not yet received the contracted good or service. Delivered orders and the related expenses are incurred and recognized when AmeriCorps obtains goods and services from the public or other Federal entities. AmeriCorps was unable to support the initial UDO amounts, along with related contracted activities and accounts payables. The combination of these deficiencies in aggregate results in a material weakness in internal control related to UDO activity and accounts payable.

Therefore, AmeriCorps is unable to report accurately the amount of its UDOs, as required by GAO's Green Book, which states, "Accurate and timely recording of transaction: Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.".

AmeriCorps was unable to support the activity in its UDOs for 31 of 45 non-grant UDO samples. The original procurement documents plus or minus any modifications, and the expenditures did not agree with the UDO amount recorded in the GL. The total difference was $36.1 million, and the absolute value was $72.2 million. In addition, for six of the samples selected, the appropriate authorization for the current or amended contract was missing.

Finally, AmeriCorps has not implemented prior audit recommendations to document key controls in its accounts payable accrual methodology. Therefore, the prior audit recommendations remain open and unimplemented.

We recommend AmeriCorps:

11. Determine the root cause behind the differences noted in the UDO balance derived from the procurement documents and the expenditures and the recorded GL amount and take the appropriate steps in resolving the reason behind the variances that are occurring. **(*New*)**

12. Strengthen controls to ensure proper authorization signatures on all contracts and amendments that require bi-lateral signatures for the proper execution of the award. **(*New*)**

13. Develop and implement its Accounts Payable (AP) accrual methodology and perform tests of design and effectiveness over its UDO and AP accrual process. **(*Modified Repeat*)**

Additional open repeat recommendations from the FY 2019 and 2021 audit report can be found in Exhibit III, Status of Prior Year Recommendations.

VII. Trust Obligations and Liability Model (*Modified 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 $340 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 first quarter of FY 2019, AmeriCorps began to apply a new actuarial model (the Trust Obligation Liability Model or TOLM) to the member data. Although AmeriCorps originally committed to perform data validation in the third quarter of 2023, the validation is not scheduled to be completed until

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY 2024. Further, management advised that the methodology is subject to change after the agency conducts its data validation, depending on the results.

We recommend AmeriCorps:

14. Verify and validate the underlying input data to the TOLM. **(*New*)**

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. **(*New*)**

VIII. Recoveries of Prior Year Obligations (*Modified Repeat*)

Although AmeriCorps represented that its CAPs in this area were fully implemented, the changes have not resolved the substantial issues in the agency's reporting of its Recoveries of Prior Year Obligations. We sampled 53 prior-year recovery transactions and determined that the recovery amount per the support for 31 of 53 samples differed significantly from the amount reported by AmeriCorps. As a result, AmeriCorps overstated its Prior Year Recoveries by $155.1 million (net) or 57 percent. The overstatement of Prior Year Recoveries arose because:

- Grant closeout samples did not equal the difference of the total amount awarded less total reported expenses.
- Prior year recoveries resulting from amendment(s) on an active grant did not agree to the amount de-obligated per the NGA.

Overstatement of Prior Year Recoveries may lead to a potential violation of Antideficiency Act, misunderstanding of future budgetary needs, and agency may overstate its needs for Congressional Appropriations.

We recommend AmeriCorps:

16. Establish a requirement for the Office of Grant Administration (OGA) or an appropriate AmeriCorps official to prepare a summary report, as part of the closeout process, verifying all required grantee information has been received and accepted, and the recovery amount reconciles to the underlying support (e.g., Notice of Grant Award for de-obligation, Final Federal Financial Report, Payment Management Services, etc.). **(*New*)**

17. Develop and implement financial reporting internal controls to analyze and address the root causes of the reconciliation errors. **(*New*)**

IX. Grant Accruals and Advances (*Modified Repeat*)

AmeriCorps must record grant accrual estimates in order to recognize its grant expenses for a given quarter due to the timing difference between when AmeriCorps receives disbursement data from its grantees and the time it must report its grant disbursements. This affects the Grant

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Expenses, Grants Payable, Grant Advances, and Undelivered Order line items. AmeriCorps has developed and implemented a grant accrual methodology using the data from PMS. AmeriCorps has not assessed the accuracy of its Compound Method used to calculate its grant accrual. Specifically, AmeriCorps has not:

- Determined whether the weights used in the method needed to be adjusted based on more recent data available and has not documented the origin of these weights nor the basis and relationship between the weights and grantee expenditures.
- Validated the accrual amount against the quarterly expenditure reported on grantees' Federal Financial Reports (FFRs) since June 30, 2020 to assess accuracy of its grant accrual calculation.
- Established a threshold or range for assessing reasonableness with its approach including its calculation of its rate of error. To gauge the relationship between the grant accrual estimate calculated by its Compound Method and the expenditures reported by the eGrants FFRs, AmeriCorps looks at the maximum error which is the largest difference between the two data sets over the 21 quarters ending June 30, 2020, which was approximately $22 million. It is not clear how this amount is utilized to determine reasonableness in AmeriCorps' overall process.
- Completed its research related to discrepancies in the grants payable and advance balances reported in the Momentum, Oracle, and PMS systems.
- Assessed a reasonable materiality threshold for its grant advance validation. Currently, the materiality threshold is $11.0 million, which is not reasonable because errors may go undetected due to their high materiality threshold, considering financial statement line item for Advances and Prepayments is approximately $38 million.
- Provided evidence of how fixed-priced grants are included in the grant accrual calculation or considered within the expenditures used to validate the accrual.

