Office of Inspector General
Corporation for National and Community Service

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO HABITAT FOR HUMANITY INTERNATIONAL

OIG REPORT NUMBER 06-28

Prepared by:

COTTON & COMPANY LLP
635 Slaters Lane, 4th Floor
Alexandria, Virginia 22314

This report was issued to Corporation management on February 8, 2006. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than August 8, 2006, and complete its corrective actions by February 8, 2007. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.

Corporation for NATIONAL & COMMUNITY SERVICE

OFFICE OF INSPECTOR GENERAL

Audit of Corporation for National and Community Service Grants Awarded to Habitat for Humanity International Audit Report 06-28

OIG Summary

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform an incurred-cost audit of Habitat for Humanity International (Habitat), for Program Years 2002-2003, 2003-2004, and 2004-2005, through March 31, 2005. The audit covered financial transaction testing and compliance and internal control testing of two grant awards funding the AmeriCorps National Direct program at Habitat: 00ANDGA015 and 03NDHGA001.

The audit identified questioned costs, totaling $31,379, which related primarily to lump-sum payments of living allowances to AmeriCorps members for periods in which they were not serving, unsupported costs, and payments for unemployment insurance. The audit report also includes seven findings and eight recommendations to improve compliance with grant requirements and to improve internal controls. Habitat, in its response to our draft report, generally proposed satisfactory corrective actions. The Corporation agreed that, during the audit resolution process, it would verify that Habitat had implemented the recommendations.

The OIG reviewed Cotton & Company's report and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Claimed and Questioned Costs in Appendix A of the report or conclusions on the effectiveness of internal controls and compliance with laws and regulations. Cotton & Company is responsible for the attached auditor's report dated September 29, 2005, and the conclusions expressed in the report. However, our review disclosed no instances where Cotton & Company did not comply, in all material respects, with generally accepted government auditing standards.

This report is a matter of public record, and its distribution is not limited.

OFFICE OF INSPECTOR GENERAL
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

AUDIT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE GRANTS AWARDED TO HABITAT FOR HUMANITY INTERNATIONAL

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG), Corporation for National and Community Service (Corporation), contracted with Cotton & Company LLP to perform an incurred-cost audit of Habitat for Humanity International (Habitat), for Program Years (PYs) 2002-2003, 2003-2004, and 2004-2005. Our audit included costs incurred under the following grants for the periods specified below. Our audit covered financial transactions, compliance, and internal control testing of the following awards funded by the Corporation:

Program	Award No.	Award Period	Audit Period
AmeriCorps National Direct	00ANDGA015	08/14/00-12/31/03	08/14/02-03/31/05*
AmeriCorps National Direct	03NDHGA001	08/25/03-08/24/06	08/25/03-03/31/05

* Habitat adjusted its final Financial Status Report in March 2005

Audit objectives were to determine if:

- Habitat's financial reports to the Corporation presented financial award results fairly, and these costs were allowable in accordance with award terms and conditions;
- Internal controls were adequate to safeguard Federal funds;
- Habitat had adequate procedures and controls to ensure compliance with Federal laws, applicable regulations, and award conditions; and
- Habitat established adequate program management oversight of its partnering and operating sites.

Habitat claimed $6,621,005 of costs in PYs 2002-2003, 2003-2004, and 2004-2005. We questioned Federal costs of $31,379. The term "questioned costs" is applied to those costs questioned because of (1) an alleged violation or provision of law, regulation, contract, grant, or cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. Details on the costs questioned may be found below and in the Independent Auditors' Report. Our audit expresses a qualified opinion on the Consolidated Schedule of Claimed and Questioned Costs because of the questioned costs.

AmeriCorps members who successfully complete terms of service under AmeriCorps grants are eligible for education awards from the Corporation's National Service Trust. These award amounts are not funded by Corporation grants and thus are not included in claimed costs. As part of our audit, however, we determined there is no effect of audit findings on education award eligibility. Details of questioned costs are in Schedules A and B.

Questioned costs are summarized as follows:

Award No.	Federal Costs Questioned	Schedule
00ADNGA015	$15,945	A
03NDHGA001	$15,434	B
	$31,379	

Habitat claimed unallowable and unsupported costs as part of its matching requirements. These costs were not questioned in the schedules, because Habitat exceeded its overall match requirements.

We have also issued a report titled Independent Auditors' Report on Compliance and Internal Control on our consideration of Habitat's internal control and compliance with laws and regulations. In that report, we identified seven findings, which are required to be reported under generally accepted government auditing standards. These findings are as follows:

1. Habitat claimed unallowable and unsupported costs.

2. Habitat claimed excess living allowances.

3. Habitat claimed unallowable unemployment insurance.

4. Habitat claimed unallowable staff labor.

5. Habitat did not obtain criminal background checks for members before placing them in substantial, direct contact with children.

6. Habitat did not have adequate procedures to ensure compliance with all grant provisions.

7. Habitat did not have adequate procedures to ensure documentation of member activities.

BACKGROUND

Corporation for National and Community Service

The Corporation supports a range of national and community service programs that provide an opportunity for individuals (members) to serve full or part time. It funds opportunities for Americans to engage in service that fosters civic responsibility, strengthens communities, and provides educational opportunities for those who made a substantial commitment to service.

The Corporation has three major service initiatives: National Senior Service Corps, AmeriCorps, and Learn and Serve. The AmeriCorps program, largest of the initiatives, provides Federal funding in two ways: grants through the State Commissions and direct funding to grantees.

Approximately three-quarters of all AmeriCorps grant funding goes to governor-appointed State service commissions, which award competitive grants to nonprofit groups that then recruit AmeriCorps members to respond to local needs. The Corporation distributes most of the balance of its funding directly to multi-State and national organizations such as Habitat through a competitive grant process. Habitat enters into agreements with affiliate entities that then recruit and select members who earn living allowances and educational awards.

Habitat for Humanity International

Habitat is a nonprofit organization that seeks to eliminate poverty and homelessness. It encourages people to help build and rehabilitate homes together in partnership with families in need of housing. Through volunteer labor and donation of money and materials, Habitat builds and rehabilitates houses with the help of the homeowner (partner families). Habitat houses are sold to partner families at no profit and are financed with affordable, no-interest loans. Income from homeowner monthly mortgage payments is used to build more Habitat houses.

