STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

PERFORMANCE AUDIT OF THE STATE MONEYS PROVIDED TO THE KENWOOD OAKLAND COMMUNITY ORGANIZATION

MAY 2017

FRANK J. MAUTINO

AUDITOR GENERAL

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895

CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006
FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

To the Legislative Audit Commission, the Speaker and Minority Leader of the House of Representatives, the President and Minority Leader of the Senate, the members of the General Assembly, and the Governor:

This is our report of the performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization under contracts or grant agreements in Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015.

The audit was conducted pursuant to House Resolution Number 324. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE
Frank J. Mautino
Auditor General

Springfield, Illinois
May 2017

STATE OF ILLINOIS

OFFICE OF THE

AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

PERFORMANCE AUDIT

For Fiscal Years 2010 through 2015

Office of the Auditor General
Iles Park Plaza
740 E. Ash Street
Springfield, IL 62703

Phone: (217) 782-6046
TTY: (888) 261-2887

The full audit report is available on our website:
www.auditor.illinois.gov

EXECUTIVE SUMMARY

Kenwood Oakland Community Organization

On April 17, 2015, the Illinois House of Representatives adopted Resolution Number 324, which directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization (KOCO) in fiscal years 2010, 2011, 2012, 2013, 2014, and 2015. The audit found:

1. Auditors determined that State agencies failed to adequately monitor the majority of moneys provided to KOCO during FY10 through FY15. KOCO and the Department of Human Services (DHS) provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used during the audit period.
2. KOCO received $1,439,674 in State moneys from FY10 through FY15. DHS provided $1,214,010 (84%) of State moneys to KOCO during the audit period.
3. Both DHS and KOCO had difficulty providing documentation for State moneys spent from FY10 through FY15. Often, many of the documents provided conflicted with other documents, which included KOCO's general ledgers not matching its budgets or its actual expenditure documentation. As a result, auditors could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreements with DHS.
4. For the $500,325 in Community Youth Employment Program funding that DHS provided to KOCO in fiscal years 2013 through 2015, auditors could not determine how $377,424 or 75 percent was expended.
5. DHS did not adequately monitor the Supplemental Nutrition Assistance Program - Employment & Training funding that totaled $474,801 from FY10 through FY15.
6. Various performance and fiscal monitoring documents were missing for three other DHS grant programs (Teen REACH, the Illinois Violence Prevention - Special Project, and the American Recovery and Reinvestment Act Job Program), which provided $238,883 to KOCO.
7. KOCO's Grow Your Own Teacher program's general ledgers for FY14 and FY15 showed KOCO spent $12,291 less than it invoiced to Northeastern Illinois University (which was the Illinois Board of Higher Education's fiscal agent).
8. Auditors could not determine the actual use of all moneys provided to KOCO for the Safety Net Works program from the Illinois Violence Prevention Authority (IVPA) in FY12 due to conflicting documentation received. In January 2013, staff, functions and funds were transferred from IVPA to the Illinois Criminal Justice Information Authority.

BACKGROUND

On April 17, 2015, the Illinois House of Representatives adopted Resolution Number 324, which directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization (KOCO) under contracts or grant agreements in fiscal years 2010, 2011, 2012, 2013, 2014, and 2015.

The Resolution directed that this performance audit include, but not be limited to, the following determinations:

- the purposes for which **State** moneys were provided to the Kenwood Oakland Community Organization, for each State agency and for each amount transferred;
- the nature and extent of monitoring by State agencies of how the Kenwood Oakland Community Organization used the **State-**provided moneys;
- the actual use of State moneys by the Kenwood Oakland Community Organization;
- whether, through a review of available documentation, the Kenwood Oakland Community Organization has met or is meeting the purposes for which the **State** moneys were provided, with specific information concerning the Organization's staffing levels and its compensation of management employees; and
- whether the Kenwood Oakland Community Organization is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Organization's receipt of **State** moneys.

Only limited documentation necessary to support KOCO's financial management system was provided. Additionally, some of the documentation received from KOCO conflicted with or did not support the information reported to State agencies (such as general ledgers not matching closeout reports).

Although auditors worked with KOCO officials for several months to acquire all documentation to support the expenditure of State funding received during fiscal years 2010 through 2015, only limited documentation necessary to support KOCO's financial management system was provided. Additionally, some of the documentation received from KOCO conflicted with or did not support the information reported to State agencies (such as general ledgers not matching closeout reports). Therefore, auditors could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreements with the Department of Human Services (DHS).

As a result of these limitations, auditors could not determine whether information received from KOCO was accurate, current, or complete and, therefore, we could not address all aspects of House Resolution Number 324. Namely, auditors had difficulty determining: (1) whether KOCO met the purposes for which State moneys were provided; (2) the actual use of State funds; (3) the staffing levels and management compensation at KOCO; and (4) whether KOCO was in compliance with all applicable laws, regulations, contracts, and grant agreements pertaining to KOCO's use of State moneys. (pages 1-12)

AUDIT SUMMARY AND RESULTS

KOCO received $1,439,674 in State moneys from FY10 through FY15. DHS provided $1,214,010 (84%) of State moneys to KOCO during the audit period.

The Kenwood Oakland Community Organization received $1,439,674 in State moneys from FY10 through FY15. DHS provided **$1,214,010** (84%) of State moneys to KOCO during the audit period. KOCO did not receive funding for FY16 other than for the Supplemental Nutrition Assistance Program - Employment & Training (SNAP E&T), which is a federal program. In FY17, KOCO was approved for SNAP E&T funding, but according to DHS, KOCO opted out of its contract on July 2, 2016.

During the audit period, KOCO also received:

- **$135,598** in funding for the Grow Your Own Teacher program from the Illinois State Board of Education (ISBE)/Illinois Board of Higher Education (IBHE) during FY10 through FY15 as part of a consortium with Illinois State University (ISU) or Northeastern Illinois University (NEIU).
- **$60,000** in funding from the Department of Commerce and Economic Opportunity (DCEO) during FY11 to help with the acquisition and renovation of a new facility.
- **$30,067** in funding from the Illinois Violence Prevention Authority (IVPA) in FY12 for the Safety Net Works Program through a subcontract with Stateway Community Partners to provide youth development services to at-risk youth and young adults ages 10 to 24. Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority.

Digest Exhibit 1 provides an overview of all State moneys provided to KOCO from FY10 through FY15 by State agency.

KOCO and DHS provided limited documentation to support grant expenditures during the audit period. Additionally, auditors determined that State agencies failed to adequately monitor the majority of moneys provided to KOCO during fiscal years 2010 through 2015.

Digest Exhibit 1
STATE MONEYS PROVIDED TO KOCO
Fiscal Years 2010 through 2015

Year	Agency	Program	Amount	FY Total
FY10	DHS	SNAP - Employment & Training	$74,605.00	
	ISBE	Grow Your Own Teacher Program[1]	$28,058.04	$102,663.04
FY11	DHS	SNAP - Employment & Training	$75,988.14	
	DCEO	Capital Bill for Building	$60,000.00	
	DHS	Summer Youth Employment Program[1]	$5,135.00	
	DHS	Put Illinois to Work Program[1]	$22,550.00	
	DHS	JobStart Program[1]	$11,260.00	
	IBHE	Grow Your Own Teacher Program[1]	$20,688.48	$195,621.62
FY12	DHS	SNAP - Employment & Training	$72,773.00	
	IVPA[2]	Safety Net Works Program[1]	$30,067.00	
	DHS	IL Violence Prevention - Special Project	$75,000.00	
	IBHE	Grow Your Own Teacher Program[1]	$21,187.94	$199,027.94
FY13	DHS	SNAP - Employment & Training	$77,714.75	
	DHS	Community Youth Employment Program	$249,065.00	
	DHS	Teen REACH Program	$10,000.00	
	IBHE	Grow Your Own Teacher Program[1]	$12,750.00	$349,529.75
FY14	DHS	SNAP - Employment & Training	$85,728.50	
	DHS	Community Youth Employment Program	$151,260.00	
	DHS	Teen REACH Program	$59,588.47	
	IBHE	Grow Your Own Teacher Program[1]	$19,945.12	$316,522.09
FY15	DHS	SNAP - Employment & Training	$87,991.94	
	DHS	Community Youth Employment Program	$100,000.00	
	DHS	Teen REACH Program	$55,350.00	
	IBHE	Grow Your Own Teacher Program[1]	$32,968.00	$276,309.94
			Total	$1,439,674.38

Notes:

[1] State funding provided to KOCO through subcontractors.

[2] Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority.

Source: Documentation provided by KOCO, DHS, DCEO, IBHE, ISBE, and ICJIA.

DHS did not sufficiently monitor and oversee how KOCO used State-provided moneys; therefore, auditors were often unable to determine how State funds were spent and whether the intended purposes of the funds were met.

Monitoring by State Agencies

DHS did not sufficiently monitor and oversee how KOCO used State-provided moneys; therefore, auditors were often unable to determine how State funds were spent and whether the intended purposes of the funds were met. Our audit found:

- For the Community Youth Employment Program (CYEP), DHS provided auditors with minimal monitoring documentation related to the $500,325 that was provided to KOCO in fiscal years 2013 through 2015. DHS could not provide required documentation from KOCO that included program budgets, required reports, or youth participant timesheets.
- KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. The Financial Reporting Packet required KOCO to provide audited financial statements, a consolidated financial report, a grant report (i.e., Grant Recovery Form), and the IRS Form 990 (organization exempt from income tax).
- DHS did not adequately monitor the SNAP E&T funding that totaled $474,801 in fiscal years 2010 through 2015. Auditors found:
  - ✓ DHS did not require documentation with sufficient detail from KOCO to determine if the contractual deliverables were met and were tied to the payments from DHS;
  - ✓ DHS did not have a clear policy for amounts issued for supportive services and paid customers in excess of the maximum allowable amount;
  - ✓ DHS did not prorate the monthly administrative rates it paid to KOCO for case management throughout FY12 through FY15 where the full caseload was not met; and
  - ✓ significant problems with the reporting of participation hours including: activity logs signed and dated **prior** to the date of the activity being reported; hours for a participant in a single month being inconsistently reported; and activity logs in files with participants completing two different activities at two different places at the **same** time.
- Numerous monitoring documents were also missing for three other DHS grant programs, which provided $238,883 to KOCO. This includes various performance and fiscal documents for the Teen REACH program (FY13 through FY15), the Illinois Violence Prevention - Special Project (FY12), and the American Recovery and Reinvestment Act Job Program (FY11). (pages 19-44)

Actual Use of State Moneys

For most of the moneys provided by State agencies to KOCO from fiscal years 2010 through 2015, the actual use of the funds could not be determined. KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. Additionally, since the general ledgers provided by KOCO only included State-provided funds, which often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State money and which were spent using private money. Due to this limitation, auditors requested the entire general ledger from KOCO for the audit period in order to determine how management salaries were allocated. KOCO officials decided not to provide the entire general ledger.

Documentation provided by both KOCO and the State agencies to auditors was often conflicting, incomplete, or missing. For example:

- both DHS and KOCO had difficulty providing documentation which accounted for how State moneys were spent between FY10 and FY15. Often, many of the documents provided conflicted with other documents, which included KOCO's general ledgers not matching its budgets or its actual expenditure documentation; and
- DHS also provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used.

Auditors could not determine how $377,424 of the $500,325 (75%) KOCO received for CYEP during fiscal years 2013 through 2015 was expended.

The actual use of all CYEP moneys could not be determined due to limited documentation received. Digest Exhibit 2 shows auditors could not determine how $377,424 of the $500,325 (75%) KOCO received for CYEP during fiscal years 2013 through 2015 was expended. The funds were to provide eligible youth with age-appropriate job training and work experience. Auditors also found:

- documents showed a lack of consistency between the dollar amounts in KOCO's budgets, closeout reports, and what was reported on its general ledger;
- little evidence of supervisory review of youth timesheets as required by the grant agreement. The timesheets provided to support the youth wages for CYEP were often not signed by all required parties (i.e., youth participant, worksite supervisor, KOCO employee); and
- youth timesheets often did not total to the correct number of daily hours reported.

Digest Exhibit 2
COMMUNITY YOUTH EMPLOYMENT PROGRAM EXPENDITURE DOCUMENTATION PROVIDED TO SUPPORT THE USE OF STATE MONEYS

	FY13	FY14	FY15
Youth Salaries	$50,072[1]	$18,707	$47,963[1]
Staff Salaries (Payroll)[2]	-	-	-
Office Supplies	$58	$24	$298
Laptop Rental	-	-	$1,375
Food Expense	$119	-	$147
Background Checks	$32	-	-
Transportation	-	$306	$150
Building Rental	-	$1,250	$2,400
Total Expended	$50,281	$20,287	$52,333
CYEP Revenue Received	$249,065	$151,260	$100,000
Unsupported Revenue	$198,784	$130,973	$47,667
Total Unsupported CYEP Revenue (FY13 through FY15) = $377,424			

Notes:
[1] Many of the timesheets provided to support youth wages were incorrectly totaled and were not signed by the employee and/or worksite supervisor and were not verified by the grantee (KOCO) as required.
[2] No valid cost allocation plans were provided in order to determine whether management or staff salaries were expended.
Source: Review of documentation provided by DHS and KOCO.

For the SNAP E&T program, we could not determine whether participants in KOCO's program actually met the monthly requirement of 80 hours of participation.

For the SNAP E&T program, we could not determine whether participants in KOCO's program actually met the monthly requirement of 80 hours of participation. During fiscal years 2010 through 2015, KOCO received $474,801 for SNAP E&T. Auditors found:

- DHS paid KOCO the full administrative rate even in months when KOCO did not have the required number of participants in the program;
- DHS reimbursed KOCO for fare cards issued for supportive services; however, due to the lack of controls auditors had no way of knowing if the cards were actually used for SNAP customers or activities; and
- for the six-year audit period, KOCO did not place the maximum number of customers outlined in the contracts in unsubsidized employment.

Auditors were unable to determine the portion of State funds that went to allowable expenditures, and in effect, how State moneys were actually expended related to the Teen REACH program. The eCornerstone reports received from DHS for FY14 and FY15 verified that the average daily attendance goals and youth participant age were met in both years. However, KOCO did not meet its youth attendance hours and did not meet the days open requirement for both FY14 and FY15. Additionally, DHS provided one eCornerstone report for FY15 related to academic progress. This report showed KOCO only tracked a few of the participants' academic progress. Auditors did not receive eCornerstone reports for FY13.

Auditors could not determine whether the purpose of the Illinois Violence Prevention - Special Project was met.

Auditors could not determine whether the purpose of the Illinois Violence Prevention - Special Project was met. Neither KOCO nor DHS provided a valid cost allocation plan for staff salaries for the $75,000 in funds provided by DHS in FY12. Additionally, KOCO did not meet performance objectives and did not provide monitoring documentation that demonstrated the participant's improved academic performance.

In FY11, KOCO received a total of $38,945 in American Recovery and Reinvestment Act (ARRA) job program funding to support three programs (Put Illinois to Work, JobStart, and Summer Youth Employment). KOCO provided auditors with limited documentation on how the ARRA funds were actually used. KOCO provided auditors with three general ledgers that showed program expenses for the salaries and benefits of KOCO employees for the first four pay periods of FY11 (July 2010 and August 2010). However, the general ledgers did not list the individual employees by name that were charged to the programs. Therefore, auditors could not tell which employee was actually charged to the program and for how much.

