

MANAGEMENT ALERT

COMPLETION OF INVESTIGATION
INTO ENSURING PROPER OVERSIGHT
OF MAJOR CONTRACTS TO AVOID
SIGNIFICANT COST OVERRUNS

JULY 1, 2026





AmeriCorps Office of Inspector General

July 1, 2026

TO: Jennifer Bastress Tahmasebi, Interim Agency Head
AmeriCorps

FROM: Stephen Ravas
Official Performing the Duties of Inspector General

SUBJECT: **Management Alert:** Completion of Investigation Into Ensuring Proper Oversight
of Major Contracts to Avoid Significant Cost Overruns
(OIG Case I24HQ00216)

In Fall 2024, the AmeriCorps Office of Inspector General (OIG) identified significant concerns with the award, management, and oversight of the contract for AmeriCorps' new grants management system. The OIG's alert found cost overruns were projected to exceed \$9 million — more than double the original contract amount. Contributing factors included the use of a firm-fixed-price contract for a project with uncertain requirements, insufficient technical expertise in contract oversight, and descoping of tasks to accommodate escalating costs. The management alert, originally released on September 26, 2024, recommended specific steps for AmeriCorps to strengthen contract management and prevent wasteful spending. At that time, the OIG notified agency and congressional stakeholders that it would continue the investigation and issue a follow-up alert upon its completion. The contract has since concluded, and the investigation uncovered over \$14 million in waste tied to an unusable IT system. This follow-up management alert presents the OIG's full findings and concerns regarding the contract's cost overruns. We appreciate the agency's efforts and dialogue regarding the OIG's recommendations.

Cc: Mark Lloyd, Chief of Staff
Charndrea Leonard, Acting Chief Operating Officer
Mary Hyde, Director, Office of Research and Evaluation
Bilal Razzaq, Acting Chief Information Officer
Liz Appel, Acting General Counsel
James Harris, Director, Office of Procurement Services



Management Alert Update: Ensuring Proper Oversight of Major Contracts to Avoid Significant Cost Overruns

OIG Case I24HQ00216

EXECUTIVE SUMMARY

On September 26, 2024, AmeriCorps OIG issued a Management Alert to then-AmeriCorps Chief Executive Officer Michael Smith, informing him of concerns regarding the award, management, and oversight of a contract for AmeriCorps' new grants management system. The alert identified several factors contributing to cost overruns that we believed would exceed \$9 million—more than double the amount of the original contract—including the choice of a firm-fixed price contract for a project with uncertain requirements, a lack of technical expert involvement in contract oversight, and the descoping of contract tasks to accommodate cost overruns. At the time, the OIG had not yet undertaken a full review of the allegations received.

Our investigation concluded that:

1. AmeriCorps wasted \$14 million because AmeriCorps and the Department of Treasury's Administrative Resource Center (ARC) failed to hold Ernst & Young (EY) fully accountable for its inability to deliver a usable grants management system,
2. EY Submitted False or Exaggerated Claims in Its Proposal, and
3. AmeriCorps did not properly follow personnel security protocols in executing the contract.

The evidence supports that the following factors led to the contract's significant increase in funds and failure to produce a usable system.

- AmeriCorps leadership was not receptive to concerns raised by staff. Multiple AmeriCorps employees raised concerns about escalating costs and EY's inability to produce a functional system throughout the development process. In each instance, AmeriCorps' former leadership team allegedly rejected or minimized the concerns and insisted on proceeding with the contract. Some employees believed that there was pressure for the EY effort to succeed because of the failures of previous efforts to create a new grants management system. The existing grants management system, eGrants, is intertwined with a financial system that has inadequacies that contribute to AmeriCorps' inability to pass financial statement audits, a longstanding issue that has led to Congressional scrutiny.

- ARC encouraged AmeriCorps to accept the grants management system (GMS) before it was usable. Multiple AmeriCorps employees believed the Contracting Officer (CO) at ARC too often sided with EY during contract discussions. During conversations with AmeriCorps in September 2024, the CO allegedly spoke for EY that it could not be expected to do so much work to resolve bugs generated during system development, and that bug resolution costs should be added to a logical follow-on contract, despite the contract requiring delivery of a usable system. The language in contract modification P00010 accepting the grants management system platform before completion of User Acceptance Testing (UAT) was inserted at the recommendation of the CO, despite the contract's performance work statement stating that all deliverables were subject to AmeriCorps review before acceptance. The CO noted to AmeriCorps OIG that AmeriCorps kept coming back with changes and things it would not accept every time there was UAT of GMS and that they had to "draw a line" at some point. Rather than hold EY accountable to delivering a system free from significant bugs, as required by the contract, ARC and AmeriCorps accepted GMS before completing its testing.
- AmeriCorps did not change its contract modification processes as it represented it would in response to AmeriCorps OIG's September 2024 Management Alert. Contract modification P00006, dated August 18, 2024, made substantive changes to the contract requirements and costs. AmeriCorps OIG highlighted modification P00006 in its Management Alert. In response to the OIG suggestion that "AmeriCorps ensure the total impact of contract modifications on costs and deliverables is included in the decision-making process," AmeriCorps informed OIG that it would take a more proactive approach to assess the impact of contract modifications. AmeriCorps also acknowledged that it was necessary to improve documenting approvals for significant financial impacts. Despite the significant contract changes later executed in modification P00010, AmeriCorps did not improve its approach to assessing the impacts of the modification. Contract modification P00010 changed the period of performance, converted \$587,682.60 of the contract from firm-fixed price to actual costs, and accepted the grants management system before UAT was completed. AmeriCorps took fewer steps in approving modification P00010 than it had in approving modification P00006. Prior to approving modification P00006, AmeriCorps prepared a memo summarizing how the decision was made to proceed with the modification, and it was reviewed and signed by the then-AmeriCorps Chief Executive Officer. No such memo was prepared for modification P00010 despite the ramifications on costs and deliverables.
- In its original proposal to AmeriCorps, EY misrepresented or exaggerated the capabilities of its product and team. AmeriCorps selected EY for the contract based upon information EY included in its technical proposal. After EY began work, several AmeriCorps staffers concluded that EY overstated its capabilities. Although AmeriCorps requested a federally compliant, off-the-shelf system, EY did not deliver an off-the-shelf solution as requested and represented. Additional time and funding were needed to

develop portions of the GMS that AmeriCorps had expected to be fully developed from the start.