Habitat, headquartered in Americus, Georgia, has 200 full-time administrative staff. These employees are paid with funds provided by AmeriCorps National Direct grants, as well as private funding sources.

Habitat's community affiliates are independent, locally run, nonprofit organizations. Each affiliate coordinates all aspects of Habitat home building in its area and works with partner families by educating them on home ownership, budgeting, and home maintenance. Habitat has 40 operating sites nationwide, each with a director that is a part of the Habitat for Humanity affiliate staff, and approximately 250 AmeriCorps members in PY 2004-2005. Operating sites provide day-to-day supervision of the members. The national office in Americus maintains all original financial records, member records, and copies of member timesheets. Operating sites maintain original member timesheets and evaluations.

Affiliates are competitively selected for participation in the AmeriCorps program by submitting proposals to Habitat. Habitat attempts to conduct yearly monitoring site visits to all of its affiliates. If unable to visit all affiliates in a given year, it will perform site visits of those sites with multiple problems. Site visits focus on affiliate performance in six areas: grant compliance, community service project, national service identity, member development, State commission collaboration, and program administration.

Total AmeriCorps National Direct program grant awards to Habitat and required matching contributions are as follows:

Award No.	Grant Awards	Required Match
00ANDGA015	$2,405,343	$456,086
03NDHGA001	6,721,958	1,201,657
Total	$9,127,301	$1,657,743

Habitat receives an annual Single Audit in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We reviewed the Single Audits for the years ended June 30, 2002, 2003, and 2004. Corporation grants were selected as major programs in 2004. Habitat received unqualified opinions in the past three years, and no reportable conditions or material weaknesses were related to the Corporation funding.

EXIT CONFERENCE

We held an exit conference with Habitat and Corporation representatives on October 28, 2005. Habitat and Corporation responses to the draft report are included in the final report as Appendices A and B, respectively. Using the findings and responses, the Corporation and Habitat will engage in audit resolution to further determine the necessary corrective actions for stated recommendations, resolve questioned costs, and recover unallowable costs.

Cotton & Company

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

September 29, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT

We have audited costs incurred by Habitat for PYs 2002-2003, 2003-2004, and 2004-2005 for the awards listed below. These costs, as presented in the Consolidated Schedule of Claimed and Questioned Costs (Exhibit A) and grant-specific Schedules of Claimed and Questioned Costs (Schedules A and B), are the responsibility of Habitat management. Our responsibility is to express an opinion on the consolidated schedule of claimed and questioned costs and grant-specific schedules based on our audit.

Program	Award No.	Award Period	Audit Period
AmeriCorps National Direct	00ANDGA015	08/14/00-12/31/03	08/14/02-03/31/05*
AmeriCorps National Direct	03NDHGA001	08/25/03-08/24/06	08/25/03-03/31/05

* Habitat adjusted its final Financial Status Report in March 2005

We conducted our audit in accordance with audit standards generally accepted in the United States of America and generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial schedules. An audit also includes assessing accounting principles used and significant estimates made by management, as well as evaluating overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion on incurred costs.

The Consolidated Schedule of Claimed and Questioned Costs and grant-specific Schedules of Claimed and Questioned Costs are intended to present allowable costs incurred under the awards in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, other applicable OMB circulars, and award terms and conditions. Therefore, these are not intended to be complete presentations of Habitat's revenues and expenses in conformity with generally accepted accounting principles. These schedules also identify certain questioned education awards that are not funded by Corporation grants and thus are

not included in claimed costs. As part of our audit, however, we determined the effect of all member-compliance issues on these awards.

In our opinion, except for questioned costs in the Consolidated Schedule of Claimed and Questioned Costs, the financial schedules referred to above present fairly, in all material respects, costs claimed by Habitat for PYs 2002-2003, 2003-2004, and 2004-2005, in conformity with OMB Circular A-122, other applicable OMB circulars, and award terms and conditions.

In accordance with generally accepted government auditing standards, we have also issued a report dated September 29, 2005, on our consideration of Habitat's internal control and compliance with laws and regulations. This report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering audit results.

This report is intended for the information and use of the Corporation, the OIG, Habitat, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Michael W. Gillespie, CPA

EXHIBIT A

HABITAT FOR HUMANITY INTERNATIONAL
CONSOLIDATED SCHEDULE OF CLAIMED AND QUESTIONED COSTS

AMERICORPS NATIONAL DIRECT PROGRAM AWARDS

Award No.	Approved Budget	Claimed Costs	Questioned Federal Costs	Schedule
00ANDGA015	$2,405,343	$2,159,551	$15,945	A
03NDHGA001	6,721,958	4,461,454	15,434	B
	$9,127,301	$6,621,005	$31,379	

SCHEDULE A

HABITAT FOR HUMANITY INTERNATIONAL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AWARD NO. 00ANDGA015
AUGUST 14, 2002, TO MARCH 31, 2005

	Amount	Notes
Approved Budget (Federal Funds)	$2,405,343	
Claimed Federal Costs	$2,159,551	
Questioned Federal Costs:		
Lump-sum living allowance	$14,133	1
Unsupported costs	826	2
Unallocable costs	545	3
Member Unemployment Insurance	317	4
No support for living allowance	124	5
Total Questioned Federal Costs	$15,945	

1. Habitat claimed Federal costs of $14,133 and match costs of $4,890 for lump-sum living allowances paid to 51 members who completed service earlier than the 46½-week period stipulated in member contracts. According to AmeriCorps Provisions (2002 ed.), Section B.11.b., *Living Allowance Distribution*, living allowances are designated to help members meet necessary living expenses incurred only while participating in the AmeriCorps Program. Habitat interprets AmeriCorps Provisions to mean that members are entitled to receive full living allowances identified in member contracts, even if the members complete their service early. We therefore questioned $14,133.

