



AmeriCorps

OFFICE OF INSPECTOR GENERAL

FY 2020 Performance Audit Report of AmeriCorps' Internal Control Program and National Service Trust Liability Model

FINAL AUDIT REPORT

NUMBER: OIG-AR-21-02

AUGUST 17, 2021

OFFICE OF INSPECTOR GENERAL



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 AmeriCorps

August 17, 2021

MEMORANDUM TO: Jill Graham, Chief Risk Officer
Office of Chief Risk Officer

Malena Brookshire, Chief Financial Officer
Office of the Chief Financial Officer

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

SUBJECT: Office of Inspector General Final Evaluation Report, OIG-AR-21-02:
*Performance Audit of AmeriCorps' FY 2020 Internal Control
Program and National Service Trust Liability Model*

Enclosed is the Office of Inspector General's final audit report, OIG-AR-21-02: *Performance Audit of AmeriCorps' FY 2020 Internal Control Program and National Service Trust Liability Model*. The performance audit was conducted by CliftonLarsonAllen LLP in accordance with standards established by the *Government Auditing Standards*, issued by the Comptroller General of the United States. If you have any questions about this report please contact me at (202) 875-0245 or m.colter@americorpsoig.gov.

cc: Malcolm Coles, Acting Chief Executive Officer
Jenny Mauk, Chief of Staff
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EXECUTIVE SUMMARY

OIG REPORT NUMBER: OIG-AR-21-02

AUGUST 17, 2021



HOW WE CONDUCTED THIS AUDIT

Through CliftonLarsonAllen LLP (CLA), AmeriCorps' Office of Inspector General (OIG) undertook a limited scope performance audit of AmeriCorps' Internal Control Program (ICP) and the completeness of the data underlying its FY 2020 National Service Trust Obligation and Liability Model (Trust Model).

The objectives were to assess the effectiveness of the ICP assessments completed by the Office of the Chief Risk Officer (OCRO) and to evaluate the validity, accuracy, and completeness of the enrollment and service data applied in the the Trust Model. The audit was conducted in accordance with performance audit standards contained the *Government Auditing Standards*.

WHY WE CONDUCTED THIS AUDIT

For FYs 2017-2019, CLA issued disclaimers on the financial statements audits of AmeriCorps and the National Service Trust, because AmeriCorps could not demonstrate the accuracy and completeness of its public financial reports. The prior audit reports identified numerous material weaknesses that remained uncorrected.

After consultation with the Office of Management and Budget (OMB) and Congressional stakeholders, AmeriCorps and the OIG agreed to forgo the FY 2020 financial statement audits, recognizing that they would have had substantially the same result: another disclaimer of opinion, nine material weaknesses and two significant deficiencies. In lieu of the FY 2020 financial statement audits, the OIG decided to focus on two major fundamental subjects of the prior AmeriCorps' disclaimers: its' ICP and Trust Model.

Performance Audit of AmeriCorps' FY 2020 Internal Control Program and Trust Model

WHAT WE FOUND

We found that AmeriCorps' assessment of its internal control program was substantially incomplete and/or certain controls could not be tested in most areas due to a combination of internal and external limitations.

Additionally, AmeriCorps was unable to complete the planned corrective actions of significant aspects of the Trust Model. The performance audit objectives were rescoped to focus on the AmeriCorps' verification of the underlying data applied to AmeriCorps' FY 2020 Trust Model. We found that AmeriCorps was unable to support its conclusion that the underlying data accurately reports the information related to members, their terms of service, and whether or not they have earned education awards.

WHAT WE RECOMMEND

With regard to its ICP, AmeriCorps agreed with our recommendations to develop policies and procedures and update narratives and testing attributes to properly reflect its current operations. Management also agreed to train staff on internal controls procedures and document retention practices.

With respect to the Trust Model, AmeriCorps agreed to renew focus on the recommendations contained in the FY 2019 financial statement audits and to develop and implement a detailed Corrective Action Plan that aligns directly with the recommendations. Lastly, AmeriCorps agreed to assess and document errors in the Trust Model and the rationale used to correct them.

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Introduction

For FY 2017-FY 2019, CLA issued disclaimers on the financial statements audits of AmeriCorps and the National Service Trust, because AmeriCorps could not demonstrate the accuracy and completeness of its public financial reports. The audit reports identified numerous material weaknesses that remained uncorrected. After consultation with the Office of Management and Budget (OMB) and Congressional stakeholders, AmeriCorps and OIG agreed to forgo the FY 2020 financial statements audits, recognizing that they would have had substantially the same result: another disclaimer of opinion, nine material weaknesses and two significant deficiencies.¹

Forgoing the audit enabled AmeriCorps to devote its resources to transitioning the agency's accounting and financial management, travel, and procurement functions to the shared services platform offered by the Administrative Resource Center (ARC) within the U.S. Treasury Department's Bureau of Fiscal Services; AmeriCorps expected that doing so would resolve certain of the longstanding material weaknesses. At the same time, AmeriCorps committed to work on resolving material weaknesses that the transfer to shared services would not affect. Thus, in lieu of a full scope audit of the FY 2020 financial statements, OIG contracted with CLA to perform a limited scope performance audit of AmeriCorps' FY 2020 Internal Controls Program (ICP) and National Service Trust Award Liability Model² (Trust Model).