There are flaws with AmeriCorps' rate of error calculation. AmeriCorps calculates its rate of error by taking the average net difference between the Compound method calculation and the expenditures reported from the eGrants FFRs. The use of the net difference may be misleading as it understates the actual rate of error that exist the absolute difference was used for each quarter. The errors in each quarter are independent of each other and using absolute difference provides a clear picture of the true valuation of the error for each quarter.

Further, our testing found that of a sample of 46 grants with advances totaling $9.8 million, 42 items (91 percent) were overstated by $9.5 million, or 97 percent. Extrapolating our test results, AmeriCorps has likely overstated the Advances and Prepayments line by $31.7 million or 85 percent. Overstatement of the grant advance could lead readers to assume that grantees are drawing down federal funds well in advance of incurring expenses or drawing down funds without corresponding expenses which can be misinterpreted as mishandling or waste of Federal funds.

Finally, AmeriCorps has not fully implemented its current accounts payable accrual methodology and thus, the amount reported in the financial statements may be materially misstated.

We recommend AmeriCorps:

18. Revamp the grant accrual processes to include internal controls such as reconciliations, calculation documentation, quality control reviews, and basis for the accrual methodologies to mitigate the risk of error. **(*Modified Repeat*)**

19. Provide training to all personnel involved in the grant processing to ensure proper classification of funds in the Oracle system and ensure timely resolution of the variances between identified between the Momentum, Oracle, and PMS systems. **(*New*)**

X. Advances from Others (*New*)

AmeriCorps receives payments from other Federal agencies for the provisions of goods or services, which are typically documented in an Interagency Agreement (IAA). Payments received in advance of AmeriCorps providing the related goods or services are recorded as Advances from Others. AmeriCorps was unable to provide adequate supporting documentation to substantiate the balance for Advances from Others. The only support provided for the liquidations of advances was the Reimbursable Analysis performed by Treasury's Administrative Resources Center (ARC). The analysis includes a reconciliation of the reimbursable expenses to the revenue balance and provides the proposed revenue recognition (collection/liquidation) and the expenditures details to support the revenue. However, management did not provide the underlying support for the expenditure amounts (e.g., invoices) used in the analysis. Without the invoices and a quality control review of them against the information provided to ARC, errors may go undetected.

Therefore, the same prior audit recommendations remain open and unimplemented. See Exhibit III, Status of Prior Year Recommendations.

We recommend AmeriCorps:

20. Develop standard operating procedures to ensure all balances recorded in the Reimbursable Analysis are supported by underlying source documentation (e.g., invoices). **(*New*)**

21. Assess the training necessary to ensure advance liquidations are properly maintained, documented, and are readily available for examination. **(*New*)**

XI. Migration to Shared Service (*Modified Repeat*)

Changes in conditions affecting the entity and its environment often require changes to the entity's internal control system, as existing controls may not be effective for meeting objectives or addressing risks under changed conditions. Management analyzes the effect of identified changes on the internal control system and responds by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness. Further, changing conditions often prompt new risks or changes to existing risks that need to be assessed. As part of analyzing and responding to change, management performs a risk assessment to identify, analyze, and respond to any new risks prompted by the changes. As part of the FY 2022 risk assessment, OCRO determined risks associated with the changes going to a shared service provider platform. However, management did not take action in response to the identified risks. AmeriCorps did not devote sufficient resources to complete general ledger account configuration and compatibility issues. Existing risks may require further assessment to determine whether the defined risk tolerances and risk responses need to be revised.

Therefore, the prior audit recommendations remain open and unimplemented.

XII. Other Liabilities

Two FY 2019 recommendations for this material weakness are in progress, with a scheduled completion date of September 30, 2022. As a result, CAP completion and implementation documentation were not available for review and assessment and RMA did not perform audit procedures over this area in FY 2022.

Exhibit II – Significant Deficiencies

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 the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud, and other illegal acts.

To balance high levels of service and reduce costs, AmeriCorps' Office of Information Technology has outsourced the operation, maintenance, and support of most of its IT systems. This was also the second year that AmeriCorps outsourced its financial operations to a shared service provider. Shared service provider systems interface with Momentum for the purpose of retrieving grants management data from eSPAN. Outsourcing introduces special considerations and risks regarding the protection of information and information systems. Despite the outsourcing of IT systems, AmeriCorps, by law, retains responsibility for complying with the requirements of the security control implementation.

With respect to AmeriCorps' internal IT systems, we noted that certain new control activities have been introduced to address prior weaknesses. Examples include conducting background investigations and reinvestigations of current IT employees and enhancing physical access controls to safeguard personally identifiable information.

Nevertheless, AmeriCorps continues to face challenges in the consistent implementation of its information security program and monitoring of security controls. 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.

