

Testimony of
Michael D. Smith
Chief Executive Officer
Corporation for National and Community Service (AmeriCorps)

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Chairman Scott, Ranking Member Foxx, Chair Wilson, Ranking Member Miller-Meeks, and Members of the Subcommittee, thank you for the opportunity to testify on AmeriCorps' progress in addressing recurring audit findings related to financial management and internal controls. As AmeriCorps' Chief Executive Officer, it is my duty to ensure AmeriCorps has the standards, policies, procedures, and capacity to carry out the national service laws in a manner that responsibly manages taxpayer resources and maximizes the impact of AmeriCorps members and AmeriCorps Seniors volunteers in communities nationwide.

Scope of the Challenge

When I began my tenure as CEO a little less than one year ago, I found an agency that was facing significant and persistent financial management challenges, evidenced by repeated disclaimed financial statement audit opinions going back to 2017. These challenges were the result of years of underinvestment in and failed implementation of core business operations, including systems, technology, staff development, and a lack of a culture of shared accountability at all levels. Our ability to remedy these issues has been hindered by flat administrative funding over the past decade. These pre-existing issues were exacerbated by the prior Administration's proposal to eliminate the agency.

FY 2022 Financial Statement Audit

The FY 2022 Financial Statement Audit, with another disclaimed opinion, provides the agency with a more comprehensive and realistic picture of the state of its financial management operations and makes the urgency of the work as clear as ever.

This year's audit, which resulted in twelve Material Weaknesses (nine repeat and three new) and two Significant Deficiencies (both repeat), provides the agency with a useful assessment of the ongoing challenges in financial systems, operations, reporting, and compliance. Although I am dissatisfied to see that this year's audit revealed an increase in Material Weaknesses, I am not surprised because significant elements of our financial operations were unable to be audited in prior years due to persistent and unaddressed issues.

Twelve prior year audit recommendations have been closed, indicating forward progress in some areas. These include recommendations related to the internal controls program including training AmeriCorps officials, updating standard operating procedures, and developing of corrective

action plans; and multiple recommendations for staff training, process improvement, and compliance. Progress on closing these recommendations is attributed to the oversight and accountability that this leadership team has put into place and allows the agency to build upon a more solid foundation to instill sustainability over time.

An assessment of our current situation and a review of similar situations at other agencies makes it clear that reaching a clean audit opinion will take several more years. Our team has moved this work forward but there is certainly more work to do. I remain committed to leading staff in working with the Inspector General and the audit team to focus efforts on high-risk, high-priority findings for next year's audit to demonstrate measurable progress in these areas.

What Has Been Done

The Biden-Harris Administration— with support from Congress – has invested in the systems and people necessary to improve the agency's core business operations to effectively steward federal resources.

Although the failings I've described did not happen on my watch, I am committed to putting AmeriCorps on a path to resolution. I am approaching this challenge acknowledging that significant work remains and will take time to realize. Over the past year, my leadership team and I have prioritized strategies and reforms to improve agency financial management and operations, including investing in systems, structures, and staff capacity and expertise.

We have also taken actions to cultivate accountability throughout the agency and establish consistent leadership expectations on our role as stewards of taxpayer resources. From the development of our Strategic Plan, individual employee work plans, and each corrective action taken by the agency, we have embedded an accountability model that reflects the seriousness with which I approach this work.

I am proud that we have restored strong and open communications with our Office of Inspector General, ensuring that she and I, as well as our leadership teams, are meeting on a regular basis to have candid communication about progress and pitfalls. I also appreciate the leadership of the Chairman and Ranking Member, enabling my team to meet with Committee staff on a quarterly basis to share progress and address questions. My team understands that we are all working toward the same mission, that identifying challenges and solutions are the responsibility of everyone, and that we can only improve through shining light all areas of concern.

Invested in Systems

Audit Resolution and Corrective Action Plan Implementation

In response to the FY 2021 audit – and for the first time in agency history – AmeriCorps established central coordination for audit remediation, including development and tracking of corrective action plan (CAP) activity. The agency's Risk Management Council provided executive level monitoring and oversight of the audit remediation progress. The agency also received input and feedback from the Inspector General and previous agency auditors to help strengthen the FY 2021 CAPs and timelines.

By Q2 of FY 2022, the agency finalized and began implementation of the multi-year plan to address each of the specific recommendations in the FY 2021 Financial Statement Audit. Today, the agency has closed 12 of 73 recommendations, which are reflected in the FY 2022 audit, and completed agency activity on 20 additional recommendations, the results of which we expect to be reflected in future audits.