Our audit objectives were to assess the effectiveness of AmeriCorps' ICP by performing a limited scope review of assessments completed by Office of the Chief Risk Officer (OCRO) in FY 2020 and to evaluate the validity, accuracy, and completeness of the underlying data of AmeriCorps' FY 2020 Trust Model. See [Appendix A](#) for details of the Objectives, Scope, and Methodology.

Results in Brief

AmeriCorps' Internal Control Program (ICP): We reviewed the assessments completed by AmeriCorps' Office of the Chief Risk Officer (OCRO) in FY 2020 to determine whether they complied with the requirements of *OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*. We found that AmeriCorps' FY 2020 internal controls assessments were substantially incomplete. In most of the areas, internal and external limitations prevented testing of all of the controls. As a result, AmeriCorps was unable to provide assurance over the effectiveness and reliability of its internal controls and ultimately support the overall Assurance Statement. For FY 2020, AmeriCorps issued a statement of "no assurance" that internal control over financial reporting, operations, and compliance was operating effectively.³

¹ AmeriCorps stated in its FY 2020 Agency Management Report, https://americorps.gov/sites/default/files/document/AmeriCorps%20FY%2020%20Annual%20Management%20Report_508.pdf, at page 1, and noted that its financial results were unaudited.

² The Trust Model is used to estimate Trust Obligations for the different AmeriCorps' member categories (Authorized to Usage, Enrolled to Usage, and Awarded to Usage) as well as the liability for earned education awards yet to be paid (enrolled to usage and awarded to usage) on behalf of members.

³ *Id.* at 23.

AmeriCorps' Trust Model: The original objective of our performance audit related to that National Service Trust was to evaluate the validity, accuracy, and sensitivity of AmeriCorps' FY 2020 National Service Trust Obligation and Liability Model (Trust Model), including the reasonableness and effects of underlying assumptions. However, AmeriCorps was unable to complete the planned and scheduled corrective actions for significant aspects of the Trust Obligation and Liability Model. Consequently, the audit objective was rescoped to focus on AmeriCorps' verification of the data underlying the Trust obligation and liability figures reported for FY 2020. We found that management was unable to support its assertion as to the accuracy, completeness and validation of the underlying data regarding members, their terms of service, and whether or not they have earned education awards.

AmeriCorps' Internal Control Program

Finding 1: Deficiencies in AmeriCorps Internal Controls Program

Our review of the high-level planning documents used by the ICP Team to strategize and plan their assessment approach noted the following conditions:

- **Omission of Significant Risk Factors:** AmeriCorps' risk assessment omitted significant risk factors, including new technology, new or revamped information systems, and significant new or changed programs or operations. The omission was significant considering that in FY 2019 and FY 2020, AmeriCorps: (1) underwent a complete reorganization of its grants management and monitoring process; (2) implemented a new procurement system, PRISM; and (3) began the process to migrate significant financial management functions to shared service.

Furthermore, AmeriCorps did not perform a risk assessment for the PRISM⁴ system as part of its Complementary User Entity Controls (CUEC) business cycle. The risk assessment did not acknowledge or take account of new circumstances that clearly bear on risk.

- **Inadequate Documentation of Decision:** OCRO's entity-level control assessment lacked adequate documentation to support the conclusions reached on the 17 prescribed principles governing the five components of internal control identified in the U.S. Government Accountability Office (GAO) Green Book. The internal control team applied judgment throughout the assessment, but it did not document the basis for its decisions and/or the factors considered in making judgmental determinations. For example, OCRO customized the entity-level assessment questionnaires to solicit responses from functional offices.⁵ In some instances, the customization included removing an entire

⁴ AmeriCorps procurement system implemented in FY 2019.

⁵ The functional offices identified by AmeriCorps are Office of Chief Operating Officer (OCOO), Office of Information Technology (OIT), Office of Human Capital (OHC), Office of Chief Executive Officer (OCEO) and Program Offices.

principle and its respective attributes from the questionnaire administered to a particular office. The documentation does not set forth the reasons for omitting particular principles and attributes from specific questionnaires.

- **Discrepancies in Conclusions:** In other instances, the responses received from the functional office questionnaires were drastically different from independent validations conducted by OCRO. The reasons for these discrepancies were not documented. Finally, the process to reach conclusions on the effectiveness of the 17 principles was not applied consistently. For example, when assessing principle 3, although 100 percent of the functional offices responded that “policies and procedures for internal control are adequately developed and maintained,” the ICP Team reached a different conclusion, based on its validation⁶ procedures:

“Based on inquiry with key personnel, OCRO noted that CNCS management has developed and maintains documentation of its internal control system. However, based on observation, OCRO noted that there are still significant gaps in process documentation. As such, OCRO concluded that this attribute exists but is functioning with some deficiencies.”⁷

The ICP Team did not specify the gaps or deficiencies identified by OCRO’s validation that caused OCRO to reach a different conclusion from the responses received. The discrepancy suggests that additional training is needed so that the functional office respondent can correctly identify gaps or deficiencies in their internal control policies.

