



# AmeriCorps

## OFFICE OF INSPECTOR GENERAL

### AUDIT OF AMERICORPS' FISCAL YEAR 2021 CONSOLIDATED FINANCIAL STATEMENTS

#### OIG Report 22-01

Prepared by:

CliftonLarsonAllen LLP  
901 North Glebe Road, Suite 200  
Arlington, VA 22203





November 15, 2021

MEMORANDUM TO: Malcom Coles  
Acting Chief Executive Officer

FROM: Monique P. Colter /s/  
Assistant Inspector General for Audit

SUBJECT: Audit of AmeriCorps' Fiscal Year 2021 Consolidated Financial  
Statements, OIG Report 22-01

We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the consolidated financial statements of AmeriCorps as of September 30, 2021, and for the year then ended. The contract required that the audit be performed in accordance with the United States generally accepted government auditing standards and applicable Office of Management Budget audit guidance. In its audit of the fiscal year 2021 AmeriCorps consolidated financial statements, CLA reported:

- **Disclaimer of Opinion:** AmeriCorps requested that certain line items in the financial statement be excluded from the FY 2021 financial statement audit. AmeriCorps also stated that other material line items would not be available for audit until after the close of the third quarter. In addition, AmeriCorps was unable to provide sufficient appropriate evidence on a significant number of transactions and account balances due to inadequate processes and controls to support transactions and estimates, and the ongoing remediation efforts from prior year findings.
- **Nine material weaknesses and one significant deficiency** in AmeriCorps' internal control over financial reporting. CLA reported the following deficiencies in the areas below as material weaknesses and one significant deficiency, Information Technology Security Controls (Modified Repeat), as described in [Exhibit A](#) of this report:
  1. Migration to Shared Service (New)
  2. Internal Controls Program (FMFIA)- (Modified Repeat)
  3. Financial System and Reporting (Modified Repeat)
  4. Grants Accrual Payable and Advances (Modified Repeat)



Due to management's request to exclude material line items, CLA continued to report AmeriCorps' noncompliance with Single Audit Act and the following material weaknesses and related recommendations as unimplemented:

5. Trust Obligations and Liability Model (Repeat)
  6. Undelivered Orders and Accounts Payable - Procurement (Repeat)
  7. Undelivered Orders – Grants (Repeat)
  8. Recoveries of Prior Year Obligations (Repeat)
  9. Other Liabilities (Repeat)
- CLA considered AmeriCorps' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, CLA was not able to perform the applicable tests of AmeriCorps' compliance due to the scope limitation and inability to obtain sufficient appropriate audit evidence to allow them to express an opinion on the financial statement.

Had CLA 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 CLA's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with the United States generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the consolidated financial statements.

CLA is responsible for the attached independent auditors' report, dated November 8, 2021, and the conclusions expressed therein. However, our review disclosed no instances where CLA did not comply, in all material respects, with the United States generally accepted government auditing standards.

cc: Jenny Mauk, Chief of Staff  
Gina Cross, Chief Operating Officer  
Malena Brookshire, Chief Financial Officer  
Pape Cissé, Chief Information Officer  
Fernando Laguarda, General Counsel  
Jill Graham, Chief Risk Officer  
Rachel Turner, Audits and Investigations Program Manager  
Mia Leswing, Principal, CliftonLarsonAllen LLP



## INDEPENDENT AUDITORS' REPORT

To the Acting Chief Executive Officer and Inspector General of  
AmeriCorps

### Report on the Financial Statement

We were engaged by the AmeriCorps Office of Inspector General (OIG) to audit the accompanying consolidated financial statement of AmeriCorps, which comprise the balance sheet as of September 30, 2021; the related statements of net cost, changes in net position, and the combined statement of budgetary resources for the fiscal year then ended, and the related notes to the financial statement (referred to herein as financial statement).

#### Management's Responsibility

AmeriCorps management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America (U.S.); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on conducting the audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S.; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 21-04). Because of the matters described in the Basis for Disclaimer of Opinion below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

#### Basis for Disclaimer of Opinion

AmeriCorps requested that certain line items in the financial statement be excluded from the FY 2021 financial statement audit and further stated that other material line items would not be available for audit until after the close of the third quarter. These scope limitations were material to AmeriCorps' financial statements. In addition, AmeriCorps was unable to provide sufficient appropriate evidence on a significant number of transactions and account balances due to inadequate processes and controls to support transactions and estimates, and the ongoing remediation efforts of prior year findings.

#### Disclaimer of Opinion

Because of the significance of the matters described in the preceding 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 2021 financial statement.

## INDEPENDENT AUDITORS' REPORT (Continued)

### Other Matter

Following discussions with the Office of Management and Budget (OMB) and Congressional stakeholders, AmeriCorps and the OIG agreed to forgo the audit of AmeriCorps' FY 2020 consolidated financial statements. Forgoing the audit was intended to allow AmeriCorps to complete the actions necessary to prepare for the transition of its financial management, procurement and travel services to a shared services provider in FY 2021. AmeriCorps acknowledged that, if its FY 2020 financial statements were audited, the results would be the same as those in FY 2019: a disclaimer of opinion, nine material weaknesses and substantially the same unimplemented recommendations. In FY 2020, AmeriCorps predicted that the move to shared services would resolve many of the material weaknesses identified in the FY 2019 financial statement audit and before.