TABLE OF CONTENTS

BACKGROUND	6
September 2024 Management Alert	6
Agency Actions Since September 2024 Management Alert	7
SUMMARY OF INVESTIGATION	7
AmeriCorps Paid Over \$14 Million for a Grants Management System It Did Not Receive and Neither AmeriCorps Nor ARC Held EY Fully Accountable for its Inability to Deliver a Usable Grants Management System	8
<i>Concerns Raised About the System</i>	<i>8</i>
<i>Additional Modifications</i>	<i>10</i>
<i>AmeriCorps No Longer has Access to the GMS</i>	<i>12</i>
<i>No Changes to Contract Modification Process</i>	<i>12</i>
<i>EY Personnel Declined to be Interviewed</i>	<i>13</i>
EY Submitted False or Exaggerated Claims in Its Proposal	13
<i>Readiness of Base Solution</i>	<i>14</i>
<i>Grants Management Knowledge</i>	<i>14</i>
<i>System Integrations</i>	<i>15</i>
<i>Peer Review Access</i>	<i>15</i>
<i>Materiality of Misrepresentations</i>	<i>16</i>
AmeriCorps Did Not Properly Follow Personnel Security Protocols in Executing the Contract	16
SUMMARY OF RECOMMENDATIONS	17
APPENDIX A: METHODOLOGY	20
APPENDIX B: BACKGROUND	21
Original Contract	21
Contract Modification P00002	22
Contract Modification P00006	23

BACKGROUND

September 2024 Management Alert

In 2019, under a prior AmeriCorps leadership team, the agency attempted to develop a grants and member management software platform. That initial effort resulted in \$33.8 million expended with no viable product.¹

In November 2022, the agency undertook a new effort to update the grants management system. This effort included a firm-fixed price contract (GS-00F-290CA) of approximately \$9 million, which AmeriCorps awarded to Ernst & Young (EY) to develop and host a new grant management system (GMS) through customization of EY's commercial off-the-shelf (COTS) Grants Accelerator software. It was procured by the Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (ARC), on behalf of AmeriCorps.² ARC awarded the contract based on the independent government cost estimate (IGCE) and scope of work prepared by AmeriCorps.

The original contract terms and an explanation of the relevant modifications prior to issuance of the September 2024 Management Alert can be found in [Appendix B](#).

While AmeriCorps was pursuing this new contract, in November 2023, AmeriCorps OIG updated its list of [Top Management Challenges](#) facing AmeriCorps including identifying modernizing AmeriCorps' outdated grants management and member management systems as a top challenge.

Following concerns related to the management of the 2022 contract, AmeriCorps OIG issued a management alert on September 26, 2024. This Alert detailed how modifications to the contract increased its total value to \$14,473,966.95, while simultaneously removing option years that reduced the timeframe and services provided under the contract.³

AmeriCorps OIG's findings in the September 2024 Management Alert identified the following factors which contributed to the cost overruns:

- 1) AmeriCorps did not rely on its experience from past contracting mismanagement;
- 2) Lack of active involvement by technical experts;

¹ See, Audit of the Corporation for National and Community Service's (CNCS) Fiscal Year 2019 Consolidated Financial Statements (OIG Audit Report 20-01), pg. 23. [https://www.oversight.gov/sites/default/files/documents/reports/2019-11/20-01_CNCS_FY19_FSAudit.pdf]

² ARC is a unit of the Department of Treasury and AmeriCorps' partner that manages and handles its procurements.

³ AmeriCorps OIG Management Alert (September 26, 2024). [https://www.americorpsoid.gov/sites/default/files/media/document/2024-09/Management%20Alert%202024-216.pdf]

- 3) A firm-fixed price contract was not the appropriate type of contract for this work; and
- 4) The descoping of contract tasks allowed costs to balloon. In response to the last finding, AmeriCorps wrote, in part, that it had made “it a priority to engage subject matter experts in all phases of contract management, ensuring that technical and fiscal oversight is integrated throughout the project lifecycle.”

After reviewing the Management Alert, the then-AmeriCorps leadership team acknowledged that improvements in documenting approvals for contract modifications with significant financial impacts were necessary, and that moving forward, “the Contracting Officer is participating in weekly project assessment discussions with the vendor and AmeriCorps to ensure that emerging issues potentially impactful to contract costs are documented and addressed without delay.”

Agency Actions Since September 2024 Management Alert

On January 21, 2025, ARC and EY signed contract modification P00010 for the GMS. This modification had four purposes:

1. Pushing the end of the period of performance from February 28, 2025 to March 31, 2025;
2. Moving the start of User Acceptance Testing (UAT) of the GMS from January 13, 2025 to January 27, 2025;
3. Converting a portion of the remaining contract funds from fixed-amount to actual expenses that would need to be invoiced; and,
4. Documenting that AmeriCorps accepted the GMS effective the date of the modification, meaning AmeriCorps accepted the GMS before it completed UAT.

When the contract term expired on March 31, 2025, AmeriCorps estimated that there were roughly 80 bugs within the GMS in need of remediation before the GMS could be considered operational. The GMS was also still in the process of FedRAMP approval, a requirement for cloud-based IT systems to meet security standards necessary for government systems. Due to the lack of FedRAMP approval, the bug fixes, and the lack of a follow-on contract with EY to maintain access to the cloud-based Software as a Service (SaaS) system hosted on EY servers, AmeriCorps was left without a GMS it paid over \$14 million to acquire. AmeriCorps is no longer working with EY on GMS.

SUMMARY OF INVESTIGATION

AmeriCorps OIG initiated an investigation after it received an allegation that modifications to the EY contract violated the Federal Acquisition Regulation (FAR). Additional allegations were received during the investigation, including that EY’s original proposal contained false or exaggerated statements, the contract with EY for a GMS resulted in a substantial waste of funds,

and AmeriCorps did not properly follow Personnel Security requirements in executing the contract. Based on AmeriCorps OIG's investigation, the below findings were substantiated, in addition to the findings set forth in the September 2024 Management Alert.

AmeriCorps Paid Over \$14 Million for a Grants Management System It Did Not Receive and Neither AmeriCorps Nor ARC Held EY Fully Accountable for its Inability to Deliver a Usable Grants Management System

As outlined in [Appendix B](#), the original firm-fixed price contract for the EY-built GMS was signed on November 4, 2022, and covered a base-year and four option years at a total cost of \$8,983,461.66. The original intent of the contract was to have EY modify its existing grants management system, EY Grants Accelerator, to meet AmeriCorps' needs. The GMS was to be modified for AmeriCorps' use in the base contract year and then in use for four option years. Several contract modifications shortened the period of performance from five years to less than two and a half years and raised the total cost to \$14,473,966.95. Stakeholders differed in their opinions of the root causes of the delays and cost increases, but regardless of the cause of the delays and increases, AmeriCorps and ARC continued to agree to modifications that provided additional money to EY, despite the contract being [firm-fixed price](#)—a contract type designed to protect the government from cost overruns. The end result was an unusable GMS.

Concerns Raised About the System

Multiple AmeriCorps employees raised concerns about escalating costs and EY's inability to produce a functional GMS throughout the development process. In July 2024, the then-Chief Information Officer (CIO) and then-Deputy CIO raised concerns about a proposed contract modification, which later became modification P00006, increasing the cost of the contract beyond any increase in the scope of the work that would result from the modification. The CIO and Deputy CIO alleged that their concerns initially went unanswered by the then-Chief Operating Officer (COO), and the then-Deputy COO later accused them of not being "team players" for raising the concerns and told them to focus on teamwork. A few weeks later, in August 2024, the CIO and Deputy CIO raised concerns about a new invoice from EY that meant there would be a 60% deviation from the original contract amount. In response, the Deputy COO allegedly told the CIO and Deputy CIO that they were being hostile.