The Grow Your Own Teacher (GYO) program required KOCO, as part of a consortium with Illinois State University (ISU) or Northeastern Illinois University (NEIU), to recruit, support, and prepare community-based, non-traditional, teacher candidates to become highly qualified teachers. Based on the invoices submitted by KOCO to the universities from FY10 through FY15, 90 percent of the GYO program funds were used to pay the salary of KOCO's GYO Coordinator. KOCO was reimbursed a total of $135,598 during FY10 through FY15 for the GYO program. Since the agreement between KOCO and either ISU or NEIU only required a three-year retention period, auditors reviewed supporting documentation for the FY13, FY14, and FY15 invoices KOCO submitted to NEIU. KOCO did not have supporting documentation for $1,445 of the $65,663 (2.2%) it received from NEIU.

We found that the GYO invoices submitted by KOCO to NEIU did not match KOCO's general ledger and other documentation provided to support its expenditures of State moneys. For example, for FY15, KOCO billed NEIU $31,470 for the coordinator's salary, yet KOCO's general ledger showed that only $26,121 was charged to the grant. Further, while invoices showed that KOCO invoiced a total of $32,968 to NEIU in FY15, KOCO's general ledger showed that only $28,516 was charged to the grant. For FY14, KOCO billed $19,945 to NEIU but only spent $12,106, according to its general ledger. As a result, KOCO's general ledgers for FY14 and FY15 showed KOCO spent $12,291 less than it invoiced to NEIU (the Illinois Board of Higher Education's fiscal agent for the grant).

Auditors could not determine the actual use of all moneys provided to KOCO for the Safety Net Works program (SNW) from the Illinois

Violence Prevention Authority (IVPA) in FY12 due to conflicting documentation received. Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, etc. from IVPA to the Illinois Criminal Justice Information Authority (ICJIA). The total budget for KOCO for SNW activities was $30,067. The majority of funding was to be spent on personnel services for a KOCO employee's salary and benefits and for contractual services for youth stipends. Auditors found the following problems with the general ledger:

- there was no record of expenses for several categories such as supplies, travel, and equipment which were included on KOCO's closeout report;
- expended amounts on the general ledger were not the same as the amount in the budget or in the closeout report;
- names were not included for payroll and benefits making it impossible for auditors to know which KOCO employee(s) were charged to the program; and
- KOCO reported receiving a lump sum of only $25,000 in SNW funds which was less than the $30,067 KOCO actually received. The total expense reported on the general ledger was $25,126, which meant KOCO did **not** account for $4,941 in SNW funds in its financial records. (pages 45-69)

RECOMMENDATIONS

The audit report contains four recommendations: two recommendations were specifically for the Department of Human Services; one recommendation was to the Illinois Criminal Justice Information Authority; and one recommendation was to the Illinois Board of Higher Education. The agencies agreed with all of the recommendations. Appendix C to the audit report contains the agency responses.
This performance audit was conducted by the staff of the Office of the Auditor General.

SIGNED ORIGINAL ON FILE

Ameen Dada
Division Director

This report is transmitted in accordance with Sections 3-14 and 3-15 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:saw

TABLE OF CONTENTS

APPENDICES

GLOSSARY OF TERMS

Community Youth Employment Program (CYEP) and/or Summer Youth Employment Program is a program to provide eligible youth with age-appropriate job training, life skills, counseling, work-readiness skills, and a supervised meaningful work experience. The program attempts to provide participants with the skills that are needed to enter and advance in the workforce.

Supplemental Nutritional Assistance Program – Employment & Training (SNAP E&T) is a self-support program to help customers acquire work skills and find employment. The program also helps customers with work-related expenses for the first 30 days of a job.

Teen REACH Program is a program to provide positive youth activities during non-school hours. The program provides a safe environment with adult role models that work with youth to increase academic performance and to develop life skills necessary for future success.

Summer Youth Employment Program (YES) is a program designed to foster economic recovery and put Illinoisans back to work earning income to support themselves and their families. The program is funded by the State of Illinois and the Temporary Assistance for Needy Families (TANF) Fund.

Put Illinois to Work Program (PITW) is a program designed to foster economic recovery and put Illinoisans back to work earning income to support themselves and their families. The program is funded by the State of Illinois and the TANF Fund.

JobStart Program (JS) is a program designed to foster economic recovery and put Chicagoans back to work earning income to support themselves and their families. The program is funded by the State of Illinois and the TANF Fund.

Grow Your Own Teacher Program (GYO) is a partnership of community organizations, higher education institutions, and school districts that supports parents, community members, and paraprofessionals in low-income communities to become highly qualified teachers.

Safety Net Works Program (SNW) is a program implemented to prevent violence by addressing a wide range of individual, family and community factors that keep young people from reaching their full potential and engage communities in comprehensive violence prevention activities through a coalition approach.

Chapter One

INTRODUCTION AND BACKGROUND

On April 17, 2015, the Illinois House of Representatives adopted House Resolution Number 324 (see Appendix A), which directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization under contracts or grant agreements in fiscal years 2010, 2011, 2012, 2013, 2014, and 2015.

The Resolution directed that this performance audit include, but not be limited to, the following determinations:

- the purposes for which **State** moneys were provided to the Kenwood Oakland Community Organization, for each State agency and for each amount transferred;

- the nature and extent of monitoring by State agencies of how the Kenwood Oakland Community Organization used the **State**-provided moneys;

- the actual use of State moneys by the Kenwood Oakland Community Organization;

- whether, through a review of available documentation, the Kenwood Oakland Community Organization has met or is meeting the purposes for which the **State** moneys were provided, with specific information concerning the Organization's staffing levels and its compensation of management employees; and

- whether the Kenwood Oakland Community Organization is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Organization's receipt of **State** moneys.

REPORT CONCLUSIONS

The Kenwood Oakland Community Organization (KOCO) received $1,439,674 in State moneys from FY10 through FY15. The Department of Human Services (DHS) provided $1,214,010 (84%) of State moneys to KOCO during the audit period. KOCO did not receive funding for FY16 other than for the Supplemental Nutrition Assistance Program - Employment & Training (SNAP E&T), which is a federal program. In FY17, KOCO was approved for SNAP E&T funding, but according to DHS, KOCO opted out of its contract on July 2, 2016.

During the audit period, KOCO also received:

- **$135,598** in funding for the Grow Your Own Teacher program from the Illinois State Board of Education/Illinois Board of Higher Education during FY10 through FY15 as part of a consortium with Illinois State University (ISU) or Northeastern Illinois University (NEIU).

- **$60,000** in funding from the Department of Commerce and Economic Opportunity during FY11 to help with the acquisition and renovation of a new facility.

- **$30,067** in funding from the Illinois Violence Prevention Authority in FY12 for the Safety Net Works Program through a subcontract with Stateway Community Partners to provide youth development services to at-risk youth and young adults ages 10 to 24. Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority.

KOCO and DHS provided limited documentation to support grant expenditures during the audit period. Additionally, auditors determined that State agencies failed to adequately monitor the majority of moneys provided to KOCO during fiscal years 2010 through 2015.

Monitoring by State Agencies

DHS did not sufficiently monitor and oversee how KOCO used State-provided moneys; therefore, auditors were often unable to determine how State funds were spent and whether the intended purposes of the funds were met. Our audit found:

- For the Community Youth Employment Program (CYEP), DHS provided auditors with minimal monitoring documentation related to the $500,325 that was provided to KOCO in fiscal years 2013 through 2015. DHS could not provide required documentation from KOCO that included program budgets, required reports, or youth participant timesheets.

- KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. The Financial Reporting Packet required KOCO to provide audited financial statements, a consolidated financial report, a grant report (i.e., Grant Recovery Form), and the IRS Form 990 (organization exempt from income tax).

- DHS did not adequately monitor the Supplemental Nutrition Assistance Program–Employment & Training (SNAP E&T) funding that totaled $474,801 in fiscal years 2010 through 2015. Auditors found:

  - ✓ DHS did not require documentation with sufficient detail from KOCO to determine if the contractual deliverables were met and were tied to the payments it received from DHS;
  - ✓ DHS did not have a clear policy for amounts issued for supportive services and paid customers in excess of the maximum allowable amount;
  - ✓ DHS did not prorate the monthly administrative rates it paid to KOCO for case management throughout FY12 through FY15 where the full caseload was not met; and

- ✓ significant problems with the reporting of participation hours including: activity logs signed and dated **prior** to the date of the activity being reported; hours for a participant in a single month being inconsistently reported; and activity logs in files with participants completing two different activities at two different places at the same time.

- Numerous monitoring documents were also missing for three other DHS grant programs, which provided $238,883 to KOCO. This includes various performance and fiscal documents for the Teen REACH program (FY13 through FY15), the Illinois Violence Prevention - Special Project (FY12), and the American Recovery and Reinvestment Act Job Program (FY11).

Actual Use of State Moneys

For most of the moneys provided by State agencies to KOCO from fiscal years 2010 through 2015, the actual use of the funds could not be determined. KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. Additionally, since the general ledgers provided by KOCO only included State-provided funds, which often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State money and which were spent using private money. Due to this limitation, auditors requested the entire general ledger from KOCO for the audit period in order to determine how management salaries were allocated. KOCO officials decided not to provide the entire general ledger.

Documentation provided by both KOCO and the State agencies to auditors was often conflicting, incomplete, or missing. For example:

- both DHS and KOCO had difficulty providing documentation which accounted for how State moneys were spent between FY10 and FY15. Often, many of the documents provided conflicted with other documents, which included KOCO's general ledgers not matching its budgets or its actual expenditure documentation; and

- DHS also provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used.

The actual use of all CYEP moneys could not be determined due to limited documentation received. Auditors could not determine how $377,424 of the $500,325 (75%) KOCO received for CYEP during fiscal years 2013 through 2015 was expended. The funds were to provide eligible youth with age-appropriate job training and work experience. Auditors also found:

- documents showed a lack of consistency between the dollar amounts in KOCO's budgets, closeout reports, and what was reported on its general ledger;

- little evidence of supervisory review of youth timesheets as required by the grant agreement. The timesheets provided to support the youth wages for CYEP were often not signed by all required parties (i.e., youth participant, worksite supervisor, KOCO employee); and

- youth timesheets often did not total to the correct number of daily hours reported.

For the SNAP E&T program, we could not determine whether participants in KOCO's program actually met the monthly requirement of 80 hours of participation. During fiscal years 2010 through 2015, KOCO received $474,801 for SNAP E&T. Auditors found:

- DHS paid KOCO the full administrative rate even in months when KOCO did not have the required number of participants in the program;

- DHS reimbursed KOCO for fare cards issued for supportive services; however, due to the lack of controls auditors had no way of knowing if the cards were actually used for SNAP customers or activities; and

- for the six-year audit period, KOCO did not place the maximum number of customers outlined in the contracts in unsubsidized employment.

Auditors were unable to determine what portion of State funds went to allowable expenditures, and in effect, how State moneys were actually expended related to the Teen REACH program. The eCornerstone reports received from DHS for FY14 and FY15 verified that the average daily attendance goals and youth participant age were met in both years. However, KOCO did not meet its youth attendance hours and did not meet the days open requirement for both FY14 and FY15. Additionally, DHS provided one eCornerstone report for FY15 related to academic progress. This report showed KOCO only tracked a few of the participants' academic progress. Auditors did not receive eCornerstone reports for FY13.

Auditors could not determine whether the purpose of the Illinois Violence Prevention - Special Project was met. Neither KOCO nor DHS provided a valid cost allocation plan for staff salaries for the $75,000 in funds provided by DHS in FY12. Additionally, KOCO did not meet performance objectives and did not provide monitoring documentation that demonstrated the participant's improved academic performance.

In FY11, KOCO received a total of $38,945 in American Recovery and Reinvestment Act (ARRA) job program funding to support three programs (Put Illinois to Work, JobStart, and Summer Youth Employment). KOCO provided auditors with limited documentation on how the ARRA funds were actually used. KOCO provided auditors with three general ledgers that showed program expenses for the salaries and benefits of KOCO employees for the first four pay periods of FY11 (July 2010 and August 2010). However, the general ledgers did not list the individual employees by name that were charged to the programs. Therefore, auditors could not tell which employee was actually charged to the program and for how much.

The Grow Your Own Teacher (GYO) program required KOCO, as part of a consortium with Illinois State University (ISU) or Northeastern Illinois University (NEIU), to recruit, support, and prepare community-based, non-traditional, teacher candidates to become highly qualified teachers. Based on the invoices submitted by KOCO to the universities from FY10 through FY15, 90 percent of the GYO program funds were used to pay the salary of KOCO's GYO Coordinator. KOCO was reimbursed a total of $135,598 during FY10 through FY15 for the GYO program. Since the agreement between KOCO and either ISU or NEIU only required a three-year retention period, auditors reviewed supporting documentation for the FY13, FY14, and FY15 invoices KOCO submitted to NEIU. KOCO did not have supporting documentation for $1,445 of the $65,663 (2.2%) it received from NEIU.

We found that the GYO invoices submitted by KOCO to NEIU did not match KOCO's general ledger and other documentation provided to support its expenditures of State moneys. For example, for FY15, KOCO billed NEIU $31,470 for the coordinator's salary, yet KOCO's general ledger showed that only $26,121 was charged to the grant. Further, while invoices showed that KOCO invoiced a total of $32,968 to NEIU in FY15, KOCO's general ledger showed that only $28,516 was charged to the grant. For FY14, KOCO billed $19,945 to NEIU but only spent $12,106, according to its general ledger. As a result, KOCO's general ledgers for FY14 and FY15 showed KOCO spent $12,291 less than it invoiced to NEIU (the Illinois Board of Higher Education's fiscal agent for the grant).

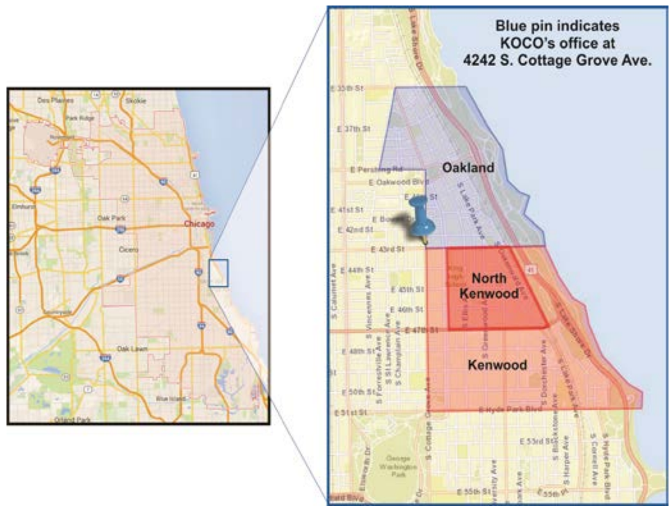
Auditors could not determine the actual use of all moneys provided to KOCO for the Safety Net Works program (SNW) from the Illinois Violence Prevention Authority (IVPA) in FY12 due to conflicting documentation received. Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, etc. from IVPA to the Illinois Criminal Justice Information Authority (ICJIA). The total budget for KOCO for SNW activities was $30,067. The majority of funding was to be spent on personnel services for a KOCO employee's salary and benefits and for contractual services for youth stipends. Auditors found the following problems with the general ledger:

- there was no record of expenses for several categories such as supplies, travel, and equipment which were included on KOCO's closeout report;
- expended amounts on the general ledger were not the same as the amount in the budget or in the closeout report;
- names were not included for payroll and benefits making it impossible for auditors to know which KOCO employee(s) were charged to the program; and
- KOCO reported receiving a lump sum of only $25,000 in SNW funds which was less than the $30,067 KOCO actually received. The total expense reported on the general ledger was $25,126, which meant KOCO did **not** account for $4,941 in SNW funds in its financial records.

