

Testimony of
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Chairwoman Foxx, Ranking Member Scott, Chairman Owens, Ranking Member Wilson, 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 effectively stewards federal resources and maximizes the impact of AmeriCorps members and AmeriCorps Seniors volunteers in communities nationwide.

When I began my tenure as CEO, I found an agency that was facing significant and persistent financial management challenges stemming from decades of underinvestment in systems, operations, and people. At that time, the agency had undergone five consecutive years of disclaimed audits. While prior leadership initiated some actions to address longstanding challenges—including beginning the agency's transition to a shared services provider—there had never been a comprehensive, strategic, and resource-supported approach to reform.

As I shared with this Committee when I testified before you almost two years ago, while the challenges did not start on my watch, I committed that this Administration would put AmeriCorps on a firm path to resolution—and we have. We have made financial and operational reform priority number one, made historic investments in modernization, and recruited top-tier talent to get us on track.

As former AmeriCorps Inspector General Deb Jeffrey and I shared with this Committee just two years ago, receiving a clean audit opinion would likely take three to five years. I am pleased to be here today to share that our reforms are working. While the agency, Inspector General, and audit team expected that the FY24 Financial Statement Audit would result in a disclaimed opinion, AmeriCorps is seeing results, and we are on track for significant improvement in the FY25 audit.

Over the past two years, AmeriCorps has:

- Downgraded one material weakness (FY24-Other Disbursements), closed one significant deficiency (FY23-AR and Allowance for Doubtful Accounts) and one former material weakness (FY24-Property and Equipment), fully remediated an audit noncompliance (Single Audit), and closed more than 25 financial statement audit recommendations.

- Completed nearly 100 percent of remediation actions for five targeted material weaknesses and 70 percent of business process actions for remaining materials weaknesses.
- Significantly improved Federal Information Security Modernization Act (FISMA) compliance, closing 38 recommendations from previous years' FISMA audits, and achieving a "Consistently Implemented" maturity level.
- Successfully closed more than 100 unimplemented recommendations for prior year agency and grantee audits.
- Significantly reduced improper payment by more than 45 percent, resulting in two programs being removed from testing requirements and the Government Accountability Office (GAO) featuring AmeriCorps as an agency that successfully reduced improper payment rates.
- Closed nine of ten GAO recommendations to ensure AmeriCorps' fraud risk management practices more fully align with GAO's leading practices.
- Engaged top-tier senior advisor and external consultants with significant government financial and operational transformation expertise to support agency reform efforts.

While we rebuild the agency's operational infrastructure, AmeriCorps has continued to deliver in significant and substantial ways for Americans in greatest need, tackling our nation's most pressing challenges. Nearly 200,000 dedicated AmeriCorps members and AmeriCorps Seniors volunteers are diligently addressing urgent needs across rural and urban communities nationwide. Just this fall, more than 750 AmeriCorps members and agency personnel deployed in response to Hurricanes Helene and Milton, where many continue to muck and gut homes, remove debris, and connect disaster survivors to critical services today in North Carolina, Florida, Georgia, Tennessee, and Virginia.

Just last year, AmeriCorps members delivered critical opioid and substance use interventions to more than 272,000 individuals. 55,000 AmeriCorps members and AmeriCorps Seniors volunteers provided cost-effective, high-impact education services in more than 10,000 schools to ensure our students are fully prepared for college and careers. More than 13,000 veterans serve as AmeriCorps members and AmeriCorps Seniors volunteers, and our agency has been a lifeline for nearly 250,000 veterans and military families, connecting them with essential employment services, benefits counseling, and transportation to medical appointments. The agency has continued to demonstrate a strong return on the federal investment. For every dollar invested in AmeriCorps and AmeriCorps Seniors, more than 17 dollars' worth of benefits are returned to society, program members, and the government.