Work on the remaining FY 2021 recommendations continues, and we will use the FY 2022 audit results to establish and refine corrective action plans to ensure they adequately address root causes to achieve full remediation. These updated CAPs will be completed by January 2023. Although the FY 2022 audit identified new issues – including weaknesses with some of the CAP design and implementation – the agency is building the capacity, expertise, and experience to ensure a stronger corrective action plan process each year.

FY 2022 also marked the Inspector General’s first year with a new external audit firm for the agency’s Financial Statement Audit. The audit firm and the agency worked to understand one another’s work, systems, and processes, and both teams worked diligently to share information timely. With the initial year of this new partnership completed, we look forward to a more robust and stronger collaboration with the auditors and the Inspector General to ensure a successful and collaborative FY 2023 Financial Statement Audit process.

Financial Management and Shared Services

Over the past year, the Office of the Chief Financial Officer has begun to implement reforms to optimize key financial management systems and processes within a shared service platform, enhance accountability, standardize business processes, and increase staff capacity and knowledge to provide improved mission support.

As part of our corrective action plans, AmeriCorps and the U.S. Department of Treasury’s Administrative Resource Center (ARC) completed a risk assessment in June of 2022 of the state of conversion to the shared service provider and together developed a list of mitigation strategies by risk area. These mitigation strategies seek to address the data conversion and configuration issues following the partial migration to shared services and the accompanying material weakness. In implementing these strategies, AmeriCorps is mitigating risk until modernization efforts are complete and AmeriCorps can eliminate reliance on legacy systems. To further address these risks, AmeriCorps expanded its shared services agreement with ARC in FY 2022 to include additional, dedicated accounting support to work on data conversion and configuration issues, reconciliations, and corrections.

AmeriCorps also allocated another \$1.5 million to the existing inter-agency agreement with ARC to phase out legacy systems and complete the migration to a single financial platform by the end of FY 2024. ARC now has a dedicated project team that engages with AmeriCorps biweekly and has established a project plan to align the final migration to ARC with the systems modernization efforts underway. Additionally, AmeriCorps is investing in resources to provide transition support services to enhance our approach for transitioning from legacy to modern systems.

Technology Modernization and Cybersecurity

As the Committee is aware, the agency's legacy technology systems are antiquated and not meeting the agency's financial management and grantmaking needs. Recognizing the central role these systems play in the agency's ability to effectively steward taxpayer dollars, AmeriCorps has prioritized modernizing these systems.

Over the past year, AmeriCorps hired a Chief Modernization Officer, established a multi-year project plan and project team to coordinate efforts across the agency, and secured funding. Working closely with the HHS Grants Quality Services Management Office, AmeriCorps determined there are no viable federal shared service solutions currently in the federal grants marketplace to meet the agency's needs. AmeriCorps acquired a commercial off-the-shelf system in November that is configurable to federal standards and AmeriCorps' regulatory requirements. AmeriCorps also engaged with public and private entities to complete the assessment to replace the My AmeriCorps Portal – the member management portion of the agency's legacy systems. The agency is moving forward with building a custom solution that will provide the flexibility to address current member and volunteer management needs and implement new features as business needs evolve in the future. AmeriCorps partnered with the Procurement Innovation Lab at the Department of Homeland Security and received coaching on the acquisition strategy for this custom solution.

To support this modernization effort, AmeriCorps competed for and was selected to receive a \$14 million investment from the Technology Modernization Fund. This investment, along with strategic use of American Rescue Plan funds, ensures the agency has dedicated resources and dedicated staff to see this multi-year project through to completion and provides technical assistance to improve team capability, troubleshoot issues, and provide oversight to support successful execution.

These modernized systems, which are on track to be completed by the end of FY 2024, will enable AmeriCorps and our grantees to manage grants, members, and volunteers more effectively and efficiently, and ultimately improve the agency's financial management. While the agency has prioritized long-term, sustainable modernization efforts, we also invested in an agile project with dedicated contract services to make immediate updates to the legacy systems, improve system functionalities for grant award processing, and eliminate dependency on legacy browsers. This short-term "blitz" project addressed critical deficiencies as we started our comprehensive modernization initiative. AmeriCorps also has taken steps to improve its cybersecurity program and address security risks across the agency, another area of past audit findings. The agency currently has 100% compliance with its Personal Identity Verification enforcement policy. AmeriCorps also enforced multifactor authentication across the agency, reducing risk in the identified function area. The agency also strengthened our cybersecurity posture through a comprehensive smart phone migration to more secure phones and software and by reconfiguring our email system to identify and flag external emails for increased oversight and caution by users.