KENWOOD OAKLAND COMMUNITY ORGANIZATION

According to KOCO, the Kenwood Oakland Community Organization was founded by religious and community leaders in 1965, and is tax-exempt under section 501(c)(3) of the Internal Revenue Code. KOCOs mission statement reads, *"Through the sustained engagement of low-income and working families, KOCO develops multi-generational leaders who impact* *decision-making processes and public policies, improving the quality of life in our local communities."*

Exhibit 1-1
KENWOOD OAKLAND COMMUNITY ORGANIZATION
OFFICE LOCATION AND COMMUNITIES SERVED



Note: The blue pin indicates KOCO's office location and the communities served by KOCO are highlighted in blue and red.

Source: OAG prepared from KOCO information.

Exhibit 1-1 shows a map of the location of KOCO as well as the Kenwood and Oakland communities served by the organization. As shown on the map, the organization and communities served are located in the Chicago area.

State Funding to KOCO

We reviewed documentation provided by KOCO and by State agencies and determined that from FY10 through FY15, KOCO received more than $1.4 million in State funds. Funding was provided over the six year period by five State agencies. The Illinois Department of Human Services (DHS) provided $1.2 million of the $1.4 million of the State funding received by KOCO from FY10 through FY15. The DHS funding was mainly for three programs: the Supplemental Nutrition Assistance Program - Employment & Training; the Community Youth Employment Program; and the Teen REACH Program. The Illinois State Board of Education (ISBE) and the Illinois Board of Higher Education (IBHE) provided funding for the Grow Your Own Teacher program. The Illinois Violence Prevention Authority provided a grant to KOCO for the Safety Net Works Program and the Illinois Department of Commerce and Economic Opportunity (DCEO) provided a grant to help with the acquisition and renovation of a new facility.

Exhibit 1-2 provides an overview of all State moneys provided to KOCO from FY10 through FY15 by State agency. DHS provided 84 percent of the State funding during the audit period. As of July 2016, KOCO was no longer receiving any State funding.

The funding provided to KOCO for the three largest programs (Community Youth Employment Program, SNAP E&T, and Teen REACH) was only a small percentage of the total amount DHS administered to agencies such as KOCO. For example in FY15 DHS provided Community Youth Employment Program funding to 51 providers totaling almost $12 million. Additionally, in FY15, DHS provided 34 providers $3.5 million in SNAP E&T funding and 58 providers almost $7.7 million in Teen REACH funding.

Exhibit 1-2
STATE MONEYS PROVIDED TO KOCO
Fiscal Years 2010 through 2015

Year	Agency	Program	Amount	FY Total
FY10	DHS	SNAP - Employment & Training	$74,605.00	
	ISBE	Grow Your Own Teacher Program[1]	$28,058.04	$102,663.04
FY11	DHS	SNAP - Employment & Training	$75,988.14	
	DCEO	Capital Bill for Building	$60,000.00	
	DHS	Summer Youth Employment Program[1]	$5,135.00	
	DHS	Put Illinois to Work Program[1]	$22,550.00	
	DHS	JobStart Program[1]	$11,260.00	
	IBHE	Grow Your Own Teacher Program[1]	$20,688.48	$195,621.62
FY12	DHS	SNAP - Employment & Training	$72,773.00	
	IVPA[2]	Safety Net Works Program[1]	$30,067.00	
	DHS	Illinois Violence Prevention - Special Project	$75,000.00	
	IBHE	Grow Your Own Teacher Program[1]	$21,187.94	$199,027.94
FY13	DHS	SNAP - Employment & Training	$77,714.75	
	DHS	Community Youth Employment Program	$249,065.00	
	DHS	Teen REACH Program	$10,000.00	
	IBHE	Grow Your Own Teacher Program[1]	$12,750.00	$349,529.75
FY14	DHS	SNAP - Employment & Training	$85,728.50	
	DHS	Community Youth Employment Program	$151,260.00	
	DHS	Teen REACH Program	$59,588.47	
	IBHE	Grow Your Own Teacher Program[1]	$19,945.12	$316,522.09
FY15	DHS	SNAP - Employment & Training	$87,991.94	
	DHS	Community Youth Employment Program	$100,000.00	
	DHS	Teen REACH Program	$55,350.00	
	IBHE	Grow Your Own Teacher Program[1]	$32,968.00	$276,309.94
			Total	$1,439,674.38

Notes:

[1] State funding provided to KOCO through subcontractors.

[2] Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority.

Source: Documentation provided by KOCO, DHS, DCEO, IBHE, ISBE, and ICJIA.

City of Chicago Grants

During the audit period, KOCO received grants from the City of Chicago in calendar years 2010, 2011, and 2012. Chicago provided KOCO $30,710 for the Youth Services Development Program for each of the three years. Additionally, Chicago provided Youth Services After School Program grants during calendar year 2011 ($16,000) and 2012 ($22,500). As shown in Exhibit 1-3, the total amount of grant funds provided by the City of Chicago to KOCO during CY10 through CY15 was $130,630.

The City of Chicago stopped providing grants to KOCO at the end of calendar year 2012 and did not provide other funding during the audit period. When questioned whether funding was stopped due to KOCO being unqualified, officials noted that there was likely not anything that would have deemed KOCO as unqualified. Chicago officials said the distribution of funds was more dependent on other factors such as the following: the number of applicants; an attempt to spread grants throughout Chicago; and an attempt to serve every ward.

Exhibit 1-3
KOCO'S TOTAL FUNDING FROM THE CITY OF CHICAGO

Calendar Year	Total Funding Received
2010	$30,710
2011	$46,710
2012	$53,210
Total	$130,630

Source: City of Chicago.

We requested copies of any evaluation information or scoring tools to help determine why KOCO did not continue to receive funding from the City of Chicago. Chicago officials responded that they transferred to a newer system after 2012 and they did not have any grant scoring documents from before then. Officials stated that they do not have any documentation that indicates there were any performance issues with KOCO.

Neighborhood Recovery Initiative Funds

House Resolution Number 324 noted that KOCO was a recipient of funds from the Neighborhood Recovery Initiative (NRI). However, when auditors met with KOCO, officials indicated that they had not received NRI funding. KOCO officials noted they had helped a few people find employment who had received NRI funds, but KOCO did not receive any NRI funds.

We followed-up on this issue with the Illinois Criminal Justice Information Authority, and ICJIA officials agreed that KOCO did not receive NRI funds. ICJIA indicated that the funds provided to KOCO through ICJIA were under the Safety Net Works (SNW) Program.

SCOPE AND METHODOLOGY

This performance audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

Audit standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives for the funds provided to KOCO by the Illinois State Board of Education, the Illinois Board of Higher Education, the Illinois Criminal Justice Information Authority, and the Illinois Department of Commerce and Economic Opportunity. However, due to information limitations (as discussed below), we do **not** believe that the evidence obtained for the funds provided to KOCO by the Illinois Department of Human Services (DHS) provides a reasonable basis to address the audit determinations related to the actual use of State moneys or whether KOCO met the purposes for which the State moneys were provided.

Audit Objectives

The audit's objectives are contained in House Resolution Number 324 (see Appendix A). The Resolution required the Office of the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization under contracts or grant agreements in fiscal years 2010, 2011, 2012, 2013, 2014, and 2015.

Audit Work

Work on this audit began with an initial meeting with KOCO in July 2015 and ended in November 2016. The specific audit determinations included the purpose of State moneys provided, State agency monitoring of KOCO, compliance with requirements, and use of State moneys provided to KOCO. Therefore, we gathered information using the following methods:

KOCO office building at 4242 South Cottage Grove Avenue, Chicago IL

- we requested all documentation necessary to address the Resolution from five State agencies (Department of Human Services, Department of Commerce and Economic Opportunity, Illinois State Board of Education, Illinois Board of Higher Education, and Illinois Criminal Justice Information Authority), the City of Chicago, and from KOCO;

- we met with officials from the State agencies and with officials from KOCO on numerous occasions and toured the KOCO office at 4242 South Cottage Grove Avenue in Chicago;

- we reviewed applicable statutes, rules, and policies and procedures. We reviewed compliance with these laws and policies to the extent necessary to meet the audit's objectives. Any instances of non-compliance we identified are noted as recommendations in this report;

- we assessed audit risk by reviewing financial and program monitoring documentation. We reviewed internal controls related to the audit objectives. The audit reports any weaknesses identified in these controls and includes them as recommendations. Auditors assessed fraud risk and attempted to develop testing methodologies to identify fraud; however, KOCO did not provide the information and documentation necessary to conduct such testing; and

- we conducted detailed analysis of each program to determine how moneys were expended by KOCO and whether the moneys were spent in accordance with criteria found within each grant agreement. Any exceptions are noted in the report. Appendix B details the various sampling methodologies used while conducting this report.

Information Limitation

> Neither DHS nor KOCO was able to provide any valid cost allocation plan which delineated how management salaries were divided between State funded programs.

House Resolution Number 324 asked whether KOCO, based on available documentation, was meeting the purposes for which State moneys were provided and asked for specific information concerning KOCO's staffing levels and its compensation of management employees. Auditors met with KOCO and agreed that since the Audit Resolution requested a review of **State** moneys, KOCO would provide portions of its general ledger for the State funded moneys. The cost allocation plans provided by KOCO conflicted with its general ledger entries and with its grant budget documents. As a result, auditors could not determine what was actually charged to State grants for KOCO salaries. Additionally, KOCO's general ledgers did not identify management employees **by name** and neither did its closeout documents for grants provided to State agencies. Thus, auditors could not specifically determine which employees were charged to the grants.

Due to this limitation, auditors requested the entire general ledger from KOCO for the audit period in order to determine how management salaries were allocated. KOCO officials decided not to provide the entire general ledger. Since the initial general ledgers provided often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State moneys and which were spent using private moneys. Therefore, auditors did not have a complete picture of KOCO's financial practices or its compliance with grant agreements. As a result of the limited financial and salary information provided by KOCO, auditors could not fully address the audit determination related to management employee salaries.

On August 31, 2016, auditors made a request to KOCO that all outstanding documents be provided by September 30, 2016. However, auditors continued to work with KOCO throughout October and on October 31, 2016, KOCO requested until November 15, 2016 to provide all outstanding documentation. On November 16, 2016, KOCO responded to an email from auditors indicating that KOCO *"has not found any new documentation responsive to your requests."*

KOCO's general ledgers that were provided did not match what was budgeted or reported on other financial reports. As a result, in many instances, **auditors could not determine how actual DHS grant moneys were spent** or whether they were spent in accordance with grant requirements.

KOCO's general ledgers did not match what was budgeted or reported on other financial reports. As a result, in many instances, auditors could not determine how actual DHS grant moneys were spent or whether they were spent in accordance with grant requirements.

In many instances, auditors could not determine whether KOCO met the requirements delineated in its grant agreements with State agencies. Auditors were often not provided documents which supported that KOCO met its purposes for which grant funding was provided. In addition, many documents which could be used to monitor performance were also not provided. These documents included: youth timesheets; worksite agreements; program plans and numerous eligibility documents; and various performance monitoring reports.

Scope Limitation

Although auditors worked with KOCO officials for several months to acquire all documentation to support the expenditure of State funding received during fiscal years 2010 through 2015, only limited documentation necessary to support KOCO's financial management system was provided. Additionally, some of the documentation received from KOCO conflicted with or did not support the information reported to State agencies (such as general ledgers not matching closeout reports). Therefore, auditors could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreements with DHS.

As a result of these limitations, auditors could not determine whether information received from KOCO was accurate, current, or complete and, therefore, we could not address all aspects of House Resolution Number 324. Namely, auditors had difficulty determining: (1) whether KOCO met the purposes for which State moneys were provided; (2) the actual use of State funds; (3) the staffing levels and management compensation at KOCO; and (4) whether KOCO was in compliance with all applicable laws, regulations, contracts, and grant agreements pertaining to KOCO's use of State moneys.

Exit Conference Attendees

An Exit conference was held with the Kenwood Oakland Community Organization on March 15, 2017. The meeting was attended by the following KOCO representatives: J. Brian Malone, Executive Director; Shannon Bennett, Deputy Director; and Sean Morales-Doyle, Despres, Schwartz & Geoghegan, Ltd.

The Office of the Auditor General was represented by: Scott Wahlbrink, Senior Audit Manager; Bill Helton, Audit Supervisor; Jill Paller, Audit Supervisor; and Geoffrey Piehl, Staff Auditor.

The Department of Human Services, the Illinois State Board of Education, the Illinois Board of Higher Education, the Illinois Criminal Justice Information Authority, the Illinois Department of Commerce and Economic Opportunity, and the Alternative Schools Network all declined an Exit conference.

REPORT ORGANIZATION

This audit is organized into the following additional chapters:

- Chapter Two – Purpose of State Moneys Provided to KOCO
- Chapter Three – Monitoring by State Agencies
- Chapter Four – Actual Use of State Moneys

Chapter Two

PURPOSE OF STATE MONEYS PROVIDED TO KOCO

CHAPTER CONCLUSIONS

Audit Resolution Determination
Purpose for which State moneys were provided to KOCO for each State agency

The Kenwood Oakland Community Organization (KOCO) received $1,439,674 in State moneys from FY10 through FY15. The Department of Human Services (DHS) provided $1,214,010 (84%) to KOCO during the audit period. KOCO did not receive State moneys for FY16 other than for the Supplemental Nutritional Assistance Program - Employment & Training (SNAP E&T), which is a federal program. In FY17, KOCO was approved for SNAP E&T funding, but according to DHS, KOCO opted out of its contract on July 2, 2016.

The programs funded by DHS during the audit period were mainly job programs for youth and programs to develop skills to increase academic performance. The majority of the grants were provided for KOCO staff salaries and for youth salaries in the community youth employment program. These programs included the Community Youth Employment Program, SNAP E&T, the Teen REACH Program, the Illinois Violence Prevention - Special Project, and three programs funded by the American Recovery and Investment Act.

KOCO also received $135,598 in funding for the Grow Your Own Teacher program from the Illinois State Board of Education/Illinois Board of Higher Education during FY10 through FY15. The program was used to recruit, support, and prepare community-based, non-traditional, teacher candidates to become highly qualified teachers.

The Department of Commerce and Economic Opportunity provided a $60,000 grant to KOCO during the audit period in FY11. This grant was to be used to cover costs associated with the acquisition and renovation of a new facility.

During FY12, the Illinois Violence Prevention Authority provided a $30,067 grant to KOCO for the Safety Net Works Program through a subcontract with Stateway Community Partners. Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority. As part of the program, KOCO was to provide youth development services to at-risk youth and young adults ages 10 to 24.