Financial and Operational Reform

After years of disclaimed audits and under-investment in systems, operations, and people, AmeriCorps has taken full accountability for modernizing our financial and operational infrastructure to serve and sustain our mission. Two years ago, we launched and implemented a Financial and Operational Reform (FOR) plan, a whole-of-agency, multi-year effort to comprehensively improve and modernize financial and operational infrastructure to enhance mission delivery. Achieving our shared goal of a clean audit, which we knew would take three to five years, requires long-term strategic investment and unwavering focus on the FOR plan.

Keys to Financial and Operational Reform Success

When launching the FOR plan, we knew it required strong leadership support and oversight, substantial resources, effective execution, and accountability of agency staff and contractors.

AmeriCorps developed a FOR Oversight Team to set strategy, monitor progress, and remove barriers. With full support from me, my senior leadership team and our Board of Directors, the FOR Oversight Team made significant investments and strategic commitments to transform AmeriCorps' financial and operational infrastructure.

The AmeriCorps Board of Directors relaunched the Oversight, Governance, and Audit Committee to receive updates on the progress of the FOR plan and provide guidance on implementation. Additionally, AmeriCorps continues to provide quarterly briefings to the House and Senate Committees on Appropriations, the House Committee on Education and the Workforce, and the Senate Committee on Health, Education, Labor, and Pensions to provide greater transparency on progress.

Most entities cannot successfully transform without additional external expertise and capacity. To that end, with bipartisan support and funding from Congress in FY23 appropriations, we engaged external experts, including the agency's first-ever Senior Advisor to the CEO on Financial Reform, Irving Dennis, the former CFO of HUD, who turned that agency around when facing similar but even more significant challenges. We also engaged top-tier external consultants from Ernst & Young with government transformation expertise to support our permanent career agency leadership in these efforts.

Our team is working closely with Mr. Dennis and the contractors, who are being held accountable with strong oversight and monitoring, to implement remediation actions and provide training to agency staff to support sustainable improvement. As work under the FOR plan expands, we established an integrated team of staff and contractors that meets weekly to report project status, address challenges, and solve problems. This team has created increased information-sharing across project work streams, leading to more efficient and effective implementation of FOR plan milestones.

Improved Audit Coordination

Before the FOR plan, the agency struggled with coordination and communication with the AmeriCorps Office of Inspector General (OIG) and auditors during the annual audit process. This led to difficulty meeting audit deliverables and compliance in preparing financial statements. Over the past year, AmeriCorps has restored effective communication with the auditor and strengthened overall audit coordination by creating an audit manual, improving the timeliness and accuracy of audit deliverables, and standardizing quality control review of audit submissions. We have also ensured that our financial shared services provider is aligned with AmeriCorps' efforts, enhancing communication protocols through cross-collaborative working sessions and executive meetings.

Targeted Material Weakness Areas

To accelerate progress, AmeriCorps identified five material weaknesses that had the most significant impact on our financial statements for resolution in 2024 and developed detailed remediation plans to address them. Successful remediation of these five material weaknesses will make significant progress on achieving a clean audit and sustaining a solid operational foundation for AmeriCorps moving forward. To achieve this goal, we developed end-to-end business process narratives for each targeted material weakness with improved internal controls and standard operating procedures. We also incorporated training and professional development for staff to ensure they accurately carry out the processes and controls. The agency completed nearly 100 percent of planned remediation activities for each material weakness this year and will submit complete close-out packages to the auditors and OIG for audit testing in FY25.

In addition to the immediate remediation of the target material weaknesses, AmeriCorps is addressing controls and process deficiencies for our key financial and grants business process areas. We are developing detailed process flowcharts and standard operating procedures for each area, updating policies to maintain compliance with laws and regulations, and clarifying roles, responsibilities, and training materials. We are ahead of schedule in completing remediations for each area, having already completed more than 70 percent of planned actions, with full remediation of these areas expected in FY25 and FY26.