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

In connection with our engagement to audit AmeriCorps' FY 2021 financial statement, we considered AmeriCorps' internal control over financial reporting to determine the audit procedures that were appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of AmeriCorps' internal control. Accordingly, we do not express an opinion on the effectiveness of AmeriCorps' internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) nor did we test internal controls on the financial statement line items and related processes that were excluded by AmeriCorps management from the scope of our audit.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in [Exhibits A](#) and [B](#), we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiency.

*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. We consider the deficiencies in the areas below and described in [Exhibit A](#) to be material weaknesses.

1. Migration to Shared Service (New)
2. Internal Controls Program (FMFIA)- (Modified Repeat)
3. Financial System and Reporting (Modified Repeat)
4. Grants Accrual Payable and Advances (Modified Repeat)

## INDEPENDENT AUDITORS' REPORT (Continued)

Further, the scope limitations requested by AmeriCorps prevented us from performing audit procedures related to the previous material weaknesses from prior years<sup>1</sup> and compliance with laws and regulations listed below. Accordingly, we continue to report AmeriCorps' noncompliance with Single Audit Act<sup>2</sup> and the following material weaknesses and related recommendations as unimplemented: See Status of Prior Year Recommendations in [Exhibit C](#).

5. Trust Obligations and Liability Model (Repeat)
6. Undelivered Orders and Accounts Payable - Procurement (Repeat)
7. Undelivered Orders – Grants (Repeat)
8. Recoveries of Prior Year Obligations (Repeat)
9. Other Liabilities (Repeat)

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the Information Technology Security Controls (Modified Repeat) described in [Exhibit B](#) to be a significant deficiency.

Had we been able to obtain sufficient appropriate audit evidence to express an opinion on the financial statement, other material weaknesses or significant deficiencies may have been identified and reported herein.

### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements and Other Matters (Compliance)**

In connection with our engagement to audit AmeriCorps' FY 2021 financial statement, we considered AmeriCorps' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We were not able to perform the applicable tests of AmeriCorps' 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 statement.

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<sup>1</sup> [CNCS OIG Report 20-01, Audit of the Corporation for National and Community Service's Fiscal Year 2019 Consolidated Financial Statements, issued November 20, 2019](#). Although AmeriCorps did not undergo an audit of its financial statements in FY 2020, the agency acknowledged in its FY 2020 Annual Management Report that, if such an audit had been conducted, the results would have been the same as in FY 2019.

<sup>2</sup> The Single Audit Act of 1984 (P.L. 98-502) as amended in 1996 (P.L. 104-156)

## INDEPENDENT AUDITORS' REPORT (Continued)

### Management's Responsibility for Internal Control and Compliance

AmeriCorps management is responsible for (1) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatements, whether due to fraud or error, (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with laws, regulations, contracts, and grant agreements applicable to AmeriCorps.

### Purpose of the Report on Internal Control and Report on Compliance

The purpose of the Report on Internal Control and on Compliance is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AmeriCorps' internal control or compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AmeriCorps' internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

### **AmeriCorps' Response to Audit Findings and Recommendations**

AmeriCorps did not express concurrence or nonoccurrence to our findings and recommendations. AmeriCorps' comments can be found in [Exhibit D](#). AmeriCorps' response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

**CLIFTONLARSONALLEN LLP**

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Arlington, Virginia  
November 8, 2021

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

**1. Migration to Shared Service (New finding)**

AmeriCorps' transition to a shared service platform offered by the Administrative Resource Center (ARC) within the U.S. Treasury Department's Bureau of Fiscal Services (BFS), effective on October 1, 2020, created new challenges that affected AmeriCorps' ability to produce complete, adequate, and reliable financial information. The pre-migration general ledger account clean-up process spilled over into FY 2021 and was not complete as of the end of this year's audit fieldwork. As one example, AmeriCorps has not completed the process of allocating and reporting separately the revenue and expenses of certain advances received under interagency agreements. AmeriCorps is in the process of transferring all agreements into the Interagency Agreement Module in ARC's Oracle system, which requires detailed reporting, rather than liquidation in the aggregate.

Also, AmeriCorps was not able to convert all of the transactions originally recorded in its Momentum legacy system with the reporting required by ARC's financial system, Oracle. Despite the migration to shared services, AmeriCorps elected to continue to conduct critical financial transactions relating to its core business in Momentum. These include: grant activities, member payroll, cost share, and disbursements from the National Service Trust. Also, because Momentum is not configured to report object class codes<sup>3</sup> in accordance with Federal requirements, manual adjustments must be used to correct the issue after AmeriCorps reports this information from Momentum to ARC's Oracle financial system. That results in additional work and delays and introduces human error into the reporting process. In addition, there were misclassification issues caused by mapping inconsistencies in the program and fund structures within the two accounting systems. In most of these instances, AmeriCorps had to rely on post-conversion manual entries to temporarily fix the issues and meet financial reporting requirements. Total absolute values of manual entries significantly increased from \$7 billion (rounded) in FY 2019, to \$45 billion (rounded) in FY 2020, to \$27 billion (rounded) in FY 2021.

Data for other key transactions did not migrate to ARC's Oracle system due to interface issues. AmeriCorps' portfolio of contracts initiated prior to October 1, 2020 did not transfer properly to ARC's procurement system. The Deputy Director of the Office of Procurement Services, who is no longer with the agency, noted that certain underlying documentation did not make it over to ARC's PRISM<sup>4</sup> and that supporting documentation may no longer be available for some transactions. AmeriCorps did not specify what documents failed to transfer or were unavailable, did not explain the potential impact of these issues on financial reporting, or identify any possible legal ramifications.