In the Fall of 2024, the Product Owner⁴ raised concerns to the Deputy COO because EY had failed to deliver a fully functional GMS for end-to-end testing by that point as it was supposed to have done. The Deputy COO allegedly rejected the concerns and said AmeriCorps had to see the GMS development effort through "no matter what." In an interview with OIG, the Deputy COO was asked if there were discussions within AmeriCorps about concerns EY's efforts would fail and the Deputy COO replied that they did not recall anyone phrasing it that way, but it was

⁴ The Product Owner was the AmeriCorps employee responsible for representing AmeriCorps' various offices by preparing business requirements to be communicated to EY and incorporated into GMS development.

important that the GMS be successful for AmeriCorps' larger goals on financial and operational reform. The Chief Modernization Officer (CMO) noted that there was pressure for the EY effort to succeed because of the failures of previous efforts to create a new grants management system, including a loss of \$34 million on a Salesforce system in recent years. A Project Management Specialist stated that the three prior failed attempts to replace eGrants "hung over the product," adding that what they heard from leadership was, "we need to make it work because we failed too many times and we need a clean audit." The Assistant Contracting Officer Representative (ACOR) stated that the effort to replace eGrants was a big deal because of Congress. eGrants is intertwined with Momentum, AmeriCorps' existing financial system that Congress wanted AmeriCorps to fix because the inadequacies of the Momentum system contribute to the inability of AmeriCorps to pass financial statement audits, an issue that has led to Congressional scrutiny.

AmeriCorps State and National's (ASN) then-Director and then-Deputy Director raised concerns about the EY GMS they had received from America's Service Commissions (ASC), a service industry organization representing 52 governor-led state and territorial service commissions, to the then-CEO and then-Chief of Staff during a meeting during the contract. ASC emailed its concerns to ASN which relayed those concerns to agency leadership. According to ASN's then-Deputy Director, the CEO and Chief of Staff told ASN's then-Director and then-Deputy Director that they were "not team players." After being publicly reprimanded for raising concerns, the then-Deputy Director and others were deterred from speaking up for fear of being "in the doghouse."

A new ARC CO was assigned to the EY contract beginning in or around July 2024. Multiple AmeriCorps employees expressed concerns to their managers or during interviews with the OIG about the ARC CO's management of the contract, believing the ARC CO too often placed the interests of EY above the interests of AmeriCorps. Employees questioned the ARC CO's competence, with one individual stating that the ARC CO was not well versed enough as a CO for software development. In September 2024, an IT Specialist emailed the then-CIO and then-Deputy CIO with their concerns regarding the ARC CO. The IT Specialist wrote that in a recent discussion with EY regarding what bugs needed to be fixed before EY would deliver its earliest usable version of GMS, the ARC CO was the biggest hurdle in reaching an agreement with EY. The ARC CO said that EY could not be expected to do so much work resolving bugs it generated during development, and AmeriCorps should add the bug resolution to a follow-on contract instead. The IT Specialist also expressed concerns with the ARC CO's overall knowledge of Agile Software Development and Agile Contracting.

In December 2024, the Product Owner prepared an internal memo to AmeriCorps' COR and ACOR for the EY contract to express their concerns. These concerns included that the:

1. full lifecycle end-to-end testing of the GMS was still not possible,
2. GMS lacked basic federal grantmaking functionality, and

3. GMS had significant gaps that would prevent AmeriCorps from executing mission-critical business.

The Product Owner indicated that EY may not be able to deliver a fully functional GMS in the next year unless AmeriCorps and ARC strengthen contract oversight and insist that EY provide a zero deviation GMS that supported all required functions. The Product Owner wrote that they identified two possible options: 1) grant a no-cost extension to allow EY to resolve all functionality issues and give AmeriCorps time for full testing or 2) terminate the contract.

Additional Modifications

AmeriCorps approved contract modification P00010 on January 21, 2025, less than two months after the Product Owner's memo documented concerns about the lack of a functional system. One component of that modification stated it was to "document that AmeriCorps accepts the [Grants Management System] platform effective the date of the modification by the [CO]." The specific language regarding acceptance of the platform was inserted at the recommendation of the ARC CO. AmeriCorps' COR agreed with the ARC CO that the modification should be approved, even though the COR knew that AmeriCorps had not received a GMS from EY that was ready to go live at the time modification P00010 was signed.

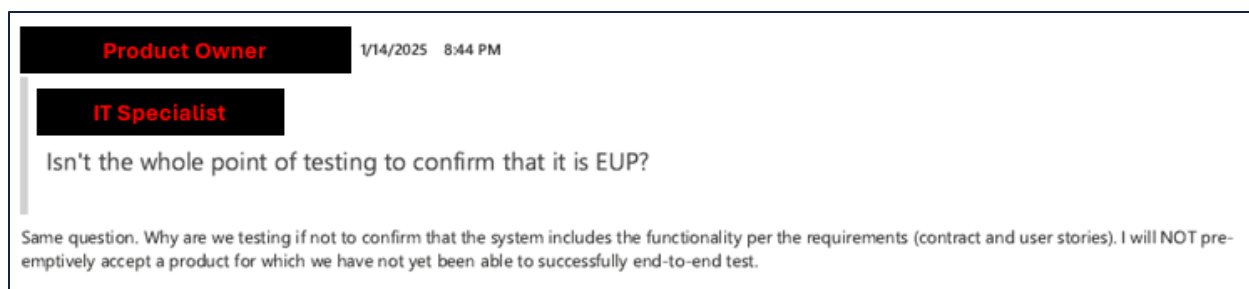
According to AmeriCorps' COR, EY sought additional time and funding to deliver the promised system. In January 2025, EY told AmeriCorps continuing support to fix bugs identified by AmeriCorps during UAT would require an additional three months and \$2 million beyond payments made under the fixed-price contract through modification P00010—terms the COR and ARC CO rejected. ARC also worried that injecting more funds into a contract they were attempting to close would raise red flags.

A no-cost extension to resolve the bugs was not feasible because there were monthly licensing costs to a third-party for the underlying Microsoft platform that would have required payment by AmeriCorps. The ARC CO opposed continuing license payments for testing and bug fixes because the GMS lacked FedRAMP approval and therefore could not be deployed even if the defects were resolved. The ARC CO also said AmeriCorps repeatedly requested changes and raised new objections after each UAT cycle. The ARC CO told the OIG that "we had to draw a line to say, you know, you can't continue to find issues when you're testing one thing. You're dragging up issues from the past." They added that they, "had to draw a line to where we said, okay, we have to stop at some point, so you're going to accept it as is because it was usable, but there was [sic] still things that were not perfect." AmeriCorps refused to accept workarounds for issues identified during testing, describing the process as "a continual cycle of never being able to say [AmeriCorps] accepted it."