- **Inadequate Documentation in Assessments:** Documentation issues including missing, incomplete, or inadequate documentation, were prevalent throughout the internal control assessment. These issues prevented staff other than the Managing Director of Internal Control from understanding, explaining, and reperforming the procedures and ultimately hindered the effectiveness of AmeriCorps’ internal control program overall. While the Managing Director of Internal Control was out of the office on long-term authorized leave, the remaining staff were unable to assist the auditors in understanding significant aspects of the assessments. Dependence on a single employee leaves the agency vulnerable if the individual in question is unavailable or leaves the agency.
- Currently, the deadline for risk management staff to review SSAE18 reports⁸ (reports on the internal controls of service providers on whom AmeriCorps depends for key functions) is October 30th.⁹ Because the Chief Executive Officer must sign the annual assurance statement and release the Agency Management Report by November 15th, the schedule leaves AmeriCorps only 15 days to implement and assess compensating controls to

⁶ As part of the ELC assessment ICP performed an independent validation which include mostly inquiries and observation and reported on the status of the attribute independent of the responses received in the questionnaire.

⁷ FY20 Entity Level Controls Assessment Summary v3.0, dated July 2020, page 15.

⁸ Service auditors report examining controls at organizations that provide services to user entities when those controls are likely to be relevant to user entities’ internal control over financial reporting.

⁹ FY 2020 Internal Control Planning Document, page 12, dated April 2020.

mitigate any unfavorable SSAE18 results. That amount of time is not sufficient, particularly now that AmeriCorps will be relying heavily on the shared service provider for accounting, financial management and financial reporting. With sufficient lead time, AmeriCorps could begin to implement compensating controls that would address the failed control objectives of the service provider, thereby preventing the risk of material misstatement in financial reporting.

Finding 2: Inefficient and Ineffective Test of Design and Test of Operating Effectiveness

Internal controls testing must assess both the design and the operating effectiveness of key controls. We found that the ICP Team's assessments to 1) determine if controls are designed appropriately to prevent and detect risks (TOD), and 2) verify whether controls are implemented and operating as designed (TOE) were substantially incomplete and certain controls could not be tested. During our reperformance of OCRO's 71 percent (183 of 259) testing of controls, we found 126 exceptions, 85 related to its TOD and 41 exceptions within its TOE. We identified gaps in the ICP Team's assessments such as controls that were not tested; sampling errors; failure to report exceptions identified; lack of documentation, etc. *Table 1* quantifies the exceptions that we found in each Business Cycle and *Table 2* categorizes and quantifies the exceptions by the exception type for the areas identified for Objective 1.

For example, AmeriCorps' reorganization of its grant management structure prevented OCRO confirming the existence of certain controls and attaining the necessary support to complete its testing. As part of the reorganization, AmeriCorps closed all of its State Offices, as well as its central Office of Grants Management (OGM) and Field Financial Management Center (FFMC). Responsibilities were reallocated and transferred to new staff in Regional Offices, the newly created Office of Grant Administration (OGA) and Office of Monitoring (OM). Staff turnover and staff shortages were factors affecting testing. Many of the new offices were in the process of drafting the policies and procedures to apply to their new business processes, and these new policies and procedures were not in place during the execution of control testing.

Table 1: Exceptions noted in AmeriCorps' Test Plan and CLA's Reperformance of Design and Operating Effectiveness:

Business Cycle	Number of Controls selected ¹⁰	CLA's Reperformance of OCRO's TOE			TOD Exceptions	Total Exceptions
		Number of Controls Tested	Samples Tested ¹¹	TOE Exceptions		
Grant Operations	30	27	163	12	13	25
eSPAN	39	34	105	0	8	8
Purchase Card	21	15	23	3	4	7
Travel Card	23	21	161	2	7	9
CUEC Momentum	7	5	51	3	2	5
CUEC PMS	13	3	4	2	9	11
CUEC NFC (WebTA)	19	1	1	0	11	11
CUEC FIBB	23	4	5	1	18	19
CUEC IPP	14	3	17	2	7	9
PRISM ¹²	70	70	70	16	6	22
Total:	259	183	600	41	85	126

¹⁰ Though CLA attempted to retest all controls, CLA noted that ICP Team was unable to test 100% of the controls they set out to due to failure in control design or controls deemed not applicable.

¹¹ The "Samples Tested" column indicate the number of samples tested by CLA for reperformance of the controls tested by the ICP Team. The numbers include actual controls that were not conducive to sampling

¹² AmeriCorps obtained the Amazon Web Services (AWS) SSAE18 and the CUECs listed were addressed to AWS clients which in this case was Unison (host for PRISM). The controls that Unison required PRISM clients to have were tested by OIT in according with the National Institute of Standards and Technology (NIST) Special Publications 800-53, *Security and Privacy Controls for Information Systems and Organizations*. OCRO leveraged the testing performed by OIT for PRISM.