Invested in People

We recognize that people are our most valuable resource at AmeriCorps, so building and retaining a diverse, skilled, and motivated workforce is vital to maximizing our impact in communities across our nation. This year, the agency has moved forward several key initiatives to invest in our workforce and their capacity, as outlined in our Strategic Plan.

Workforce Analysis

This year, the agency engaged an external contractor that successfully conducted an agency-wide workforce analysis to assess the agency's organizational structure, workforce capacity, recruitment and retention, and work culture. The contractor issued a final report and provided recommendations to the agency in five primary areas:

1. Increase training and development opportunities and technical competencies;
2. Identify position needs of the agency to establish a core organizational structure;
3. Clarify roles and responsibilities and map critical processes to reduce redundancies;
4. Increase access to information and resources and improve overall knowledge management; and
5. Enhance project management and change management skills across the organization.

The report findings validate the objectives in our Strategic Plan and the actions the agency is currently taking specific to organizational structure, workforce capacity, recruitment and retention, and work culture. The agency will prioritize and incorporate these recommendations to help the agency achieve our Strategic Plan goal to make AmeriCorps one of the best and most equitable places to work in the federal government.

Staff Recruitment, Development and Retention of Key Positions

Like many employers in the wake of the COVID-19 pandemic and in a competitive job market, AmeriCorps faced challenges to recruit and retain the workforce we need to ensure long-term success. The agency continues to be solely reliant on one person's expertise and institutional knowledge for some key functions across the agency. As such, we are working to hire highly qualified staff, ensure that our staffing structure provides for overlapping expertise, and also invest in significant support from firms that can build our bench strength, provide continuity during transitions in this challenging employment market, and add to the depth of expertise that has otherwise been difficult to retain, especially in our Offices of the Chief Financial Officer and Chief Information Officer.

This year, we experienced departures of several key leaders, including our Budget Director and Financial Reporting Supervisor; AmeriCorps has already selected a Financial Reporting Supervisor and is actively prioritizing hiring in the aforementioned vacancies. While these departures create challenging operational leadership gaps, AmeriCorps has filled many other mission critical positions at the leadership, operational, and line staff level over the past year. We have welcomed new individuals with strong federal financial management experience to the core financial management team, including a Deputy Chief Financial Officer, Accounting and

Financial Management Services (AFMS) Director, AFMS Deputy Director, Reporting Compliance and Audit Director, Grants Accountant, and Team Leads for Budget Formulation and Execution. The agency also hired leadership positions in programming and operations, including a Director for Public Health AmeriCorps, Chief Diversity and Inclusion Officer, and a Deputy Chief Human Capital Officer. We are under no illusion that there will be no further turnover in key leadership positions; however, we continue to address the root cause of such departures and address succession planning across the agency.

In direct response to audit findings and agency-identified needs to ensure timely and accurate reporting, AmeriCorps established a Reporting Compliance and Audit unit, led by the new Reporting Compliance and Audit Director, and reporting directly to the CFO. Once fully staffed, this unit will be responsible for financial statements analysis, annual Agency Management Report development, and supporting the agency's financial improvement and audit readiness. AmeriCorps is prioritizing hiring within this unit in preparation for and in support of the FY 2023 Financial Statement Audit, with the support and engagement of external experts noted below.

AmeriCorps also expanded other offices that indirectly affect its ability to effectively manage taxpayer dollars, including the Office of Monitoring staff capacity for monitoring grantee compliance. Over the past year, we have more than doubled our monitoring staff with support from American Rescue Plan Act resources (from 15 to 35 full-time employees), including 20 staff conducting monitoring activities directly, all of whom have been onboarded or are in progress to be onboarded by the end of Q1 FY 2023. We also revised employee professional development plans to include training requirements in core areas of programmatic and financial grants management, fraud awareness, and corrective action planning. Finally, we have executed an Interagency Agreement with the Department of Veterans Affairs to conduct an additional 30 financial reviews this year for grantees meeting risk criteria for intensive reviews, further expanding our reach across the grant portfolio. AmeriCorps has also expanded the Office of Human Capital (OHC) from 12 to 16 permanent employees in the last six months and is in the process of filling an additional 10 more permanent OHC positions, who are intended to fill and backfill key positions in a timely manner.