The ARC CO said the IT Specialist and the Product Owner participated in discussions with the ARC CO and AmeriCorps' COR about modification P00010 and raised no objection. AmeriCorps' COR likewise said no one at AmeriCorps objected to proceeding with the modification. In

January 2025, however, the Product Owner disputed that account, saying they attended a January 14th meeting with the ARC CO, AmeriCorps' COR, and others and raised concerns about P00010's language via a Teams chat including the GMS team, of which the COR was a member. A review of the relevant Microsoft Teams messages found that during the January 14th meeting, the IT Specialist had asked whether the point of testing was to confirm the GMS had reached the Earliest Usable Product (EUP) stage of development, and the Product Owner followed up to state she would not accept a product they had not successfully tested:

In that Teams chat, the IT Specialist asked about accepting the product before UAT, “[i]sn’t the whole point of testing to confirm that it is [Earliest Usable Product].” The Product Owner responded in the chat, “[s]ame question. Why are we testing if not to confirm that the system includes the functionality per the requirements (contract and user stories). I will NOT preemptively accept a product for which we have not yet been able to successfully end-to-end test.”



The Product Owner did not raise the concerns directly with the ARC CO, as she had received explicit instruction to have all communications with the CO routed through AmeriCorps' COR. Per a separate Teams message, the Product Owner wrote to the IT Specialist, “I’m not sure you know this but I cannot speak freely in those meetings. I’ve already been reprimanded for that. Anything I say has to be agreed upon by [the then-Senior Modernization Officer (then-SMO) and Deputy COO].” The then-SMO did not recall the Product Owner having a requirement to get permission to speak with the CO and denied that they (the then-SMO) took part in any conversation that would have encouraged people not to speak up.

At the time AmeriCorps signed the P00010 modification and accepted the EY system, AmeriCorps had yet to successfully complete end-to-end testing of the system. AmeriCorps could not complete earlier rounds of testing because the GMS lacked necessary functions, such as the ability to process funding for a grant. The final round of testing, which started after modification P00010 was signed, was the first time AmeriCorps could complete end-to-end testing through the entire grant process, though significant bugs remained. The Project Management Specialist estimated the GMS was roughly 50–60% complete before AmeriCorps signed modification P00010 and accepted the system. They also judged the legacy eGrants system remained superior, noting it included controls that the GMS lacked.

AmeriCorps identified a list of about 80 bugs in the GMS at the end of the contract period. AmeriCorps believed those bugs were in scope for what EY should have delivered under the contract. According to the ARC CO in May 2025, EY could not fix those bugs at that point because there was no current contract in place and the government cannot receive anything for free. By approving the GMS before testing was completed, AmeriCorps now needed to add the cost of resolving those 80 bugs to a new contract if it continued with EY, paying EY additional funds for a GMS it failed to deliver by the end of the firm-fixed price contract period.

AmeriCorps No Longer has Access to the GMS

AmeriCorps paid over \$14 million for an unusable system that it cannot access.⁵ As of June 2025, AmeriCorps' modernization budget was effectively zeroed out. The GMS is no longer accessible by AmeriCorps personnel since it is owned and hosted by EY. AmeriCorps plans to use the existing grants management system, eGrants, for the foreseeable future. Two term employees who signed up for the deferred resignation program returned to work to support the legacy systems. Based on conversations with AmeriCorps' leadership, the agency now plans to determine what other federal agencies have grants management systems that could be modified for future use. User stories and other work that went into the GMS development effort will be leveraged for use in modifying whatever future system is selected.

No Changes to Contract Modification Process

AmeriCorps did not change its contract modification processes as it represented that it would in response to AmeriCorps OIG's September 2024 Management Alert. Contract modification P00006, dated August 18, 2024, made substantive changes to the contract requirements and costs. AmeriCorps OIG specifically highlighted modification P00006 in its Management Alert and suggested that AmeriCorps ensure the total impact of contract modifications on costs and deliverables is included in the decision-making process. In response, AmeriCorps informed OIG that it would take a more proactive approach to assessing the impact of contract modifications. AmeriCorps also acknowledged that it was necessary to improve documenting approvals for significant financial impacts. Despite representations made to the OIG in response to OIG's Management Alert and the significant changes in contract modification P00010, AmeriCorps did not improve its approach to assessing the impact of the modification. Contract modification P00010, dated January 21, 2025, (1) changed the period of performance, (2) converted \$587,682.60 of the contract from firm-fixed-price to actual costs, and (3) accepted the GMS before UAT was completed. AmeriCorps took fewer steps in approving modification P00010 than it had in approving modification P00006. Prior to approving modification P00006, AmeriCorps prepared a memo summarizing how the decision was made to proceed with the modification, and it was reviewed and signed by then-AmeriCorps Chief Executive Officer

⁵ This figure does not include the costs associated with the substantial time federal employees spent supporting the acquisition and development of the system.

Michael Smith. No such memo was prepared for modification P00010 despite the ramifications on costs and deliverables and the concerns raised in our September 2024 Management Alert.

EY Personnel Declined to be Interviewed

Although opinions among the interviewees varied regarding the root causes of the delays and escalating costs, the evidence suggests that EY played a substantial role in contributing to the delays. The ARC CO assigned to the contract in July 2024 attributed problems to AmeriCorps' lack of planning, lack of scheduling, and lack of responsiveness to EY and ARC requests. The previous ARC CO noted that EY acknowledged AmeriCorps was not the only one at fault for delays, and EY had to "eat" several million dollars' worth of labor as a result. The previous ARC CO also ascribed some of the extra costs to configuration work to connect the GMS to the Oracle financial system. AmeriCorps' COR also stated that integration with the Oracle financial system took many months of requirements gathering, and that some AmeriCorps technical requirements took many months to finalize with business stakeholders. The CMO believed EY may have underestimated the complexity of AmeriCorps and the level of effort required to get FedRAMP approved and integrated with Treasury ARC.

The OIG attempted to speak with EY to obtain their position on the issue and root cases. However, EY declined AmeriCorps OIG's requests for interviews with EY's Microsoft Technology Consulting Leader and signatory on EY's initial proposal and most contract modifications, and EY's Senior Manager in Technology Consulting, who was identified in the original contract as EY's Project Manager, individuals who had information relevant and necessary to determining the root cause or causes in the delay and cost increases. The OIG informed EY that it intended to ask these individuals what prompted the contract modifications and what discussions surrounded them, among other topics, and they subsequently declined to be interviewed through corporate counsel.