Configuration Management

- AmeriCorps did not resolve critical and high-risk vulnerabilities within the timeframes specified by its internal operating policies. As a result, vulnerabilities related to patch management, configuration management, and unsupported software continue to expose AmeriCorps' network to critical and high-severity vulnerabilities. An independent penetration test performed by the OIG noted exploitable vulnerabilities that could compromise a complete system. The vulnerability could allow unauthorized access to the target's system, and there were no effective controls to identify malicious activities on the system. If an exploitable system were compromised, the malicious attacker could operate for an extended time without detection. In addition, testing showed an unacceptable number of users who succumbed to a phishing attempt by interacting with the content of a spam email. (***Modified Repeat***)

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

- AmeriCorps did not consistently maintain an up-to-date inventory of hardware assets connected to the network. Specifically, the required fields used to track the assets were not completed. **(*New*)**

  Mobile Device Management System did not manage all mobile devices. The Mobile Device Management (MDM) software did not protect all its mobile devices. Also, of those mobile devices covered by the MDM, the security features to prevent the execution of unauthorized software were not implemented. Security and operating system updates were not updated within a prescribed period, and users were not prevented from installing/downloading unauthorized software on their official mobile devices**. (*Modified Repeat*)**

Access Control

- AmeriCorps did not consistently implement mandatory enforcement of Personal Identity Verification (PIV) multifactor[4] for all privileged and non-privileged users. **(*Modified Repeat*)**

Security Management

- AmeriCorps did not develop, document, and communicate an overall Supply Chain Risk Management strategy, implementation plan, and related policies and procedures to guide and govern supply chain risk management activities. **(*Repeat*)**
- AmeriCorps did not ensure individuals with access to personal identifiable information (PII) completed annual privacy-role-based training. **(*Repeat*)**
- AmeriCorps did not consistently implement its policies, procedures, and processes to manage the cybersecurity risks associated with operating and maintaining its information systems. Specifically, AmeriCorps did not perform an annual assessment, including security and privacy controls and risk assessment for one of the four systems selected for testing in accordance with its policies. The most recent security control assessment and risk assessment for Momentum was conducted in January 2021. **(*New*)**

Contingency Planning

- AmeriCorps did not update the Continuity of Operations Plan (COOP) within its annual review process. The last version of COOP was in 2020. **(*New*)**

Many of these weaknesses can be attributed to inconsistent enforcement of the agency-wide information security program across the enterprise partly caused by the turnover in personnel and leadership changes. These deficiencies can increase the risk of unauthorized access to AmeriCorps' systems used to capture, process, and report financial transactions and balances. Effective system security begins with strong governance, including agency-level oversight and controls monitoring of AmeriCorps' field offices. This includes ensuring accountability within

[4] Multifactor authentication requires two or more credentials when logging on to information systems. Credentials include something an individual knows, such as a password, and something an individual possess, such as a PIV card or fingerprint.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

the Office of Information Technology leadership for accomplishing milestones and achieving measurable results in support of a strategy to achieve an effective level of information security at AmeriCorps.

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

Therefore, the prior audit recommendations in Exhibit III remain open and unimplemented.

Prior Year Significant Deficiency

In addition, the following significant deficiency has been carried forward:

- Accounts Receivable and Allowance for Doubtful Accounts – six FY 2019 recommendations for this significant deficiency are in progress, with scheduled completion dates that range from March 31, 2023 to September 30, 2023. As a result, CAP completion and implementation documentation was not available for review and assessment and RMA did not perform audit procedures over this area in FY 2022.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Exhibit III – Status of Prior Year Recommendations

AmeriCorps' latest full scope financial statement audit was in fiscal year 2019. As there was no financial statement audit conducted in FY 2020, we are presenting the status of FY 2019 recommendations in FY 2022. The scope of audit in FY 2021 was limited, and we are also presenting the status of FY 2021 recommendations in FY 2022. These open recommendations were not duplicated as recommendations in the report on internal control and report on compliance (reports). The modified repeat recommendations in FY 2022 were recommendations from FY 2019 and FY 2021 but were adapted to the FY 2022 results. The summary of the status of the FY 2019 and FY 2021 financial statement audit recommendations in FY 2022 is in Table 1. The detail of each FY 2019 recommendation is presented in Table 2 and the detail of each FY 2021 recommendation is presented in Table 3.

Table 1: Summary of the Status of FY 2019 and FY 2021 Financial Statement Audit Recommendations in FY 2022

Status in FY22	Count of Recommendations in FY19	FY19 Audit Report Recommendation Number	Count of Recommendations in FY21	FY21 Audit Report Recommendation Number
Recommendation Closed	10	2, 8, 9, 14, 15, 29, 30, 34, 42, 54	2	5, 9
Open and Modified Repeat Recommendations	55		14	
Total:	**65**		**16**	

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Table 2: Status in FY 2022 and Detail Description of Each Recommendation from FY 2019 Financial Statement Audit