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<sup>3</sup> Object classes are categories in a classification system that present *obligations by the items or services purchased by the Federal Government*.

<sup>4</sup> The Procurement Information System for Management (PRISM) is used to record and track requisitions, purchase orders and contracts issued by agencies. The module is maintained by ARC as part of its shared service function to AmeriCorps.



**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

AmeriCorps was not prepared for the magnitude of the work required to ensure a successful conversion, because it did not conduct an effective or realistic risk assessment or planning to ensure that the conversion issues would not impede operations unduly. The agency did not have a plan to address unexpected issues prior to the actual conversion. AmeriCorps underestimated the level of resources needed for the conversion to proceed smoothly and completely and therefore under-resourced the effort, leading to ongoing financial accounting, reporting, and operation issues.

The Government Accountability Office's (GAO) Standard for Internal Control in the Federal Government (Green Book) states that 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 should analyze the effect of identified changes on the internal control system and respond by revising the internal control system on a timely basis, when necessary, to maintain its effectiveness.<sup>5</sup>

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. Additionally, existing risks may require further assessment to determine whether the defined risk tolerances and risk responses need to be revised.<sup>6</sup>

***We recommend that AmeriCorps:***

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. **(New)**
2. Fix incorrect outstanding balances, missing data, and missing supporting contract documentation resulting from financial system configuration issues and ensure future interfaces with Oracle do not have the same issues. **(Modified Repeat)**.
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. **(Modified Repeat)**.
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. **(New)**

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<sup>5</sup> <https://www.gao.gov/assets/gao-14-704g.pdf> page 43, 9.04

<sup>6</sup> <https://www.gao.gov/assets/gao-14-704g.pdf>, page 43, 9.05

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

**2. Internal Controls Program (FMFIA) (modified repeat finding)**

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<sup>7</sup>. 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 and GAO's *Standards for Internal Control in the Federal Government*.

AmeriCorps' internal control program remains ineffective, despite some areas of improvement. We note, for example, that the agency now has a formal, documented process for collecting and providing the Chief Executive Officer (CEO) with comprehensive information to consider in deciding the level of assurance and substantive content of the required Annual Management Report (AMR) statement concerning the effectiveness of internal control. In the AMR for FY 2021, AmeriCorps' CEO acknowledges the continuing deficiencies and provided a statement of no assurance as to effectiveness of internal control over financial reporting, operations, including of the agency's grant programs, and compliance.

AmeriCorps has made little progress at correcting the pervasive problems that have left the agency unable to obtain an opinion on its financial statements since FY 2017. Eight of the nine material weaknesses that we identify in this report were first reported in FY 2017 or FY 2018. Only ten of the 75 recommendations from FY 2019 have been implemented. In most areas, AmeriCorps has not even developed meaningful corrective action plans (CAPs) to address the identified material weaknesses and significant deficiency. Until AmeriCorps can create and implement focused and well-resourced CAPs, it cannot expect to resolve these longstanding problems. To date, only the Office of the Chief Risk Officer (OCRO) has consistently developed and implemented effective CAPs, which has contributed to that office's track record of closing recommendations.

Below are some of the new and recurring deficiencies that we identified in the internal control program:

- The OIG's FY 2020 limited performance audit of AmeriCorps' internal control program<sup>8</sup> identified deficiencies such as (a) the omission of risk factors from the risk assessment process, (b) lack of documentation to support the conclusions reached on entity level assessments, (c) unexplained inconsistencies between risk assessments by the functional offices and the independent assessments conducted by OCRO, (d) missing, incomplete, or inadequate documentation to support the internal control assessment, (e) untimely

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<sup>7</sup> OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Policy section.

<sup>8</sup> AmeriCorps OIG Report Number OIG-AR-21-02 [Performance Audit of AmeriCorps' FY 2020 Internal Control Program and National Service Trust Liability Model](#)

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

review of key underlying documents, and (f) incomplete assessment of test of design and test of effectiveness, as well as sampling errors. There were eight recommendations of which AmeriCorps is continuing to address or complete implementation of corrective actions.

- The directors of the functional offices participating in the entity-level control assessment continue to lack a full understanding of internal control principles and how they relate to their respective operations. In addition, they did not consider the significant changes in FY 2021 and outstanding audit recommendations when assessing the entity-level controls.
- AmeriCorps conducts its entity-level internal control assessment according to GAO's 17 principles in the *Standard for Internal Control in the Federal Government*. In FY 2021, AmeriCorps concluded that it had low risk as to two of the principles and moderate risk as to 12 of them. Those decisions are difficult to reconcile with the identified material weaknesses and the obvious risks flowing from the ongoing issues related to the migration to shared services. We found that certain of the risk ratings were not based on adequate information, were not fully supported by the assessment documentation or were inconsistent with the results of our audit.
- AmeriCorps failed to obtain subsidiary statements of assurance and internal control assessments from Accounting and Financial Management Services (AFMS), Office of Procurement Services, and Office of Budget and other functional units. These critical components were not asked to provide assurance as to the effectiveness of internal control in their respective areas.
- OCRO's internal control assessment and testing did not identify ongoing issues arising from the transition to shared services as a material weakness, despite their significant impact on the financial operations and reporting in FY 2021.
- OCRO downgraded financial reporting and procurement management from material weaknesses in FY 2019 to significant deficiencies in FY 2021, without apparent justification. The downgrade is not consistent with AmeriCorps' acknowledged inability to remedy the material weaknesses from prior audits.
- OCRO is still in the process of developing a risk register that records identified risks at the mission and business process level, or Tier 2, as defined by the National Institute of Standards and Technology.
- While OCRO took the initiative to complete and/or update nine business process narratives to reflect the transition to shared serves, other business process narratives have not been revised or updated to reflect significant changes in the current financial and control environment. For example, the Grants Financial Management Business Process narrative has not been revised to address the control gap related to the estimation and verification of the accuracy of the Advances Repayment balance.

