

Corporation for National and Community Service (AmeriCorps)

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*Before the*

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## **OVERVIEW**

For the last five years, or since FY 2017, AmeriCorps has received disclaimers of opinion on the agency's financial statement audits, resulting primarily from antiquated systems and related issues with data quality, limited staff capacity and expertise, inadequate internal controls, and insufficient leadership accountability structures.

AmeriCorps has taken, and continues to take, corrective actions and has made progress on many of the issues. Agency leadership is committed to achieving greater progress in the years ahead, recognizing that resolution of our material weaknesses is a multi-year effort.

The path forward is clear. AmeriCorps must strengthen leadership engagement and accountability, prioritize mission support functions, invest in technology, and improve grant monitoring.

## **FORMAL STATEMENT**

Chairman Scott, Ranking Member Foxx, and Members of the Committee, thank you for the opportunity to testify on the policies and priorities of the Corporation for National and Community Service (AmeriCorps). As Acting CEO, my leadership team and I view our responsibility as stewards of Federal resources to be of highest importance. My testimony will provide an overview of the agency's progress towards audit resolution and an outline of the whole of agency strategic path forward to improve operations.

Before I dive into the topic at hand, I want to thank the Members of the Committee – and your staff – who helped secure additional funding for AmeriCorps as part of the American Rescue Plan Act. The American Rescue Plan resources created new service positions for AmeriCorps

members and volunteers, made national service more accessible by offering an increase in living allowances, and is stabilizing existing national service programs by providing assistance to organizations that were hit hardest by the pandemic.

AmeriCorps acknowledges our current challenges and the work ahead. We have demonstrated initial success in key areas of compliance and financial management. I would like to update the Committee on progress we have made in National Service Criminal History Check (NSCHC) compliance, improper payment rates, financial management and reporting, and grant risk assessment and monitoring. This work was informed by feedback we received from this Committee, as well as from the Office of Inspector General (OIG), General Accounting Office (GAO), and the Office of Management and Budget (OMB).

In 2018, AmeriCorps developed new NSCHC tools and policies by identifying a vendor to provide grantees with compliant access to all criminal history check components, providing funding to support member and volunteer rechecks, and updating the NSCHC regulation to streamline requirements for grantees. Since NSCHC compliance has been the primary driver of the agency's improper payment rates, our efforts have resulted in some improvement and an initial reduction in the agency's improper payment rates.

Between FY 2019 and FY 2020, agency efforts reduced improper payment rates by between 48.5 percent and 64.7 percent. AmeriCorps' improper payment rates increased between FY 2020 and FY 2021 and these increases were driven largely by grantee staff timekeeping and cost allocation issues as well as grantee challenges complying with guidance specific to COVID-19.

AmeriCorps senior leadership used the auditor's recommendation to devise a corrective action plan to address root causes of the remaining improper payments and that also includes identifying AmeriCorps leaders and programs accountable for the continued progress to be made.

The agency has completed a wholesale revision of the grant risk assessment model by incorporating promising practices from the grantmaking sector and the Federal Government, engaging with an OMB workgroup, consulting with our OIG, and developing a real-time grant risk assessment dashboard. The grant risk assessment dashboard provides up-to-date information across the grantee portfolio to inform agency monitoring. The new assessment utilizes a fraud risk category and specific fraud risk indicators.

AmeriCorps created the Office of Monitoring in 2019 with staff solely dedicated to performing grant monitoring activities based on the Committee's feedback that Program Officers were not best suited for monitoring. Fully staffed in February 2020, this unit operationalized a risk-based approach to monitoring grants of all sizes and types. The new process utilizes oversight activities tailored to particular risks so that highest risk grantees are prioritized for monitoring.

In October 2021, OIG acknowledged the agency's implementation of a risk-based process for monitoring grants and replacing our one-size-fits-all approach. In addition, the GAO confirmed last month that AmeriCorps has successfully closed five out of six recommendations identified in GAO 17-90: *Monitoring Efforts by the Corporation for National and Community Service Could Be Improved*.