Financial Management and Operational Improvements

As noted earlier, these reform efforts are showing results. In addition to downgrading one material weakness and closing 20 audit recommendations in the FY24 Financial Statement Audit, we have seen tangible improvement in our financial management operations, enhancing efficiency and compliance.

Previous audits have noted incomplete or inaccurate financial data and discrepancies between the agency's financial and grants management systems. Over the past year, the agency focused on these data quality issues, reviewing and correcting nearly 100 percent of our historical payable, advances, and undelivered orders. This resulted in a 96 percent reduction in discrepancies between the two financial management systems and a 40 percent reduction in discrepancies between the financial and grants management systems. We have also automated our reconciliation processes, reducing the time to process daily reviews of data interfaces between financial systems by 33 percent, saving nearly 75 hours of work time per year.

We made essential revisions to several policies and standard operating procedures to guide processes such as open obligations reviews, lookback analysis to validate the accuracy of payable accruals, review and approval of accounting entries, and grant accruals.

The Budget Office worked with our shared service provider to develop an automated reconciliation tool and standard operating procedure for the SF-132 and SF-133 reconciliation processes. This new automated tool promotes reconciliation efficiency by significantly reducing work hours while improving the overall accuracy of both reports. In addition, the enhanced SF-132 and SF-133 reconciliation process advances the agency's goal of promoting financial reporting integrity.

We have implemented significant Annual Management Report (AMR) process improvements, including implementing a Certification of Accuracy and Completeness process and using the AMR Disclosure Checklist, which supports quality control year-end financial reporting resulting in a more robust and compliant AMR. Process improvements include robust financial statement and footnote calculation and formatting support, simplified data calls to internal stakeholders, and enhanced consistency checks throughout the report. As a result of these improvements, we saw a 68 percent reduction in errors/comments in the FY24 AMR development process.

Grant and Member Management Modernization

Over the past two years, AmeriCorps has laid the groundwork to modernize the agency's systems, specifically the grants and member management system replacements. With initial funding from the American Rescue Plan and ongoing annual appropriations, AmeriCorps established the agency's first Modernization Office to lead this cross-agency effort. System Modernization is a key element of the FOR. Replacing and modernizing our grants and member management systems will eliminate AmeriCorps' reliance on our legacy financial system, reducing reconciliation burden, manual reporting, and errors, with the intention to decouple financial data from our systems.

In consultation with industry specialists at the Grants Quality Services Management Office (QSMO), Technology Modernization Fund (TMF) Program Office, and the Department of Homeland Security's Procurement Innovation Lab (PIL), AmeriCorps selected a commercial solution for grants management modernization and secured a vendor for the custom-development of the member management system replacement. To help fund these efforts, AmeriCorps secured a \$14 million TMF grants management modernization investment, successfully met project milestones, and fully repaid the required 75 percent at the end of FY24.

The agency uses an agile method to guide the development of both grants and member management systems, allowing regular reassessment of timelines against project dependencies and capacity considerations. The grants modernization system, which will launch next year, is currently in the final testing phase after completing initial development, testing of financial integration, obtaining authority to operate, and advancing to final review stages for FedRAMP security authorization. Over the next year, the agency will complete end-to-end user acceptance testing and provide training for agency staff and grantees before launch.

Concurrently, AmeriCorps is engaging in iterative development, design, and planning to replace the member portal, which will be AmeriCorps' future member and volunteer management system. Through this effort, AmeriCorps will strengthen its oversight capabilities by expanding its visibility into volunteer and member management. AmeriCorps will determine the rollout schedule for replacing the My AmeriCorps Portal and decommissioning the legacy system this coming fiscal year.

AmeriCorps' continued progress toward modernizing the grant and member management systems will allow for more effective and efficient interactions with AmeriCorps grantees, sponsors, members, and volunteers. The agency will continue prioritizing these critical projects

and ensuring readiness for a successful system launch. AmeriCorps stays accountable for completing our modernization efforts through regular communication and reporting to internal and external partners like the OIG, the Office of Management and Budget, TMF, and Congressional staff.