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

***We recommend that AmeriCorps:***

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. **(New)**
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. **(New)**
7. Complete updating or revising the business process narratives to adapt to the significant changes in the current financial and control environment. **(Modified Repeat)**
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. **(New)**.

**3. Financial System and Reporting (modified repeat finding)**

AmeriCorps' financial reporting process and the internal control over it remain inadequate to ensure accuracy and quality control in the preparation financial statements. While AmeriCorps predicted that migration to ARC would resolve the majority of its unimplemented recommendations, it has not realized these results, in part because the pervasive deficiencies in AmeriCorps' Momentum financial system have carried over into ARC. AmeriCorps continued to experience lingering effects of Momentum throughout FY 2021. These are essentially the same weaknesses and system limitations that prevented AmeriCorps from issuing auditable financial statements for the last five years. AmeriCorps continued to rely on temporary manual adjustments to address these pervasive longstanding issues in FY 2021.

Our audit procedures found that the following conditions continue to exist, despite the migration to shared services:

- A. Financial Statement Audit Scope Limitation
- B. Inability to produce quality, reliable, and complete financial information in a timely manner
- C. Inadequate internal controls in preparing and reviewing financial reports
- D. Improper design of internal control over the use of journal entries (JEs)

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

OMB Circular No. A-123 requires agency management to establish and maintain internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

***A. Financial Statement Audit Scope Limitation***

Despite a one-year grace period with no financial statement audit in FY 2020 and the shift to shared services at the beginning of FY 2021, AmeriCorps was unprepared for a full scope audit in FY 2021. The lack of progress in addressing the prior year (PY) internal control material weaknesses led AmeriCorps to acknowledge their continued noncompliance with Single Audit and also requested that the audit exclude the following material financial statement lines and significant processes, noting that audit of these areas would likely yield the same or similar results in FY 2019:

- Grants Single Audit Compliance
- Other Liabilities – Include VISTA Stipend
- Undelivered Orders and Accounts Payable – Procurement
- Trust Obligation and Liabilities – Validation of the Data for the Trust Obligation Liability Model (TOLM, Trust liability).

Additionally, AmeriCorps advised that it would not be able to implement planned changes that would affect their calculation of (1) Grant Accrual and Grant Advances, and (2) the Trust Obligation and Liabilities, both material financial statement lines, until reporting results for the third quarter of FY 2021. As a result, those lines were only available for audit until after preparation of the June 30, 2021 interim financial statements and the receipt of all required audit documentation. Notwithstanding the delay in implementation, we performed audit procedures over the Grants Accrual Payable and Advances and reported our findings in material weakness number 4. The time limitation imposed by AmeriCorps left us unable to conclude our work on the Trust Obligation and Liabilities.

***We recommend that AmeriCorps:***

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. **(New)**

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

***B. Inability to produce quality, reliable, and complete financial information timely***

Throughout FY 2021, AmeriCorps continued to struggle in preparing, reviewing, and providing accounting information and documentation for audit. Although we set forth a clear schedule without objection at the beginning of the audit and conducted regular status meetings, AmeriCorps frequently responded long after the requested due date, months late in some cases. Also, AmeriCorps didn't have defined roles and responsibilities for providing information and documents requested by the auditors. Often, the documentation provided had not undergone quality review to ensure that the information was without errors, complete, and responsive to the request. The lack of quality control and timely response caused delays and wasted effort. Ultimately, AmeriCorps' inability to provide timely, complete, and high quality audit schedules and documents, including incomplete populations for sampling, interfered with our ability to evaluate and test financial information.

***We recommend that AmeriCorps:***

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. **(New)**

***C. Inadequate internal controls over preparing and reviewing financial reports***

AmeriCorps' internal control over preparing and reviewing financial reports was inadequate. Examples of the inadequacies were as follows:

- AmeriCorps did not properly research, follow up and effectively document explanations for account balance differences. The agency's monthly trial balance review was incomplete and ineffective. The budgetary-to-proprietary analysis (tie point) performed was incomplete, because AmeriCorps did not follow up to explain or reconcile significant variances. The purpose of the high-level tie point analysis is to detect anomalies in balances and correct them or provide fact-specific explanations for the discrepancies. Instead, AmeriCorps continued to provide generic explanations that do not address the root cause of the differences. Without a root cause analysis, AmeriCorps may not be able to correct the problem, which will recur. The lack of a rigorous process may cause AmeriCorps to overlook substantial but correctable financial management errors.
- We identified uncorrected misstatements on the financial statements, abnormal balances, and incomplete financial statement and notes as part of our audit of the June 30, 2021, (interim) financial statement. Other examples of issues identified were reconciliation differences between AmeriCorps internal trial balance and the U.S. Treasury's Governmentwide Treasury Account Symbol Trial Balance (GTAS), which were

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

caused by untimely recording of accounting transactions and failure to remove cancelled funds activity in its trial balance. Also, inadequate or lack of subsidiary support for advances of funds received were due to inability to maintain and track trading partner agreements and transaction level activities from inception to close-out.