2. Habitat claimed $826 in unsupported Federal costs, as follows:

   a. Habitat claimed $244 for the rental of a beach house to conduct training for members of the Charlotte affiliate. It did not, however, provide documentation to support actual rental costs for the beach house. The only documentation provided to support the rental was a typed letter with the word "Invoice." The "invoice" did not identify rental dates, rental fee, or name of the individual renting the house. While the invoice included the name and address of an individual, it was unclear if this individual actually rented the beach house on behalf of Habitat.

b. Habitat also claimed affiliate expenditures supported only by non-itemized credit card receipts or credit card statements. The following costs were supported only by credit card receipts showing total amounts, but cost breakdowns showing actual items purchased were not provided:

- $106 for an end-of-service training luncheon for which only $72 was claimed;
- $59 for meal costs during local orientation;
- $105 for food and supplies for a conflict-resolution training session for AmeriCorps members; and
- $114 for a correcting entry to reclassify $114 of National Direct employee enrichment (training) expenses as meal expenses ($35 for breakfast and $79 for lunch and snack items).
- $232 identified as Park Fees for team-building training were supported only by a credit card statement that showed a charge of $280. Documentation was not provided to identify names of attendees or verify actual park-required fees for the training.

According to AmeriCorps Provisions (2002 ed.), Section C.21.b., *Source Documentation*, the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar document. We therefore questioned the $826.

3. Habitat claimed Federal costs of $545 in FY 2002-2003 for airfare for a Habitat employee who worked in Habitat's Disaster Recovery office and did not spend any time working on the AmeriCorps National Direct Program. These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A (4), *Allocable costs*. Habitat personnel were unable to explain why the airfare expense was charged to the AmeriCorps grant and stated that they regularly compare traveler names (Habitat staff or AmeriCorps members) to authorized travel e-mails maintained by the program manager. We questioned the $545.

4. Habitat claimed Federal costs of $317 and match costs of $1,391 for unemployment insurance premiums for its members serving at six affiliates in PY 2002-2003. Habitat considered unemployment insurance allowable for its affiliate sites. However, the state laws for these six affiliates did not require unemployment insurance premiums for members. Therefore, the member unemployment insurance premiums claimed for the members serving at the following affiliates are unallowable:

- Calhoun County, Alabama
- Boston, Massachusetts
- Greater Bucks, Pennsylvania
- Metro Camden, New Jersey
- Portland, Oregon
- Denver, Colorado

Unemployment insurance premium costs are unallowable in accordance with AmeriCorps Provisions (2002 ed.), Section B.11.d.iv., *Unemployment Insurance*, which states:

> *The U.S. Department of Labor ruled on April 20, 1995 that Federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The Grantee cannot charge the costs of unemployment insurance taxes to the Grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting their State Commission, legal counsel or the applicable state agency.*

Habitat claimed member unemployment insurance for members at these affiliates until March 2005, when it discovered that it was not required to withhold unemployment insurance taxes for members serving in Alabama. We questioned the $317.

5. Habitat paid a member a living allowance of $124 Federal and $41 match for 32 service hours reported in the Web Based Reporting System (WBRS), but did not provide timesheets to support these hours. The affiliate with which the member served was unable to find the member's timesheet. AmeriCorps Provisions (2002 ed.), Section C.21.c.ii., *Financial Management Provisions, Time and Attendance Records*, requires that grantees maintain time-and-attendance records on all AmeriCorps members to document their eligibility for in-service and post-service benefits. We questioned the $124.

SCHEDULE B

HABITAT FOR HUMANITY INTERNATIONAL
SCHEDULE OF CLAIMED AND QUESTIONED COSTS
AWARD NO. 03NDHGA001
AUGUST 25, 2003, TO MARCH 31, 2005

	Amount	Notes
Approved Budget (Federal Funds)	$6,721,958	
Claimed Federal Costs	$4,461,454	
Questioned Federal Costs:		
Lump-sum living allowance	$14,330	1
Member unemployment insurance	657	2
Unsupported Costs	353	3
Unallocable Costs	94	4
Total Questioned Federal Costs	$15,434	

1. Habitat claimed Federal costs of $14,330 and match costs of $4,777 in lump-sum living allowance payments to members. For the reasons stated in Schedule A, Note 1, we questioned Federal costs of $14,330 in lump-sum living allowance payments to 46 members in PY 2003-2004 who completed their service terms in less than the 46½-week period stipulated in the member contracts. We also identified 67 members in PY 2004-2005 who completed their service terms in less that the 46½-week period stipulated in member contracts; however, we did not question these costs because the members had not completed their service as of March 31, 2005.

2. Habitat claimed Federal costs of $657 and match costs of $6,307 in unemployment insurance taxes for its members serving at the following affiliate sites:

   - Metro Camden, New Jersey
   - Denver, Colorado
   - Knoxville, Tennessee
   - Greater Birmingham, Alabama
   - Greater Columbus, Ohio
   - Santa Fe, New Mexico
   - Wiregrass, Alabama

   For the reasons stated in Schedule A, Note 4, we questioned these Federal costs of $657.

3. Habitat claimed unsupported PY 2003-2004 expenditures, as follows:

   - Habitat claimed Federal costs of $303 and match costs of $112 for lodging for the site coordinator of the New York City Habitat for Humanity to attend the Corporation's International Human Relations and Diversity Training and Technical Assistance Project conference. Habitat could only provide as support a document showing a nightly rate. It was unable to provide documentation such as a hotel receipt or invoice to support actual costs. We questioned the Federal costs of $303.

   - Habitat claimed Federal costs of $50 for food and for orientation held at the Mount Diablo, California, affiliate. The food cost was supported by a non-itemized credit card receipt that only listed the total amount and did not specify items purchased. We questioned the $50.

   According to AmeriCorps Provisions (2002 ed.), Section C.21.b., *Source Documentation,* the grantee must maintain adequate supporting documents for its expenditures (Federal and non-Federal) and in-kind contributions made under grants. Costs must be shown in books or records (disbursement ledger or journal) and must be supported by source documents, such as receipts, travel vouchers, invoices, in-kind voucher, or similar document.

   Reimbursement policies for match expenditures, included in a site-supervisor manual provided by Habitat to affiliates hosting AmeriCorps members, stated that credit card receipts were acceptable documentation and did not require supporting documentation. Habitat was unaware that documentation supporting lodging costs and non-itemized credit card receipt and statements was insufficient to support the allowability of expenditures. Habitat claimed $465, including Federal costs of $353 and match costs of $112. We questioned the $353.