STATE FUNDS PROVIDED TO KOCO

The Kenwood Oakland Community Organization received $1,439,674 in State moneys from FY10 through FY15. As shown in Exhibit 2-1, the Department of Human Services provided 84 percent of State moneys to KOCO during the audit period. KOCO did not receive funding for FY16 other than for the Supplemental Nutritional Assistance Program - Employment & Training (SNAP E&T), which is a federal program. In FY17, KOCO was approved for SNAP E&T funding, but according to DHS, KOCO opted out of its contract on July 2, 2016.

Exhibit 2-1
MONEYS PROVIDED TO KOCO BY STATE AGENCIES
FY10 through FY15

Fiscal Year	DHS	ISBE/IBHE[1]	DCEO	IVPA	Totals
FY10	$74,605	$28,058	-	-	$102,663
FY11	$114,933	$20,688	$60,000	-	$195,621
FY12	$147,773	$21,188	-	$30,067	$199,028
FY13	$336,780	$12,750	-	-	$349,530
FY14	$296,577	$19,945	-	-	$316,522
FY15	$243,342	$32,968	-	-	$276,310
Totals[2]	$1,214,010	$135,598	$60,000	$30,067	$1,439,674
Percent of Total[2]	84%	9%	4%	2%	100%

Notes:
[1] ISBE provided funding for the Grow Your Own Teacher program in FY10 before the responsibility was assumed by IBHE.
[2] Totals may not add due to rounding.
Source: Documentation provided by KOCO, DHS, DCEO, IBHE, ISBE, and IVPA.

DEPARTMENT OF HUMAN SERVICES

As shown in Exhibit 2-1, the majority of the State funds provided to KOCO during the audit period were from DHS. The programs funded were mainly job programs and programs to develop skills to increase academic performance. The majority of the grants were provided for KOCO staff salaries and for youth salaries in the community youth employment program. The purposes for the four DHS grant programs were as follows:

- **Community Youth Employment Program (CYEP)**

  KOCO received $500,325 for fiscal years 2013 through 2015 to provide eligible youth with age-appropriate job training, life skills, counseling, work-readiness skills, and a supervised meaningful work experience. The program attempted to provide participants with the skills that are needed to enter and advance in the workforce. The desired outcomes included violence prevention and a reduction in “risky behavior.” The program provided work-experience for youth based on age, ability, and experience.

- **Supplemental Nutritional Assistance Program - Employment & Training (SNAP E&T)**

  KOCO received $474,801 for fiscal years 2010 through 2015 to provide a self-support program to help customers acquire work skills and find employment. The program also was to help customers with work-related expenses for the first 30 days of a job.

- **Teen REACH Program**

  KOCO received $124,938 for fiscal years 2013 through 2015 to provide positive youth activities during non-school hours. Through prevention-focused activities, the program was used to expand the range of choices and opportunities to enable, empower, and encourage youth from ages 6 through 17 to achieve positive growth and development, improve expectations and capacities for future success, and avoid and/or reduce risk-taking behavior. DHS priority was to provide 85 percent of their service to youth ages 11-17. The program was to provide a safe environment with adult role models that work with youth to increase academic performance and to develop life skills necessary for future success.

- **Illinois Violence Prevention - Special Project**

  DHS provided KOCO $75,000 in fiscal year 2012 for a program to provide a significant majority of the services to youth ages 11 to 17. Research indicated that youth in the older age category were more likely to engage in high risk behaviors during out-of-school hours. The program was used to expand the range of choices and opportunities that enable, empower, and encourage youth to achieve positive growth and development, improve expectation and capacities for future success, and/or avoid risk-taking behavior.

- **American Recovery and Reinvestment Act (ARRA) Funding**

  During FY11, DHS provided funding to KOCO for the following three programs through subcontracts with the Alternative Schools Network (ASN): Statewide Summer Youth Employment (YES), JobStart (JS), and Put Illinois to Work (PITW). These programs were funded with federal ARRA (American Recovery and Reinvestment Act) dollars through DHS.

  The total statewide amount of the contracts for the three DHS programs was approximately $118 million. However, KOCO reported receiving approximately $39,000 for the three programs. For each of the three programs there were three layers of agreements: contracts, subcontracts, and worksite agreements. For each program, KOCO provided a worksite, an on-site supervisor/mentor to oversee the trainee-workers, and timekeeping for each of the worker-trainees.

  <u>Put Illinois To Work (PITW)</u>

  According to KOCO, it received $22,550 from ASN in FY11 for the Put Illinois to Work program. According to the worksite agreement with ASN, the purpose was to foster economic recovery and put Illinoisans back to work earning income to support themselves and their families. The program was for unemployed or underemployed parents of minor children and youth ages 18 through 21 who meet the Temporary Assistance for Needy

Families eligibility requirements. According to the worksite agreement, KOCO's responsibilities were to provide job experience, the acquisition of skills, and meaningful work to 50 worker-trainees.

JobStart (JS)

According to KOCO, it received $11,260 in FY11 for the JobStart program. According to the worksite agreement, the purpose was to foster economic recovery and put Chicagoans back to work earning income to support themselves and their families. The program was for unemployed or underemployed low-income young adults ages 16 to 21.

Summer Youth Employment (YES)

According to KOCO, it received $5,135 in FY11 from ASN through the Illinois Department of Commerce and Economic Opportunity for the Summer Youth Employment program. According to the worksite agreement with KOCO for the Summer Youth Employment program, the purpose of the program was to foster economic recovery and put Illinoisans back to work earning income to support themselves and their families. The program was for unemployed or underemployed parents (ages 16-24) of minor children and youth ages 16 through 24 who met the Temporary Assistance for Needy Families (TANF) eligibility requirements.

ILLINOIS STATE BOARD OF EDUCATION/ILLINOIS BOARD OF HIGHER EDUCATION

Grow Your Own (GYO) Teacher program grants were provided to KOCO during FY10 through FY15. During the audit period, KOCO received $135,598 in funding for the GYO program. In FY10, the Illinois State Board of Education (ISBE) was the agency responsible for the grant; Illinois State University (ISU) was the actual grantee and KOCO was the sub-grantee. Beginning in FY11, the Illinois Board of Higher Education (IBHE) became the agency responsible for the grant, and in FY13, Northeastern Illinois University (NEIU) became the grantee. The GYO grant required KOCO, as part of a consortium with the University, to recruit, support, and prepare community-based, non-traditional, teacher candidates to become highly qualified teachers.

The grant moneys provided for this program were mainly used for the salary of the GYO Coordinator; however, moneys could be used to pay student expenses, including testing fees, child care, transportation, and tutoring.

DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

The Department of Commerce and Economic Opportunity (DCEO) provided a $60,000 grant to KOCO during the audit period in FY11. This grant was to be used to help cover costs associated with the acquisition and renovation of a new facility. Allowable expenses included: costs associated with the acquisition of property; costs associated with replacing and updating the electrical system; costs associated with replacing and updating the mechanical system; and costs associated with the demolition/renovation of the main floor of the building.

ILLINOIS VIOLENCE PREVENTION AUTHORITY

During FY12, the Illinois Violence Prevention Authority (IVPA) provided a $30,067 grant to KOCO for the Safety Net Works program (SNW) through a subcontract with Stateway Community Partners. Public Act 97-1151, signed into law on January 25, 2013, transferred staff, functions, and funds from IVPA to the Illinois Criminal Justice Information Authority (ICJIA). As part of the program, KOCO was to provide youth development services to at-risk youth and young adults ages 10 to 24. The grant required KOCO to:

- engage at least 50 youth in school based leadership program from July 1, 2011 to June 30, 2012;
- engage at least 15 youth in school based leadership program from July 1, 2012 to October 31, 2012; and
- provide $300 a month in stipends for a six member youth leadership group who worked with the Governor's Office assisting in the development of a "community job-development policy."

Chapter Three

MONITORING BY STATE AGENCIES

CHAPTER CONCLUSIONS

Audit Resolution Determination
Nature and extent of monitoring by State agencies of how KOCO used the State-provided moneys

The Department of Human Services (DHS) did not provide sufficient oversight or adequately monitor how KOCO used State-provided moneys. As a result, DHS could not assure that all program goals and objectives were met or whether all State-provided moneys for the following programs were used for the intended purposes.

- For the Community Youth Employment Program, DHS provided auditors with minimal monitoring documentation related to the $500,325 that was provided to KOCO in fiscal years 2013 through 2015. DHS could not provide required documentation from KOCO that included program budgets, required reports, or youth timesheets.
- KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. The Financial Reporting Packet required KOCO to provide audited financial statements, a consolidated financial report, a grant report (i.e., Grant Recovery Form), and the IRS Form 990.
- DHS did not adequately monitor the Supplemental Nutrition Assistance Program - Employment & Training funding that totaled $474,801 in fiscal years 2010 through 2015. DHS did not require documentation with sufficient detail from KOCO to determine if the contractual deliverables were met and were tied to the payments it received from DHS.
- DHS did not have a clear policy for grant amounts issued for supportive services and paid customers in excess of the maximum allowable amount. Auditors found that DHS did not prorate the monthly administrative rates it paid to KOCO for case management throughout FY12 through FY15 where the full caseload was not met.
- There were significant problems with the reporting of participation hours including: activity logs signed and dated prior to the date of the activity being reported; hours for a participant in a single month inconsistently reported; and activity logs in files with participants completing two different activities at two different places at the same time.
- Numerous monitoring documents were also missing for three other DHS grant programs, which provided $238,883 to KOCO. This includes various performance and fiscal documents for the Teen REACH program (FY13 through FY15), the Illinois Violence Prevention - Special Project (FY12), and the American Recovery and Reinvestment Act Job Program (FY11).

The Department of Commerce and Economic Opportunity (DCEO) adequately monitored a $60,000 grant it provided to KOCO during FY11. This grant was to be used to help cover costs associated with the acquisition and renovation of a new facility.

KOCO FINANCIAL DOCUMENTS

State agencies did not have the required financial reports to monitor KOCO's compliance with grant requirements, thus making it difficult for agencies to monitor how State funds were used by KOCO. Additionally, since this audit was of only **State** funds received by KOCO, KOCO chose to only provide auditors with general ledger sections that were specific to each State program. Since the general ledgers provided to us often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State money and which were spent using private money. Therefore, auditors did not have a complete picture of KOCO financial practices or its compliance with grant agreements.

In FY11 and FY12, KOCO provided DHS with a Financial Reporting Packet. The FY11 packet included an IRS Form 990 (organization exempt from income tax), an Illinois Charitable Organization Annual Report, and tax documents, but did not include the required independent audit report or financial reports for FY11. In FY12, the packet included financial statements for the years ended June 30, 2011 and 2012. It also contained the Illinois Charitable Organization Annual Report, the IRS Form 990, and other tax documents. According to DHS documentation, KOCO failed to timely submit required documentation to DHS and in both FY11 and FY12, DHS suspended funding until the required documents were submitted.

In FY13, total State funding provided to KOCO from all agencies increased from $199,028 in FY12 to $349,530. However, only minimal financial documentation was provided to auditors by State agencies to support the increased expenditures by KOCO. For example, KOCO did not submit its Financial Reporting Packet to DHS for FY14 and FY15. As a result, KOCO was not in compliance with grant requirements and DHS considered suspending its grant funds. However, DHS continued to provide funding to KOCO for the SNAP E&T program through FY16 and had approved funding for FY17. According to DHS, on July 2, 2016, KOCO opted out of the SNAP E&T program, which was the only funding it was still receiving from DHS.

DEPARTMENT OF HUMAN SERVICES

DHS did not sufficiently monitor and oversee how KOCO used State-provided moneys; therefore, auditors were often unable to determine how State funds were spent and whether the intended purposes of the funds were met.

DHS provided funding to KOCO for five program areas during fiscal years 2010 through 2015. The funding for the five programs totaled $1.2 million during the audit period. The programs were mainly for job training and for the development of skills to increase youth academic performance. The majority of the grants were to provide funding for KOCO staff salaries and the salaries for youth in the Community Youth Employment Program.

Exhibit 3-1 shows the five KOCO programs funded by DHS, the year(s) the funding was received, and the total amount received by each program. Auditors requested, on multiple occasions, **all** monitoring documentation required in the grant agreements from both KOCO and DHS. The sections below discuss the monitoring completed by DHS by program.

Exhibit 3-1
DEPARTMENT OF HUMAN SERVICES PROGRAM FUNDING PROVIDED TO KOCO
FY10 through FY15

DHS Programs	Fiscal Year(s)	Funding Provided
(1) Community Youth Employment Program	FY13 – FY15	$500,325
(2) SNAP - Employment & Training	FY10 – FY15	$474,801
(3) Teen REACH Program	FY13 – FY15	$124,938
(4) Illinois Violence Prevention - Special Project	FY12	$75,000
(5) American Recovery and Reinvestment Act Job Programs (ARRA)		
-Put Illinois to Work	FY11	$22,550
-JobStart	FY11	$11,260
-Summer Youth Employment Program	FY11	$5,135
Total[1]		$1,214,010

Note: [1] Total does not add due to rounding.
Source: Documentation provided by DHS and KOCO.

Financial Monitoring by DHS

DHS did not properly monitor the funding it provided to KOCO, especially over the last three fiscal years (FY13 through FY15). DHS funding provided to KOCO increased from $147,773 in FY12 to $336,780 in FY13. Since the increase, DHS did not require KOCO to provide a Financial Reporting Packet in FY13. However, KOCO was required to provide DHS with the packet for fiscal years 2014 and 2015, but it was not provided.

The Financial Reporting Packet required by DHS for FY14 and FY15 was to include: audited financial statements; consolidated financial report; grant report (i.e., Grant Recovery Form); and the IRS Form 990 (organization exempt from income tax). According to DHS, KOCO was pending suspension in fiscal years 2014 and 2015 for not providing the packets, but as of September 2016, DHS had taken no action.

The Financial Reporting Packet required by DHS for FY14 and FY15 was to include: audited financial statements; consolidated financial report; grant report; and the IRS Form 990 (organization exempt from income tax). According to DHS, KOCO was pending suspension in fiscal years 2014 and 2015 for not providing the packets, but as of September 2016, DHS had taken no action.

DHS conducted fiscal/administrative reviews of KOCO during FY13 and FY14. In FY13, DHS determined that KOCO was in "substantial compliance" with DHS fiscal requirements. DHS did find "items of lesser significance" including: missing signatures on Board meetings minutes; need for updated fiscal policies and procedures related to restricted/unallowable expenses; and bank reconciliations that did not have evidence of review by KOCO management.

The FY14 DHS fiscal/administrative review found that KOCO's cost allocation practices did not provide a fair and reasonable distribution of indirect costs and noted that the allocation plan included methodologies that were not reasonable and/or adequately documented. The review also found two "items of lesser significance." These two issues included missing information in some personnel files and property not tagged and listed on the master list.

KOCO provided DHS with an FY14 cost allocation plan; however, we did not receive any evidence that DHS conducted follow up monitoring to determine if funds were allocated to programs appropriately. KOCO provided auditors with its salary cost allocation plan for FY15; however, actual expenditure documentation and the general ledgers did not reflect the amounts listed on the cost allocation plan. This indicated that the cost allocation provided to auditors was not used to allocate the costs reported on the general ledger.

(1) Community Youth Employment Program

DHS did not adequately monitor the Community Youth Employment Program (CYEP) funds provided to KOCO that totaled $500,325 for fiscal years 2013 through 2015. These funds were to provide eligible youth with age-appropriate job training, life skills, counseling, work-readiness skills, and a supervised meaningful work experience. The program generally lasted for six weeks, beginning in July and ending in August.