Engaging External Experts

AmeriCorps is working to recruit and improve the skills and experience of permanent staff and manage temporary and term appointments funded with American Rescue Plan Act resources, and the agency recognizes the benefit of strategic engagement of experts through contractual services. This fall, AmeriCorps signed a five-year contract with Irv Dennis as Senior Audit Advisor to the CEO on Financial Reform. Mr. Dennis is retired from a 37-year career with Ernst & Young and served as Chief Financial Officer at the U.S. Department of Housing and Urban Development. Under his leadership at HUD, Mr. Dennis led a financial and digital transformation, which led to the agency's first unqualified audit opinion in eight years.

Mr. Dennis provides advisory services directly to me, as CEO, and is responsible for advising on a framework and strategy for successful audit remediation leading to improvements resulting in reasonable (positive) assurance over operations, reporting, and compliance, and advises on

governance and communication strategies. During his brief time with the agency, he has provided key insights to my leadership team, helping AmeriCorps further refine and accelerate efforts to address high-risk areas, build upon agency strategy, develop detailed plans for remediation, identify resource gaps, and determine a clear and achievable path to success.

Additionally, during FY 2022, the Chief Financial Officer office procured contractor support for reconciliations, actuary services, and automation, and is currently working on procuring additional contractual support in budget and accounting services.

AmeriCorps Board of Directors

Over the past year, AmeriCorps welcomed seven Senate-confirmed members to the agency's Board of Directors. Until these appointments, the board had been allowed to dwindle and then go fully vacant in January 2020. In 2022 the Board reinstated their Oversight, Governance, and Audit Committee, a clear reflection of their priority to be engaged and aware of the agency's efforts for the improvement of operational management, stewardship of taxpayer dollars, and implementation of effective controls. The Oversight, Governance, and Audit Committee is meeting quarterly to provide feedback and guidance to strengthen the overall governance and operational management of the agency. This committee will review the status and progress on the agency's CAPs, assist the agency's leadership in providing high-quality reports to the Office of the Inspector General and Office of Management and Budget, and aid the Board with overseeing and reporting to the President on my performance as directed by our authorizing legislation.

Path Forward

AmeriCorps has taken steps forward over the past year. We have more work ahead of us and I am committed to making measurable progress over the next 12 months. We are refocusing and accelerating our efforts to address the agency's highest risk areas, including the root cause issues leading to many of the material weaknesses identified in the FY 2022 audit. We will engage and seek recommendations from our new Senior Advisor, Irv Dennis, as well as our Board, Office of Inspector General, OMB, and ARC, and incorporating lessons learned from HUD's transformation. To build on the agency's current efforts, we will:

- Accelerate Work on High-Risk Areas: The agency will accelerate work with a focus on several foundational, high-risk areas for targeted remediation to address issues, such as grants accrual and accounts payable. To achieve success, the agency will contract with firms to embed dedicated tiger teams to assess current deficiencies, identify improvements needed in process and controls, and provide professional development training to current and future staff to ensure a smooth handoff for long-term success.
- Create Efficiencies through Automation and Process Improvement: The agency will procure contractor support to continue to identify and convert manual processes to automated processes to create operational efficiencies, redirect focus to critical work, and allow time for more analysis and process improvement. This effort will be relatively short-term with rapid

execution in an effort to achieve quick wins and alleviate the burden of manual processes so that more time can be spent on accelerating work in high-risk areas.

These actions are intended to result in the eventual downgrade and close-out of open material weaknesses. We will also take action to address the remaining material weaknesses, including but not limited to the following:

- Knowledge Gap in Financial Management Operations: As noted above, we have filled roles within our financial management teams and engaged experts to strengthen our work. In FY 2023, AmeriCorps will procure contractor support to complete a gap analysis to assess the current state of agency financial management operations, capabilities, and professional development needs. We will be candid and urgent in either upskilling or transitioning staff, leveraging firm support to address immediate issues and bringing on the permanent FTEs that have the expertise needed to meet the challenges we face.
- Internal Controls and CAP Development: As noted above and over the past year, the agency established a unified, consistent, and transparent approach to develop corrective action plans for longstanding issues for which no coherent plan had been established in previous years. The agency's Risk Management Council provided executive level oversight on this process and will continue to do so. Going forward, AmeriCorps will update and refine corrective action plans for all open recommendations. We will revise the process to improve root cause analysis and conduct back-end testing to ensure that corrective actions have remediated the identified issue. These updated CAPs will be developed by the end of January 2023 and we look forward to sharing them with the Committee.