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
Material Weakness (MW) **Internal Control Program (FMFIA)**	2	Provide training to AmeriCorps officials participating in the entity-level control assessment to ensure that they have a full understanding of the internal control principles and how these principles relate to their operations. The training shall also address how the outstanding audit recommendations concerning their operations should be considered when assessing the entity-level controls.	Closed
	5	Revise the FY 2019 AmeriCorps Grants Financial Management Business Process Narrative to address the control gap concerning the verification of the Advances to Others balance accuracy.	Repeat – MW Open Recommendation
	8	Update AmeriCorps' Standard Operating Procedure: Statement on Standards for Attestation Engagements (SSAE) 18 Report Review to explain how AmeriCorps will address the SSAE 18 audit reporting gaps for its external systems' service providers and establish time requirement for conducting the SSAE 18 report reviews.	Closed
Material Weakness **Financial System and Reporting**	9	Establish a process to maintain executed agreements with Federal trading partners and track all associated costs against the inter-agency agreements from inception until the agreement close-out.	Closed
	10	Develop comprehensive policies and procedures for the financial statements preparation process and related internal controls. The policies and procedures should address, among other subjects: a. The process to determine and document AmeriCorps balance fluctuation expectations. Expectations should be documented based on a combination of internal and external operating factors, and program and financial relevant information available. b. The materiality threshold used to determine significant balance fluctuations that require further research should be more conservative than that used by external auditors.	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
		c. Detailed process to research significant balance fluctuations. AmeriCorps should research and explain all significant balance fluctuations at the account and transaction level. Maintain and have the supporting documentation readily available. d. Research and retain supporting documents required for any identified account balance differences derived from its abnormal balance review or the tie point analysis. e. Address fatal and non-fatal Government-wide Treasury Account Symbol Trial Balance edit failures. f. Address all balance differences and retain supporting documentation of related research. g. Document and maintain support for all prior period adjustments and changes to Net Position accounts, Cumulative Result of Operations, and Unexpended Appropriations.	
	11	Monitor outstanding balances resulting from financial system configuration issues and fix these issues prior to data migration to the future shared service provider (Department of Treasury's Administrative Resource Center) in FY 2021. While waiting to transition, AmeriCorps should strengthen its current trial balance review including tie-point analysis and review of abnormal balances.	Repeat – MW Open Recommendation
	12	Coordinate with the future shared service provider to ensure that its accounting platform is compatible with AmeriCorps operations and the type of accounting transactions that the AmeriCorps process.	Repeat – MW Open Recommendation
	13	Develop a plan to clean up AmeriCorps balances prior to migration to the shared service provider's system (Department of Treasury's Administrative Resource Center). The plan should include coordination with the future service provider to review AmeriCorps' balances in detail to ensure they are properly supported and can be mapped into the Administrative Resource Center's platform. Maintain all documentation regarding meeting minutes and any mapping of account balances developed as part of the migration effort.	Repeat – MW Open Recommendation
	14	Complete its efforts to be fully compliant with the Office of Management and Budget Circular No. A-11, Preparing, Submitting, and Executing the Budget.	Closed