Under [FAR Section 52.203-13](#) (Contractor Code of Business Ethics and Conduct), contractors must allow access to employees who have relevant information. Although the contract with EY did not explicitly include this section of the FAR, it still applied to the contract.⁶

EY Submitted False or Exaggerated Claims in Its Proposal

In 2022, AmeriCorps issued a Request for Information to modernize its grants management system. Out of the 62 RFI responses it received, AmeriCorps identified seven contractors with potentially viable solutions. A solicitation for a full and open competition was conducted and AmeriCorps received four proposals. EY's response, dated September 9, 2022, described the

⁶ *Ryco Construction v. U.S.*, 55 Fed. Cl. 184, 198-99 at n. 11, quoting *MAPCO Alaska Petroleum, Inc. v. U.S.*, 27 Fed. Cl. 405, 407-408 (1992) ("It is well-settled that applicable provisions of the FAR are incorporated into every federal government procurement contract and have the same effect as if they were set forth in the contract itself") and adopting the "Christian doctrine," *G.L. Christian and Assoc v. U.S.*, 312 F.2d 418 (Ct. Cl. 1963) (holding that contract clauses required by federal regulations may be incorporated by operation of law).

capabilities of its existing EY Grants Accelerator (EYGA) product that could be modified to meet AmeriCorps' requirements—a SaaS COTS grants management system. A technical evaluation panel (TEP) of five AmeriCorps employees reviewed all proposals submitted in response to the solicitation and selected EY for the project. The consensus TEP ratings cited among the strengths of EY's proposal the experience and qualifications of key personnel, EY's clear understanding of all requirements, and EY's unusually high level of familiarity with AmeriCorps programming and grants.

AmeriCorps OIG found that EY made false or greatly exaggerated statements about the capabilities of both its off-the-shelf EYGA and support team in its original proposal. Multiple AmeriCorps employees noted that EY overpromised and underdelivered on its work. The AmeriCorps IT Specialist and Assistant COR (ACOR) on the contract noted that there was “a lot of handholding” to get [the GMS] where it needed to be, and that “it wasn't quite, as you would say, you know, off the shelf.” According to this individual, AmeriCorps had to help EY build a system that was federally acceptable because EY mistakenly believed EYGA was already federally acceptable off the shelf. EY “probably shouldn't have been in the pool” of qualified applicants at the beginning of the selection process because EY did not have a product that was acceptable to the government. A Project Management Specialist in the AmeriCorps Modernization Office stated that over time it became clear to them that AmeriCorps was not getting what it had asked for. AmeriCorps desired an off-the-shelf product that met Federal Integrated Business Framework (FIBF)⁷ requirements, and that was not what EY provided.

Readiness of Base Solution

EY claimed in its proposal that deployment of the base solution could be completed in less than a week with zero code. According to multiple AmeriCorps employees, this was not true—EY did not have a base solution ready for federal grants management. AmeriCorps worked with EY for several months to clarify federal requirements and processes before EY could prepare its first version of the system. One AmeriCorps employee noted that in their 25+ years of software experience, they had never encountered a company representing that it had off the shelf software without subsequently providing evidence of its existence. The employee suspected that EY lacked an off-the-shelf base system prior to working with AmeriCorps and that EY used the contract with AmeriCorps to build it. The employee formed that opinion after rudimentary pieces of the GMS failed during testing, indicating that those pieces had been built after the contract was in place.

Grants Management Knowledge

The proposal made multiple claims about the knowledge and experience of the EY team, specifically regarding grants management support, business and technical resources, and the

⁷ FIBF is a model that enables the Federal government to better coordinate and document common business needs across agencies and focus on outcomes, data, processes and performance.

Uniform Guidance. Based on their experience working with the EY team, multiple AmeriCorps employees disputed these claims. AmeriCorps had to explain federal grants management requirements during several meetings with EY team members over the course of months. In terms of technical resources, one employee with extensive experience in developing and implementing IT systems commented that they had never encountered a system with as many bugs and believed that EY did not possess the necessary expertise to meet the agency's needs. The employee based that opinion on gaps they identified in the system, including a lack of automated testing, and the fact that whenever EY fixed something it typically broke something else. Another AmeriCorps employee noted that EY was a very large firm and could say that somewhere in EY there were people who had experience building enterprise software but questioned whether those people were assigned to the AmeriCorps contract. From the perspective of the CMO, who joined AmeriCorps in January 2025, it appeared that AmeriCorps taught EY how to do federal grant making. The Project Management Specialist similarly commented that “AmeriCorps staff were spending a lot of time talking [EY] through some pretty basic award making functionality.”

System Integrations

Technical Exhibit 1 in the original Request for Proposals (RFP), dated August 22, 2022, listed the performance requirements needed for a new AmeriCorps grants management system. These requirements included the capability to support integration with multiple government systems, including SAM.gov and Grants.gov. EY’s proposal stated that EYGA had pre-designed integrations off the shelf for configurations with Grants.gov and SAM.gov. However, EY appeared to have completed the design work and implementation of these integrations under the AmeriCorps contract. AmeriCorps prepared user stories describing required software features that EY used in modifying EYGA for AmeriCorps use. Two of those user stories related to the integration of EYGA with Grants.gov and SAM.gov. EY records indicate these stories were completed in 2024 and therefore not pre-designed as EY originally represented.

Peer Review Access

AmeriCorps’ original RFP referenced the need for a new grants management system to offer role-based access for external peer reviewers evaluating applications. In response, EY wrote in its proposal that “EYGA can also **grant access to peer reviewers** and other external partners for specific parts of the Program Administrator Workspace (e.g., applications for review).” (emphasis in original) In reality, EY had to design and build out new functionality to accommodate external reviewers, which required AmeriCorps staff to explain the roles and activities of these reviewers to EY. Multiple user stories were relayed to EY to ensure the system’s external reviewer process functioned as intended.

Materiality of Misrepresentations

Investigators asked the AmeriCorps Product Owner, who served as the TEP Chair, whether unsupported claims in EY's proposal about EYGA influenced the evaluation factors used to award the contract. The Product Owner responded that EY's claimed experience and knowledge of federal grants management was part of the evaluation and identified by the TEP as a strength. The TEP also identified EY's claims of off-the-shelf integrations with Grants.gov, SAM.gov, and USPS address validations as a strength. When asked whether their current knowledge of EY's capabilities compared to EY's claims in its proposal would have affected the TEP's decision to award the contract to EY, the Product Owner stated "if we would've known then that these things would not have panned out . . . or in some cases been even questionable as far as their truth from the beginning, I, I don't, we certainly would not have documented those as strengths and . . . I think it's reasonable to, to think that we would've rated [EY] different and perhaps made a different recommendation to the contracting officers to [sic] who should have been selected."

AmeriCorps Did Not Properly Follow Personnel Security Protocols in Executing the Contract

AmeriCorps OIG found EY personnel were not properly cleared by AmeriCorps Personnel Security before working under the contract, as required by the Performance Work Statement (PWS). When the deficiency was discovered in September 2024, AmeriCorps did not take sufficient action to protect itself.