FY 2023 Budget

Thanks to Congress' investments in AmeriCorps through annual Appropriations and the American Rescue Plan Act, we are strengthening agency operations and investing in AmeriCorps members and AmeriCorps Seniors volunteers and the communities they serve.

With Congress' support, we have leveraged American Rescue Plan Act's one-time administrative resources to make investments in the agency's core financial management and infrastructure to address some of the root causes the agency, independent auditors, and the Office of Inspector General identified. Permanent and sustained investments in core agency infrastructure and operations are crucial to our long-term success. That is why the President's FY 2023 Budget request includes \$114.686 million for the agency's Salaries and Expenses to support the agency's staffing and information technology needs and enhance core business functions.

With annual Appropriations and American Rescue Plan Act funds, we have invested in the programs, grantees, members and volunteers, increasing the minimum living allowance of most full-time AmeriCorps members, raising the stipend for our AmeriCorps Seniors volunteers, stabilizing grantees during the peak of the COVID emergency with match flexibility, and supporting new AmeriCorps and AmeriCorps Seniors programs to meet urgent needs identified by local communities. The FY 2023 Budget request of \$982 million for program operations will

build on this progress and continue to support AmeriCorps and its state and local partners to improve lives and strengthen communities through service. Without these resources, AmeriCorps will prioritize making the necessary investments in core agency operations, infrastructure, and financial management, even if that results in fewer members and volunteers.

Conclusion

Investing in more effective business operations and continuing to deliver on our mission is not a zero-sum game. As we focused our efforts on investing in people and systems to overcome financial management challenges and building a culture of accountability, AmeriCorps has continued to deliver for the American people. More than 200,000 AmeriCorps members and AmeriCorps Seniors volunteers continue to improve lives, strengthen communities, and foster civic engagement through service and volunteering at nearly 40,000 locations across the country.

AmeriCorps members and AmeriCorps Seniors volunteers continue to work on every major challenge our communities face. They are boosting academic achievement in nearly 12,000 schools; providing independent living services to 365,000 elderly Americans; conserving public lands and waters and preparing young people for future green jobs; supporting veterans and military families; bridging critical public health gaps; and meeting other local needs.

They are also actively responding to natural disasters across the country. Currently, more than 180 AmeriCorps members are deployed in Florida and Puerto Rico in the wake of devastating hurricanes, working in partnership with FEMA and local agencies. This is in addition to the many AmeriCorps members still serving in communities impacted in recent years by fires, floods, and other disasters in California, Missouri, and Kentucky to name a few. As our data shows, AmeriCorps members keep serving for years after major disasters, providing the critical ongoing support needed to rebuild homes and lives in the wake of destruction.

AmeriCorps continues to meet the changing needs in communities and advance the Biden-Harris Administration's priorities. Earlier this year, the agency launched Public Health AmeriCorps, a \$400 million American Rescue Plan partnership with the Centers for Disease Control and Prevention, to support the recruitment, training, and development of a new generation of public health leaders. We are also partnering with the U.S. Department of Education, the Johns Hopkins Everyone Graduates Center, and a diverse coalition of education and service organizations on the National Partnership for Student Success to engage 250,000 more tutors and mentors to support students, both in and out of school, so they can best be positioned to recover from the impacts of the pandemic, succeed, and thrive.

Studies continue to demonstrate the significant return on investment for AmeriCorps funding, and nearly 70 percent of the grantees funded through AmeriCorps State and National have strong or moderate evidence of effectiveness.¹

¹AmeriCorps Office of Research and Evaluation. *Taking Service Grants to the Next (Evidence) Level*. https://americorps.gov/sites/default/files/document/25449_CNCS_ORE_AmeriCorps_Grant_Infographic_v08.pdf

We must strengthen our business infrastructure, with urgency, because our mission demands it, and our members and volunteers deserve it. As CEO of AmeriCorps, I am committed to reinforcing the financial management foundation for our agency and building an enduring culture of accountability. And I am wholly dedicated to ensuring that Congress and the American people have faith in AmeriCorps' ability to effectively manage taxpayer dollars. With support from our elected leaders and in partnership with our Inspector General, members, volunteers, and their local partners will continue to improve lives, strengthen communities, and foster civic engagement through service and volunteering.

Thank you for the opportunity to testify. I am happy to respond to any questions you may have.

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