Table 2: Types of Exceptions noted in AmeriCorps’ Test Plan and CLA’s Reperformance Design of Operating Effectiveness:

Exception No.	Exception Type	TOD Exceptions	TOE Exceptions	Total Exceptions
1	Sampling Errors	9	1	10
2	Unreported Exceptions	9	0	9
3	Controls Not Tested	52	0	52
4	Not Tested Properly	3	0	3
5	Observation and Recommendation (OR) does not Exist	1	0	1
6	Improper Conclusion Reached	1	11	12
7	Inappropriate/ Insufficient Documentation	1	28	29
8	Quality Control Issue	9	1	10
Total:		85	41	126

Source: Auditor’s analysis

See Appendix B for explanation of each of these categories of exceptions. The Findings reported above should be considered in conjunction with support provided in Appendix B to achieve a full understanding of the findings reported in Finding #2.

Recommendations

We recommend that AmeriCorps:

1. Develop policies and procedures to ensure any decisions made throughout the entire risk assessment process, including those based on judgment, are properly documented and readily available for review. Documentation should be maintained in the Internal Control Program Team's work papers and easily accessible.
2. Finalize the Grant Operations policies and procedures to reflect the current state and post-reorganization.
3. Update the testing of design and effectiveness attributes to be consistent with the new policies and procedures.
4. Train responsible AmeriCorps staff to establish communication protocols with service providers to obtain timely updates from the ongoing service provider audits. This should provide an early warning if a modified or adverse Statement on Standards for Attestation Engagements (SSAE) 18 opinion is anticipated.
5. Revise the Internal Control Program Team's annual Risk Assessment to include applicable risk factors recommended in the Office of Management and Budget Circular A-123 such as "New Technology;" "New or Revamped Information Systems;" and "Significant New or Changed Programs or Operations."
6. Incorporate into the FY 2021 Risk Assessment PRISM and any other systems used in FY 2021 that were omitted from the FY 2020 Risk Assessment.
7. Train the Office of the Chief Risk Officer staff on appropriate documentation and document retention policies to ensure that all documents required and used in the Internal Control Assessment are maintained and accessible to auditors and others for the required period of time.
8. Train Office of the Chief Risk Officer staff on the Internal Control Program's assessment procedures. The training should include, but not be limited to, sampling; testing; concluding; reporting; performing quality control reviews; and documenting.

Summary of Management's Comments

AmeriCorps responded in writing to our draft report. A copy of AmeriCorps' response in its entirety can be found in Appendix C. We summarize the comments below:

AmeriCorps concurred with all the recommendations for Findings (1) Deficiencies in AmeriCorps Internal Controls Program, and (2) Inefficient Test of Design and Test of Operating Effectiveness. In many cases, AmeriCorps reported, it has already implemented corrective action or is in the process of doing so, including:

- Updated process narratives that better reflect AmeriCorps operations;
- Updated risk assessment to include relevant risk factors and consideration for service organizations such as Treasury's ARC and PRISM;
- Developed an "internal controls Testing and Review Checklist" to provide clarity on document maintenance and enhance quality control; and
- Disseminated information about internal control assessment procedures and key steps to follow when conducting testing and performing quality review.

AmeriCorps reported that it is in the process of:

- Drafting policies to reflect current state or AmeriCorps operations.
- Updating the Internal Control Workbook to document decision points prior to the end of calendar year 2021.
- Coordinating with internal staff to establish protocols for communicating with service providers

Evaluation of Management's Comments

We consider the completed and in-progress corrective actions to be responsive to our recommendations. The recommendations will remain open until AmeriCorps submits documentation to demonstrate the completion and sufficiency of the corrective actions.

We are confident that swift and effective implementation of the recommendations will strengthen AmeriCorps' internal controls and decrease its exposure to risks.

National Service Trust Obligation Liability Model

The original objective of our performance audit related to the National Service Trust was to evaluate the validity, accuracy, and sensitivity of AmeriCorps' FY 2020 Trust Model, including the reasonableness and effects of underlying assumptions. However, AmeriCorps was unable to complete the planned and scheduled corrective actions for significant aspects of the Trust Model. Consequently, the audit objective was rescoped to focus on AmeriCorps' verification of the data underlying the Trust obligation and liability figures reported for FY 2020.

AmeriCorps stated it verified the data in the "V" Report, which summarizes all years of eSPAN data related to National Service Trust slots for each program year, including enrollment data (for earned awards and those currently being earned), award value, disbursed amount, and expired amount. These data points serve as the underlying inputs used by the Trust Model to calculate the Trust Service Award Liability and Trust Obligations, which are ultimately reported in AmeriCorps' financial statements.

AmeriCorps asserted that its verification process supported the following conclusion:

"AmeriCorps considers the results of the review to be adequate evidence that the V Report accurately reports the information related to members, their terms of service, and whether or not they have earned an education award."¹⁴

We found that management was unable to support its assertions as to the accuracy, completeness, and validation of the underlying data regarding members, their terms of service, and whether or not they have earned education awards. Specifically:

- The "V" Report verification process was not adequately designed to verify the accuracy of the enrollment information to be applied to the Trust Model;
- AmeriCorps did not scrub the data prior to conducting its verification process; and
- AmeriCorps used an inefficient and ineffective sampling design to support the "V" Report verification.