4. Habitat claimed Federal costs of $94 and match costs of $39 for shipping charges to non-National Direct affiliates. These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A (4), *Allocable costs*. Habitat could not explain why it claimed shipping fees to the National Direct grant. We questioned the $94.

Cotton & Company

Cotton & Company LLP
635 Slaters Lane
4th Floor
Alexandria, VA 22314

P: 703.836.6701
F: 703.836.0941
www.cottoncpa.com

September 29, 2005

Office of Inspector General
Corporation for National and Community Service

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL

We have audited costs incurred by Habitat for Humanity International (Habitat) for the following awards and have issued our report thereon dated September 29, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted government auditing standards.

Program	Award No.	Award Period	Audit Period
AmeriCorps National Direct	00ANDGA015	08/14/00-12/31/03	08/14/02-03/31/05*
AmeriCorps National Direct	03NDHGA001	08/25/03-08/24/06	08/25/03-03/31/05

* Habitat adjusted its final Financial Status Report in March 2005

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Habitat's internal control over financial reporting to determine our audit procedures for the purpose of expressing our opinion on the financial schedules and not to provide an opinion on the internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operation, however, that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Habitat's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial schedules. Reportable conditions are described the accompanying schedule of findings and questioned costs (Finding Nos. 1 through 7).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements caused by error or fraud in amounts that would be material in relation to

the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider Finding Nos. 1, 2, 3, and 5 to be material weaknesses.

COMPLIANCE WITH LAWS AND REGULATIONS

As part of obtaining reasonable assurance about whether financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. Providing an opinion on compliance with those provisions was not, however, an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under generally accepted government auditing standards and that are described in the accompanying schedule of findings and questioned costs (Finding Nos. 1 through 7).

FINDINGS

1. Habitat claimed unallowable and unsupported costs.

The notes to Schedules A and B describe questioned costs of $1,818 that are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A, *Basic Considerations*. These consist of costs claimed by Habitat for which there is documentation that claimed costs were expended in violation of laws, regulations, or specific conditions of awards, or costs that require interpretation of allowability by the Corporation. Questioned costs also consist of unsupported costs claimed by Habitat that require additional documentation to support allowability.

In addition, Habitat claimed additional unallowable and unsupported costs as part of its matching requirements. These costs were not questioned in the schedules, because Habitat exceeded its overall match requirements.

Recommendation: We recommend that the Corporation require Habitat to revise its policies and procedures regarding acceptable documentation to support claimed costs.

Habitat Comments: Habitat stated that it has already written a clarification of the difference between Federal rules regarding documentation of employee expenses and its own in-house rules and will be sending this to its AmeriCorps affiliates within a week.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are responsive to our recommendation.

2. Habitat claimed excess living allowances.

Habitat paid the remainder of living allowances identified in member contracts in lump sums to members who completed service terms early. AmeriCorps Provisions require that living allowances only be paid to members while they are actually serving.

AmeriCorps Provisions (2002 ed.), Section B.11.b., *Living Allowance Distribution*, states that living allowances are designed to help members meet necessary living expenses incurred while participating in the AmeriCorps Program. Habitat paid the full amount of living allowances to members who finished their service terms early, because member contracts used by Habitat did not state that living allowances were only to be paid while members were performing service and cease upon service completion. Habitat interpreted the AmeriCorps Provisions to mean the members should receive the full amount of living allowances identified in member contracts. The lump-sum living allowance payments resulted in $28,463 of questioned Federal costs.

Recommendation: We recommend that the Corporation require Habitat to revise it policies and procedures to calculate and pay member living allowances in accordance with program provisions.

Habitat Comments: Habitat stated that it was its understanding that paying a lump sum at the end of a term completed early was the correct process. The Corporation clarified the policy for all its participants on September 6, 2005, and subsequently sent out a letter, dated October 18, 2005, to all AmeriCorps programs, which essentially grandfathered in existing agreements signed prior to September 6, 2005. Habitat believes this finding should be deleted from the final report. Additionally, it is already taking steps to ensure that new agreements will be in compliance with the clarified provisions regarding member living allowances.

Auditors' Additional Comments: The Corporation clarified its Living Allowance Provisions subsequent to the audit period, which ended on March 31, 2005. The OIG's guidance to the auditors provided for questioning all costs for catch-up or lump-sum payments based on the provisions applicable during the audit period. Accordingly, we did not delete this finding from the report. However, Habitat's corrective actions, as described in its comments, are responsive to our recommendation.

3. Habitat claimed unallowable unemployment insurance

Habitat claimed and paid unemployment insurance for members at 11 affiliates even though State law did not require such unemployment insurance. The Charlotte, North Carolina, and Milwaukee, Wisconsin, affiliates were eligible to claim unemployment insurance taxes for members, since State law required it. Unemployment insurance taxes claimed for members serving at the following affiliates were unallowable, because State laws did not require such insurance:

- Calhoun County, Alabama
- Boston, Massachusetts
- Greater Bucks, Pennsylvania
- Metro Camden, New Jersey
- Portland, Oregon
- Denver, Colorado
- Knoxville, Tennessee
- Greater Birmingham, Alabama
- Greater Columbus, Ohio
- Santa Fe, New Mexico
- Wiregrass, Alabama

Unemployment insurance premium costs are unallowable in accordance with AmeriCorps Provisions (2002 ed.), Section B.11.d.iv., *Unemployment Insurance*, which states:

> *The U.S. Department of Labor ruled on April 20, 1995 that Federal unemployment compensation law does not require coverage for members because no employer-employee relationship exists. The Grantee cannot charge the costs of unemployment insurance taxes to the Grant unless mandated by state law. Programs are responsible for determining the requirements of state law by consulting their State Commission, legal counsel or the applicable state agency.*

Habitat claimed member unemployment insurance for members at these affiliates until March 2005, when it discovered that it was not required to withhold unemployment insurance taxes for members serving in Alabama. We questioned $974.

Recommendation: We recommend that the Corporation require Habitat to review its policies and procedures to ensure that it claims member unemployment insurance only when required by applicable State law.

Habitat Comments: Habitat stated that it began taking steps to eliminate this problem in 2005. Payroll staff researched state laws to determine which states do and do not require the withholding of unemployment insurance from employee pay and are remitting only in states where it is a statutory requirement. As new states are added to the program, both payroll and grant accounting staff now ensure the tax is paid only if required by state law and charged appropriately.

