



AmeriCorps

OFFICE OF INSPECTOR GENERAL

AUDIT OF AMERICORPS' FISCAL YEAR 2022 NATIONAL SERVICE TRUST FUND FINANCIAL STATEMENTS

OIG Report 23-02

Prepared by:

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

OFFICE OF INSPECTOR GENERAL





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 National Service Trust Fund
Financial Statement, OIG Report 23-02

We contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to audit AmeriCorps' National Service Trust Fund financial statements (Trust financial statements) for the fiscal year (FY) ended September 30, 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 Trust 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' Trust 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.
- **Six material weaknesses and one significant deficiency** in the Trust's internal control over financial reporting. RMA reported the following material weaknesses and one significant deficiency, Information Technology Security Controls (Modified Repeat), as described in [Exhibit I](#) of this report:
 1. Knowledge Gap throughout Financial Management Operations (New)
 2. Internal Controls Program (FMFIA)- (Modified Repeat)
 3. Financial Reporting (Modified Repeat)

4. General Ledger Adjustments (Modified Repeat)
 5. Trust Obligations and Liability Model (Modified Repeat)
 6. Migration to Shared Service (Modified Repeat)
- RMA considered AmeriCorps' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our engagement, and accordingly, RMA does not express such an opinion.

Had RMA been able to obtain sufficient appropriate audit evidence to express an opinion on the Trust 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 Trust financial statements in accordance with GAGAS, was not intended to enable us to express, and we do not express, an opinion on the Trust financial statements.

RMA is responsible for the attached independent auditors' report, dated November 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

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' Trust Fund, which comprise the balance sheet as of September 30, 2022, the related statements of net cost and changes in net position, and the 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 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 Trust Fund 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 12, 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

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

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the 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.

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 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

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

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 on 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.

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, Trust Fund financial statements and some of the same errors continued to exist in the Draft September 30, 2022, Trust Fund financial statements provided for audit. Therefore, AmeriCorps' draft Trust Fund 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 Trust Fund financial statements:

- Liabilities Not Covered by Budgetary Resources
- Commitments and Contingencies
- Unobligated Balances Brought Forward
- Undelivered Orders
- Reconciliation of Net Cost to Net Outlays
- Classified Activities

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

- The Statement of Net Cost reported an abnormal balance of \$(42.5) million in gross cost for the period ended June 30, 2022. AmeriCorps provided no explanation of why the abnormal balance existed. Additionally, this amount did not agree with the balance reported in Note 4, *Trust Service Award Liability*.
- The Statement of Changes in Net Position was mathematically incorrect because the balance for Donations was omitted from the statement.
- The Statement of Budgetary Resources improperly reported the financial statement line item 'Disbursements, net.' This financial statement line-item only reports non-budgetary credit reform financing activity, which is not applicable to AmeriCorps.
- 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.
- Note 4, *Trust Service Award Liability* (1) misstated the amount of authority received for the year ended September 30, 2022; (2) did not agree with the amount reported in the Balance Sheet as of June 30, 2022, which was an \$86.2 million difference.
- AmeriCorps' note disclosure stated that the financial statements were reclassified but did not annotate which financial statements and notes were reclassified. Additionally, the reclassified narrative stated that certain "FY 2023 and FY 2022" balances have been reclassified." This disclosure is inaccurate as AmeriCorps has not yet reported its FY 2023 balances, nor are the FY 2022 financial statements reclassified since they have not yet been reported.

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. For example:

- AmeriCorps did not provide a fluctuation analysis for its Trust Fund financial activity during FY 2022.
- 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 and transfers for \$340.0 million, gross disbursements, and offsetting collections for \$205.9 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.

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 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 concepts and accounting standards.
 - b. OMB A-123.
 - c. OMB A-136.
 - d. GAO Disclosure checklist.

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.).

- e. Treasury's U.S. Standard General Ledger annual update.
- f. the correct use of the BETC code 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 \$8.5 billion in transactions (absolute value).

(Reported in millions)	June 30, 2020	June 30, 2021	June 30, 2022
Count of JEs	22	93	102
Total \$ Value of JEs	\$3,436.0	\$6,320.2	\$8,513.1

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.

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. 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 numbers 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 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:

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

12. 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)**

VI. 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.

Exhibit II – Significant Deficiency

I. Information Technology Security Controls (*Modified Repeat*)

AmeriCorps relies extensively on information technology (IT) systems to initiate, authorize, record, process, summarize and report financial transactions in the preparation of its financial statements. Internal controls over these financial and supporting operations are essential to ensure 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*)

- 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) multifactor⁴ 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 the Office of Information Technology leadership for accomplishing milestones and achieving

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 possesses, such as a PIV card or fingerprint.