Finding 3: Inadequate Verification Process

AmeriCorps' verification procedures were insufficient to support a conclusion regarding the accuracy of information in the "V" Report. To reach a conclusion regarding accuracy, it would be necessary, for example, to compare an appropriate sample of data to the underlying supporting

¹⁴ Verification of NST V Report, Page 3, provided September 18, 2020

documentation, such as member agreements, etc.¹⁵ Instead, AmeriCorps compared the information in the “V” Report to screen shots of enrollment information in eSPAN¹⁶ and the My AmeriCorps Portal¹⁷. Since the “V” Report, eSPAN, and the My AmeriCorps Portal all draw data from the same underlying database of enrollment information, comparing the two does not verify the accuracy of the information.

In response to our observations during the course of the audit, AmeriCorps acknowledged that their testing demonstrated only that the “V” Report contained the same data as the underlying database, that is, that the query pulled the data that AmeriCorps intended to pull. AmeriCorps did not compare the data to the original documentation.

Per AmeriCorps, AmeriCorps State and National grantees are responsible for enrolling national service members, including obtaining a signed Member Service Agreement, and then certifying their completion of sufficient service hours to qualify for an education award. AmeriCorps does not obtain a copy of the underlying documents, and possesses only the data entered into the portal and eSPAN.¹⁸ Further, management suggested in discussions with the auditors, the national service laws authorize it to rely on the grantee certifications in disbursing education awards and do not require the agency to independently validate the enrollment and completion information.

While AmeriCorps may rely on grantees’ certifications in disbursing education awards, the statute does not relieve the agency of its responsibility to have in place internal controls that (1) provide reasonable assurance that the Trust obligations and liability estimates reported in the financial statements are accurate; and (2) protect the government from waste and fraud. Thus, a subsequent provision of the statute requires AmeriCorps to take action to protect the Trust from making payments based on certifications determined to be erroneous.¹⁹ In addition, OIG investigations have found multiple instances of significant fraudulent certifications, reinforcing the need for appropriate controls and a reliable means of assessing the materiality of potentially undetected frauds.

¹⁵ AmeriCorps has suggested that certain limitations, including incomplete document retention, may make it impractical to verify the enrollment data by reference to underlying documentation, e.g., member agreements. However, AmeriCorps could not provide for our review a formal assessment of the extent to which documents are available, the policies governing retention of the relevant documents and the efforts made to locate documents.

¹⁶ eSPAN is the control application used to manage and capture information on AmeriCorps members service data, payroll for VISTA and NCCC members, stipend payments and post service benefits (education awards).

¹⁷ My AmeriCorps Portal provides a streamline system of processes touching on all aspects of the member lifecycle, from recruitment through enrollment, service, close of service, and alumni support. In addition, it provides AmeriCorps staff, as well as Project Sponsors and Grantees, with a consistent interface for gathering necessary data from and about members, run standard reports and maintain an auditor trail.

¹⁸ The enrollment processes for VISTA and NCCC are different, though those members also sign agreements and obtain certifications of their completion of the required service hours, and their data is included in the “V” Report.

¹⁹ 42 U.S.C 12602a(b).

Our assessment found that the testing that AmeriCorps officials performed on the V Report was insufficient to assure the accuracy of the enrollment data contained in that report, which AmeriCorps has used to estimate its Trust obligations and liability. The documentation provided for our review demonstrated that AmeriCorps management and senior leadership did not have a clear, common understanding of the objectives and expectations for the testing performed, nor did they design assessment procedures capable of demonstrating what they claimed to have demonstrated.

There is no written plan, strategy or procedures that set forth the objectives and explain how the testing will result in a valid conclusion. Had AmeriCorps completed this step, with proper review and supervision by appropriately skilled and experienced senior personnel, the limitations inherent in the V Report validation methodology might have become clear in time for AmeriCorps to adjust its approach to one that could validate the underlying data. Instead, AmeriCorps has at most confirmed that its query pulled the desired data (although, as explained in Finding 4, even that is subject to certain limitations).

Finding 4: Undetected Errors in the Report

AmeriCorps acknowledged that the “V” Report may contain errors, but it did not take action to scrub the data and/or determine the scope, number and magnitude of the errors and their potential materiality to the financial statements. For example, during their verification, AmeriCorps noted that one of the samples tested reflected erroneous information about an individual’s enrollment in NCCC. Correspondence from NCCC program staff shows that this sample was one of a group of members that should not have been included within the May 2020 V Report ²⁰pull but was mistakenly activated.

A process to review the underlying data might have addressed the issue and root causes and developed a strategy to assess the materiality of the potential errors. Without establishing the extent and impact of any additional errors in the V Report, it is difficult to see how AmeriCorps can support its assertions that the information included in the V Report is accurate. This, plus the ineffective design of the assessment leaves AmeriCorps without evidence as to the accuracy of the data underlying the Trust estimates.

²⁰ AmeriCorps pulled the “V” report as of May 2020 and used this report for its verification.