Additional Successes to Improve Mission Support

Our commitment to strengthening agency operations and delivering results is not limited to financial reform. From payment integrity to information technology to fraud risk management, AmeriCorps is taking action and delivering results.

Payment Integrity

From 2018 to 2020, the agency made changes to its implementation of the National Service Criminal History Check (NSCHC) program to safeguard vulnerable populations by eliminating barriers to compliance with NSCHC, reducing NSCHC noncompliance, and reducing the monitoring burden on grantees and AmeriCorps. As a result of these changes, the agency has dramatically improved grantee compliance and reduced improper payment rates by more than 45 percent.

AmeriCorps Seniors RSVP and Senior Companion Program criminal history check compliance improved so dramatically that improper payment rates dropped to the level that they are no longer required to undergo rigorous annual payment testing. These programs had been required to report rates since fiscal years 2014 and 2015, respectively. GAO recently highlighted the agency's progress in a list of agencies significantly improving their improper payment rates.

The agency continues its commitment to reduce improper payment rates and develop additional corrective actions annually. In FY25, the agency will implement a new grantee requirement to complete an internal control for federal grant recipients training. In addition, key internal stakeholders will participate in an improper payment rate-focused corrective action planning group to further the agency's progress in reducing rates.

Fraud Risk Management

AmeriCorps has also prioritized efforts to mature our fraud risk management so that it more fully aligns with leading practices. Our current fraud risk framework includes multiple processes to identify and mitigate fraud risk both internal to the agency and among our grantees; grant-program specific fraud risk assessments; Portfolio Risk Assessment, which allows the agency to assess applicants and grantees for risk, including fraud risk; and required annual Fraud Awareness Training for all grantees.

We appreciate the active collaboration with the OIG to continue strengthening these efforts. AmeriCorps and the OIG meet regularly for an Anti-Fraud Roundtable to identify opportunities for alignment in fraud risk management. We are also further developing fraud risk analytics to allow the agency to improve its fraud detection capabilities.

In March 2024, the agency received ten recommendations from GAO to align more fully with their leading fraud risk management practices. Less than a year after receiving these

recommendations, GAO has closed nine of ten as implemented. The tenth is partially satisfied, with an agency timeline for full implementation within the next two months. The agency also received two fraud risk management recommendations in its FY23 Financial Statement Audit. Both recommendations were closed during the next audit period.

Additionally, all agencies must report confirmed fraud as part of annual payment integrity reporting. AmeriCorps reported an 80 percent reduction in OIG-confirmed fraud from FY23 to FY24.

Unimplemented Recommendations

Over the past two years, AmeriCorps has made significant progress closing unimplemented recommendations from prior year agency and grantee audits, including some received by the agency a decade ago. During FY24, as noted in the OIG's Semiannual Report, AmeriCorps has closed 104 unimplemented recommendations from these audits.

Information Technology

AmeriCorps has dramatically improved FISMA compliance, moving up a maturity level, and closing many prior year recommendations. In the past two years, AmeriCorps closed 38 recommendations from the previous year's FISMA audits and has achieved a "Consistently Implemented" maturity level for the second consecutive year. We are actively addressing areas identified for improvement in the audit, such as inventory management, supply chain risk management, and vulnerability patch management.

AmeriCorps is also strengthening our cybersecurity posture, particularly in threat detection, incident response, and system recovery, taking a proactive approach to security beyond simply enhancing existing programs. This progress includes completing system authorizations, refining logging practices, and implementing more robust supply chain risk management procedures.

We are also going through a comprehensive modernization strategy that includes adopting Zero Trust architecture, automating Governance, Risk, and Compliance processes, streamlining identity management, and modernizing critical systems. Collectively, these advancements underscore AmeriCorps' commitment to improving our FISMA ratings and building a resilient and secure digital infrastructure for the future.