- AmeriCorps did not perform a complete and reliable fluctuation analysis of the June 30, 2021, account balances. The explanations provided for significant balance fluctuations were generic and did not address the specific nature of the transactions or the change in operations or trends that would identify the root causes of the fluctuations. AmeriCorps did not document its expectations based on its operating environment and compare those expectations to the identified significant balance fluctuations for reasonableness or unexpected change.

***We recommend that AmeriCorps:***

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: ***(Modified Repeat)***
  - 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.

These open repeat recommendations can be found Status of Prior Year Recommendations in [Exhibit C](#), Status of Prior Year Recommendations for open repeat recommendations.

***D. Improper design of internal control over the use Journal Entries (JE)***

Journal entries are both recurring and non-recurring manual accounting adjustments used to record (usually large) transactions in the financial system. They are used to fix errors, reclassify balances, or record amounts that were not reported due to timing and period cut-offs in the

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

financial system. However, they do not go through the established system of controls designed to record normal recurring transactions, and thus reliance on JE increases AmeriCorps susceptibility to errors and misstatement in the financial statements. As of June 30, 2021, AmeriCorps used JEs to record approximately \$27 billion in absolute value transactions, a significant increase from the prior year. AmeriCorps over relied on the JEs to fix issues that initially existed in the Momentum environment that were not remediated prior to conversion to Oracle.

Also, AmeriCorps used JEs to address significant recurring financial reporting issues across multiple funds, instead of addressing the underlying root causes. For example, JEs were used to fix transactions recorded under reimbursable funds using an account code that identified them as Direct. This is a long-standing issue that requires repeated adjustments to the expended and unexpended appropriation general ledger accounts.

We also identified other control deficiencies such as duplication in the use of JEs, missing document numbers, and lack of documentation explaining the need for or root cause for the adjustment and approval. Further, there was no evidence of proper segregation of duties, reconciliation issues between JE detail and JE log, and instances in which AmeriCorps and ARC approved and processed JEs with the incorrect general ledger account, requiring another JE to correct the error. The over-reliance, incorrect usage, and inaccurate JEs create a high risk of material misstatements in the financial statement.

***We recommend that AmeriCorps:***

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. **(Modified Repeat)**
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. **(Modified Repeat)**.
14. Validate and ensure JEs are properly supported, documented, and are readily available for examination. **(Modified Repeat)**



**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

Additional open repeat recommendations from the FY 2019 audit report can be found in [Exhibit C](#), Status of Prior Year Recommendations.

**4. Grant Accrual Payable and Advances (modified repeat finding)**

In FY 2021, AmeriCorps changed its grant accrual methodology to include the “incurred but not reported” (IBNR) estimated costs<sup>9</sup> provided from the Payment Management System (PMS)<sup>10</sup> for estimating its grant expenses and liabilities to be reported in a future Federal Financial Report. Consideration of the IBNR in AmeriCorps grant accrual estimates is necessary for AmeriCorps to account for its financial transactions in accordance with GAAP. Per FASAB, *Accrual Estimates for Grant Programs*, Federal Financial Accounting Technical Release 12, a Federal grant-making entity must demonstrate the reliability of its grant accrual estimates.

AmeriCorps must verify that the facts used in the HHS’ PMS IBNR estimation methodology are relevant and accurate for AmeriCorps grants. This baseline validation is important to ensure that the HHS PMS IBNR estimate is reasonable when applied to AmeriCorps, i.e., that the methodology, factors, and assumptions are applicable to the nature of AmeriCorps grantees’ operations.

Using estimates based on assumptions that are not documented and validated based on historical data analysis and grantees’ actual spending patterns increases the risk of errors and misstatements in the grant accrual, related expenses and advances reported in the financial statement.

***We recommend that AmeriCorps:***

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)**
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.  
**(New)**

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<sup>9</sup> These amounts represent the estimated liability for costs already incurred by the grantees but will be reported in the following quarter.

<sup>10</sup> The PMS is a tool by the Department of Health and Human Services (HHS) help grant recipients draw down funds and file the Federal Financial Report (FFR). AmeriCorps uses HHS services to manage grantee drawdowns and disbursement reporting activities.

**EXHIBIT A**  
**Material Weaknesses**  
**FY 2021**

Additional open recommendations from FY 2019 audit report related to grant accrual and advances can be found in [Exhibit C](#), Status of Prior Year Recommendations.

We also continue to report the following five prior year material weaknesses and the related unimplemented recommendations: Trust Obligations and Liability Model (Repeat); Undelivered Orders and Accounts Payable - Procurement (Repeat); Undelivered Orders – Grants (Repeat), Recoveries of Prior Year Obligations (Repeat); and Other Liabilities (Repeat). A listing of these unimplemented recommendation is in [Exhibit C](#).

**EXHIBIT B**  
**Significant Deficiency**  
**FY 2021**

**Information Technology Security Controls (modified repeat finding)**

AmeriCorps relies extensively on information technology (IT) systems to initiate, authorize, record, process, summarize and report financial transactions in the preparation of its financial statement. 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. AmeriCorps outsourced its financial operations to a shared service provider for the first time this fiscal year. The new financial system of record interfaces 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.

Our review of IT controls covered general and application controls at the AmeriCorps Washington, D.C. Headquarters. Our current year audit identified security control weaknesses that were corrected for certain control activities. Examples of AmeriCorps' improvements in its IT control environment include conducting background investigations and reinvestigations of current employees and enhancing physical access controls to safeguard personally identifiable information.