Section 1.6.7 of the PWS attached to the original contract stated that "[v]endor personnel performing work under this contract shall have a minimum favorable active security clearance investigation level of Tier 4 (T4) per OPM Position Designation System. Vender [sic] staff shall be adjudicated during their AmeriCorps onboarding process with AmeriCorps' Office of Personnel Security." The language appeared again in Section 3.2 of the PWS as a vendor furnished item or service.

On September 24, 2024, almost two years into the contract period, the then-CIO sent a memo to the AmeriCorps Director of Procurement Services, describing concerns regarding background investigations of EY personnel working under the contract. The CIO wrote that they had reason to believe many individuals accessing AmeriCorps data and sensitive information did not undergo the necessary procedures to be cleared by Personnel Security and asked that the clearance status of all EY personnel be verified. The CIO had reached out to Personnel Security the previous week and was informed that only six EY personnel were cleared to engage on the contract.

The Privacy Impact Assessment AmeriCorps prepared by OIT for the EY grants management system in 2023 provided an inventory of the PII included in the system. The inventory included names, EINs, and business email addresses as PII. The PII was not identified as either public or

non-public PII in the Privacy Impact Assessment. Ultimately, after review, AmeriCorps determined that the PII available to uncleared EY personnel was public.

In an interview with OIG, the COR explained why more EY personnel were not initially submitted to Personnel Security and stated that uncleared personnel continued to work on the contract after the issue was discovered. Only a few EY personnel needed government furnished equipment to perform their work and those people were put through the Personnel Security process. The COR was not given any instruction that access to systems like AmeriCorps' external SharePoint site should also have necessitated clearance. The COR confirmed that they believed everyone at EY who worked on the GMS was eventually put forward to Personnel Security, but they had to rely on EY to tell them which personnel needed to be cleared. AmeriCorps took no steps to pause the work or cut off access to uncleared personnel. According to the COR, the AmeriCorps Office of Procurement Services (OPS), OIT, and Personnel Security determined that EY did not have access to sensitive information beyond some IP addresses, so work could continue safely while Personnel Security completed its background checks. The COR could not explain why EY personnel needed to be cleared by Personnel Security if they did not have access to anything sensitive.

EY's records showed that a significantly higher number of its employees worked on the AmeriCorps contract than were submitted to Personnel Security. According to EY records obtained by AmeriCorps OIG, 62 individuals had recorded labor hours on the contract. AmeriCorps OIG also requested logs from EY that would demonstrate which of its employees had accessed AmeriCorps systems, sites, or data as well as the records from AmeriCorps' Personnel Security to identify which EY employees had been cleared and when. Based on these records, 120 individuals at EY charged labor hours and/or appeared on the system access logs. AmeriCorps Personnel Security granted preliminary or final clearances to 25 individuals under the contract, meaning 95 people charged labor to AmeriCorps or accessed AmeriCorps data without being cleared by Personnel Security.

SUMMARY OF RECOMMENDATIONS

AmeriCorps OIG made eight recommendations to AmeriCorps as a result of this investigation. AmeriCorps concurred with six of the eight recommendations.

- Explicitly reference FAR section 52.203-13 into future contracts to ensure contractors are aware of their requirement to cooperate with government auditor and investigator requests,
AmeriCorps concurred with this recommendation.
- Request a different Contracting Officer at ARC for all future contracts,
AmeriCorps concurred with this recommendation.

- Take a proactive approach to assessing the impact of contract modifications and improve the process for documenting approvals of contract modifications with significant financial impacts as AmeriCorps represented it would do in response to OIG's September 2024 Management Alert,

AmeriCorps concurred with this recommendation.

- Implement additional IT security training for CORs to explain IT security issues and requirements relevant to the contracting process,

AmeriCorps concurred with this recommendation.

- Immediately cut off access to AmeriCorps systems/sites/data for any personnel requiring clearance by Personnel Security if it is discovered that they have access without clearance, and

AmeriCorps concurred with this recommendation.

- Do not modify firm-fixed price contracts to increase costs for work that was already in the scope of the contract,

AmeriCorps concurred with this recommendation. Firm-fixed price contracts are designed to protect the government against cost overruns. AmeriCorps' concurrence will help ensure that the contracts adhere to the core intent of this contract type and strengthen fiscal accountability.

- Refrain from entering into any legally binding relationship with EY for a period of three years due to (1) EY's failure to deliver a functional grants management system, which has incurred substantial cost overruns and (2) the organization's failure to cooperate with the OIG during interviews, in violation of the FAR.

AmeriCorps did not concur with this recommendation. AmeriCorps stated that the recommendation was inconsistent with the FAR and it could not concur with the recommendation as stated since it represented a *de facto* debarment that would expose AmeriCorps to potential legal action. Instead, AmeriCorps would address the issues with EY in the Contractor Performance Assessment Reporting System (CPARS) as part of the normal contract closeout process.

OIG Response: AmeriCorps is incorrect that this recommendation is a *de facto* debarment. Debarments are an administrative tool to protect the government by excluding persons or organizations that lack present responsibility from federal procurement and nonprocurement transactions. A debarment bars the individual, entity and its affiliates from covered transactions government-wide. Here, we are not recommending a government-wide debarment. Instead, we recommend that AmeriCorps avoid entering into contracts with EY for three years given its inability to deliver a usable GMS, and importantly, its refusal to make its employees available to the OIG—something required by the FAR.

Additionally, although AmeriCorps indicated that it would address the EY issues in CPARS, as of March 2026, no entries were made into CPARS to document the

problems identified by the OIG. ARC made the last entry, dated January 2026, which is non-responsive to the issues raised during this investigation.

- Update the Privacy Impact Assessment template to differentiate between public and non-public PII to better align with the language and requirements in AmeriCorps Policy 384 regarding information security incidents.

AmeriCorps did not concur with this recommendation. AmeriCorps stated that it agreed with the OIG's conclusion that there was no breach. It also indicated that it had concerns with the OIG using the phrase 'non-public PII' in reaching our conclusion because it is not a term used in the Privacy Act.

OIG Response: The OIG never concluded that there was not a PII breach. Rather, the investigation detailed the process by which AmeriCorps reached that conclusion itself.

In addition, AmeriCorps OIG notes that the term "non-public PII" used in our report originated from AmeriCorps' own policy, Policy 384. AmeriCorps' response did not specifically state whether it plans to amend Policy 384 to remove its references to "non-public PII."

APPENDIX A: METHODOLOGY

We prepared this management alert to bring to AmeriCorps' attention serious issues with its contracting process and oversight identified during our review of AmeriCorps' contract for a new grants management system. We reviewed federal publications, regulations, and applicable guidance. We met with AmeriCorps and ARC officials and staff to discuss the contract process for the system. Requests for interviews of EY personnel were declined. We also reviewed documents and communications relevant to the contract effort.

This Management Alert is in alignment with OIG's quality control standards and the CIGIE Quality Standards for Federal Offices of Inspector General, which require that we conduct our work with integrity, objectivity, and independence.