Finding 5: Inefficient and Ineffective Sampling Design

a. Lack of documentation to support sampling methodology and samples selected

AmeriCorps did not document its approach to sampling the “V” Report data, including any decision points, contemporaneously. AmeriCorps did not have a write-up of its sampling methodology until CLA made a request in September of 2020, long after the procedures were conducted in June of 2020. In addition, AmeriCorps did not maintain necessary documentation for the random number calculations needed to support the selections made. As a result, CLA could not reperform the process to select the samples tested.

b. Lack of formal quality controls implemented over “V” Report verification process.

AmeriCorps did not have a quality control process to ensure proper review, approval, and acceptance of results of the “V” report verification process. Such a process requires coordination with relevant AmeriCorps personnel with experience performing similar assessments, personnel with interest in, and/or personnel with overall responsibility for the success of the assessment performed.

c. Sampling approach did not address whether or not the sample size and approach used were sufficient to support the objective and ultimately the conclusion reported.

AmeriCorps’ sampling methodology did not document the basis for management’s determination that the sample approach and sample size used were sufficient to support the objectives and ultimately the conclusion reached. Per AmeriCorps’ “Verification of NST V Report”²¹ document, “Sample sizes were judgmentally selected to be large enough to supply usable analysis of the accuracy of the V Report summary data.” The basis for this conclusion is not stated, and it is not clear why AmeriCorps chose not to use a statistical sample or another approach that would yield a similar sample size.

d. Activities for 2010 and prior in the May 2020 “V” Report were not included in the assessment performed by AmeriCorps

Although the May 2020 “V” Report includes member data from the earliest years of the agency’s founding, AmeriCorps’ assessment excluded all data prior to 2011. However, the pre-2011 data was included in the Trust’s calculation of usage rates and therefore affected the estimation of the reported Trust obligation and liability reported on AmeriCorps’ FY 2020 financial statements. As the older data was still used in the Trust Model’s calculation, AmeriCorps should document and provide justification for not subjecting this data to testing.

²¹ Verification of NST V Report, Page 2, provided September 18, 2020

The OIG had previously raised concerns about the validity and accuracy of the Trust Model in the independent audit of AmeriCorps' National Service Trust Fund Fiscal Year 2019 financial statements, which resulted in a third-year disclaimer opinion. AmeriCorps cured none of the material weaknesses and significant deficiency, which were first identified in the [FY 2017 audit](#).

AmeriCorps was unable to provide adequate evidential matter to support a significant number of transactions and account balances due to inadequate processes and controls. Specifically in the Trust Model, we found inconsistencies between the assumptions used and how those assumptions were applied in the estimation of the Trust obligations and liabilities. The revised Trust model used to establish the liability included calculation errors and lacked quality controls, which impair significantly the accuracy of the reported liability.

We made multiple recommendations to improve the internal controls of the Trust model including developing policies and procedures for a thorough and robust quality control process; conduct detailed analysis and validation of data sources; and develop a succession plan to ensure the required expertise is available in anticipation of planned employee turnover. AmeriCorps' inaction toward these recommendations requires that it develops a corrective action plan. The design of the plan should include collaboration and coordination among relevant personnel with knowledge and understanding of the objectives and experience assessing internal controls and meaningful supervision by senior management. If AmeriCorps believes that it cannot implement the reported recommendations, it should develop alternative means to meet the objectives. The basis for all such decisions should be documented and readily available for review.

Recommendations

We recommend that AmeriCorps:

9. Develop and implement a corrective action plan that aligns directly with and describes in detail the implementation plans to address the FY 2019 financial statements audit recommendations. This should include, at a minimum, a written plan with specific objectives; a detailed strategy and process for achieving each objective; quality control measures; a timeline with milestones and accountable personnel; and expected results. The plan should be approved by senior management or personnel with ultimate responsibility and accountability for its success.

10. Assess and document the known errors in the Trust Model and whether or not they could lead to material misstatements if not corrected. Document the rationale and procedures used to correct the data in the Trust Model.

Summary of Management's Comments

AmeriCorps' response in its entirety can be found in Appendix C.

AmeriCorps concurred with all the recommendations provided for Findings (3) Inadequate Verification Process, (4) Undetected Errors in the Report, and (5) Inefficient and Ineffective Sampling Design. AmeriCorps agreed to develop a detailed corrective action plan to address the recommendations. With respect to Recommendation 10, AmeriCorps plans to conduct a study to assess its ability to implement the recommendations, including evaluation of alternative mitigation strategies and a cost-benefit analysis to develop a cost-effective solution that will ensure the accuracy of data used.

Evaluation of Management's Comments

AmeriCorps' concurrence acknowledges and accepts the the Findings reported and agrees with the recommendations. A study of alternative mitigation strategies to identify a cost-effective solution is a reasonable interim step to address Recommendation 10, as long as (a) the study is conducted timely; (b) AmeriCorps acts promptly on the results to decide on its mitigation strategy; and (c) the selected strategy is timely implemented.