While AmeriCorps has taken some steps to remediate previously identified information security control weaknesses, AmeriCorps continues to face challenges in the consistent implementation of its information security program and monitoring of security controls. In addition, we identified new and continued control weaknesses in the information security program that need to be addressed, most importantly pertaining to configuration management controls, including vulnerability management, access controls, and organization-wide risk management. Specifically, we identified enterprise findings for each of the following domains:

**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. While our independent vulnerability scans indicated that the number of vulnerabilities has decreased since last year, issues remain with applying older patches and remediating older configuration weaknesses.  
**(Modified Repeat)**
- AmeriCorps did not develop baseline configuration documentation for all platforms in its environment and ensure that these standard baseline configurations are appropriately

**EXHIBIT B**  
**Significant Deficiency**  
**FY 2021**

implemented, tested, and monitored for compliance with established security standards.  
**(Modified Repeat)**

- The tracking of IT components in the asset inventory was incomplete, and software assurance controls have not been fully implemented for mobile devices due to delays in implementing a new mobile device management tool. **(Modified Repeat)**
- Change management documentation was not consistently recorded for system changes made to the General Support System (GSS), Electronic-Systems for Program Agreements and National Service Participants (eSPAN), and Momentum applications. **(New)**

Access Control

- AmeriCorps did not adequately manage user accounts and/or passwords for the network and the Momentum application. For example, AmeriCorps did not disable all network and Momentum accounts of separated employees, did not disable inactive privileged accounts, and did not properly manage passwords that were not changed after a designated timeframe as specified in AmeriCorps' policies. **(Modified Repeat)**
- In March 2020, AmeriCorps removed mandatory enforcement of Personal Identity Verification (PIV) multifactor authentication<sup>11</sup> in response to the COVID-19 pandemic and has not reinstated the control. Agency management attributes this to the need for full-time telework during the COVID-19 pandemic. However, this conflicts with government-wide guidance issued by the Cybersecurity and Infrastructure Security Agency (CISA) directing agencies to use multifactor authentication during pandemic-related telework. **(Modified Repeat)**
- AmeriCorps did not conduct an annual incident response test as required by AmeriCorps policy. **(New)**

In addition, prior weaknesses related to access controls at AmeriCorps' field offices have not been remediated.

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. **(New)**
- AmeriCorps did not maintain an Interconnection Security Agreement between AmeriCorps and Social Security Administration. **(New)**
- AmeriCorps did not complete a risk register to record identified risks at the mission and

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<sup>11</sup> 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.

**EXHIBIT B**  
**Significant Deficiency**  
**FY 2021**

business process level, as defined by the National Institute of Standards and Technology.<sup>12</sup>  
**(Repeat)**

- AmeriCorps did not ensure individuals with access to personal identifiable information (PII) completed annual privacy-role based training. **(Repeat)**

*Contingency Planning*

- AmeriCorps did not conduct an annual disaster recovery test and train its disaster recovery personnel for the GSS and eSPAN as required by AmeriCorps policy. **(New)**

Many of these weaknesses can be attributed to inconsistent enforcement of the agency-wide information security program across the enterprise. These deficiencies can increase the risk of unauthorized access to AmeriCorps' systems 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 measurable results in support of a strategy to achieve an effective level of information security at AmeriCorps.

Further, the Federal Information Security Management Act (FISMA) legislation requires each agency to have a Chief Information Security Officer (CISO), whose principal duty is cybersecurity. However, AmeriCorps allowed this position to remain vacant from October 2020 to June 2021, with an acting official in the role. Given the agency's weaknesses in key information security controls and the importance of this function, the lack of a permanent CISO, with the ability to advise the agency head on key issues of cybersecurity policy, enforcement and needed improvements, detracted from the opportunity to make progress.

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 confidentiality, integrity, and availability of AmeriCorps' financial and sensitive data.

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<sup>12</sup> NIST Special Publication 800-39, Revision 1, *Managing Information Security Risk Organization, Mission, and Information System View*, specifies an integrated risk management process three-tiered approach for managing risk across an organization that "addresses risk at the: (i) organization level; (ii) mission/business process level; and (iii) information system level. The risk management process is carried out seamlessly across the three tiers with the overall objective of continuous improvement in the organization's risk-related activities and effective inter-tier and intra-tier communication among all stakeholders having a shared interest in the mission/business success of the organization."

**EXHIBIT B**  
**Significant Deficiency**  
**FY 2021**

***We recommend that AmeriCorps:***

Since AmeriCorps has not implemented consistent automated processes to address continued control weaknesses in its information security program, we reiterate the prior year's recommendations to assist AmeriCorps in holding individual stakeholders accountable for remediation of control weaknesses and ensuring information technology security controls operate as intended agency wide. The recommendations for these conditions can be found in [Exhibit C](#), Status of Prior Year Recommendations.

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

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 2021. As the scope of audit in FY 2021 was limited, many of the FY 2019 recommendations were still open in FY 2021. 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 2021 were recommendations from FY 2019 but were adapted to the FY 2021 results. The summary of the status of the FY 2019 financial statement audit recommendations in FY 2021 is in Table 1. The detail of each recommendation is presented in Table 2.