Fiscal Monitoring of CYEP by DHS

DHS did not provide auditors with numerous documents that were required by the Community Services Agreements between KOCO and DHS for fiscal years 2013 through 2015 (see Exhibits 3-2 and 3-3). These documents included: monthly/quarterly reports; close-out reports; consolidated financial reports; and audited financial statements.

As noted above, according to DHS officials, KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. The Financial Reporting Packet required KOCO to provide audited financial statements, a consolidated financial report, a grant report (i.e., Grant Recovery Form), and the IRS Form 990 (organization exempt from income tax). Additionally, auditors determined:

- DHS did not have a budget from KOCO for either FY13 or FY14;
- DHS provided auditors with a Schedule of Program Costs report which showed the program expenditures for FY14, but DHS did not provide such detail for FY13;
- DHS also did not have KOCO's cost allocations for FY13, FY14, or FY15 or fiscal closeout documents for FY13 or FY14; and
- DHS provided auditors with both the budget and closeout documents for FY15, but provided nothing that supports a valid allocation of costs by KOCO.

Exhibit 3-2 shows the financial documents required by the Community Services Agreements between DHS and KOCO by fiscal year.

Exhibit 3-2
REQUIRED FINANCIAL DOCUMENTS FOR KOCO PROVIDED BY DHS TO THE AUDITOR GENERAL
For Community Youth Employment Program

Required Financial Documents	FY13	FY14	FY15
Program Spending Plan -Budget	No	No	Yes
Monthly/Quarterly Reports	No	No	Yes
Cost Allocation Plan	No	No	No
Expenditure Documentation Forms	No	No	Yes
Closeout Report	No	No	Yes
Financial Reporting Packet[1]	N/A	No	No

Note: [1] The Financial Reporting Packet required KOCO to provide audited financial statements, a consolidated financial report, a grant report (Grant Recovery Form), and the IRS Form 990 (organization exempt from income tax).
Source: OAG summary of documentation provided by DHS.

Performance Monitoring by DHS of CYEP

Although required by DHS policy, DHS did not maintain KOCO's performance monitoring documents, thus the information was not available for auditors to review. According to a DHS official, DHS was required to maintain the documentation for 10 years. The Community Services Agreement listed numerous documents and deliverables that KOCO was required to provide to DHS. Exhibit 3-3 lists the required documents and whether these documents were provided to auditors during the audit.

Exhibit 3-3
REQUIRED MONITORING DOCUMENTS RECEIVED BY THE AUDITOR GENERAL FROM DHS
For Community Youth Employment Program

Required Documents	FY13	FY14	FY15
Monthly Monitoring Reports[1]	No	No	Yes
Evidence of Illinois WorkNet Usage	No	No	No
Exhibit G (all State contracts listing)[1]	No	No	No
Documentation of Participant's Fiscal Eligibility	No	No	No
Documentation of Illinois Residency	No	No	No
Completed I-9 Forms (verification of identity for employment)	No	No	No
Youth Timesheets Provided to DHS[1]	Yes	No	No
Worksite Agreements	No	No	No
Worksite Monitoring Reports	No	No	No
Current Supervisory Employee Background Checks	No	No	No
Close-out Performance Report[1]	Yes	Yes	Yes

Note: [1] Documentation required by the grant agreement to be provided to DHS.
Source: OAG summary of documentation provided by DHS.

Eligibility Documentation

Auditors found minimal eligibility documentation in the required client files tested at KOCO. Each Community Services Agreement between DHS and KOCO required youth to be eligible for CYEP. These eligibility requirements included being in a current DHS program, such as the National School Lunch program, SNAP Employment & Training, or Temporary Assistance for Needy Families, or having family income not exceeding 200 percent of the federal poverty level. The agreement also required documentation to determine Illinois residency, and completion of the I-9 Form (verification of identity for employment).

For CYEP, auditors reviewed 10 randomly selected client files from FY15 participants and found only one had documentation to verify the youth's participation in any other DHS program, no documentation to support Illinois residency, and no required I-9 Form. Without this required information, it is unclear how eligibility was determined and approved by KOCO for program participants.

Monitoring of Youth Participants

Neither DHS nor KOCO could produce all youth monitoring documentation required by the Community Services Agreements. There were several requirements related to the monitoring of the youth participants. For example, KOCO was required to monitor each worksite before and after placement, was required to have signed worksite agreements, and was required to verify and maintain youth participant timesheets used to support payment.

As shown in Exhibit 3-3, few documents were provided to auditors by KOCO or DHS. Auditors received no pre-worksite reviews, post-worksite reviews, or worksite agreements for any of the three years audited (FY13 through FY15) which were required by the grant agreements. Worksite agreements were to contain information such as: contact information; location of employment; workdays and hours; activities; and job titles. Without this information, it is unclear how the youth placements were monitored by DHS to ensure adherence to program requirements.

Youth participants were required to submit timesheets every two weeks to KOCO to document their hours worked. We requested all timesheets for fiscal years 2013 through 2015; however, KOCO did not have timesheets for all of the participants paid in fiscal years 2013 through 2015. Auditors found:

Youth participants were required to submit timesheets every two weeks to KOCO to document their hours worked. We requested all timesheets for fiscal years 2013 through 2015; however, KOCO did not have timesheets for all of the participants paid in fiscal years 2013 through 2015.

- In FY13, KOCO provided 130 timesheets for 269 payments for youth wages;
- In FY14, KOCO provided 47 timesheets for an unknown number of payments for youth wages; and
- In FY15, KOCO provided 165 timesheets for 229 payments for youth wages.

The timesheets were often either **not** totaled or the total did **not** match the daily hours documented. Also, most of the timesheets were not signed by the worksite supervisor and KOCO as required, thus auditors could **not** determine whether the timesheets were adequately reviewed and verified. According to the Community Services Agreements, failure to retain timesheets may lead to **disallowed** costs.

Additionally, DHS indicated that although pre and post-testing using Illinois WorkNet was required by the Community Services Agreement, no one at DHS had access to the WorkNet system. Also, KOCO provided no documentation that supported its use of Illinois WorkNet, which is a portal that was created in 2005 by the Governor's Illinois Workforce Innovation Board.

The Department of Commerce and Economic Opportunity oversees the portal, which is used as an online source to help individuals, employers, and workforce/education partners achieve training and employment **goals**. Therefore, DHS should conduct a review and determine whether any funding provided to KOCO needs to be recovered for the CYEP program for fiscal years 2013 through 2015.

Background Checks

The Community Services Agreements between KOCO and DHS required all supervisors of youth worksites funded by DHS to pass a background check before supervisors were allowed to perform any supervisory activities over youth programs. The background checks were considered an allowable expense. We requested background checks from KOCO for CYEP supervisory staff but **none were provided**. Without current background checks, DHS and KOCO cannot ensure whether supervisors are eligible to work with youth participants.

(2) SNAP - Employment & Training Program

DHS did not adequately monitor the Supplemental Nutrition Assistance Program - Employment & Training (SNAP E&T) funding provided to KOCO that totaled $474,801 in FY10 through FY15. Further, DHS did not require documentation with sufficient detail from KOCO to determine if the contractual deliverables were met and were tied to the payments it received from DHS. KOCO was to provide a self-support program to help customers acquire work skills and find employment. Specifically, this program was to help customers with work-related expenses for the first 30 days of a job. Participation in SNAP E&T enabled participants to gain work skills and experience, meet the federal work requirement, and become self-sufficient.

KOCO accounted for the SNAP E&T services through monthly reports and billings. These monthly billing summaries were for the following: case management/administrative; supportive services; and job placement with retention. The reports generally contained customer names, identifying information such as social security numbers, and other information depending on the type of billable service.

Using the supportive services billing summaries in FY15, we compiled a list of SNAP E&T participants receiving at least one service payment from KOCO to determine whether KOCO had documentation to support the payment(s) it issued to participants. We judgmentally sampled files for 15 of the 103 customers receiving at least one supportive service payment in FY15.

Supportive Services

Contracts between DHS and KOCO cite the SNAP E&T Program Manual (Manual) for the requirements on issuing supportive services, which includes transportation expenses. The majority of supportive services claimed by KOCO were in the form of fare cards. The Manual also:

- authorized the issuance of other types of **supportive services** including: allowances for job search; work activity and clothing; books and supplies; background checks; and other initial employment expenses;
- authorized **transportation expenses** as an advance payment to program participants for travel necessary to get to and from approved activities such as education, specialized training activities, and job interviews;
- required the provider to obtain a **participant's sign off** upon receipt of supportive service payment and clearly document in the file how the amount of the issuance was determined;
- required **attendance be verified** with the employer/program for participants who are issued transportation funds; and
- authorized DHS to **disallow unsupported expenses**.

Transportation Supportive Services

DHS paid KOCO for transportation supportive services in excess of the maximum allowable monthly amount per customer. Additionally, DHS did not require or regularly review documentation to determine whether KOCO had adequate controls over its issuance of transportation supportive services. During our review of the supportive services billing summaries, we found that DHS paid KOCO for transportation supportive services – fare cards – in excess of the $80 monthly maximum per customer noted on the billing summaries. For the 15 customer files we sampled, we found a lack of support for issuing transportation support payments and a lack of the required calculations and documentation used to determine the amount of funds issued.

Unclear Guidance

DHS does not have an official policy that defines the maximum monthly transportation amount that can be issued to each program participant. Auditors used the billing summary form, which showed that the maximum issued for transportation supportive services in Cook County was $80 per month during fiscal years 2010 through 2015. When asked about the monthly maximum, a DHS official said the form is likely outdated and the $80 amount serves as only a "guide" for monthly transportation expenses. The Manual provides some specific requirements regarding the authorization and issuance of supportive services payments; however, considering the lack of oversight found during this audit, DHS cannot be sure that services are being used for the purposes of the SNAP E&T program.

A DHS official said billing summaries are taken at "face value" and any supporting detail is reviewed during a site visit, if there is one. DHS conducted a site visit at KOCO in 2014 and noted issues including a lack of accurate, complete, and timely case file documentation. Additional follow-up was completed by DHS in subsequent months. According to a DHS official, KOCO's performance was improving; however, as of its May 2015 site visit, corrective actions recommended by DHS had not been fully implemented by KOCO.

Policy Manual

DHS' SNAP E&T Program Manual says:

- funds should be provided in advance of travel;
- attendance should be verified; and
- transportation payments should be made at the lowest reasonable cost.

Further, the Manual required KOCO to maintain receipts signed and dated by the participant to verify issuance of each payment and documentation to support the amounts, purpose, and periods covered. However, the only information received by DHS was the billing summary with customer names and amounts on a form which showed $80 maximum per month per customer for transportation supportive services.

DHS paid KOCO for supportive services invoices which exceeded the $80 per month maximum per customer noted on the billing summary form in FY10 through FY15. Auditors found over $7,000 of approximately $89,000 (8%) total in supportive services invoices that exceeded the $80 per month maximum. KOCO reported to DHS the total monthly transportation supportive services payments, which mainly consisted of fare cards, by customer name, type, and amount of supportive service on their billing summary. KOCO billed a small amount for other supportive services including clothing ($100/year/customer), job search ($20/month/customer) and initial employment costs ($400/year/customer), but those amounts did not exceed the maximum allowable amounts shown on the billing summary form.

> Case Example
>
> KOCO provided a supportive services billing summary for transportation expenses for $106.50 in February 2015 for a participant in the sample; however, there was no entry on the supportive services log in that participant's file to support issuance of any supportive services. The amount was not supported in the file. DHS paid the full amount without reviewing the supporting documentation or questioning the amount in excess of the $80 maximum.

Further, KOCO case files reviewed did not contain any calculations or documentation used to determine the amount of transportation supportive services each of the participants was issued, as required by policy. During file reviews, we found the form used by KOCO to document the issuance of supportive services contained only the dates, names, amounts, and participants' signatures. The form provided no other guidance or information needed to clearly document all transportation supportive services.

Lack of Documentation

DHS paid for supportive services – transportation – expenditures although KOCO did not have the necessary supporting documentation required by the SNAP E&T Program Manual. During our review of 15 participant files, we found:

- there was no record to show that fare cards were actually issued to customers for $1,465 of the $4,975 (29%) in transportation supportive services billed to DHS;
- there was no evidence to support KOCO used calculations or maintained documentation to determine the amount of the transportation supportive services issued for any of the 15 participant files sampled; and
- there was no evidence to show that KOCO officials verified the use of the fare cards by checking attendance records for any of the 15 participant files sampled.

Absent regular and proper review of documentation, DHS could not know if the expenses were adequately supported or used for the purposes of the SNAP E&T program.

Case Management/Administration

DHS did not prorate the monthly administrative rates it paid to KOCO for case management during FY12 through FY15 when the full caseload was not met. The contract specifically states: *"Any month the Provider serves and engages less than 100% of the contracted number of customers assigned in countable SNAP E&T activities they will be paid at a prorated per customer amount." [emphasis added]*

Auditors found that DHS paid KOCO the full administrative amount during months where 100 percent of the customer caseload was not met. Auditors asked DHS officials why the full administrative rate was paid in certain months when the caseload was not met. A DHS official said DHS uses a "long standing practice" to pay the full administrative rate when 90 percent of the full caseload is served. For example, if the full customer caseload in FY15 was 53, KOCO would receive the full administrative amount as long as 90 percent of the 53 customers, or 47 customers, were served.

However, DHS did not require documentation to determine whether KOCO had the monthly required customer caseload. During testing of participant files at KOCO, we found a lack of support for customers completing the required participation hours. Further, from the sample of 15 customer files, the activities KOCO documented contained reporting problems such as activity logs signed and dated prior to the occurrence of the activity; inconsistent reporting of hours worked in a single month; and activity logs showing a customer at two different places at the same time.

According to the contract between DHS and KOCO, KOCO agreed to "serve and engage" a certain number of customers each month and use attendance documents to report actual hours completed for each activity. For a customer to have been counted toward the required caseload, KOCO was required to engage that customer for a minimum of 20 hours per week (80 per month) in the following participation activities: basic education; vocational training; work experience; job search; and job readiness.

DHS did not review any detail for the fare cards issued by KOCO to program participants or attendance records of participants until a site visit in 2014. During the site visit, DHS noted substantial issues, including a lack of case file documentation by KOCO to support the monthly billing summaries.

A follow-up site visit by DHS was conducted in May 2015 to determine whether KOCO addressed the issues found during the original site visit in 2014. However, as of May 2015, the 2014 issues, including a lack of case file documentation, had not fully been addressed. The contract and Manual place responsibility on the provider to document participation activities; however, considering the lack of DHS oversight and review of supporting documentation at KOCO, DHS cannot be sure that KOCO is completing the required activities for the case management/administrative payment it receives.

Full Rate for Unmet Caseload

DHS did not always prorate the administrative rate it paid to KOCO in months where less than a full customer caseload was served and engaged (shown in Exhibit 3-4). During FY10 through FY15, or 72 months, KOCO agreed to serve and engage a contractually agreed upon number of customers. KOCO was to provide each customer in the caseload with 80 hours per month of participation activities, such as vocational training, to improve employability and job readiness training preparing for work.