CLIFTONLARSONALLEN LLP



Arlington, VA
June 24, 2021

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

The OIG engaged CLA to conduct a limited scope performance audit for fiscal (FY) 2020. The objectives of this engagement include:

- Objective 1 – Assessing the effectiveness of AmeriCorps’ ICP by performing a limited-scope review of assessments completed by OCRO in FY 2020 in compliance with the *Office of Management and Budget Circular No. A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control*. CLA will review the assessments for the following eight areas that AmeriCorps’ OCRO completed for its FY 2020 Internal Control Program testing:
 - Entity Level Controls
 - Grant Operations
 - Grant Support Systems (eSPAN)
 - Purchase Card
 - Travel Card
 - Complementary User Entity Controls (CUEC)
- Objective 2 – Evaluating the validity, accuracy, and completeness of the underlying data of AmeriCorps’ FY 2020 Trust Model.

The audit was conducted in accordance with standards for performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We performed this work during the period from November 2, 2020 through April 12, 2021. We discussed the contents of this report with AmeriCorps management in an exit conference held on April 12, 2021.

Our audit procedures included, but not limited to:

- Reviewing updated policies and procedures and existing business process narratives relevant to the two objectives to obtain an understanding of any new changes in AmeriCorps business process and to identify key controls in place to assess how those controls align with our audit objectives;
- Conducting inquiries and walkthroughs with AmeriCorps to gain understanding and plan our procedures to conduct the audit;
- Reviewing OCRO’s test of design and test of effectiveness procedures for reasonableness (Objective 1);
- Leveraging the samples already tested by AmeriCorps, reperformed the test of

effectiveness procedures by testing sub-samples²² to ensure the adequacy of the evidence and the conclusions reached by ICP Team (Objective 1); and

- Reviewing the “V” Report verification process to gain understanding of the procedures performed by AmeriCorps to verify the enrollment information in the “V” Report and the conclusions reached based on such procedures (Objective 2).

²² Sampling procedures include testing 100 percent of all controls tested by OCRO for test of operating effectiveness and selecting 50 percent of the population size of each control tested by OCRO. These procedures also included stratifying the population into different categories; (1) samples with exceptions and (2) samples without exceptions.

APPENDIX B: EXPLANATION OF EXCEPTION CATEGORIES

Exception No.	Exception Type	TOD Exceptions	TOE Exceptions	Total Exceptions
1	Sampling Errors	9	1	10
2	Unreported Exceptions	9	0	9
3	Controls Not Tested	52	0	52
4	Not Tested Properly	3	0	3
5	Observation and Recommendation does not Exist	1	0	1
6	Improper Conclusion Reached	1	11	12
7	Inappropriate/ Insufficient Documentation	1	28	29
8	Quality Control Issue	9	1	10
Total:		85	41	126

Source: Auditor’s analysis

Explanation of each Exception Type:

1. **Sampling Errors:** Population tested by AmeriCorps was not defined in a manner consistent with the audit objective, the internal control, and attribute tested.
2. **Unreported Exceptions:** Exceptions identified by the Internal Control Program (ICP) Team in its Office of Management and Budget (OMB) Circular No. Circular A-123 assessment were not reflected in the Summary Report.
3. **Controls Not Tested:** Key control was not tested.
4. **Not Tested Properly:** Testing of a key control did not include all of the control activities.
5. **No Observation and Recommendation:** Observations and recommendations were not developed to document the findings.
6. **Improper Conclusion Reached:** The ICP Team reached an incorrect conclusion based on procedures performed and the information reviewed.
7. **Inappropriate/Insufficient Documentation:** The documentation provided was either incorrect or not sufficient evidence to support AmeriCorps’ conclusion.
8. **Quality Control Issue:** Quality control issues within ICP Team’s OMB Circular No. A-123 assessment.

APPENDIX C: AMERICORPS COMMENTS



To: Deborah Jeffrey, Inspector General

From: Jill Graham, Chief Risk Officer
Malena Brookshire, Chief Financial Officer

Cc: Mal Coles, Acting Chief Executive Officer
Jenny Mauk, Chief of Staff
Gina Cross, Acting Chief Operating Officer
Fernando Laguarda, General Counsel
Lisa Guccione, Deputy Chief of Staff
Blake Fetrow, Associate General Counsel
Ayanna McKinnon, Associate General Counsel
Priscila Susi, Accounting and Financial Management Services Director
Hypolite Pene, Internal Controls Managing Director
Rachel Turner, Audits and Investigations Manager

Date: June 24, 2021

Subject: AmeriCorps Management Response to the FY 2020 Performance Audit Draft Report of AmeriCorps' Internal Control Program and National Service Trust Liability Model

This is the formal response to the Office of Inspector General's Draft Report: FY 2020 Performance Audit Draft Report of AmeriCorps' Internal Control Program and National Service Trust Liability Model.

The information below addresses the specific findings in the Draft Report.

AmeriCorps' Internal Control Program

Finding 1: Deficiencies in AmeriCorps Internal Controls Program

Finding 2: Inefficient and ineffective test of design (TOD) and test of operating effectiveness (TOE)

Recommendation 1: Develop policies and procedures to ensure any decisions made throughout the entire risk assessment process, including those based on judgment, are properly documented and readily available for review. Documentation should be maintained in the Internal Control Program Team's work papers and easily accessible.