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.

Exhibit III – Status of Prior Year Recommendations

AmeriCorps’ latest full scope Trust financial statement audit was in fiscal year 2019. As there was no Trust financial statement audit conducted in FY 2020, we are presenting the status of FY 2019 recommendations in FY 2021. The scope of the 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 2021 results. The summary of the status of the FY 2019 and FY 2021 Trust 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 Trust Financial Statement Audit Recommendations in FY 2022

Status in FY22	Count of Recommendations in FY19	FY19 Audit Trust Report Recommendation Number	Count of Recommendations in FY21	FY21 Audit Trust Report Recommendation Number
Recommendation Closed	4	2, 7, 13, 14	2	5, 8
Open and Modified Repeat Recommendations	25		11	
Total:	29		13	

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

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendation Number)	Recommendation Description	Status of FY19 Recommendations in FY22
Material Weakness	2 (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
Internal Control Program (FMFIA)	7 (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 (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. 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.	Repeat – MW Open Recommendation

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendati on Number)	Recommendation Description	Status of FY19 Recommendations in FY22
		<ul style="list-style-type: none"> 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. 	
	10 (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
	11 (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
	12 (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

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendation Number)	Recommendation Description	Status of FY19 Recommendations in FY22
	13 (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
	14 (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
	15 (16)	Validate and ensure Journal entries are properly supported, documented, and are readily available for examination.	Repeat – MW Open Recommendation
	16 (17)	Strengthen coordination between Accounting and Financial Management Services and the Office of Budget to ensure that transactions are recorded accurately and timely.	Repeat – MW Open Recommendation
	17 (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	20 (21)	Complete the Trust Accounting Handbook to clearly reflect the assumptions used in the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator, including establishing control activities; finalize materiality thresholds applied; update accounting transactions, and clearly identify periods when adjustments will be made regardless of materiality.	Repeat – MW Open Recommendation
	21 (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	Repeat – MW Open Recommendation

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendati on Number)	Recommendation Description	Status of FY19 Recommendations in FY22
		with the service provider to determine methods that would enhance the security and quality of the existing estimation models.	
	22 (23)	Strengthen controls to ensure the Trust modeling is performed by trained personnel to: a. Conduct detailed analysis and validation of data sources. b. Review and ensure the reasonableness of assumptions used and document the rationale behind estimation assumptions. c. Consider changes in conditions or programs that require further research and analysis. Update the assumptions when necessary. d. Compare estimates with subsequent results to assess the reliability of the assumptions and data used to develop estimates.	Repeat – MW Open Recommendation
	23 (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;	Repeat – MW Open Recommendation

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendation Number)	Recommendation Description	Status of FY19 Recommendations in FY22
		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.	
	24 (25)	Coordinate with the Office of the Chief Risk Officer (OCRO) to properly identify the National Service Trust Fund's financial reporting risks and incorporate those risks into the OCRO's annual testing of key controls.	Repeat – MW Open Recommendation
	25 (26)	Develop a succession plan to ensure the required expertise is available in anticipation of planned employee turnover, particularly with respect to the complex trust calculations. AmeriCorps needs to: 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
Significant Deficiency (SD)	26 (58)	Develop a multi-year strategy to better strategically prioritize and allocate resources to address the new and continuing weaknesses identified and work towards automation, continuous monitoring, and consistent application of controls.	Repeat – MW Open Recommendation
IT Security Controls	27 (59)	Enforce the agency-wide information security program across the enterprise and improve performance monitoring to ensure controls are operating as intended at all facilities.	Repeat – MW Open Recommendation