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	15	Provide mandatory training to AmeriCorps accounting staff on the proper use of object class, sub general ledger accounts, and document/transaction types on all obligation and expense transactions.	Closed
	16	Validate and ensure Journal entries are properly supported, documented, and are readily available for examination.	Repeat – MW Open Recommendation
	17	Strengthen coordination between Accounting and Financial Management Services and the Office of Budget to ensure that transactions are recorded accurately and timely.	Repeat – MW Open Recommendation
	18	Develop and implement policies and procedures for the Journal entries (JE) process that include: a. tracking the sequence of JEs for completeness; b. appropriate use of JEs; c. determining and maintaining relevant documentation to support each JEs; d. use of specific and accurate JE descriptions; and e. timely review and approval of JEs for accuracy and propriety.	Repeat – MW Open Recommendation
Material Weakness **Trust Obligations and Liability Model**	21	Complete the Trust Accounting Handbook to clearly reflect the assumptions used in the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator, including establishing control activities; finalize materiality thresholds applied; update accounting transactions, and clearly identify periods when adjustments will be made regardless of materiality.	Repeat – MW Open Recommendation
	22	Develop for a more standardized, secure, and automated method to estimate the Trust obligations and Trust Service Award Liability that ensures minimal human errors. As part of the ongoing AmeriCorps transition to shared service, coordinate with the service provider to determine methods that would enhance the security and quality of the existing estimation models.	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	23	Strengthen controls to ensure the Trust modeling is performed by trained personnel to: a. Conduct detailed analysis and validation of data sources. b. Review and ensure the reasonableness of assumptions used and document the rationale behind estimation assumptions. c. Consider changes in conditions or programs that require further research and analysis. Update the assumptions when necessary. d. Compare estimates with subsequent results to assess the reliability of the assumptions and data used to develop estimates.	Repeat – MW Open Recommendation
	24	Document and implement policies and procedures to include the following: a. establish a thorough and robust quality control process to ensure that the Trust Obligation and Liability Model (TOLM) and Monthly Obligation and Liability Calculator (Calculator) are reviewed by qualified AmeriCorps personnel prior to relying on its outputs to record transactions. All errors identified for which management ultimately decided against making updates to the TOLM or Calculator should be documented along with an explanation as to how management arrived at the final decision; b. perform monthly reviews and reconciliations of the recorded new and outstanding obligations to ensure the accounting information is valid and proper; review obligation amounts to ensure amounts accurately reflect the status of the obligation; c. review obligations to verify that amounts, timeframe (i.e., grant dates are correctly reflected in the obligation); d. ensure obligations are sufficiently supported (i.e., by documentary evidence); and e. perform complete reconciliations of all outstanding obligations monthly, and ensure any discrepancies identified are promptly researched and resolved.	Repeat – MW Open Recommendation
	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 – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	26	Develop a succession plan to ensure the required expertise is available in anticipation of planned employee turnover, particularly with respect to the complex trust calculations. AmeriCorps needs to: a. Train, mentor, and work to retain qualified employees; b. Cross-train employees so that knowledge of the model will reside with multiple staff rather than with one person; and c. Implement a peer review process to carry out the necessary quality control reviews of the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator.	Repeat – MW Open Recommendation
Material Weakness **Grants Accrual Payable and Advances**	27	Coordinate with the program and grant officers to gather and analyze key grant programs' (AmeriCorps State and National and Senior Corps) historical data and the grantees' spending pattern to develop the following key factors for grant accrual estimation: • Percentage of AmeriCorps grantees who drawdown funds in advance versus those on a reimbursable basis and their related grant amounts to its grant spending as a whole. If different key programs have different spending patterns, perform this analysis at the program level; • An inventory of relevant and reliable grant data to be used for the grant accrual assumptions and documentation to support what data is considered relevant and reliable; • Grantees' incurred but not reported (IBNR) reporting pattern from when the expenses have been incurred to the time those expenses are included the grantees' Federal Financial Reports (FFR). Grantee surveys may be conducted to confirm the reasonableness of an IBNR estimate methodology. When alternative procedures are used, management should provide its data-based analysis to validate its assertion; and • Post-accrual analysis to compare the accrual (without the IBNR) and the expenditures reported in the FFRs for the same quarter. Thresholds should be established and documented based on materiality and the degree of risk that management is willing to accept. When grantees' reported spending pattern deviates from its methodology, an analysis should be performed to determine	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
		whether any deviation is acceptable, or the methodology should be further refined to reflect the actual grantees' reported expenditure pattern.	
	28	Revise and implement policies and procedures for the grant accrual methodology so that: • A validation process is established for management to verify the accuracy of the grant accrual, so that management can make any necessary adjustments to improve the precision of the grant accrual and to account for grant advances and payables to ensure the resulting amounts are materially consistent with grantees' drawdown and spending patterns; and • It addresses how the calculations are used to arrive at the Grants Payable and Advances to Other line items in the financial statements.	Repeat – MW Open Recommendation
	29	Develop a process to validate grant advances, incurred but not reported and payable estimates. Such validation should be performed for all program elements included in the estimation process and over a few years to show a trend of the estimates. Unusual fluctuations, if any, should be investigated and the research conclusions documented.	Closed
Material Weakness **Undelivered Orders and Accounts Payable - Procurement**	30	Centralize the storage of all procurement documents in contract files and maintain them electronically.	Closed
	31	Strengthen internal control to ensure procurement documents are properly approved and retained.	Repeat – MW Open Recommendation
	32	Analyze procurement undelivered orders balances quarterly to verify that balances are still valid for those without financial activities for an extended period.	Repeat – MW Open Recommendation
	33	Research, resolve and document the disposition of any abnormal undelivered orders transactions/balances.	Repeat – MW Open Recommendation
	34	Correct the financial system's posting logic to ensure all future transactions are recorded properly in accordance with United States Standard General Ledger.	Closed
	35	Document the accounts payable accrual methodology to include the recognition and reporting of the incurred but not reported. The methodology should also document key controls related to review and approval process of the accrual estimation; materiality and how it is applied; reviewing, approving, and recording of invoices prior to processing payments; inputs to be used in the validation;	Modified Repeat – MW FY 22 Recommendation #13

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
		consideration of payment types; and the basis for including or excluding typical factors in estimating accruals, such as period of performance, type of contract, billing patterns, and others.	
	36	Conduct validation assessment of amounts accrued for the incurred but not reported on a periodic basis. As part of the validation, AmeriCorps should consider the following: a. Subsequent activities against the amount estimated to determine the level of precision in the estimation; b. Trend the validation results and adjust the incurred but not reported estimation process to address any recurring significant fluctuations; and c. Update the incurred but not reported estimation process as necessary to reflect changes in payment patterns.	Repeat – MW Open Recommendation
	37	Evaluate the materiality thresholds used in the accrual estimation to ensure it is appropriate to prevent misstatements. The materiality threshold used should be appropriate that, in the aggregate, identified misstatements would not rise to a level that will significantly impact management's assertions on the financial statements.	Repeat – MW Open Recommendation
	38	Implement controls to ensure that transactions interfaced from eGrants are reflected in Momentum for the correct amounts, accounts, and number of transactions.	Repeat – MW Open Recommendation
Former Material Weakness **Property and Equipment[5]**	40	Update AmeriCorps policy to recognize and record capitalized costs in the period incurred.	Repeat Open Recommendation
	41	Update AmeriCorps policy to include requirements for compliance with accounting standards; track direct labor and other indirect costs, including hours, worked and payroll costs dedicated to existing and new software-in-development projects; track and amortize tenant improvement costs in accordance with the lease agreement.	Repeat Open Recommendation
	42	Review the GMM contract status to ensure proper and timely deobligation of any remaining unliquidated obligations that are no longer needed.	Closed