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

Status in FY 2021	Count of Recommendations in FY 2019	FY19 Audit Report Recommendation Number
Recommendation Closed	10	1, 3, 4, 6, 7, 19, 20, 39, 45, 52
Open and Modified Repeat Recommendations	65	
<b>Total:</b>	<b>75</b>	

**Table 2: Status in FY 2021 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 FY21
<b>Material Weakness (MW)</b>  <b>Internal Control</b>	1	Establish a formal process that provides the CEO with comprehensive information on the results of AmeriCorps' internal control assessment, status of open material weaknesses and significant deficiencies from prior year's financial statement audits, and information on issues that could be reported as a significant deficiency or a material weakness in the current year's financial statement audit for consideration in preparing the AmeriCorps assurance statement. This should also include the status of open recommendations from other audits that have a significant impact on AmeriCorps operations or financial reporting.	Closed

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
<b>Program (FMFIA)</b>	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.	Repeat – Material Weakness (MW) Open Recommendation
	3	Revise the AmeriCorps Statement of Assurance Preparation and Submission Guidance (March 2019) to: a. Require the functional offices to consider external and internal audits and investigations in identifying and reporting on control deficiencies. b. Require the functional offices to identify the impact that the material weakness or significant deficiency has on the financial statements or on AmeriCorps’ operations in their assurance statements.	Closed
	4	Revise the AmeriCorps Financial Reporting Testing Plan to include verifying that the fluctuation analyses are conducted properly within the required thresholds.	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.	Modified Repeat MW Recommendation #7
	6	Provide training to appropriate AmeriCorps personnel regarding the purpose of the Data Quality Plan.	Closed
	7	Update and maintain the Data Quality Plan in accordance with OMB Circular No. A-123, Appendix A, Management of Reporting and Data Integrity Risk (M-18-16, June 6, 2018), and subsequent amendments.	Closed
	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.	Repeat - MW Open Recommendation



**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY21
<b>Material Weakness</b>  <b>Financial System and Reporting</b>	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.	Repeat - MW Open Recommendation
	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. 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.	Modified Repeat - MW Recommendation #11
	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.	Modified Repeat – MW Recommendation #2
	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.	Modified Repeat - MW Recommendation #3

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	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.	Modified Repeat – MW Recommendation #12
	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.	Repeat – MW Open Recommendation
	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.	Repeat – MW Open Recommendation
	16	Validate and ensure standard Journal entries are properly supported, documented, and are readily available for examination.	Modified Repeat - MW Recommendation #14
	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 JE's; d. use of specific and accurate JE descriptions; and e. timely review and approval of JEs for accuracy and propriety.	Modified Repeat – MW Recommendation #13

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	19	Finalize its research to establish the amount to capitalize for tenant improvement costs and retain proper documentation of the research. While the research is ongoing, AmeriCorps should disclose non-GAAP accounting and the impact on the financial statements.	Closed
	20	Evaluate AmeriCorps compliance with all sections of OMB Circular No. A-136, Financial Reporting Requirements, including preparing comparative financial statements and notes to comply with the financial reporting framework for federal government agencies.	Closed
<b>Material Weakness</b>  <b>Trust Obligations and Liability Model</b>	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
	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

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY21
	24	<p>Document and implement policies and procedures to include the following:</p> <ul style="list-style-type: none"> <li>a. establish a thorough and robust quality control process to ensure that the 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;</li> <li>b. perform monthly reviews and reconciliations of the recorded new and outstanding obligations to ensure the accounting information is valid and proper;</li> <li>c. review obligation amounts to ensure amounts accurately reflect the status of the obligation;</li> <li>d. review obligations to verify that amounts, timeframe (i.e., grant dates are correctly reflected in the obligation);</li> <li>e. ensure obligations are sufficiently supported (i.e., by documentary evidence); and</li> <li>f. perform complete reconciliations of all outstanding obligations monthly, and ensure any discrepancies identified are promptly researched and resolved.</li> </ul>	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
	26	<p>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:</p> <ul style="list-style-type: none"> <li>a. Train, mentor, and work to retain qualified employees;</li> <li>b. Cross-train employees so that knowledge of the model will reside with multiple staff rather than with one person; and</li> <li>c. Implement a peer review process to carry out the necessary quality control reviews of the Trust Obligation and Liability Model and the Monthly Obligation and Liability Calculator. (repeat)</li> </ul>	Repeat – MW Open Recommendation

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY21
<b>Material Weakness</b>  <b>Grants Accrual Payable and Advances</b>	27	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• 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</li> </ul> <p>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 whether any deviation is acceptable, or the methodology should be further refined to reflect the actual grantees' reported expenditure pattern.</p>	Repeat – MW Open Recommendation
	28	<p>Revise and implement policies and procedures for the grant accrual methodology so that:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• It addresses how the calculations are used to arrive at the Grants Payable and Advances to Other line items in the financial statements.</li> </ul>	Repeat – MW Open Recommendation

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	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.	Modified Repeat – MW Recommendation #13
<b>Material Weakness</b>  <b>Undelivered Orders and Accounts Payable - Procurement</b>	30	Centralize the storage of all procurement documents in contract files and maintain them electronically.	Repeat – MW Open Recommendation
	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.	Repeat – MW Open Recommendation
	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; 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.	Repeat – MW Open Recommendation

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	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
<b>Former Material Weakness</b>  <b>Property and Equipment<sup>13</sup></b>	39	Analyze contractor-developed software costs that were expensed but not capitalized in accordance with accounting standards.	Closed
	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

<sup>13</sup> Property and Equipment was removed from a material weakness as the conditions related to the finding were not found in our FY 2021 testing. However, the recommendations in FY 2019 were still not corrective so the recommendations will remain as open.