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendati on Number)	Recommendation Description	Status of FY19 Recommendations in FY22
	28 (60)	Strengthen and refine the process for communicating AmeriCorps facility-specific control deficiencies to AmeriCorps facility personnel, and coordinate remediation of the control deficiencies.	Repeat – MW Open Recommendation
	29 (61)	Strengthen and refine the process for holding system owners and information system security officers accountable for remediation of control deficiencies and ensuring that the appropriate security posture is maintained for AmeriCorps information systems.	Repeat – MW Open Recommendation
	30 (62)	Strengthen and refine the process for holding contractors accountable for remediation of control deficiencies in AmeriCorps information systems.	Repeat – MW Open Recommendation
	31 (63)	Implement all detailed recommendations in the FY 2019 FISMA Evaluation report.	Repeat – MW Open Recommendation
Non- Compliance Single Audit Compliance	32 (70)	Develop, implement, and document procedures to identify all AmeriCorps grantees that are required to submit single audit reports with their due dates.	Repeat – Non- Compliance Open Recommendation
	33 (71)	Develop, implement, and document procedures on timely follow-up for those grantees whose audits have become past due, and to ascertain why report submission was late, when the audit report will be submitted to the Federal Audit Clearinghouse, and what corrective action has been taken to prevent a report submission delay in future.	Repeat – Non- Compliance Open Recommendation
	34 (72)	Develop a practice to capture the single audit data to assess the effectiveness of the single audit report submission for all its grantees.	Repeat – Non- Compliance Open Recommendation
	35 (73)	Develop and 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

FY19 Audit Report Finding Area	FY19 Trust Audit Report Rec. Number (FY 19 Consolidated FS Report Recommendati on Number)	Recommendation Description	Status of FY19 Recommendations in FY22
	36 (74)	Update the Single Audit Resolution Policy to: <ul style="list-style-type: none"> • 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
	37 (75)	Develop and implement procedures to monitor the effectiveness of the single audit monitoring process in accordance with the Uniform Grant Guidance, 2 Code of Federal Regulation §200.513 Responsibilities, (a) (3) (iv), related to monitoring the effectiveness of single audit findings follow-up and the effectiveness of single audits in improving grantee accountability and in their use by AmeriCorps in making award decisions.	Repeat – Non-Compliance Open Recommendation

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

FY 2021 Audit Report Finding Area	FY21 Trust Audit Report Rec. Number (FY21 Consolidated FS Report Rec. Number)	Recommendation Description	Status of FY 2021 Recommendations in FY 2022
Material Weakness	1 (1)	Perform a risk assessment over the current state of the conversion to ARC and work jointly with ARC, senior leadership, Office of Chief Risk Officer, and functional groups affected by the risk to develop a mitigation strategy and execute a realistic and properly designed corrective action plan.	Repeat – MW Open Recommendation

FY 2021 Audit Report Finding Area	FY21 Trust Audit Report Rec. Number (FY21 Consolidated FS Report Rec. Number)	Recommendation Description	Status of FY 2021 Recommendations in FY 2022
Migration to Shared Service	2 (2)	Fix incorrect outstanding balances, missing data, and missing supporting contract documentation resulting from financial system configuration issues and ensure future interfaces with Oracle do not have the same issues.	Repeat – MW Open Recommendation
	3 (3)	Continue coordinating with ARC to ensure that its accounting platform is compatible with AmeriCorps' operations and the type of accounting transactions that AmeriCorps processes.	Repeat – MW Open Recommendation
	4 (4)	Conduct a review of transactions processed in Momentum and already migrated to Oracle through interface or reported in Oracle using journal entries, to ensure that correct object class codes were applied.	Repeat – MW Open Recommendation
Material Weakness	5 (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
Internal Controls Program (FMFIA)	6 (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 (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
Material Weakness	8 (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	Closed

FY 2021 Audit Report Finding Area	FY21 Trust Audit Report Rec. Number (FY21 Consolidated FS Report Rec. Number)	Recommendation Description	Status of FY 2021 Recommendations in FY 2022
Financial System and Reporting		accountability, project management and target dates to complete. It should also include a quality assurance plan to verify effective and timely implementation.	
	9 (10)	Develop and implement audit readiness procedures to ensure that audit information is complete, accurate, has undergone proper quality control procedures, and readily available or can be retrieved timely. The audit readiness procedures should include audit coordination protocol with ARC that clearly define roles and responsibilities of all parties involved in the process.	Repeat – MW Open Recommendation
	10 (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. e. Document resolution for all balance differences and retain supporting documentation of related research.	Repeat – MW Open Recommendation

FY 2021 Audit Report Finding Area	FY21 Trust Audit Report Rec. Number (FY21 Consolidated FS Report Rec. Number)	Recommendation Description	Status of FY 2021 Recommendations in FY 2022
	11 (12)	Continue working with Administrative Resource Center to review and correct AmeriCorps' balances in detail to ensure they are properly supported and that balances migrated to the ARC platform are complete, accurate, and reliable.	Repeat – MW Open Recommendation
	12 (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
	13 (14)	Validate and ensure JEs are properly supported, documented, and are readily available for examination.	Repeat – MW Open Recommendation

Exhibit IV – Management’s Response



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 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.



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