[5] Property and Equipment was removed from a material weakness as the conditions related to the finding were not found in the FY 2021 testing. Therefore, the recommendations in FY 2019 remain open.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	43	Consult with the future shared service provider and other stakeholders to determine the feasibility of procuring and using project management software to track project costs from the inception to completion. The results of the analysis should be documented and made readily available.	Repeat Open Recommendation
	44	Establish and implement periodic training on capitalization accounting standard, and AmeriCorps Capitalization Policy for accounting, program, Office of Facility Support Services, and information technology staff.	Repeat Open Recommendation
Material Weakness Undelivered Orders - Grants	46	Determine the root cause behind the differences noted in the Undelivered Orders balance between Momentum and the Undelivered Orders balance derived from the net of grant award amount from the Notice of Grant Award and the grant expenditures from the Payment Management System and take the appropriate steps in resolving the reason behind the variances that are occurring.	Repeat – MW Open Recommendation
	47	Determine the root causes and resolve discrepancies in the grant award amounts recorded in the NGA in eGrants and in Momentum to prevent such differences from occurring in the future.	Repeat – MW Open Recommendation
	48	Determine the root causes and resolve expenditure differences between the Payment Management System and Momentum.	Repeat – MW Open Recommendation
	49	Strengthen controls around the review of expired grant obligations by ensuring that: a. All financial, performance and other required reports are submitted no later than 90 calendar days after the end date of the period of performance. b. Document justifications for all required reports submission extensions granted to the grantee.	Repeat – MW Open Recommendation
	50	Update the AmeriCorps transaction code posting logic for recording grant expenditures to comply with the United States Standard General Ledger guidance.	Repeat – MW Open Recommendation
Material Weakness Recoveries of Prior Year Obligations	51	Establish a requirement for Grant Officer/Portfolio Managers to provided documented certification that all required grantee information has been received, accepted, and documented before the grant is closed out.	Repeat – MW Open Recommendation
	53	Establish a control requiring the Grant Officer/Portfolio Manager to provide documented certification, upon grant closeout, verifying the total award amount to total award expenses for the deobligated recovery amount.	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	54	Determine the cause for the travel cost recovery difference to ascertain what corrective action is needed and to prevent issues from recurring.	Closed
	55	Inform all Grant Officers/Portfolio Managers to ensure that a reduction in funding to the award of a grant should be documented in eGrants which would result in modified Notice of Grant Awards. (new)	Repeat – MW Open Recommendation
Material Weakness **Other Liabilities**	56	Reconcile the amounts reported in Other Liabilities to supporting documents to verify that Other Liabilities are supported by valid transactions and properly classified.	Repeat – MW Open Recommendation
	57	Strengthen financial reporting internal controls and ensure that financial statements accounting line items are reviewed and reconciled to supporting documents prior to recording. The internal control activities should ensure proper posting of Member Payroll related liabilities on the Balance Sheet.	Repeat – MW Open Recommendation
Significant Deficiency (SD) **IT Security Controls**	58	Develop a multi-year strategy to better strategically prioritize and allocate resources to address the new and continuing weaknesses identified and work towards automation, continuous monitoring, and consistent application of controls.	Repeat - SD Open Recommendation
	59	Enforce the agency-wide information security program across the enterprise and improve performance monitoring to ensure controls are operating as intended at all facilities.	Repeat - SD Open Recommendation
	60	Strengthen and refine the process for communicating AmeriCorps facility-specific control deficiencies to AmeriCorps facility personnel, and coordinate remediation of the control deficiencies.	Repeat - SD Open Recommendation
	61	Strengthen and refine the process for holding system owners and information system security officers accountable for remediation of control deficiencies and ensuring that the appropriate security posture is maintained for AmeriCorps information systems.	Repeat - SD Open Recommendation
	62	Strengthen and refine the process for holding contractors accountable for remediation of control deficiencies in AmeriCorps information systems.	Repeat - SD Open Recommendation
	63	Implement all detailed recommendations in the FY 2019 FISMA Evaluation report.	Repeat - SD Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
Significant Deficiency **AR & Allowance for Doubtful Accounts**	64	Reconcile the Accounts Receivable subsidiary ledger to the general ledger monthly.	Repeat – Control Deficiency (CD) Open Recommendation
	65	Reevaluate the policies and procedures for calculating the allowance for doubtful accounts. Related policies and procedures should include: (a) CFO Office's staff's periodic review of the accounts receivable aging report, (b) assessment of the collectability of outstanding balances based on the age of the debt, collections attempted and received thus far and other information about the debtor and (c) determination for possible write-offs.	Repeat – CD Open Recommendation
	66	Revise the Allowance for Doubtful Accounts methodology to be consistent with the Debt Management Policy.	Repeat – CD Open Recommendation
	67	Develop a process and proactively monitor and follow-up on delinquent accounts receivables. Document any procedures performed and results reached as part of the follow-up process.	Repeat – CD Open Recommendation
	68	Track and revise collection efforts based on data analysis to understand vendor payment characteristics. A reasonable timeframe for write-offs should be established for accounts receivable without any activity. Once an outstanding receivable is deemed uncollectible, it should be written off in accordance with management's established policy.	Repeat – CD Open Recommendation
	69	Establish a documented process between accounting and the Office of Chief Risk Officer (OCRO) to ensure that key controls related to the Accounts Receivable cycle are properly identified and implemented. These key controls should be considered for testing as part of OCRO's annual internal control assessments.	Repeat – CD Open Recommendation
Non-Compliance **Single Audit Compliance**	70	Develop, implement, and document procedures to identify all AmeriCorps grantees that are required to submit single audit reports with their due dates.	Repeat – Non-Compliance Open Recommendation
	71	Develop, implement, and document procedures on timely follow-up for those grantees whose audits have become past due, and to ascertain why report submission was late, when the audit report will be submitted to the Federal Audit Clearinghouse, and what corrective action has been taken to prevent a report submission delay in future.	Repeat – Non-Compliance Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY22
	72	Develop a practice to capture the single audit data to assess the effectiveness of the single audit report submission for all its grantees.	Repeat – Non-Compliance Open Recommendation
	73	Develop, implement, and document procedures for implementing Office of Budget and Management (OMB) approved single audit report submission extensions, so that OMB approved extension approvals are documented and tracked as part of the single audit monitoring process.	Repeat – Non-Compliance Open Recommendation
	74	Update the Single Audit Resolution Policy to: • Reflect the current monitoring process to track all audit findings related to AmeriCorps-funded grants, and • Address AmeriCorps' responsibilities as the cognizant/oversight agency and how these responsibilities would be carried out.	Repeat – Non-Compliance Open Recommendation
	75	Develop and implement procedures to monitor the effectiveness of the single audit monitoring process in accordance with the Uniform Grant Guidance, 2 Code of Federal Regulation §200.513 Responsibilities, (a) (3) (iv), related to monitoring the effectiveness of single audit findings follow-up and the effectiveness of single audits in improving grantee accountability and in their use by AmeriCorps in making award decisions.	Repeat – Non-Compliance Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Table 3: Status in FY 2022 and Detail Description of Each Recommendation from FY 2021 Financial Statement Audit