AmeriCorps' Path Forward

AmeriCorps's progress over the past two years has accelerated efforts to achieve a clean audit and improve financial stewardship, operational efficiency, and overall effectiveness within AmeriCorps. As we move into FY25, AmeriCorps will continue to remediate the material weaknesses identified in the FY24 Financial Statement Audit Report and strengthen the foundation we have laid for a sustainable and mission-focused future.

Throughout FY25, AmeriCorps will:

- 1) Complete remediation actions** to address audit findings and streamline and improve internal controls over financial and grants management operations. We will evaluate the design and implementation of internal controls and corrective actions to ensure processes are audit-ready and to gain valuable insights to inform additional areas of improvement.

We expect to see significant improvement in the FY25 audit results, building on our progress so far.

- 2) **Optimize financial management operations and modernize systems.** We will improve our Office of National Service Trust to improve governance, optimize Trust operations, and manage and mitigate potential risks. We will identify and implement automation opportunities and enhanced data management practices. Automation will allow AmeriCorps to improve efficiency, reduce cost, and maximize resources for its core mission. We will advance progress toward our grants management and member management system replacements.
- 3) **Support comprehensive staff training and development.** AmeriCorps is implementing an OCFO organizational strategy to re-design, realign, and better integrate core financial and grants management functions for improved performance and effectiveness. We are bolstering investments in development opportunities for staff, including extensive training to better equip them with the necessary knowledge, skills, and technology needed to enhance efficiency and improve the execution of financial and operational processes.

With Congress' support, we have leveraged annual appropriations and the American Rescue Plan Act's one-time administrative resources to make critical investments in the agency's core financial management and infrastructure. Permanent and sustained investments in core agency infrastructure and operations are crucial to our long-term success. That is why the President's FY25 Budget request includes \$127 million for the agency's Salaries and Expenses, including \$10 million for the FOR plan and to support the agency's staffing and information technology needs and enhance core business functions. The financial and operational reform efforts cannot be fully realized without these critical ongoing investments.

Conclusion

As I have shared throughout my testimony, AmeriCorps' financial and operational reform efforts are working. AmeriCorps remains committed to addressing these efforts with urgency and transparency. The agency is seeing results, and we are on track for significant improvement in the FY25 audit and beyond.

These actions will strengthen this Committee's and Congress' confidence in the agency's management and ensure our AmeriCorps members and AmeriCorps Seniors volunteers can continue to answer the call when Americans need them. The progress we have made in the past two years ensures the millions of Americans who have received AmeriCorps' helping hand – from a resident rebuilding after a storm to a student learning to read – can count on our agency's support in the years ahead.

As a North Carolina resident who recently received support from AmeriCorps members immediately following Hurricane Milton said,

“The AmeriCorps team under-promised and overdelivered at every step. I was so impressed by their care, collaboration, and commitment to doing the job right. This group gave us more than relief – they gave us hope. Their focus was on ensuring my father's safety and preserving the home he loved, before anything else. In a time when his health was declining, our homes needed

repair, and all the other challenges left behind from the storm required my attention, this AmeriCorps Disaster Response Team was a gift.”

As AmeriCorps’ CEO, I have worked to make sure the agency can continue to deliver for the American public – whether responding to these natural disasters, addressing chronic absenteeism and learning loss, or supporting individuals overcoming addiction and substance misuse. And as our AmeriCorps members and AmeriCorps Seniors volunteers meet their commitment to the communities they serve, I committed to strengthen the financial management foundation of our agency and build an enduring culture of accountability. I am confident that with the team of dedicated professionals we have built, the financial and operational reform plan we developed, and the progress we have made over the past year, AmeriCorps will achieve a clean audit and sustain a solid operational foundation.

With continued bipartisan support from Congress and this Committee and in partnership with our Inspector General, AmeriCorps will continue to improve lives, strengthen communities, and show up for Americans and America when we are needed most — for the next 30 years and beyond.

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

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