Auditor's Additional Comments: Habitat's corrective actions, as described in its comments, are responsive to our recommendation.

4. Habitat claimed unallowable staff labor.

Habitat claimed labor costs as match costs for affiliate staff members who either spent all or a portion of their time working on AmeriCorps activities. The San Antonio Habitat

affiliate did not maintain documentation in accordance with OMB Circular A-122 for employees working on multiple activities. Specifically, timesheets used to document hours spent on AmeriCorps activities did not account for total activities for which employees were compensated. OMB Circular A-122, Attachment B, Paragraph 8 (m), Support of salaries and wages, requires:

> *(1) Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph (2), except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)*
>
> *(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. . . .*
>
> *Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards: ... (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.*

These affiliate staff members were salaried employees, and the affiliates did not require employees to maintain timesheets that documented and segregated all of their activities. These staff members maintained documentation only of time spent on the AmeriCorps National Direct grant.

Recommendation: We recommend that the Corporation require Habitat to keep personal activity records that support labor costs in accordance with applicable OMB circulars and other grant regulations.

Habitat Comments: Habitat stated that it would revise the staff match timesheet, in accordance with OMB guidelines, to reflect the total time worked by each person. In addition, it will add a certification to ensure that Habitat personnel are not working on other Federal grant-funded activities as part of their AmeriCorps work.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are responsive to our recommendation

5. Habitat did not obtain criminal background checks for members before placing them in substantial, direct contact with children.

Habitat did not obtain background checks for members filling "Family Support Services" positions involving contact with children. We reviewed position descriptions for

138 sampled members. Potential contact with families and/or children was indicated in 7 of the 138 position descriptions. AmeriCorps Provisions (2002 ed.), Section B.6.h., *Criminal Record Checks*, requires programs with members who have substantial direct contact with children to conduct criminal record checks on these members.

Habitat left the decision to conduct background checks on members to its affiliates. Further, it did not consider these checks to be required, because persons under the age of 16 were not permitted on construction sites. Affiliate directors stated that criminal background checks were not conducted for the seven members and provided a variety of reasons for this, most indicating that members in direct contact with children were never left unsupervised.

While Habitat may not have intended for the unscreened members in "Family Support Services" positions to have substantial direct contact with children, Habitat must comply with the requirements of the grant provisions.

Recommendation: We recommend that the Corporation ensure that Habitat:

- Obtain background checks for members filling family support-related positions and maintain documentation for each of these members; and

- Revise policies and procedures to require that background checks are obtained and reviewed before permitting members to have contact with children.

Habitat Comments: Habitat stated that it researched Corporation rules and regulations and could not find a description of, or definition of, what constitutes "substantial direct contact" with children. Habitat also stated it would be helpful if the Corporation could provide further clarification and guidance on when background checks are necessary. Pending this guidance, it will begin performing criminal background checks on all AmeriCorps members that may have any contact with children.

In addition, Habitat did not agree that any of the members identified in our audit had substantial direct contact with children and, therefore, did not agree with the finding that it failed to conduct criminal background checks on its AmeriCorps members. Accordingly, Habitat requested that we delete this finding from the final report.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are noted. However, the results of its after-the-fact analysis of contact with children do not mitigate the potential for harm in having unsupervised direct contact with children. Accordingly, we did not remove this finding from the report.

6. Habitat did not have adequate procedures to ensure compliance with all grant provisions.

Habitat did not ensure that all members participated in orientation or training, and its monitoring of affiliates did not comply with grant requirements.

Orientation and Training. Habitat did not have policies and procedures to document orientation and training activities of members who did not attend the national orientation. As a result, we were unable to determine if all sampled members attended orientation and training activities. We reviewed sample timesheets and identified instances in which members did not record orientation or training time during their first week of service. Additionally, we reviewed training percentages calculated by WBRS; some members did not have time recorded for training. Habitat was also unable to provide documentation, such as sign-in sheets, to support member attendance at training.

AmeriCorps Provisions (2002 ed.), Section B.7.c., *Training*, states:

> *Consistent with the approved budget, grantees must provide members with the training, skills, knowledge, and supervision necessary to perform tasks required in their assigned project positions, including specific training in a particular field and background information on the community served. The Grantee must conduct an orientation for members and comply with any pre-service orientation or training required by the Corporation. This orientation should be designed to enhance member security and sensitivity to the community. Orientation should cover member rights and responsibilities, including the AmeriCorps program code of conduct, prohibited activities, requirements under the Drug-Free Workplace Act (41 U.S.C. 701 et seq.), suspension and termination from service, grievance procedures, sexual harassment, and other non-discrimination issues.*

Recommendation: We recommend that the Corporation require Habitat to establish policies and procedures to document member attendance at orientation and other training activities.

Habitat Comments: Habitat stated that the member referred to in this item served only three days with the program; and abandoned his position directly after orientation, without reporting to the affiliate to serve. It now requires that, when a member abandons his or her position, the person be sent a certified letter containing a Corporation Exit Form, the Habitat End-of-Term Evaluation, and blank timesheets if the member was missing timesheets.

Habitat also said that, in 2005 and prior to the start of this audit, it had revised possible start dates so that members who do not enroll in the program during orientation may enroll only on one other day, and all members are to be provided mandatory phone orientation prior to beginning service.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are generally responsive to our recommendation but do not address training activities other than orientation.

Monitoring of Affiliates. Habitat has established policies and procedures to evaluate and monitor its affiliates, including reviewing program and financial reports, scheduling

annual site visits, and reviewing program progress reports. During site visits, Habitat personnel used standard checklists to guide their inquiries and identify and communicate program strengths and weaknesses. Site visit monitoring checklists and letters summarizing site visits did not, however, provide sufficient details about the number and names of the member files reviewed or topics and details of discussions with members and supervisors.

According to 45 CFR § 2543.51(a), *Monitoring and reporting program performance,* grantees are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. By not adequately documenting its affiliate site visits, Habitat and the Corporation cannot be certain that adequate monitoring efforts were made.