FY21 Audit Report Finding Area	FY21 Audit Report Rec. Number	Recommendation Description	Status of FY21 Recommendations in FY22
Material Weakness **Migration to Shared Service**	1	Perform a risk assessment over the current state of the conversion to ARC and work jointly with ARC, senior leadership, Office of Chief Risk Officer, and functional groups affected by the risk to develop a mitigation strategy and execute a realistic and properly designed corrective action plan.	Repeat – MW Open Recommendation
	2	Fix incorrect outstanding balances, missing data, and missing supporting contract documentation resulting from financial system configuration issues and ensure future interfaces with Oracle do not have the same issues.	Repeat – MW Open Recommendation
	3	Continue coordinating with ARC to ensure that its accounting platform is compatible with AmeriCorps' operations and the type of accounting transactions that AmeriCorps processes.	Repeat – MW Open Recommendation
	4	Conduct a review of transactions processed in Momentum and already migrated to Oracle through interface or reported in Oracle using journal entries, to ensure that correct object class codes were applied.	Repeat – MW Open Recommendation
Material Weakness **Internal Controls Program (FMFIA)**	5	For each material weakness and significant deficiency, develop an appropriate and actionable corrective plan (CAP) that specifies the interim steps for long-term CAPs, milestones and target completion dates, person(s) responsible for executing the corrective action and the resources available to assist, sufficient and appropriate documentation required, and quality review and approval process.	Closed
	6	Develop a process to explain the discrepancies between material weaknesses reported on the CEO Statement of Assurance and those identified by the external auditors, and document the explanation, as well as the basis for classifying internal control findings as either material weakness or significant deficiency.	Modified Repeat – MW FY 22 Recommendation #5
	7	Complete updating or revising the business process narratives to adapt to the significant changes in the current financial and control environment.	Repeat – MW Open Recommendation
	8	Establish controls and training to ensure that each functional office/unit performs an independent assessment of internal controls to inform the CEO's statement of assurance, even if unfavorable outcomes are expected. This proactive approach will promote the early detection of potential findings and allow for prompt remediation.	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY21 Audit Report Finding Area	FY21 Audit Report Rec. Number	Recommendation Description	Status of FY21 Recommendations in FY22
Material Weakness **Financial System and Reporting**	9	Develop a strategic plan and corrective actions that will include steps and milestones to eventually achieve an audit opinion on AmeriCorps' financial statement. The plan should align directly with and describes in detail the implementation plans, specific steps to be taken, resources to be devoted to implementation, responsible personnel and their assigned duties, clear accountability, project management and target dates to complete. It should also include a quality assurance plan to verify effective and timely implementation.	Closed
	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 – MW Open Recommendation
	11	Develop comprehensive policies and procedures to document its financial statement preparation process. The policies and procedures should clearly delineate responsibilities among various members of the Accounting and Financial Management Service (AFMS) group and team leads and those performed by AmeriCorps' shared services provider, clarifying the responsibility of AmeriCorps for the accuracy of the reported information. The policies and procedures should address the following aspects: a. The process to determine and document AmeriCorps' balance fluctuation expectations based on a combination of internal and external operating factors, and program and financial relevant information available. b. Detailed process to research significant balance fluctuations. AmeriCorps should research and explain all significant balance fluctuations at the account and transaction level. Maintain and have the supporting documentation readily available. c. Research and retain supporting documents required for any identified account balance differences derived from its abnormal balance review or the tie point analysis. d. Address fatal and non-fatal Government-wide Treasury Account Symbol edit failures prior to GTAS certification.	Repeat – MW Open Recommendation