Exhibit 3-4
SNAP E&T FULL PAYMENT FOR CASELOAD NOT MET
Fiscal Years 2010 through 2015

Fiscal Year	Months Caseload Not Met by KOCO	Months DHS DID Not Prorate Amount Paid to KOCO
FY10	0	0
FY11	0	0
FY12	2	0
FY13	7	6
FY14	8	8
FY15	9	4
Totals	26	18

Source: OAG prepared from billing summaries.

- In 46 of 72 months (64%), KOCO reported that a full customer caseload was served and engaged and DHS paid the full administrative rate in those months.
- In 26 of 72 months (36%), KOCO reported that a full customer caseload was **not** served and engaged.
  - ✓ In 18 of 26 months (69%), DHS paid the full administrative rate to KOCO even though KOCO served and engaged less than the contractually agreed upon caseload.
  - ✓ In 8 of 26 months (31%), DHS prorated the administrative rate paid to KOCO for serving and engaging less than the contractually agreed upon caseload; however, the prorated amount was incorrectly applied.

Lack of Documentation

DHS did not require documentation from KOCO to determine whether the customer caseload was served and engaged, and as a result, DHS could not exercise its right to disallow expenses. Using the same sample of 15 customers in FY15 that was previously used to test supportive services payments, auditors tested the same customer files to determine whether KOCO had documentation to support the caseload claimed on the billing summaries submitted to DHS. Not all customers sampled participated in SNAP E&T in all 12 months of FY15, and not all customers were claimed by KOCO on their billing summary submitted to DHS in all 12 months of FY15.

For the 15 customer files we sampled, there were 85 instances during FY15 where KOCO claimed the customer in a particular month as part of its total caseload. We found:

- In 43 of 85 instances (51%), customers were claimed by KOCO on the monthly billing summary submitted to DHS, but there was no documentation of any participation activities such as work experience, job search, and job readiness.

Separately, for the 15 customer files we sampled, there were 42 instances where KOCO reported at least some activity hours. Again, not all customers sampled participated in SNAP in all 12 months of FY15 or were claimed by KOCO in all 12 months of FY15. We found:

- In 36 of 42 instances (86%) with reported activity hours, the 80 hour monthly requirement was **not** met.

Reporting Issues

There were significant problems with the reporting of participation hours in the files sampled. In 3 of the 15 files sampled (20%), there were no participation hours reported. For 12 of the files where participation hours were reported, we found:

- in 4 of 12 (33%) files sampled, activity logs were signed and dated **prior** to the date of the activity being reported. For example, one participant signed and dated all activity logs on May 1, 2014, which was before the reported activities which occurred in July 2014, September 2014, and November 2014;
- in 4 of 12 (33%) files sampled, hours for a single month were inconsistently reported. For example, one file contained multiple documents with varying numbers of activity hours reported for March 2015: the Monthly Activity Reports totaled 46.5 hours, the Change Progress Report form totaled 57 hours, and the Activity Assignment Log totaled 96 hours; and
- in 3 of 12 (25%) files, the activity logs contained in the files showed participants completing two different activities at two different places at the same time. For example, on July 10, 2014, a participant was reported on activity logs as receiving on the job training at Walgreens from 9 a.m. to 2 p.m., while at the same time was also participating in a job readiness class at KOCO from 10 a.m. to 2 p.m.

KOCO should maintain complete and accurate records for the services it provides to customers and should ensure billing summaries accurately reflect the services it provides.

Placements with Retention

DHS denied a significant number of "placement with retention" payments submitted by KOCO for reimbursement. KOCO was paid for customers who were retained in unsubsidized placements for 30, 60, or 90 consecutive days. Placements were one of the three deliverables outlined in the contract and KOCO received an administrative payment per customer retained. According to a DHS official, KOCO submitted notification of employment retention forms, including employer signatures to support the requested payments. These forms and the monthly billing summaries were required by DHS to pay KOCO.

Exhibit 3-5
SNAP E&T PLACEMENTS BILLED AND DENIED BY DHS
Fiscal Years 2010 through 2015

Fiscal Year	Total Billed	Number Denied	Amount Earned
FY10	25	5	$10,200
FY11	23	2	$12,300
FY12	25	2	$13,900
FY13	27	27	$0
FY14	49	40	$5,600
FY15	40	32	$4,800
Totals	189	108	$46,800

Source: OAG prepared from FY10 through FY15 closed Ledger cards.

DHS denied 108 of 189 (57%) placements submitted by KOCO for reimbursement in FY10 through FY15 (shown in Exhibit 3-5). The denial rate for FY10 through FY12 was only 12 percent, but jumped to 85 percent in FY13 through FY15. The main reason reported for the denials was due to a lack of supporting documentation.

(3) Teen REACH Program

The Community Services Agreement for Teen REACH required KOCO to provide programming in the following areas: 1) improving educational performance; 2) life skills education; 3) parental involvement; 4) recreational sports and cultural and artistic activities; 5) positive adult mentors; and 6) service learning activities.

Monitoring by DHS of Teen REACH

DHS did not adequately monitor the Teen REACH program operated by KOCO, which received $124,938 for fiscal years 2013 through 2015. Auditors requested all monitoring documents for the program from both DHS and KOCO. The Community Services Agreements listed numerous documents and deliverables that KOCO was required to provide to DHS. Exhibit 3-6 lists the required documents and shows whether these documents were provided to auditors. As seen in the exhibit, numerous documents were not provided.

Exhibit 3-6
REQUIRED MONITORING DOCUMENTS RECEIVED BY AUDITORS FROM DHS AND KOCO
For Teen REACH Program

Required Documents	FY13	FY14	FY15
Annual Program Plan/Budget	Yes	Yes	Yes
Quarterly Financial Reports (received monthly reports)	No	Yes	Yes
Close-out Reports	No	Yes	Yes
Parent and Youth Surveys	No	No	No
Grade Cards	No	No	No
Marketing Plan	No	No	No
Program Consent Forms	No	No	No
eCornerstone Informed Consent Forms	No	No	No
Daily Sign-in Sheets[1]	Yes	Yes	Yes
Background Checks[2]	Yes	No	No
Monthly Expenditure Documentation Forms	No	Yes	Yes
eCornerstone Performance Indicator Reports – Program Attendance	No	Yes	Yes
eCornerstone Performance Indicator Reports – Academic Progress[3]	No	No	Yes

Notes:

[1] Provided by KOCO but not DHS.

[2] Two background checks were provided but were from November 2012; no background checks were provided for subsequent fiscal years.

[3] In addition to attendance data, eCornerstone reports were to track other performance measures such as percent of youth promoted to next grade level/graduating, percent of youth with improved homework completion, and percent of youth safe from violence during program hours per the Community Services Agreement. The FY15 report showed KOCO only tracked a few of the participants' academic progress.

Source: Documentation provided by DHS and KOCO.

DHS provided a "Performance Improvement Plan – Summary" dated June 18, 2014, for the 3rd quarter of FY14. According to DHS, the purpose of the Performance Improvement Plan was to document and provide technical assistance, support, and guidance to ensure that grantees were fulfilling their contract requirements as well as increasing their ability to excel in the performance areas identified by the Department. Three findings were identified by DHS to which KOCO was required to respond within 20 working days. Exhibit 3-7 shows a summary of the findings, the required action, and KOCO's response. KOCO responded to DHS within the time required.

Exhibit 3-7
FINDINGS FROM TEEN REACH MONITORING BY DHS
June 2014

Topic Area - Finding	DHS Required Action/Timeline	KOCO Plan/Response
1. Days Open – Average number of days open per week for 3rd quarter of FY14 was 73%. Acceptable performance is 90%.	By the close of business day July 18, 2014, agency must submit a Performance Improvement Plan (PIP) detailing steps to meet the required 240 total number of days open.	There were days when attendance was not entered for the youth, which resulted in the reduced days counted as part of our overall total numbers. A staff person has now been designated to enter data. All data will be entered Friday evenings for the ending week.
2. Proposed vs. Actual Youth Attendance Hours – Actual youth attendance hours during the 3rd quarter of FY14 was 70%.	By the close of business day July 18, 2014, agency must submit PIP detailing steps to increase their hours to the acceptable performance rate of 80%.	
3. Cost per Youth per Hour – Cost per participant per hour for the 3rd quarter was $6.47.	By the close of business day July 18, 2014, agency must submit a PIP detailing steps to decrease the cost per participant per hour to $4.50 or less.	

Source: Documentation provided by DHS.

The DHS website contained a standards assessment tool for the Teen REACH program, which included the following topic areas: policy; eCornerstone system usage; personnel; community involvement; participant files; program services; core services; and site reviews. The tool assesses the above topic areas in order to determine if agencies like KOCO meet program standards. DHS did not provide auditors with this assessment tool or other monitoring documentation which assessed these topic areas.

Youth Participant Files

Auditors randomly sampled 15 client files for FY15 participants. Five were enrolled only in Teen REACH, five in CYEP, and five were enrolled in both programs. Of the 10 files sampled for youth in Teen REACH, three could not be located by KOCO or DHS. For the seven client files that were provided, many were missing required documentation. Examples of missing documentation included: signed program consent forms; signed registration forms; signed eCornerstone informed consent forms; and signed release of information forms.

Background Checks

According to the Community Services Agreements with DHS, background checks of all staff or volunteers who work one-on-one with participants in the Teen REACH program are required. Auditors requested background check documentation from KOCO and received only two individual checks that were conducted in 2012. No updated background checks were conducted during future years for these two individuals even though background checks are an allowable expense. Additionally, budgets, payroll, and other documentation provided throughout the audit indicate there was other staff or volunteers working in the Teen REACH program; however, no background checks for these other individuals were provided to auditors.

According to the Community Services Agreements with DHS, background checks of all staff or volunteers who work one-on-one with participants in the Teen REACH program are required. Auditors requested background check documentation from KOCO and received only two individual checks that were conducted in 2012.

eCornerstone

DHS required providers (such as KOCO) to collect data from the Teen REACH programs via the eCornerstone system as the first step in measuring performance standards. KOCO was to collect and report participant information daily as well as case planning and service delivery data to DHS. Data entered into eCornerstone needed to include the number and demographic characteristics of participants, enrollment and attendance data, hours of operation, participant outcomes, and academic outcomes. DHS' position on program and participant information was that if it is not entered into eCornerstone, it did not happen. Further, the grant agreement states that failure to report these services could lead to disallowed expenditures, and that decisions to increase or decrease funding would be made each year at the end of the fourth quarter and would be based on the provider's performance for the previous 12 month period. Providers were also to record trainings attended by volunteers and personnel in the eCornestone reporting system.

DHS provided auditors with eCornerstone attendance reports for FY14 and FY15. The reports received from DHS for FY14 and FY15 verified that the average daily attendance goals and youth participant age were met in both years. However, KOCO did not meet its youth attendance hours and did not meet the days open requirement for both FY14 and FY15. Additionally, DHS provided one eCornerstone report for FY15 related to academic progress. This report showed KOCO only tracked a few of the participants' academic progress. Auditors did not receive eCornerstone reports for FY13.

For both FY14 and FY15, the reports indicated that **none** of the youth were under age 11. However, sampled sign-in sheets from both fiscal years included many youth under age 11. As discussed in the previous chapter, DHS priority was targeting services to youth age 11-17 and no more than 15 percent of services were to be provided to children ages 6 to 10. Auditors questioned KOCO about the attendance by participants under the age of 11, and KOCO noted that the after school program was also funded with private funds and only those over age 11 were part of the Teen REACH program funded by DHS.

(4) Illinois Violence Prevention - Special Project

In fiscal year 2012, KOCO received $75,000 for the Illinois Violence Prevention - Special Project grant. DHS and KOCO provided some monitoring documentation for the Special Project grant that required KOCO to provide an After School Program (ASP), but documentation contained incomplete and conflicting information. Lack of details about outcomes, such as improved academic performance of participants, made it difficult for auditors to determine the effective use of grant funds. The purpose of these funds was to provide out-of-school time activities and mentoring for at-risk youth between the ages of six through 17, with 85 percent having to be between 11 through 17. ASP providers are responsible for providing the following core services:

- improving academic performance;
- recreation, sports, and cultural and artistic activities;
- positive adult mentors;
- life skills education;
- parental involvement; and
- service learning.

Monitoring Reports and Forms

The Community Services Agreement required KOCO to submit four quarterly narrative reports, one annual narrative report, four service tracking forms, and four expenditure documentation forms (EDFs). DHS and KOCO provided auditors with all quarterly narrative reports, all service tracking forms, one annual narrative report, the service tracking form database, and 10 EDFs.

Quarterly and Annual Narrative Reports

According to the Community Services Agreement, DHS required KOCO to maintain records and submit data and reports in the form of an annual end of year summary report detailing the following information:

- unduplicated number and demographic characteristics of program participants and annual enrollment data;
- participant attendance data;
- hours of operation;
- program service activity;
- participant outcomes in accordance with the goals and objectives specified for ASP; and
- academic outcomes.

KOCO submitted all required quarterly reports and annual narrative reports to DHS for FY12 and FY13. These reports were structured to provide information on program accomplishments, timeline updates, program changes, capacity building activities, and any other related information. The quarterly reports documented KOCO's development of the academic and cultural enrichment (ACE) afterschool program, a youth organizing council, Black Male Achievement Program, student leadership team, and parent patrol. The Annual Narrative Report summarized the grant period's activities. In the annual report to DHS, KOCO reported the program was open 219 days out of the proposed 240, had 78 enrollees out of a proposed 100, and had an average daily attendance of 49 youth out of a proposed 50. Auditors did not see specific information related to academic outcomes which was required by the Community Services Agreement.

Payroll and financial documents submitted by KOCO to auditors showed that program expenditures totaled more than the $75,000 funding amount. Expenditure documentation provided included parent patrol stipends (which paid parents to work for the program) and KOCO staff salaries. Financial documentation submitted to auditors did not show how State moneys were allocated to program staff salaries.

Service Tracking Forms

In conjunction with the narrative reports, DHS required KOCO to submit service tracking forms, which were maintained in a computer database. This database collected participant data such as age, and tracked daily attendance for an entire month. The data showed average quarterly calculations for FY12 and FY13.

Auditors determined that KOCO did not achieve all performance benchmarks listed in the Community Services Agreement. The program plan proposed youth attendance hours would be 48,000 for the grant period. However, service tracking form data indicated that the actual youth attendance hours provided was 28,864 hours, or 60 percent, of the proposed goal. In addition, auditors found that participants were not meeting the 100 percent of enrolled youth attending on average 5 days per week requirement, or the acceptable 50 percent of enrolled youth attending on average 4 days per week. Auditors reviewed service tracking form data for one quarter of the grant period, the months between April and June of 2012. Auditors determined that of the 180 total participants enrolled between April and June, 14 (or 8%) met the 5 days per week criteria; and 61 (or 34%) met the 4 days per week criteria.

The service tracking form did not aggregate <u>quarterly</u> data on actual population served (85% of youth between 11 to 17 years old) as data was tracked <u>monthly</u>. Review of monthly participant data by auditors found that KOCO did not achieve this measure for 11 months (only 11 months of data was provided) of the grant period.

Summary Expenditure Documentation Forms

The Community Services Agreement required KOCO to submit quarterly summary expenditure documentation forms (EDFs). KOCO was to provide summary documentation by line item of actual expenditures incurred for the purchase of goods and services necessary for program activities. KOCO provided auditors with 10 EDF's required for this grant. DHS did not provide auditors with any EDF's. Exhibit 3-8 summarizes KOCO's expenditures for the grant period.