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	42	Review the GMM contract status to ensure proper and timely deobligation of any remaining unliquidated obligations that are no longer needed.	Repeat Open Recommendation
	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
	45	Develop and perform a periodic analysis of expenses incurred, e.g., software-in-development costs and repairs and maintenance, to determine if they meet the capitalization requirements and conduct any follow-up to ensure costs are properly capitalized.	Closed
<b>Material Weakness Undelivered Orders - Grants</b>	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



**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
	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
<b>Material Weakness Recoveries of Prior Year Obligations</b>	51	Establish a requirement for Grant Officer/Portfolio Managers to provide documented certification that all required grantee information has been received, accepted, and documented before the grant is closed out.	Repeat – MW Open Recommendation
	52	Revise its OMB Circular No. A-123 internal control program testing to include a review of contract modifications.	Closed
	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
	54	Determine the cause for the travel cost recovery difference to ascertain what corrective action is needed and to prevent issues from recurring.	Repeat – MW Open Recommendation
	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
<b>Material Weakness</b>	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

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
<b>Other Liabilities</b>	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
<b>Significant Deficiency (SD)</b>	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
<b>Significant Deficiency</b>	64	Reconcile the Accounts Receivable subsidiary ledger to the general ledger monthly.	Repeat – Control Deficiency (CD) Open Recommendation

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

<b>FY19 Audit Report Finding Area</b>	<b>FY19 Audit Report Rec. Number</b>	<b>Recommendation Description</b>	<b>Status of FY19 Recommendations in FY21</b>
<b>AR &amp; Allowance for Doubtful Accounts</b>	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
<b>Non-Compliance Single Audit Compliance</b>	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
	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

**EXHIBIT C**  
**Status of Prior Year Recommendations**  
**FY 2021**

FY19 Audit Report Finding Area	FY19 Audit Report Rec. Number	Recommendation Description	Status of FY19 Recommendations in FY21
	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: <ul style="list-style-type: none"> <li>• Reflect the current monitoring process to track all audit findings related to AmeriCorps-funded grants, and</li> <li>• Address AmeriCorps’ responsibilities as the cognizant/oversight agency and how these responsibilities would be carried out.</li> </ul>	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

**EXHIBIT D**  
**Management's Response**  
**FY 2021**



Date: November 15, 2021

To: Deborah Jeffrey, Inspector General

From: Malena Brookshire, Chief Financial Officer

**Malena  
Brookshire**

Digitally signed by Malena  
Brookshire  
Date: 2021.11.15 11:51:32  
-05'00'

Subject: Management's Response to Independent Auditors' Report

Thank you for the opportunity to comment on the FY 2021 Independent Auditors' Report from CliftonLarsonAllen LLP (CLA). AmeriCorps has reviewed the results of the financial statements audit, and the audit of the financial statements of the National Service Trust. This is a consolidated response to both reports.

We acknowledge the auditors' disclaimer of opinion on the financial statements, including the identification of nine material weaknesses and one significant deficiency, and its review of the agency's internal control over financial reporting and compliance with laws and regulations. The independent audit of the agency's financial statements and related processes is a core component of AmeriCorps' financial management program, and we look to the findings and recommendations to help us target and prioritize corrective actions that directly support our efforts to improve AmeriCorps' financial management practices.

AmeriCorps is committed to implementing strategic reforms to the agency's audit management and resolution efforts, focusing heavily on agency audit readiness, improving operational and programmatic internal controls, and increasing senior leadership engagement in corrective action planning and oversight. Using our existing and new resources, such as funds through the American Rescue Plan, we are making greater investments in critical mission support staffing; improving data management and analysis; and modernizing our antiquated systems as we work to actively identify root causes, prioritize and implement robust corrective action plans, and monitor remediation efforts at the highest levels of leadership throughout the agency. The agency commits to ongoing consultation with your office to address our pressing challenges.

Additionally, we will continue efforts to improve our trust and grants accrual methodology and transition of vital core business functions to shared services. This transition and our partnership with Treasury is AmeriCorps' most significant and impactful strategy to directly address key audit findings and strengthen the agency's overall financial management. Moreover, we are including effective stewardship of resources as an agency strategic goal in our draft 2022-2026 Strategic Plan that will serve as a roadmap for resource prioritization and investments.

To further increase senior leadership engagement, we are initiating a new internal audit accountability and reporting structure. This will include regular corrective action meetings with executive and senior leadership to review progress toward approved

**EXHIBIT D**  
**Management's Response**  
**FY 2021**



corrective and preventive actions. The agency's Risk Management Council will play a significant role here, with increased governance over agency risk and accountability, as well as tracking resolution. To enhance oversight, we are developing a shared platform to track corrective actions and increase leadership visibility and awareness of corrective action status. Such transparency will enable leadership to provide proactive, consistent, and timely updates to key stakeholders invested in the agency's progress towards audit resolution.

In addition to our new internal accountability efforts, we have initiated other audit management reforms, including contract vehicles that will allow access to much needed financial management and audit expertise, more robust agency audit training focused on quality corrective action planning and reporting, and investments to identify and implement business process improvements to core mission support functions.

AmeriCorps fully supports the requirements for auditability of its financial statements and understands its obligations for providing accountability and transparency. We are working diligently to complete our reviews of new audit findings and to correct these shortcomings for future audits. AmeriCorps' leadership is committed to continuing the work to more comprehensively demonstrate and understand agency efforts and mitigation strategies to ensure prioritization and progress in the months and years to come.



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