## **1. AUDIT PROGRESS**

AmeriCorps has received disclaimers of opinion on the agency's financial statement audits for the last five years or since FY 2017, including material weaknesses and significant deficiencies, problems resulting primarily from antiquated systems and related issues with data quality, limited staff capacity and expertise, inadequate internal controls, and insufficient leadership accountability structures. The FY 2021 audit identified eight repeat material weaknesses, one new material weakness, and one significant deficiency. The agency closed 10 of the 75 prior-year recommendations and downgraded one significant deficiency.

AmeriCorps has taken, and continues to take, corrective actions focusing efforts on some of the most significant issues. Agency leadership - past and present – prioritized resources and staff capacity to address many of the most important issues, recommendations, and root causes. Other recommendations will see greater progress in the years ahead and resolution of our material weaknesses will require more time.

### *National Service Trust Obligations and Liability*

For the last five years and beginning in FY 2017, auditors recommended the agency take steps to improve the statistical model and validation of the underlying member data that determines National Service Trust Fund obligations and liabilities. In 2018, AmeriCorps engaged KPMG to help improve that model. In 2020, AmeriCorps retained professional actuaries to develop an actuarial methodology to further refine the National Service Trust Fund estimations. AmeriCorps expects this new actuarial methodology to be audited as part of the agency's FY 2022 financial statement audit.

Generally Accepted Auditing Standards require the agency to directly assure that individuals are properly enrolled in national service positions in order to validate the underlying member data that informs the National Service Trust Fund estimations. However, the National and Community Service Act of 1990, as amended, requires AmeriCorps to rely on certifications of grantee organizations in approving education awards. In particular, AmeriCorps is required to obligate funds within the National Service Trust Fund and disburse educational award payments based solely on the certifications of the grantee organizations, which select, enroll, and supervise national service participants, with no additional validation process provided at the individual recipient level.

AmeriCorps uses a range of measures to determine proper certification of payment through grantee single audits, improper payment reviews, and fraud detection processes consistent with current statutory authorities. When a certification is found to be in error, the National and Community Service Act directs AmeriCorps to recoup the value of the education award from the grantee organization.

The National and Community Service Act did not direct the agency to obtain and review documentation for every national service participant from every organization that enrolls AmeriCorps members. AmeriCorps recognizes that it has an obligation to ensure that certification is proper. Auditors have for several years found deficiencies in the agency's ability

to do this, and believes that some of these deficiencies may persist as long as the agency's authorizing statute remains unchanged.

### *Grant Accruals*

In 2020, AmeriCorps developed a statistical methodology to estimate grant accruals, which includes historical grantee Federal financial reports, current payment management systems data, and outstanding grant obligations balances. The new methodology allows the agency to account for financial transactions in accordance with generally accepted audit standards. Results from the FY 2021 audit confirm there is a need for AmeriCorps to evaluate supporting data for accuracy and to implement procedures for regular reconciliation.

### *Internal Controls*

The FY 2019 audit included recommendations to strengthen the agency's annual statement of assurance process. AmeriCorps implemented this recommendation by updating internal guidance, providing training, and revising internal controls test plans. As a result, we closed several of these FY 2019 recommendations.

As identified in the FY 2021 audit, there is still work to be done to improve oversight and accountability on agency corrective actions. The agency created a uniform corrective action plan template for all agency staff, provided corrective action plan training, and configured a technology solution to house and track all agency corrective actions. Additionally, we increased executive level oversight and visibility on audit resolution by engaging our Risk Management Council in tracking progress and accountability toward resolution.

### *Financial Management and Shared Services*

The transition to shared services through the Administrative Resource Center of the Department of Treasury's Bureau of Fiscal Services (ARC) was AmeriCorps' most notable action to strengthen the agency's financial management. ARC is recognized by OMB as a Quality Service Management Office.

FY 2021 marked the first full year of the agency's financial management, procurement, and travel functions being carried out through a shared services agreement with ARC. The agency is now supported by expert technical support and has realized improved reporting capabilities. Further, the agency's accounting systems are now compliant with Treasury and OMB standards. AmeriCorps has achieved a greater level of operational efficiency with built-in risk mitigation through standardization and internal controls.