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

FY21 Audit Report Finding Area	FY21 Audit Report Rec. Number	Recommendation Description	Status of FY21 Recommendations in FY22
		e. Document resolution for all balance differences and retain supporting documentation of related research.	
	12	Continue working with Administrative Resource Center to review and correct AmeriCorps' balances in detail to ensure they are properly supported and that balances migrated to the ARC platform are complete, accurate, and reliable.	Repeat – MW Open Recommendation
	13	Strengthen its policies and procedures over the processing of JEs going forward now that AmeriCorps has transitioned to the shared service environment. The policies and procedures should cover the following: a. A process to track the sequence of JE transactions for completeness. b. A policy as to when it is appropriate to use a JE and approval procedures for JEs recorded to ensure segregation of duties. c. A requirement to provide a fact-specific description of the purpose of the JE, along with adequate supporting documentation. d. Documentation needed to support JEs and how it will be maintained.	Repeat – MW Open Recommendation
	14	Validate and ensure JEs are properly supported, documented, and are readily available for examination.	Repeat – MW Open Recommendation
Material Weakness **Grant Accrual Payable and Advances**	15	Develop a process to validate grant advances, IBNR and payable estimates. Such validation should be performed over a few years to show a trend of the estimates. Any benchmarks to assess reasonableness should be vetted for completeness and reliability. For example, the use of eGrants FFRS should be vetted to ensure inclusion of IBNR. Large (exceeding AmeriCorps acceptable range) and unusual fluctuations, if any, should be investigated and the research conclusions documented by management. Fluctuations should be reviewed at the absolute variances level and not using net differences.	Modified Repeat – MW FY 22 Recommendation #18
	16	Validate that the underlying data used in the accrual methodology, such as the use of grantee Undelivered Order balances to allocate accrual amounts, is reliable by ensuring previously reported conditions are remediated and recommendations are implemented.	Repeat – MW Open Recommendation

Exhibit IV – Management's Response

AmeriCorps

Date: November 18, 2022

To: Deborah Jeffery, Inspector General

From: Malena Brookshire, Chief Financial Officer

MALENA BROOKSHIRE Digitally signed by MALENA BROOKSHIRE Date: 2022.11.18 16:32:12 -05'00'

Subject: Management's Response to Audit of Consolidated Financial Statements

AmeriCorps has reviewed the report, and we acknowledge the auditors' disclaimer of opinion on the financial statements and its review of the agency's internal control over financial reporting and compliance with laws and regulations. This is a consolidated response to the independent auditors' report on the consolidated financial statements and the financial statements of the National Service Trust.

The independent audit of the agency's financial statements and related processes is a core component of AmeriCorps financial management program. We view the audit as an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the agency to support progress toward goal 4 in our FY 2022-2026 strategic plan: effectively steward federal resources.

AmeriCorps recognizes the independent auditors' findings and recommendations related to the 12 material weaknesses and 3 significant deficiency. The agency remains focused on implementing improvements to internal controls and audit readiness, including corrective actions to address findings from prior year audits, to demonstrate our commitment to resolving longstanding challenges in agency operations and financial management.
Throughout the fiscal year, the agency worked hard to make progress toward the Office of the Chief Financial Officer's priority reforms, including strengthening financial management leadership and workforce capacity, streamlining, and improving core financial management operations, improving controls and agency audit readiness, and enhancing internal and external partnerships and communication. We know there is considerable work to be done, but AmeriCorps is on the pathway to sustainable progress.

Looking ahead, AmeriCorps will prioritize and focus its remediation efforts on high-risk audit areas impacting the agency's federal stewardship and oversight responsibilities. For example, AmeriCorps will move forward in modernizing the systems, processes, and controls necessary to improve the quality of and access to financial data used for decision-making. We will use the audit findings to update and implement robust corrective action plans that address root causes to longstanding issues.

AmeriCorps.gov
250 E Street SW
Washington, D.C. 20525
202-606-5000 / 800-942-2677

AmeriCorps will also continue to monitor remediation efforts at the highest levels of leadership throughout the agency, which includes regular meetings with agency executives to review progress toward approved corrective and preventive actions. The agency's Risk Management Council continues to play a significant role, and with the reinstatement of AmeriCorps' Board of Directors Oversight, Governance, and Audit Committee the agency has further enhanced internal oversight and accountability to support improved financial stewardship and decision-making. Additionally, AmeriCorps is currently contracting with an individual who is serving as the senior advisor to the CEO for financial reforms, and who has experience leading financial and digital transformations within the federal government.

The independent audit continues to provide the agency with valuable recommendations that directly support our multi-year effort to enhance AmeriCorps' operational controls and financial management functions. We would like to thank your office and the independent auditors at RMA Associates, LLC for providing AmeriCorps with information to improve and sustain a strong internal control environment. We are committed to the continuous improvement of our financial management and look forward to working with you and the auditors, as we know your efforts are directly in support of that commitment. I also want to thank the dedicated AmeriCorps staff for their strong commitment to advancing progress toward critical financial management reforms through our multi-year effort.

OFFICE OF INSPECTOR GENERAL
AmeriCorps

250 E St., SW, Suite 4100
Washington, DC 20525

OFFICE OF INSPECTOR GENERAL
HOTLINE: 1.800.452.8210
HOTLINE@AmeriCorpsOIG.gov | AmeriCorpsOIG.gov