APPENDIX B: BACKGROUND

Original Contract

One of AmeriCorps' top challenges is modernizing its outdated grants management and member management systems.⁸ The existing system, eGrants, does not perform all necessary functions, including fully integrating with financial systems necessary for the agency to obtain an unqualified opinion on its financial statements audit.⁹ AmeriCorps attempted to develop a grants and member management software platform twice over the last 8 years. In 2019, that initial effort resulted in \$33.8 million expended without a viable GMS.¹⁰ In November 2022, the agency undertook a new effort to update the grants management system. This effort included a firm-fixed price contract (GS-00F-290CA) of approximately \$9 million, which AmeriCorps competitively awarded to EY on November 4, 2022, to develop and host a new grant management system (GMS) through customization of EY's commercial off-the-shelf (COTS) Grants Accelerator software. It was procured by the Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (ARC), on behalf of AmeriCorps.¹¹ ARC awarded the contract based on the independent government cost estimate (IGCE) and scope of work prepared by AmeriCorps. The contract amount included:

- \$4,932,572.13 for EY to modernize AmeriCorps' grants management system, eGrants, over the course of the contract base year and option year 1. Under the contract, GMS would be developed and fully implemented, including system configuration, integration of activities, user acceptance testing, and the ability to collect and award applications no later than September 30, 2024.
- \$4,050,889.53 for EY to host the software and data collected on a cloud-based system it operated and maintained over the course of option years 2 through 4, from September 30, 2024 through November 3, 2027. See Figure 1.

The total value of the contract for the base and all option years was \$8,983,461.66.

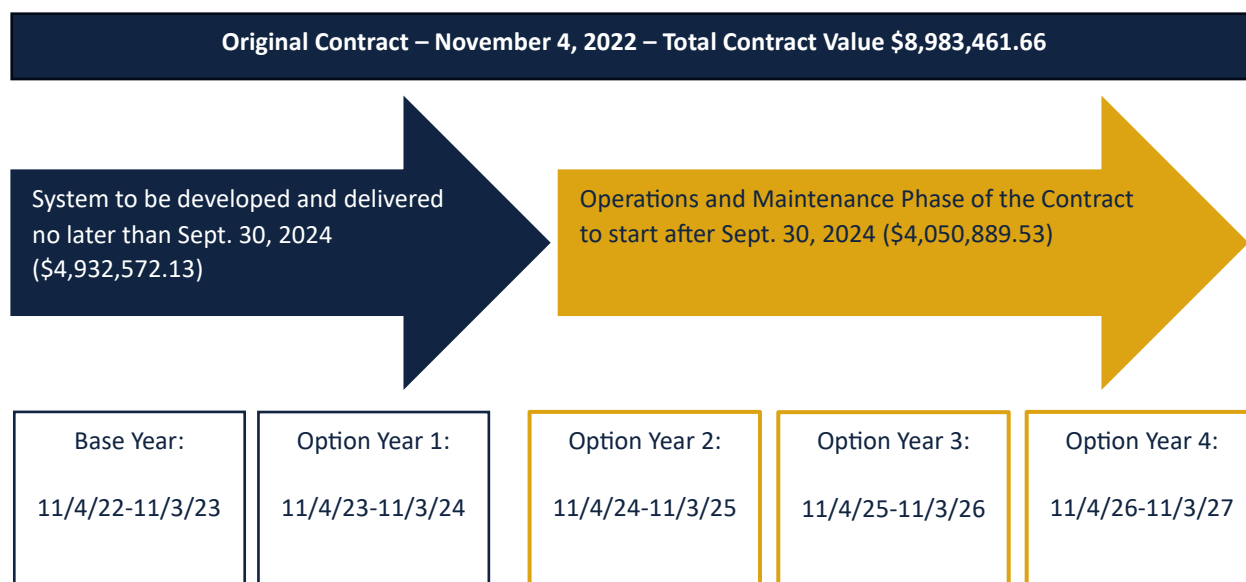
⁸ AmeriCorps Management Challenges Report, p. 13 (2023), available at <https://www.oversight.gov/sites/default/files/oig-reports/AmeriCorps/20231115-AmeriCorps-Management-Challenges.pdf>.

⁹ OIG-AR-25-01 – Audit of AmeriCorps' Fiscal Year 2024 Consolidated Financial Statements

¹⁰ Audit of the Corporation for National and Community Service's (CNCS) Fiscal Year 2019 Consolidated Financial Statements (OIG Audit Report 20-01), pg. 23, available at <https://www.americorpsoig.gov/reports/audit/audit-corporation-national-and-community-services-cnsc-fiscal-year-2019-consolidated>.

¹¹ ARC is a unit of the Department of Treasury and AmeriCorps' partner that manages and handles its procurements.