Exhibit 3-8
EDF EXPENDITURE SUMMARY
Fiscal Years 2012 through 2013

Purpose	Amount Claimed
Personal Services and Fringe	$55,548
Contractual Services	$36,800
Benefits	$2,552
Total	$94,900

Source: Financial documents provided by KOCO.

For the $75,000 in grant funding provided by DHS, KOCO submitted EDF documentation to DHS that totaled $94,900. The general ledger provided to auditors contained only entries for payment of parent patrol stipends. Entries of the parent patrol stipends from the general ledger totaled $29,250. In addition, KOCO provided check requests for payment of the parent patrol stipends. The check request documentation totaled $32,925. Because of the differences in reported amounts, auditors could not determine how State funds were allocated.

Desk Audits

As part of DHS' quality assurance, DHS staff conducted quality reviews (referred to as 'desk audits') of KOCO's records of service to clients. The purpose of these reviews was to ensure that ASP services were being provided to youth in accordance with ASP provider responsibilities and the approved agency program plan and budget. The review was used to ensure the following performance standards were being met:

- days open - 240 days per year, acceptable performance is 90 percent;
- youth attendance hours - 100 percent of youth attendance hours as projected in the Youth Attendance Plan will be achieved. Acceptable performance is 80 percent;
- actual average daily attendance - 100 percent of projected average daily attendance will be achieved. Acceptable performance is 80 percent; and
- actual population served - 85 percent or more youth receiving services will be 11 to 17 years.

DHS provided auditors with two desk audits. These audits documented the above performance measures and provided narrative comments about KOCO's capacity building activities and other activities accomplished during the quarter. One desk audit covered the first two quarters of the grant period, the other desk audit covered all quarters of the grant period.

Auditors found conflicting information between these two audits. The desk audit that covered the first half of the grant period concluded that KOCO did not achieve its performance benchmarks for average attendance, attendance hours, and percent of youth age 11 to 17. In that audit, DHS reported KOCO's average daily attendance for the program to be 15.61 and 13.83 participants for quarters three and four, respectively. The audit that covered all quarters reported daily average attendance to be 63 and 57 participants for quarters three and four, respectively. According to KOCO's plan, average daily attendance was proposed to be 50 participants for all sites. Based on auditor's review of the desk audit that covered all four quarters, KOCO met the average daily attendance performance measure for two quarters of the grant period.

In the desk audit that covered the entire grant period, DHS staff documented KOCO's reported performance measures for each quarter. DHS staff did not mark on the tool *yes* or *no* as to whether KOCO met all performance benchmarks for each quarter. Our review of the DHS desk audit found that KOCO met some performance measures such as average daily attendance, but did not meet other performance measures such as serving 85 percent of youth ages 11-17. Narrative comments within the desk audit provided some information on KOCO's accomplishments for the quarter, but most of the information was repeated from what was reported by KOCO in its quarterly reports and annual report. DHS staff did note in this desk audit that KOCO needed to increase average daily attendance, attendance hours, and youth 11-17 years of age.

(5) American Recovery and Reinvestment Act Job Programs

DHS did not monitor the American Recovery and Reinvestment Act (ARRA) job program funding which totaled $38,945 that KOCO received in FY11 for three programs: Summer Youth Employment (YES); JobStart (JS); and Put Illinois to Work (PITW). KOCO was funded as the worksite for all three programs and was to provide job experience, skill acquisition, and meaningful work as well as mentoring and supervising worker trainees. The total ARRA funds provided to DHS for the three programs based on the contracts was approximately $118 million. DHS delegated its oversight responsibility to the subcontractors for each of the programs, which then provided the funding to KOCO. Also, since DHS delegated its oversight to the subcontractors, DHS said that it did not maintain any related documentation.

For each of the three programs, DHS provided the federal ARRA funding to ensure worker-trainees were paid on a regular payroll cycle. DHS delegated all program oversight, record keeping, and payroll issuance responsibilities to its subcontractors. These subcontracts allowed DHS to use two pass-through entities for each program to ultimately provide funding to KOCO.

Monitoring of the Grant Programs

Auditors requested documentation related to these three ARRA funded programs (YES, JS, PITW) from DHS, KOCO, and the Alternative Schools Network (ASN), the subcontractor who was used as the final pass-through entity. We received the following documentation: interagency/provider agreements; worksite agreements; budgets; vouchers; revenues; and performance narrative. We requested monitoring documentation from DHS on multiple occasions; however, **no** documentation which would show that DHS was monitoring the programs was provided.

Employees' Time Charged to Multiple Programs

Auditors reviewed the documentation provided by KOCO which included the salary allocations shown in Exhibit 3-9, for the August 13, 2010 pay period. The expense summaries for JobStart and Put Illinois to Work submitted by KOCO to ASN show that the total amount paid to four employees for these two programs totaled more than the entire pay for each of the employees for the period. Additionally, at least one of the four employees had additional responsibilities for the SNAP E&T program. Another one of the employees had responsibilities in the Grow Your Own Teacher program in FY11; however, due to limitations with the general ledgers and cost allocations, it was unclear whether the salary was charged to GYO for that pay period. Based on our review of the fiscal documentation above, certain KOCO employees' salaries were charged to State funds at a rate greater than 100 percent of the employee's pay.

Exhibit 3-9
SALARY ALLOCATIONS - CHARGES MORE THAN 100%
Pay Period - August 13, 2010

Job Title	JS		PITW		JS & PITW	Actual Salary Paid	Total %	Other Program Assigned
Program Director	$872.00	42.7%	$1,325.00	64.9%	$2,197.00	$2,041.67	107.6%	SNAP
Lead Organizer	$872.00	47.6%	$1,532.00	83.6%	$2,404.00	$1,832.42	131.2%	
Youth Program Director	$871.00	47.5%	$1,532.00	83.6%	$2,403.00	$1,832.42	131.1%	GYO
Education Organizer	$871.00	49.9%	$1,533.00	87.9%	$2,404.00	$1,744.58	137.8%	

Source: OAG prepared from JS and PITW vouchers.

Without the general ledgers to support non-State funding, it was not possible for auditors to determine if those same employee salaries were also charged to other private programs/funds at KOCO. While there may be explanations for these differences, there is no evidence these instances were questioned by DHS and further demonstrate the importance of monitoring by DHS.

Limited Information

On several occasions, auditors contacted DHS and requested documentation related to the ARRA funding it provided to KOCO. Auditors received very limited documentation which only included some contracts and worksite agreements. These contracts and agreements did not always contain the required signatures. When contacted by auditors, an ASN official further stated that due to the age of the program, staff turnover, and a change in payroll service, ASN did not know the location of the documents. At the completion of the audit, ASN indicated it was able to locate the files related to the KOCO agreements. KOCO identified a box which they said contained records related to the ARRA funds received; however, auditors did not review the records because the official noted the records were damaged by water.

Conclusion on Overall DHS Monitoring

As noted in previous sections of this report, auditors determined that DHS lacked sufficient oversight and monitoring of how KOCO used State-provided moneys. Auditors determined that DHS did not maintain documentation as required by DHS policy; and as a result, DHS could not assure that all program goals and objectives for CYEP, SNAP E&T, Teen REACH, American Recovery and Reinvestment Act Job Programs (i.e., Summer Youth Employment Program, Put Illinois to Work, JobStart), and the Illinois Violence Prevention - Special Project were met or whether all State-provided moneys for these programs were used for the intended purposes.

DHS provided minimal monitoring documentation related to the $500,325 provided in fiscal years 2013 through 2015 for the Community Youth Employment Program. DHS could not provide documentation that included: program budgets; monthly/quarterly reports; close-out reports; cost allocations; youth timesheets; employee background checks; documentation to support participant eligibility and its fiscal year 2014 and 2015 Financial Reporting Packet.

DHS did not adequately monitor the Supplemental Nutritional Assistance Program–Employment & Training (SNAP E&T) funding totaling $474,801 in fiscal years 2010 through 2015. Auditors determined that DHS paid for expenditures that KOCO did not have the necessary documentation to support, paid KOCO the full administrative rate for case management for multiple months during FY12 through FY15 even though the full caseload requirement was not met, and found significant problems with KOCO's reporting of SNAP E&T participation hours.

Numerous monitoring documents were also missing for the three other grant programs DHS provided to KOCO. Various performance and fiscal documents were not provided for the Teen REACH program (FY13 through FY15), the Illinois Violence Prevention - Special Project (FY12), and the American Recovery and Reinvestment Act Job Programs (FY11). In total, DHS provided KOCO $238,883 for these three programs.

GRANT MONITORING BY DHS	
RECOMMENDATION NUMBER **1**	***The Illinois Department of Human Services should review the monitoring exceptions identified in this audit of the Kenwood Oakland Community Organization to ensure that processes are in place to properly monitor grant programs.***
ILLINOIS DEPARTMENT OF HUMAN SERVICES' RESPONSE	The Department accepts this recommendation. IDHS will review current programmatic and fiscal monitoring procedures to identify which existing controls were not properly implemented in the oversight of KOCO, update those controls to ensure compliance for future grants, and pursue any additional, necessary controls. These actions will ensure that required financial reports, performance reports and other documented measures are submitted timely and are adequately supported.

ILLINOIS STATE BOARD OF EDUCATION/ILLINOIS BOARD OF HIGHER EDUCATION

The Grow Your Own Teacher (GYO) program grant was used to recruit, support, and prepare community-based, non-traditional teacher candidates to become highly qualified teachers. The Illinois State Board of Education (ISBE) was responsible for overseeing the program in FY10, and the Illinois Board of Higher Education (IBHE) was responsible for FY11 through FY15.

Each GYO grant is awarded to a consortium consisting of one institution of higher learning, at least one community organization, and a school board or group of schools. For FY10 through FY12, KOCO was part of a consortium with Illinois State University (ISU) who was the fiscal agent for the consortium. Beginning in FY13, Northeastern Illinois University (NEIU) replaced ISU as the fiscal agent for the consortium. ISBE/IBHE had contracts with ISU/NEIU for their participation as the fiscal agent for the consortium. Additionally, ISU/NEIU had subcontracts with KOCO for its participation as a community organization in the consortium.

GYO Monitoring

The sub award agreements between ISU/NEIU, as the fiscal agent for the consortium, required KOCO to submit detailed invoices for payment. However, the agreements do not contain requirements that NEIU monitor the providers for expense verification.

The Illinois Administrative Code on the Grow Your Own Teacher program (23 Ill. Adm. Code 1085.25) outlines the roles and responsibilities of the fiscal agent which include providing direction and oversight for the consortium. Included in those responsibilities is the monitoring of grant expenditures and the budget. The Code does not specifically require the fiscal agent to verify other consortium members' expenses.

An IBHE official indicated NEIU was responsible for monitoring the grant funds provided to KOCO. The agreements between ISBE/IBHE and ISU/NEIU require quarterly reporting of grant fund expenditures and an annual program specific audit comparing budget and actual expenses to be submitted by ISU/NEIU to ISBE/IBHE for the consortium. However, the IBHE official reiterated that there is no specific reference in the grant that requires the fiscal agent to examine the records of other consortia members.

While ISBE/IBHE delegated its monitoring responsibility for providing partners to ISU/NEIU, the fiscal agent; ISBE/IBHE is still ultimately responsible for the State funds it distributed for the GYO program. Without examining all consortium members' financial records, even on a sample or periodic basis, IBHE cannot ensure that grant funds were actually used in accordance with the grant.

DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

The Department of Commerce and Economic Opportunity (DCEO) provided one $60,000 grant to KOCO during the audit period in FY11. This grant was to be used to cover costs associated with the acquisition and renovation of a new facility. Allowable expenses included: costs associated with the acquisition of property; costs associated with replacing and updating the electrical system; costs associated with replacing and updating the mechanical system; and costs associated with the demolition/renovation of the main floor of the building.

As part of DCEO's monitoring activities, DCEO provided KOCO with a report deliverable schedule for submitting monitoring reports for FY11 through FY12 (depending on how long it took to complete the project). DCEO required KOCO to submit seven quarterly Financial Status Progress Reports, seven quarterly Project Status Progress Reports, and a final Financial Status Report. In addition to these reports, DCEO's Office of Accountability prepared a final monitoring unit report to assess KOCO's compliance with grant requirements.

Quarterly Financial Status Progress Reports

The Financial Status Progress Reports accounted for the expenditure of grant funds. KOCO submitted five of the seven Financial Status Progress reports to DCEO during FY11 through FY12. Given the office building renovations were completed before the end of the grant term, KOCO did not submit progress reports for all quarters. Of these five reports, two were submitted timely and three were submitted after the scheduled due date. For the late reports, DCEO sent letters notifying KOCO that it was not in compliance with reporting required in accordance with the Grant Agreement. DCEO allowed an additional 14 calendar days from the due date to resolve the issue. KOCO submitted all Financial Status Progress reports within the 14 day grace period.

Final Financial Status Report

The final Financial Status Report summarized the expenditure of grant funds and activities completed during FY11 through FY12. DCEO required the Financial Status Report to be submitted within 45 days following the end of the grant award. KOCO submitted the final Financial Status Report on May 7, 2012, almost two months prior to the contract end date.

Quarterly Project Status Progress Reports

The quarterly Project Status Progress Reports accounted for program activities that occurred during the period. KOCO submitted five of seven Project Status Progress Reports to DCEO. Given the building renovations were completed before the end of the grant term, KOCO did not submit all quarters of progress reports. Of these five reports, two were submitted on time while the remaining reports were submitted late. All quarterly Project Status Progress Reports were submitted to DCEO within the 14 day period.

The quarterly Project Status Progress Reports required KOCO to provide copies of third-party contracts and documentation to verify that programmatic activities were conducted, such as sign-in sheets or brochures/fliers. KOCO provided DCEO with a copy of its construction contract with the contractor for the renovations of the building, as well as waivers of lien provided by the contractor that acknowledged receipt of payment and waived any future rights or claims to the property.

DCEO Office of Accountability Monitoring Review

DCEO's Office of Accountability completed a monitoring review of KOCO on April 19, 2012, and concluded that KOCO was in compliance with the provisions of the 2010 Grant Management Program. DCEO did find that KOCO owed some interest accrued on the grant funds. According to the agreement with DCEO, funds paid in advance of realized costs must be kept in an interest bearing account. The agreement also did not allow the retention of interest by the grantee. Because KOCO had kept the funds in an interest-bearing bank account, KOCO was required to pay back any interest earned on those funds to DCEO. As a result, DCEO received payment of interest from KOCO for $111.13 on April 19, 2012.