Recommendation: We recommend that the Corporation require Habitat to document its review of expenditure and member files to include aspects reviewed, content of discussions with members, review results, and follow-up actions on issues identified.

Habitat Comments: Habitat stated it will now ensure a more thorough job of documenting the numbers and names of the member files reviewed, as well as topics and details of discussions held with members and their supervisors.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are responsive to our recommendation.

7. Habitat did not have adequate procedures to ensure documentation of member activities.

Habitat did not adequately document certain member activities in accordance with AmeriCorps Provisions. We sampled 138 member files for the 3 program years. In some cases, final evaluations were prepared before members completed their service terms and therefore did not contain all required information. Some enrollment and exit forms were missing member and/or supervisor signatures or were not in the files. Several enrollment and exit forms were entered into WBRS late (over 30 days). Hours reported for some members were not supported by member timesheets. Sample results are discussed below.

Evaluations. We identified the following:

- 65 mid-term and 63 final evaluations were not signed by the members to document that reviews were performed;
- 19 member files did not contain a mid-term evaluation; and
- 31 member files did not contain a final evaluation. Additionally, final evaluations were prepared prior to members completing their service terms, and did not contain all required information.

Evaluations are necessary to ensure that members are eligible for future terms of service. According to 45 CFR §2522.220(d), *Participant performance review*, a participant is not eligible for a second or additional term of service and/or for an AmeriCorps educational award without mid-term and final evaluations. Additionally, AmeriCorps Provisions (2002 ed.), B.7.g., *Performance Reviews*, requires that grantees conduct at least mid-term and end-of-term evaluations of each member's performance, documenting that the member has:

- Completed the required number of hours;
- Satisfactorily completed assignments; and
- Met other performance criteria that were clearly communicated at the beginning of the service term.

Enrollment and Exit Forms. We tested enrollment and exit forms for the 138 members sampled. Habitat did not submit all required enrollment and exit forms for some members in a timely manner. Also, some member forms lacked member or supervisory signatures or were missing. Specifically:

- 4 member enrollment forms were not signed by the member and/or supervisor;
- 84 member enrollment forms were not entered into WBRS within 30 days;
- 1 member exit form was not signed by the member;
- 6 member exit forms were missing; and
- 39 exit forms were not entered into WBRS within 30 days.

AmeriCorps Provisions (2002 ed.), B.16.b., *AmeriCorps Member-Related Forms*, requires that member enrollment forms be submitted to the Corporation no later than 30 days after a member is enrolled, and that member exit/end-of-term-of-service forms be submitted no later than 30 days after a member exits the program.

Habitat had procedures in place in PY 2004-2005 to ensure that forms were completed and submitted in a timely manner. These procedures were not in place during the earlier program years. Failure to promptly obtain and submit this information could result in inaccurate Corporation member records.

Member Service Hours Reported in WBRS. Member service hours recorded in WBRS differed from member timesheet hours for some members. AmeriCorps, Provisions (2003 ed.), C.22.ii, *Time and Attendance Records*, requires that grantees keep time-and-attendance records on all AmeriCorps members to document their eligibility for in-service and post-service benefits. The Corporation uses time-and-attendance

information in WBRS to track member status, and these data are the basis for appropriate education awards.

Habitat program personnel made data-entry errors when recording member hours in WBRS. WBRS hours differed from member timesheet hours for two members. Timesheet hours exceeded WBRS hours for one member, and WBRS hours were unsupported by timesheet hours for the second member, because the affiliate was unable to locate the member's timesheets. We questioned $124 of Federal living allowance paid to the member.

Timesheets. Member timesheets contained deficiencies: originals were not maintained, corrections were not initialed, pencil was used, and whiteout was used. Additionally, the national office receives and maintains copies of timesheets. Thus, if the national office makes timesheet changes, it changes a copy, and original timesheets located at affiliate sites are not revised accordingly.

Recommendation: We recommend that the Corporation ensure that Habitat strengthen its program monitoring procedures to comply with grant requirements for conducting and retaining member evaluations, completing enrollment and exit forms in a timely manner, ensuring that all hours reported in the WBRS system are adequately supported by member time sheets, and that timesheets are maintained properly.

Habitat Comments: Habitat stated that it began requiring, in early 2005, that members' evaluations are to be sent to Habitat, rather than kept at the affiliate sites. This practice allows Habitat staff to ensure that evaluations are completed and signed by both supervisor and members.

Auditors' Additional Comments: Habitat's corrective actions, as described in its comments, are generally responsive to our recommendation, but do not address:

- Completing enrollment and exit forms in a timely manner; and
- Ensuring that all hours reported in the WBRS system are adequately supported by member timesheets and that timesheets are maintained properly.

This report is intended for the information and use of the Corporation, the OIG, Habitat, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

COTTON & COMPANY LLP

Michael W. Gillespie, CPA
Partner

APPENDIX A

HABITAT'S RESPONSE TO DRAFT AUDIT REPORT

Habitat for Humanity®

Building houses, building hope

January 5, 2006

Corp. for National & Community Service
Office of Inspector General
Mr. James Elmore, Audit Manager
1201 New York Ave. NW, Suite 830
Washington, DC 20525
Fax: (202) 606-9397
e-mail: j.elmore@cncsoig.gov

Dear Mr. Elmore:

We have reviewed, researched, and discussed the findings and questioned costs detailed in your draft report on the *Audit of Corporation for National and Community Service Grants Awarded to Habitat for Humanity International (HFHI)*, dated December 8, 2005. Attached you will find our response to the issues raised in this audit.

We would like some portions of the audit findings and questioned costs to be revised, to correct errors and clarify facts for the final report to CNCS. We realize that some of what we note in the following pages will likely be included in the appendix in the final document. For this reason, we will take care in this response to point out those items that truly need revision in the final document, for correctness and/or clarity in your final report.

Our responses begin on the next page, numbered as they were starting on page 16 in your draft report.