Figure 1

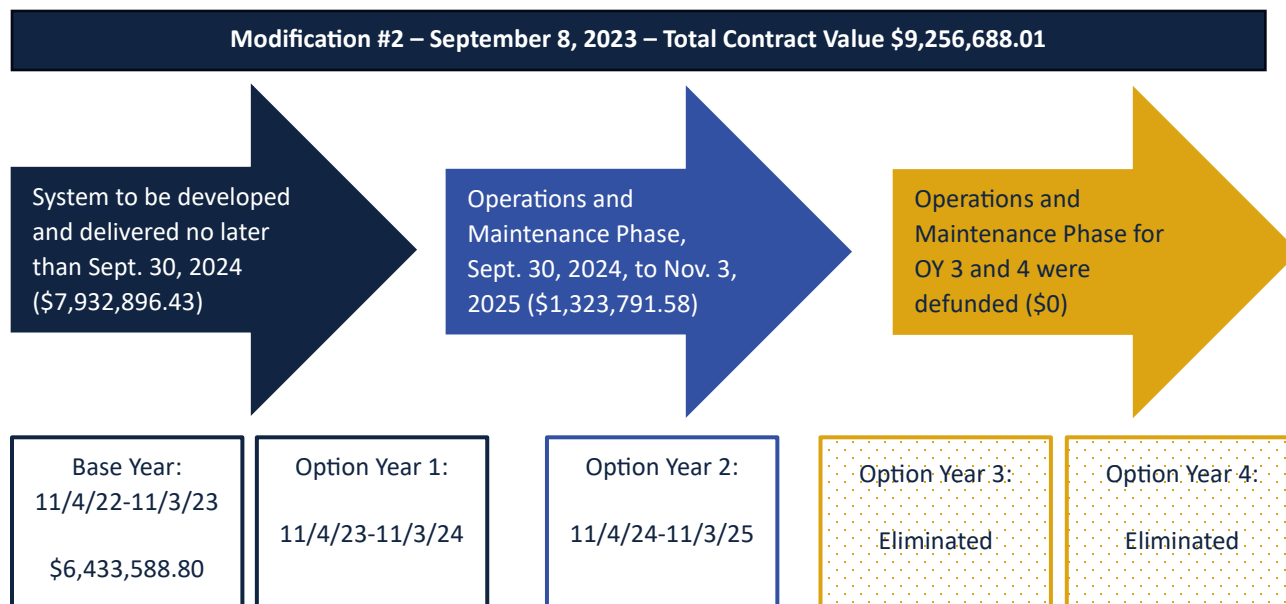


Contract Modification P00002

At a point prior to September 2023, AmeriCorps determined that it needed a modification (P00002) to (1) address requirements from ARC's Oracle financial management systems platform that AmeriCorps did not know at the time the contract was awarded and (2) obtain the Federal Risk and Authorization Management Program (FedRAMP) certification for EY.¹² Under a bilateral contract modification (P00002) dated September 8, 2023, AmeriCorps and EY agreed to eliminate option years 3 and 4 and move those funds (\$2,727,097.95) to the development phase covered under the base year. It also added an additional \$273,226.35 to the base year for development of the system. Essentially, the modification re-obligated funding by removing two future option years intended to cover operation and maintenance of GMS to the base year for services performed during the base year. Thus, at this point, the total cost of the development of GMS increased from \$4,932,572.13 to \$7,932,896.43. See Figure 2.

¹² ARC's Oracle financial system is one of the systems with which the new grants management system needs to integrate for AmeriCorps to allocate grant money to awards.

Figure 2



Contract Modification P00006

In or around January 2024, EY notified AmeriCorps and ARC that EY had spent the base year and option year 1 funding (\$7,932,896.43) allocated under modification P00002 approximately two months into the option year 1 performance period. EY had yet to produce a fully implemented grant management system despite being required to do so by the firm-fixed price contract. In consultation with AmeriCorps, the ARC CO provided EY oral approval to continue work on the firm-fixed price contract notwithstanding EY's depletion of the funds for option year 1. The CO relied upon AmeriCorps' representation that funds would be available, and his own assumption that any additional costs would not surpass 10% of the value of the contract.¹³

After the CO's oral approval, between February and July 2024, EY's continued work incurred additional costs, which EY later estimated at \$3,996,300.16—approximately 50% of the modified contract. This amount exceeded the original amount of the contract base year in just six months. EY also requested an additional \$1,402,184.06 for work that it planned to do from August 2024 to November 2024, and \$1,142,586.33 for work from November 2024 through February 2025, all of which was needed to finish developing the grant management system. ARC issued a stop-work order (modification P00005)¹⁴ in July 2024 to allow time to update the contract's performance

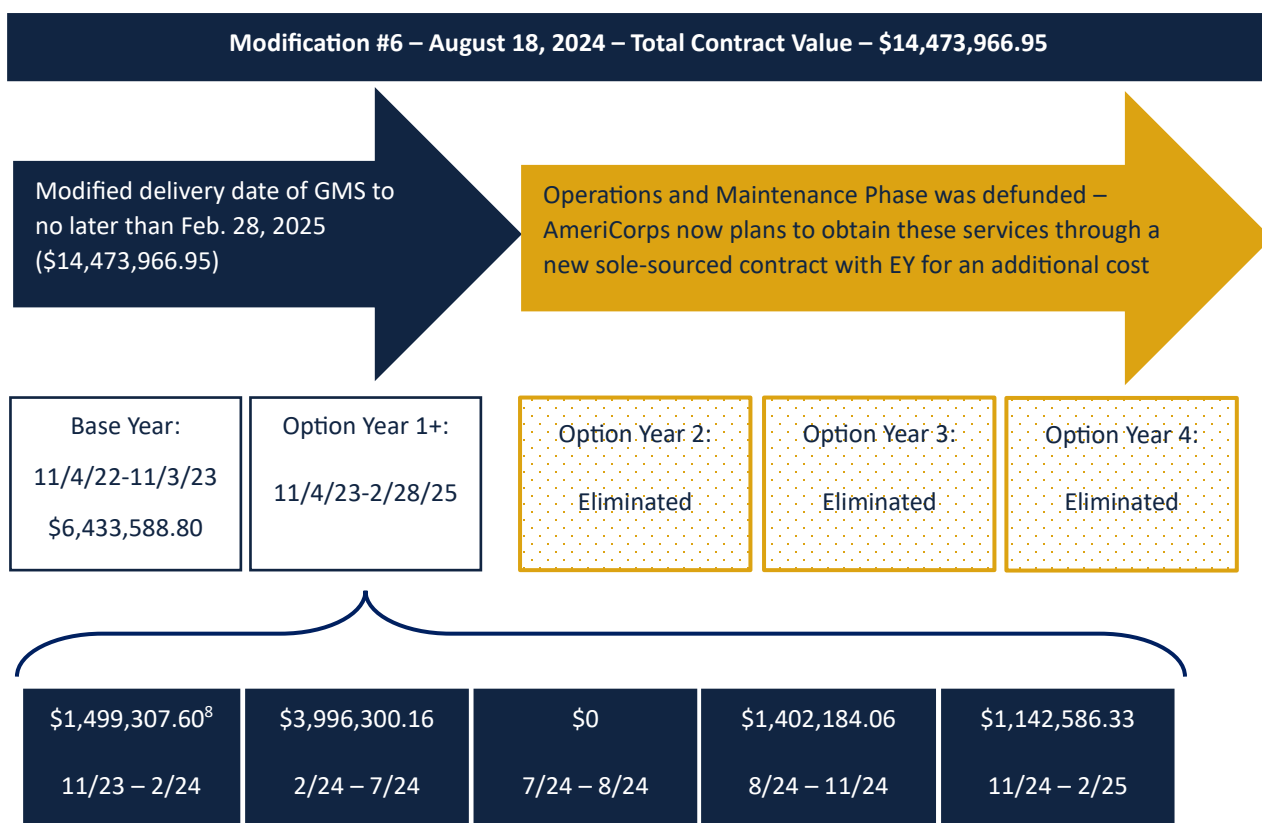
¹³ The CO stated that ARC's policy allows for COs to increase the value of a contract by up to 10% without going through a formal internal approval process if funding is available.

¹⁴ Modification P00003 exercised option year 1 and modification P00004 updated the funding string for option year 1.

work statement, cancel option year 2 in its entirety, incorporate a timeline for remaining deliverables, and increase the total contract value.

On August 18, 2024, AmeriCorps added \$6,541,070.52 to the contract for the development phase of the system, based on EY’s estimated costs for work completed through July 2024 and anticipated work between August 2024 and February 2025, as part of modification number 6 (P00006).¹⁵ Modification P00006 lifted the stop-work order and was anticipated to cover completion of development of a useable grants management system by February 2025. Including this modification, the total cost for the design and delivery of the grants management system rose to \$14,473,966.95. See Figure 3.

Figure 3



¹⁵ There is a \$0.03 discrepancy between the additional \$6,541,070.55 requested by EY for option year 1 in EY’s pricing sheet and the actual value added with modification P00006 (\$6,541,070.52).

⁸ Numbers as reported in EY’s pricing sheet for modification P00006.