However, the agency's migration to shared services was listed as a new material weakness in the FY 2021 audit due to incomplete data migration and interface issues. Certain AmeriCorps systems were not able to interface with ARC systems, and AmeriCorps and ARC agreed upon on a phased migration plan that would utilize legacy systems until full integration could be accomplished. AmeriCorps leadership decided that the benefits of transitioning to shared services outweighed the risk of managing two financial systems and post-migration cleanup efforts.

AmeriCorps and ARC developed a plan to ensure that legacy system data would feed into Oracle through Momentum as a pass-through until a solution can be implemented. This configuration is working for data flow purposes; however, AmeriCorps and ARC recognize that the dependence on legacy systems has perpetuated existing problems, such as accounting classification errors and omissions.

## **2. ONGOING ACTIVITIES**

Through the strategic planning process, AmeriCorps has elevated our commitment to addressing the underlying issues that contribute to continued audit findings. Agency leadership fully commits to strengthening leadership engagement and accountability, prioritization of mission support functions, technology investments, and grant monitoring improvements

### *Leadership Engagement and Accountability*

With new leadership and the support of this Administration, AmeriCorps has renewed our commitment to operational improvement and enforcing accountability across the agency.

AmeriCorps has initiated a new internal audit accountability and reporting structure. This includes implementation of a uniform corrective action plan template, a technology solution that allows for tracking and visibility on resolution and delays, and oversight at the executive level to review progress toward resolution.

AmeriCorps leadership will oversee development of the FY 2021 corrective action plan and will be held accountable through agency governance bodies. Progress will be proactively communicated to the OIG, OMB, and this Committee.

### *Prioritization of Mission Support Functions*

Appropriations for operations has not kept pace with program funding. Leadership is prepared to invest in the right people, processes, and infrastructure to strengthen the agency. American Rescue Plan and other one-time funds will help address some of these needs, but sustained annual appropriations are necessary to appropriately scale our operations as the agency embraces programmatic growth.

We will prioritize increased staffing levels in critical areas, including financial management, data analysis, award technical assistance, and implementation of OIG and GAO recommendations.

Given the duration of time-limited appropriations, AmeriCorps continues to evaluate what capacity it intends to retain past the expiration of these appropriations, and what resources it will require to transition these investments to enduring agency capabilities.

AmeriCorps has enlisted expert contractor support to conduct a comprehensive workforce analysis to assess organizational structure, workforce capacity, recruitment and retention, and work culture. AmeriCorps will utilize the results of this analysis to ensure agency investments are aligned to address its workforce needs.

Additionally, AmeriCorps has initiated conversations with ARC to explore expanded opportunities for operational support.

AmeriCorps is also exploring contract vehicles that will allow access to much needed audit expertise, improve agency audit training focused on quality corrective action planning and reporting, and support identifying and implementing business process improvements to core mission support functions.

### *Technology Investments*

AmeriCorps is moving forward with initial modernization of mission critical legacy systems utilizing American Rescue Plan funds. The agency is in the final stages of hiring a Chief Modernization Officer who will lead a team of dedicated team to see these modernization efforts through to completion.

In late FY 2021, AmeriCorps signed a \$3.8 million agreement with ARC to phase out legacy systems as they are modernized and complete the migration to a single financial platform by the end of FY 2024.

Finally, AmeriCorps has hired the agency's first Chief Data Officer who will work closely with the Chief Information Officer and Chief Modernization Officer to support their work, but who will also be responsible for improving AmeriCorps program performance reporting, particularly related to demographics and socio-economic status of corps members.

### *Grant Monitoring Improvements*

AmeriCorps will continue to improve staff capacity for monitoring grantee compliance. Employee development plans will provide opportunities and resources to ensure employees meet training requirements in important areas of programmatic and financial grants management, fraud awareness, and corrective action planning.

AmeriCorps is committed to working with grantees to address and resolve noncompliance and mitigate risk of repeat findings. Grantees with findings of noncompliance are required to implement a corrective action plan, and the agency closely monitors compliance and take appropriate action if compliance is not achieved. Additionally, this information helps the agency identify individual grantees that have repeat findings and require internal management decisions about funding continuations and renewals. AmeriCorps tracks progress on corrective action plans and intends to grow longitudinal data on monitoring results and corrective measures that will inform national, regional, and program-specific training and technical assistance strategies.