Sincerely,

Lyn Jensen

Lyn Jensen
VP of Administration and CFO

INTERNATIONAL HEADQUARTERS
121 Habitat St.
Americus, GA 31709-3498 USA
(229) 924-6935
toll free (800) 422-4828
fax (229) 924-6541
www.habitat.org

Responses to Findings and Questioned Costs in the Office of Inspector General's Draft Report on the *Audit of Corporation for National and Community Service Grants Awarded to Habitat for Humanity International*

Before addressing the findings in the *Independent Auditors Report on Compliance and Control*, which begins on page 15 of your document, we would like OIG to clarify a comment in the text of its introductory information on page 3, under the header **Habitat for Humanity International.** The second sentence of the third paragraph reads: "Habitat has 40 operating sites nationwide, each with a non-Habitat director, and approximately 250 AmeriCorps members in PY 2004-2005." The statement that we believe needs clarification regards the directors at our operating sites. These directors ***are*** all members Habitat for Humanity affiliate staff.

Finding #1: **Habitat claimed unallowable and unsupported costs.**

Questioned Costs: $1,818

Context: The above questioned amount was determined by OIG to consist of costs which our documentation indicated were expended "in violation of laws, regulations, or specific conditions of awards, or costs that require interpretation of allowability by the Corporation." They also consist of "unsupported costs claimed by Habitat that require additional documentation to support allowability."

Recommendation: It was recommended by OIG that the Corporation require Habitat to revise its policies and procedures regarding acceptable documentation to support claimed costs.

Action Taken: Habitat has already written a clarification of the difference between the Federal rules regarding documentation of employee expenses and its own in-house rules regarding the same, for non-Federal programs. We will be sending this to our AmeriCorps affiliates within a week, to ensure that the program managers for our AmeriCorps programs all train their employees and AmeriCorps members to always ask for itemized receipts when they are expending funds on behalf of any of our AmeriCorps programs.

Finding #2: Habitat claimed excess living allowances.

Questioned Costs: $28,463

Context: The above questioned amount was determined to be comprised of member living allowances paid to members who had completed their terms of service early, the payments being made lump sum, based on the full amounts shown in the members' contracts. OIG stated that "AmeriCorps Provisions (2002 ed.), Section B.11.b., *Living Allowance Distribution*, states that living allowances are designed to help members meet necessary living expenses incurred while participating in the AmeriCorps program." OIG

further stated that our member contracts "did not state that living allowances were only to be paid while members were performing service and cease upon service completion."

Recommendation: OIG recommended that the Corporation require us to revise our policies and procedures to calculate and pay member living allowances in accordance with the (AmeriCorps) program provisions.

Action Taken: It has been our understanding that paying a lump sum at the end of a term completed early was the correct process. We have had this understanding for the past ten years from both CNCS and other participating organizations. CNCS clarified the policy for all its participants on September 6, 2005. CNCS subsequently sent out a letter dated October 18, 2005 to all AmeriCorps programs nationwide, which essentially grandfathered in existing agreements signed prior to September 6, 2005. That letter states that "Programs that signed contracts or enrolled members prior to September 6, 2005 based on agreements that do not conform to the new provisions may follow their existing written policies and contract agreements until new contracts are executed." With this in mind, we would like to point out that *both* agreements audited by OIG for CNCS were signed prior to September 6, 2005, or had enrolled members prior to that date:

- AmeriCorps National Direct, Award # 03NDHGA001 for the period 08/25/03-08/24/06 was signed on 07/01/2005.
- AmeriCorps National Direct, Award # 00ANDGA015 for the period 08/14/02-03/31/05 was signed on 06/28/2004 (the most recent date on that renewal of the existing agreement).

Given this, we believe this finding should be deleted from the final report to CNCS by OIG. Additionally, we are already taking steps to ensure that new agreements we sign in the future are set up to be in compliance with the clarified provisions regarding member living allowance payments. Therefore, we are not out of compliance with these rules, which were widely misinterpreted; and will remain in compliance in the future with the clarified provisions.

Finding #3: Habitat claimed unallowable unemployment insurance.

Questioned Costs: $974

Context: The above questioned amount was determined by OIG to consist of unemployment insurance charges paid for members at 11 affiliates in states where the respective state laws did *not* require it. OIG also found we had rightfully charged state unemployment taxes in 2 states that did require it.

Recommendation: It was recommended by OIG that the Corporation require Habitat to review its policies and procedures to ensure that it claims member unemployment insurance only when required by applicable State law.

Action Taken: Habitat began taking steps to eliminate this problem in 2005. Payroll staff researched state laws to determine which states do and do not require the withholding of SUI from employee pay. Currently, we are remitting only in states where it is a statutory requirement. As new states are added to the program, both payroll and grant accounting staff ensure that SUI tax is paid only if required, in which case it is charged appropriately.

Finding #4: Habitat claimed unallowable staff labor.

Questioned Costs: No amount indicated.

Context: The OIG determined that Habitat claimed labor costs as match costs for affiliate staff members who either spent all or a portion of their time working on AmeriCorps activities. The San Antonio Habitat affiliate was found to not maintain documentation in accordance with OMB Circular A-122 for employees working on multiple activities. OIG stated that these staff members "maintained documentation only of time spent on the AmeriCorps National Direct grant", and not *all* of their activities.

Recommendation: It was recommended by OIG that the Corporation require Habitat to keep personal activity records that support labor costs in accordance with applicable OMB circulars and other grant regulations.

Action Taken: As recommended, Habitat will revise the staff match timesheet, in accordance with OMB guidelines, to reflect the total time worked by each person. In addition, we will add a certification to ensure that the person is not working on other federally grant-funded activities as part of their AmeriCorps work. We request that CNCS provide Habitat with sample approved timesheets that can be used to document affiliate staff time towards the program.

Finding #5: Habitat did not obtain criminal background checks for members before placing them in substantial direct contact with children.

Questioned Costs: $79,278

Context: Out of a sampling of 138 position descriptions for members in "Family Support Services", OIG found 7 members who had "*potential* contact with families and/or children". OIG further stated that AmeriCorps Provisions (2002 ed.), Section B.6h, *Criminal Record Checks*, requires programs with members who have "substantial direct contact" with children to conduct criminal record checks on these members. OIG added that Habitat left the decision to conduct background checks on members to its affiliates and said Habitat didn't consider background checks necessary because children under age 16 are not allowed on construction sites. OIG questioned the Federal portion of the living allowance and education awards earned by

these 7 members, without indicating the amount by individual. However, there is an overall amount of questioned costs indicated for this finding of $79,278.