AmeriCorps Response: AmeriCorps concurs with the recommendations. AmeriCorps will complete the Internal Control Workbook that will address this recommendation prior to the end of CY2021.

Recommendation 2: Finalize the Grant Operations policies and procedures to reflect the current state and post-reorganization.

AmeriCorps Response: AmeriCorps concurs with the recommendations. The corresponding offices, particularly the Office of Regional Operations (ORO); the Office of Grants Administration (OGA); and the Office of Monitoring (OM) are currently drafting policies that



will reflect the current state of AmeriCorps operations. The new Grant Program Operations process narrative has been updated to reflect the current state of AmeriCorps grant operations as of the date the narrative was updated.

Recommendation 3: Update the testing of design and effectiveness attributes to be consistent with the new policies and procedures.

AmeriCorps Response: AmeriCorps concurs with the recommendations. The new Grant Program Operations process narrative has been updated to reflect the current state of AmeriCorps grant operations as of the date the narrative was updated.

Recommendation 4: Train responsible AmeriCorps staff to establish communication protocols with service providers to obtain timely updates from the ongoing service provider audits. This should provide an early warning if a modified or adverse Statement on Standards for Attestation Engagements (SSAE) 18 opinion is anticipated.

AmeriCorps Response: AmeriCorps concurs with the recommendations. OCRO is currently reaching out to AmeriCorps responsible staff to discuss how to communicate with relevant service providers to obtain timely updates from ongoing service providers audits, so that AmeriCorps could obtain early warning if a modified or adverse SSAE 22 opinion is anticipated.

Recommendation 5: Revise the Internal Control Program Team's annual Risk Assessment to include applicable risk factors recommended in the Office of Management and Budget Circular A-123 such as "New Technology;" "New or Revamped Information Systems;" and "Significant New or Changed Programs or Operations."

AmeriCorps Response: AmeriCorps concurs with the recommendations. OCRO has already updated the FY21 Risk Assessment to include risk factors recommended in the Office of Management and Budget Circular A-123 such as "New Technology;" "New or Revamped Information Systems;" and "Significant New or Changed Programs or Operations."

Recommendation 6: Incorporate into the FY 2021 Risk Assessment PRISM and any other systems used in FY 2021 that were omitted from the FY 2020 Risk Assessment.

AmeriCorps Response: AmeriCorps concurs with the recommendations. OCRO has already updated the FY21 Risk Assessment to include PRISM and Treasury ARC.

Recommendation 7: Train the Office of the Chief Risk Officer staff on appropriate documentation and document retention policies to ensure that all documents required and used in the Internal Control Assessment are maintained and accessible to auditors and others for the required period of time.

AmeriCorps Response: AmeriCorps concurs with the recommendations. OCRO has developed an "internal Control Testing and Review Checklist" and distributed to all Internal Control Testing Staff. Staff have been instructed to comply with the checklist. The checklist specifies in relevant sections that "Every document used for testing must be saved with the control name and the sample name." Staff or supervisors performing quality controls are required to also use the checklist and to ensure that every document used for testing has been saved and is easily accessible.

Recommendation 8: Train Office of the Chief Risk Officer staff on the Internal Control Program's assessment procedures. The training should include, but not be limited to,



sampling; testing; concluding; reporting; performing quality control reviews; and documenting.

AmeriCorps Response: AmeriCorps concurs with the recommendations. OCRO has developed and distributed to staff performing internal control testing the Planning and Scoping Document and the Internal Control Testing Checklist. These documents include detailed information about internal control assessment procedures and key steps to follow both during testing and quality control reviews. Staff is regularly reminded to follow those procedures and steps and to be thoroughly familiar with the requirements of those documents.

National Service Trust Obligation Liability Model

Finding 3: Inadequate Verification Process

Finding 4: Undetected Errors in the Report

Finding 5: Inefficient and Ineffective Sampling Design

Recommendation 9: Develop and implement a corrective action plan that aligns directly with and describes in detail the implementation plans to address the FY 2019 financial statements audit recommendations. This should include, at a minimum, a written plan with specific objectives; a detailed strategy and process for achieving each objective; quality control measures; a timeline with milestones and accountable personnel; and expected results. The plan should be approved by senior management or personnel with ultimate responsibility and accountability for its success.

AmeriCorps Response: AmeriCorps concurs with the recommendation, and will develop and implement a detailed corrective action plan.

Recommendation 10: Assess and document the known errors in the Trust Model and whether or not they could lead to material misstatements if not corrected. Document the rationale and procedures used to correct the data in the Trust Model.

AmeriCorps Response: AmeriCorps concurs with the recommendation. In particular, AmeriCorps agrees to conduct a study of the ability to implement the reported recommendations. AmeriCorps' analysis will document its evaluation of alternative risk mitigation strategies and its cost-benefit analysis to determine the most cost-effective solution for ensuring that the data used to determine the Trust's budgetary obligations is reasonably accurate.



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