AmeriCorps also acquired software that supports the agency's intent to conduct more monitoring activities. The collection and assessment of monitoring results will be used to identify grantee improvements of compliance rates in the most common areas of noncompliance.

Monitoring results are used in the agency's risk assessment module as a data source for applicable risk criteria. The agency will continue to use this information to identify any necessary adjustments to the risk assessment model based on the monitoring results. Additionally, the agency will continue standardizing the approach to grant post-monitoring to manage enforcement remedies, such as cost-based disallowance.

AmeriCorps' long-term strategy is to continue building efficiencies in monitoring procedures and information-sharing among our internal and external partners, broadening our reach across the portfolio, developing grantee training and resources related to compliance monitoring, and increasing our knowledge of the health of the full grant portfolio. This includes enhancing methods for managing fraud risk in AmeriCorps grant programs and further promoting the importance of accountability as stewards of Federal resources.

Recently, AmeriCorps conducted a review of fraud risk that assessed the existing anti-fraud controls and the potential for enhanced and new anti-fraud controls, resulting in the development of additional fraud detection and prevention activities. Regular fraud risk assessments will continue to support agency risk profiles and support on-going review and awareness of the impact and likelihood of fraud schemes to inform mitigation efforts.

AmeriCorps will maintain its focus on preventative control activities, including the partnership between agency leadership and the OIG to ensure agency staff, contractors, and grantee employees are frequently informed of fraud, waste, and abuse reporting mechanisms, as well as whistleblower protections.

Likewise, grant recipients will continue to be informed of the requirement to report without delay to the OIG any potential waste, fraud, or abuse. AmeriCorps is working in partnership with the OIG to develop a training requirement for grantees that will reinforce a culture of integrity and compliance within AmeriCorps programs and among the grant portfolios.

The Office of Monitoring plans to adjust the risk-based selection methodology to match grants flagged for fraud risk to issue-based monitoring activity assignments, based on recent OIG recommendations.

AmeriCorps will continue to assess staffing levels and technical capacity for AmeriCorps grant compliance monitoring to support these increased anti-fraud efforts in monitoring, as well as post-monitoring accountability to further support resolution of grantee noncompliance and enforcement actions.

AmeriCorps will continue to leverage our existing partnership with the Quality Service Management Office for Grants Management, and learn from industry best practices in end-user satisfaction, automated processes, technology modernization, and efficiencies related to grant risk assessment and monitoring activities.

### **3. CONCLUSION**

Strengthening core business operations is key to supporting the more than 250,000 AmeriCorps members and volunteers who provide sustained, results-driven service at 40,000 locations across the country – and to supporting the more than 2,200 organizations in all states and territories that rely on AmeriCorps resources to meet community needs that have been exacerbated by the pandemic.

Since the outbreak of COVID-19, AmeriCorps members and AmeriCorps Seniors volunteers have provided pandemic related assistance to more than 12.2 million Americans including

assisting more than 2.5 million Americans in receiving vaccinations, conducting 1.6 million wellness checks, and collecting or distributing 171 million pounds of food. And at a time of unprecedented need in public health, AmeriCorps is developing a new generation of public health professionals. Additionally, AmeriCorps members and volunteers are helping children return to school and boosting academic achievement for hundreds of thousands of Pre-K through 12 students through tutoring, mentoring, and other services; addressing the opioid epidemic by connecting people to treatment options and providing recovery services; serving newly arrived Afghan refugees; providing independent living services to older Americans; supporting veterans and military families; conserving public lands and waters; and meeting other critical local needs.

These projects and countless others are key to supporting communities and individuals, and to giving AmeriCorps members the skills they need to transition to employment after they complete their service.

I am confident that AmeriCorps' ongoing work and dedication to improving these core business operations will yield a sound operational foundation to support agency mission achievement.

Thank you again for providing us the opportunity to demonstrate the agency's progress and our commitment to operational efficiency and accountability. We appreciate your continued support as AmeriCorps works toward a positive audit opinion.