Recommendation: It was recommended by OIG that the Corporation ensure that Habitat:

- obtain background checks for members filling family support-related positions, and maintain documentation for each of them, and
- revise our policies and procedures to require background checks be obtained and reviewed before permitting members to have contact with children.

Action Taken: Habitat researched CNCS rules and regulations and could not find a description of, or definition of, what constitutes "substantial direct contact" with children. It is clear from the documentation provided by OIG that each state's laws vary on what constitutes substantial contact with children. It would be helpful if CNCS could provide further clarification and guidance on when background checks are necessary. Pending this further guidance, we will begin performing criminal background checks on all AmeriCorps members that have any contact with children.

The "Family Support Services" at these affiliates are oriented toward helping families, *parents with children*, obtain decent shelter. Given this, when we conducted our internal probe of our affiliates' managers, we found that only one member had unsupervised contact with children when she *volunteered* to drive a van of children to a Halloween party. We do not believe this contact to have been "substantial" as defined here. We found that the rest of the time, when our Habitat affiliate staff and their AmeriCorps members met with families in "Family Support Services", the parents or other staff/teachers were there *with* the children, and they (not the AmeriCorps members) supervised the children directly. Additionally, all of these other situations did not appear to meet the "substantial" contact requirement. Therefore, we do not agree with the finding that we failed to conduct criminal background checks on our AmeriCorps members; and would like this finding to be deleted from the final report OIG makes to CNCS.

Finding #6: Habitat did not have adequate procedures to ensure compliance with all grant provisions.

Questioned Costs: $124

Context: OIG found that Habitat did not ensure that all members participated in orientation or training because we did not have policies and procedures to document orientation and training of members who did not attend the national orientation. Also, OIG added that our monitoring of affiliates did not comply with grant requirements, as our site visit monitoring checklists and letters summarizing site visits did not provide sufficient details about

the number and names of the member files reviewed, or topics and details of discussions with members and supervisors.

Recommendation: OIG recommended that the Corporation require Habitat:

- to establish policies and procedures to document member attendance at orientation and other training meetings, and
- to document its review of expenditures and member files to include aspects reviewed, content of discussions with members, review results, and follow-up actions taken on identified issues.

Action Taken: Regarding the finding that we did not ensure that all members participated in orientation or training due to a lack of policies and procedures to document member training, our National Direct Program Director indicates that the member referred to in this item served only three days with the program; and abandoned his position directly after National Orientation, without reporting to the affiliate to serve. As AmeriCorps members complete timesheets every two weeks, this member did not complete a timesheet prior to abandoning the position. The Payroll Department determined that the member must be paid for the three days he served. This was documented in the member's files. Habitat instituted a policy in 2004 to address this issue. When a member abandons his or her position now, Habitat sends that person a certified letter containing a CNCS Exit Form, the Habitat End of Term Evaluation, and blank timesheets if the member was missing timesheets.

Additionally, prior to the audit by OIG in 2005, we revised possible member start dates so that members who do not enroll in the program during National Orientation may enroll only one other day, and *all* members were provided mandatory phone orientation prior to beginning service. Habitat took roll on those conference calls, and will ensure that the time is being recorded properly as training time on the members' timesheets.

Regarding our monitoring of our affiliates, and our site visit documentation, we will share the information cited by OIG with our AmeriCorps program managers to ensure a more thorough job of documenting the number and names of the member files reviewed, as well as topics and details of discussions held with members and their supervisors.

Finding #7: Habitat did not have adequate procedures to ensure documentation of member activities.

Questioned Costs: Same questioned costs as finding #6.

Context: Out of a sampling of 138 members files for the 3 program years, the following was found regarding enrollments, evaluations, and exit documents:

- 65 mid-term and 63 final evaluations were not signed by members to document that reviews were performed

- 19 member files didn't contain mid-term evaluations
- 31 member files didn't contain final evaluations
- 4 enrollment forms were not signed by member and/or supervisor
- 84 enrollment forms were not keyed into WBRS within 30 days
- 6 missing exit forms, and 1 existing exit form were not signed by the member, and lastly,
- 39 exit forms weren't keyed into WBRS within 30 days.

Additionally, OIG found that for some members, Member Service hours reported in WBRS differed from their timesheets, noting that in three instances, this was due to keying errors made in WBRS; with one member's timesheet not able to be located, which is where the $124 in questioned living costs came from.

Recommendation: It was recommended by OIG that the Corporation ensure that Habitat strengthen its program monitoring procedures to be in compliance with grant requirements for conducting and retaining member evaluations, completing enrollment and exit forms in a timely manner, ensuring that all hours reported in WBRS are adequately supported by member time sheets, and that the timesheets be maintained properly.

Action Taken: Habitat began requiring, in early 2005, that member evaluations get sent to HFHI, rather than kept at the affiliate sites. This allows HFHI staff to ensure that evaluations are completed and signed by both supervisor and members. Also, the National Direct Program Director wants OIG to know that one data entry error cited made no difference in the completion of service for the member in question. Regarding the timesheet that could not be located, it was for the member who abandoned his position directly following National Orientation, mentioned previously as part of our response to Finding # 6.

APPENDIX B

CORPORATION'S RESPONSE TO DRAFT AUDIT REPORT

Corporation for
NATIONAL &
COMMUNITY
SERVICE

To: Carol Bates, Acting Inspector General

From: Margaret Rosenberry, Director of Grants Management

Cc: Rosie Mauk, Director of AmeriCorps
Tory Willson, Audit Resolution Coordinator

Date: January 9, 2006

Sub: Response to OIG Draft Audit Report, Audit of Corporation for National and Community Service Grants Awarded to Habitat for Humanity International

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The Corporation has reviewed the subject draft audit report of the grants awarded to Habitat for Humanity International (Habitat), during the period 08/14/02 – 03/31/05, and the response from Habitat.

Habitat concurred with five of the seven compliance and internal control recommendations and states that they have implemented corrective action on those five recommendations. The Corporation notes that of the two findings and internal control recommendations that Habitat requested reconsideration, the Corporation issued clarifying policy in 2005 and Habitat states they have made changes to their current policy and procedure based on the new guidance from the Corporation.

We will verify that Habitat has implemented all findings and recommendations during the audit resolution process after the final report is issued.