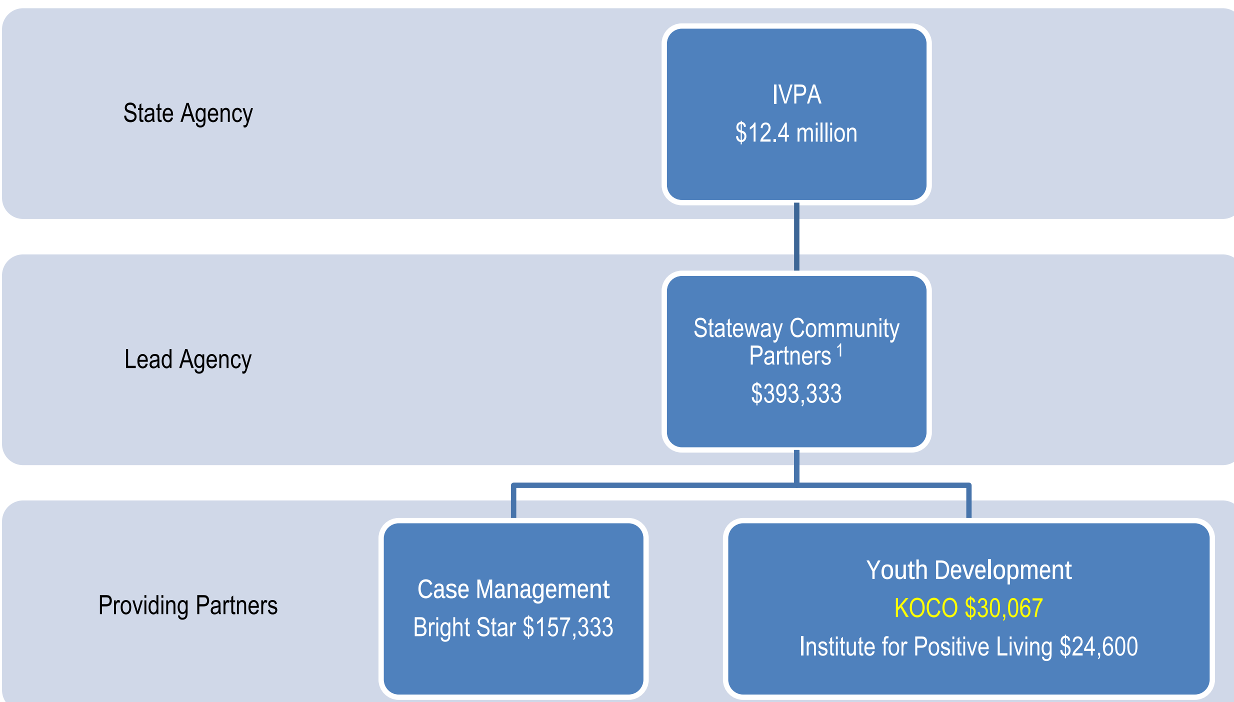
ILLINOIS VIOLENCE PREVENTION AUTHORITY

Following the FY12 Safety Net Works (SNW) program grant received by KOCO, Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, and other responsibilities from the Illinois Violence Prevention Authority (IVPA) to the Illinois Criminal Justice Information Authority (ICJIA).

Each target community has a lead agency that coordinates and facilitates all coalition activities, including implementation of program components, through the use of subcontracts with partner agencies to provide services for two components – case management and youth development. IVPA did not monitor the SNW funding received by KOCO totaling $30,067 for FY12.

In FY12, IVPA provided a total of $12.4 million for the SNW program from May 1, 2011 through October 31, 2012. Grand Boulevard was one of 23 target communities for the SNW program. Stateway Community Partners (Stateway) was chosen as the lead agency in Grand Boulevard. IVPA's contract with Stateway was for $393,333, or 3 percent of the $12.4 million total paid for SNW to provide services as the lead agency. Stateway subcontracted with three partner agencies: one was to provide case management and two were to provide youth development activities. KOCO was one of the two youth development subcontractors. As seen in Exhibit 3-10, the subcontract with KOCO in FY12 was for $30,067 or 0.24 percent of all SNW payments to provide services for the youth development component.

Exhibit 3-10
SAFETY NET WORKS STRUCTURE – GRAND BOULEVARD
May 1, 2011 through October 31, 2012



Note: [1] Stateway received $181,333 of the $393,333 as the lead agency in Grand Boulevard. The remaining $212,000 went to the providing partners.
Source: OAG prepared from Comptroller data, contracts, and subcontracts.

Contract Execution

IVPA did not approve the SNW contractual agreements between Stateway and KOCO in a timely manner. Further, Stateway failed to timely execute their agreement with KOCO. IVPA allowed KOCO to work on SNW activities prior to execution of the contractual agreement with Stateway. Auditors attempted to contact Stateway on multiple occasions; however, there was no answer and there was no email or website to help in finding additional contact information.

Quarterly Reporting

KOCO did not always timely submit quarterly reports as required by the contract. Additionally, we were unable to obtain evidence that Stateway received or reviewed these reports as required by the contract making it unclear whether any of the delegated monitoring by Stateway was actually completed.

KOCO did not submit all of the required **fiscal** reports to Stateway in a timely manner. KOCO submitted 4 out of 5 quarterly fiscal reports for the SNW program which began May 1, 2011 and ended October 31, 2012. However, auditors were unable to obtain evidence the four fiscal reports were approved or were used by Stateway or IVPA to monitor KOCO's use of State moneys. KOCO did submit all five of the required quarterly **progress** reports. ICJIA provided these reports to auditors which indicate they had been received, but not all reports have dates showing when they were actually received by Stateway or IVPA. Additionally, absent any evidence of review or receipt of supporting documentation by Stateway for youth development activities at KOCO or expenses charged by KOCO to the program, it is unclear whether any of the monitoring delegated by IVPA to Stateway was actually completed.

Background Checks

Background checks were not completed or not maintained in KOCO's files for any staff or participants having involvement with SNW. Neither KOCO nor ICJIA (IVPA) provided auditors with background checks for any persons who worked in the SNW program. KOCO did not provide evidence that any employee had a background check. Additionally, according to attendance records, there were a significant number of participants involved with SNW; however, KOCO again could not provide any evidence that a single participant had the required background check.

Auditors asked the former Director of Grant Programs at IVPA about IVPA's position at the time of SNW on background checks. The official said that background checks were not required of minors because their records are sealed. IVPA did not require background checks of youth ages 10-17 despite the contractual requirement that background checks be conducted for all persons hired under the contract.

Expense Documentation

IVPA delegated responsibility for fiscal monitoring of provider partners to SNW lead agencies. It is unclear whether Stateway as the lead agency required KOCO to submit supporting documentation for expenses with quarterly reports. Absent the supporting documentation, neither IVPA nor Stateway could verify KOCO's self-reported expenditures on the quarterly fiscal reports. We could not reconcile expenses as the budget, closeout, and general ledger did not match (shown in Exhibit 3-11).

Exhibit 3-11 USE OF FY12 SAFETY NET WORKS PROGRAM FUNDING			
	Project Budget	Closeout Report	General Ledger
Personnel Services	$5,144.00	$7,596.93	$10,795.80
Contractual Services	$22,167.00	$19,505.81	$14,330.00
Supplies	$500.00	$1,102.26	-
Travel	$1,769.00	$1,500.00	-
Equipment	$487.00	$1,990.00	-
Totals	$30,067.00	$31,695.00	$25,125.80
Source: Financial documents provided by ICJIA and KOCO.			

We analyzed KOCO's expense documentation and found that KOCO could not provide documentation to support the closeout amounts on its final fiscal report to Stateway, which was different than the budget. We reviewed KOCO's general ledger and found that it did not match the budget or the closeout report.

Also, KOCO's SNW contract with Stateway was amended to extend the grant period from June 30, 2012 to October 31, 2012, and to provide an additional $5,067. KOCO's final closeout report showed KOCO spent $6,695 during the extended period; however, documentation provided showed there were no program expenses (personnel, youth stipends or other) to support the use of additional funds. Therefore, auditors could not determine how IVPA or Stateway monitored KOCO's grant expenditures in accordance with contractual requirements of the SNW program.

A former Director of Grant Programs at IVPA reported there was no requirement for supporting documentation to be submitted by SNW partner agencies in order to verify the expenses reported on quarterly reports. IVPA and Stateway's review of the quarterly expense report relied on KOCO's self-reported expense data. KOCO certified the quarterly reports were accurate; however, as previously mentioned, there was no evidence that Stateway certified or reviewed such reports. IVPA's review of the quarterly reports also appeared to be limited.

However, FY12 was the last year for the SNW program and IVPA disbanded in 2013. Therefore, there is no recommendation related to monitoring of this grant.

Chapter Four

ACTUAL USE OF STATE MONEYS

CHAPTER CONCLUSIONS

Audit Resolution Determination
Actual use of State moneys by KOCO

For most of the moneys provided by State agencies to KOCO from fiscal years 2010 through 2015, the actual use of the funds could not be determined. KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. Additionally, since the general ledgers provided by KOCO only included State-provided funds, which often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State money and which were spent using private money. Due to this limitation, auditors requested the entire general ledger from KOCO for the audit period in order to determine how management salaries were allocated. KOCO officials decided not to provide the entire general ledger.

Documentation provided by both KOCO and the State agencies to auditors was often missing, incomplete, or conflicting. For example:

- both DHS and KOCO had difficulty providing documentation which accounted for how State moneys were spent between FY10 and FY15. Often, many of the documents provided conflicted with other documents, which included KOCO's general ledgers not matching its budgets or its actual expenditure documentation; and

- DHS also provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used.

The actual use of all Community Youth Employment Program (CYEP) moneys could not be determined due to limited documentation received. Of the $500,325 KOCO received for CYEP during fiscal years 2013 through 2015, to provide eligible youth with age-appropriate job training and work experience, auditors could not determine how $377,424 (75%) was expended. Auditors found:

- documents showed a lack of consistency between the dollar amounts in KOCO's budgets, closeout reports, and what was reported on its general ledger;

- little evidence of supervisory review of youth timesheets as required by the grant agreement. The timesheets provided to support the youth wages for CYEP were often not signed by all required parties (i.e., youth participant, worksite supervisor, KOCO employee); and

- youth timesheets often did not total to the correct number of daily hours reported.

For the Supplemental Nutrition Assistance Program - Employment & Training (SNAP E&T program), we could not determine whether participants in KOCO's program actually met the monthly requirement of 80 hours of participation. During fiscal years 2010 through 2015, KOCO received $474,801 for SNAP E&T. Auditors found:

- DHS paid KOCO the full administrative rate even in months when KOCO did not have the required number of participants in the program;

- DHS reimbursed KOCO for fare cards issued for supportive services; however, due to the lack of controls auditors had no way of knowing if the cards were actually used for SNAP customers or activities; and

- for the six-year audit period, KOCO did not place the maximum number of customers outlined in the contracts in unsubsidized employment.

Auditors were unable to determine what portion of State funds went to allowable expenditures, and in effect, how State moneys were actually expended related to the Teen REACH program. The eCornerstone reports received from DHS for FY14 and FY15 verified that the average daily attendance goals and youth participant age were met in both years. However, KOCO did not meet its youth attendance hours and did not meet the days open requirement for both FY14 and FY15. Additionally, DHS provided one eCornerstone report for FY15 related to academic progress. This report showed KOCO only tracked a few of the participants' academic progress. Auditors did not receive eCornerstone reports for FY13.

Auditors could not determine whether the purpose of the Illinois Violence Prevention - Special Project was met. Neither KOCO nor DHS provided a valid cost allocation plan for staff salaries for the $75,000 in funds provided by DHS in FY12 and FY13. Additionally, KOCO did not meet performance objectives and did not provide monitoring documentation that demonstrated the participant's improved academic performance.

In FY11, KOCO received a total of $38,945 in American Recovery and Reinvestment Act (ARRA) job program funding to support three programs. KOCO provided auditors with limited documentation on how the ARRA funds were actually used. KOCO provided auditors with three general ledgers that showed program expenses for the salaries and benefits of KOCO employees for the first four pay periods of FY11 (July 2010 and August 2010). However, the general ledgers did not list the individual employees by name that were charged to the programs. Therefore, auditors could not tell which employee was actually charged to the program and for how much.

The Grow Your Own Teacher (GYO) program required KOCO, as part of a consortium with Illinois State University (ISU) or Northeastern Illinois University (NEIU), to recruit, support, and prepare community-based, non-traditional, teacher candidates to become highly qualified teachers. Based on the invoices submitted by KOCO to the universities from FY10 through FY15, 90 percent of the GYO program funds were used to pay the salary of KOCO's GYO Coordinator. KOCO was reimbursed a total of $135,598 during FY10 through FY15 for the GYO program. Since the agreement between KOCO and either ISU or NEIU only required a three-year retention period, auditors reviewed supporting documentation for the FY13, FY14, and FY15 invoices KOCO submitted to NEIU. KOCO did not have supporting documentation for $1,445 of the $65,663 (2.2%) it received from NEIU.

We found that the GYO invoices submitted by KOCO to NEIU did not match KOCO's general ledger and other documentation provided to support its expenditures of State moneys. For example, for FY15, KOCO billed NEIU $31,470 for the coordinator's salary, yet KOCO's general ledger showed that only $26,121 was charged to the grant. Further, while invoices showed that KOCO invoiced a total of $32,968 to NEIU in FY15, KOCO's general ledger showed that only $28,516 was charged to the grant. For FY14, KOCO billed $19,945 to NEIU but only spent $12,106, according to its general ledger. As a result, KOCO's general ledgers for FY14 and FY15 showed KOCO spent $12,291 less than it invoiced to NEIU.

Auditors could not determine the actual use of all moneys provided to KOCO for the Safety Net Works program (SNW) from the Illinois Violence Prevention Authority in FY12 due to conflicting documentation received. Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, etc. from IVPA to the Illinois Criminal Justice Information Authority (ICJIA). The total budget for KOCO for SNW activities was $30,067. The majority of funding was to be spent on personnel services for a KOCO employee's salary and benefits and for contractual services for youth stipends. Auditors found the following problems with the general ledger:

- there was no record of expenses for several categories such as supplies, travel, and equipment which were included on KOCO's closeout report;

- expended amounts on the general ledger were not the same as the amount in the budget or in the closeout report;

- names were not included for payroll and benefits making it impossible for auditors to know which KOCO employee(s) were charged to the program; and

- KOCO reported receiving a lump sum of only $25,000 in SNW funds which was less than the $30,067 KOCO actually received. The total expense reported on the general ledger was $25,126, which meant KOCO did **not** account for $4,941 in SNW funds in its financial records.

DEPARTMENT OF HUMAN SERVICES

Both the Kenwood Oakland Community Organization (KOCO) and Department of Human Services (DHS) provided auditors with limited documentation to support how moneys were used. As a result, auditors found it difficult to determine the actual use of the moneys provided to KOCO by DHS. Additionally, KOCO did not provide DHS with the required annual Financial Reporting Packet for fiscal year 2014 and 2015, which was to include an IRS Form 990 (Organization Exempt from Income Tax), an Illinois Charitable Organization Annual Report, and an independent audit report/or financial reports.

DHS provided KOCO $1,214,010 during the fiscal years 2010 through 2015 for five different grants. The moneys were mainly for salaries for KOCO employees and for salaries of youth in various job programs. The majority of the funding provided to KOCO was for three programs: Community Youth Employment; SNAP Employment & Training; and Teen REACH.

(1) Community Youth Employment Program

DHS provided a total of $500,325 for the Community Youth Employment Program (CYEP) to KOCO during fiscal years 2013 through 2015. The actual use of all CYEP moneys could not be determined due to limited documentation received. Auditors also could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreement.

Exhibit 4-1
CYEP MONEYS RECEIVED BY KOCO
Fiscal Years 2013 through 2015

Fiscal Year	Money Received
FY13	$249,065
FY14	$151,260
FY15	$100,000
Total	$500,325

Source: Financial documents provided by DHS and KOCO.

Exhibit 4-1 shows the CYEP moneys received by KOCO during fiscal years 2013 through 2015. KOCO received $500,325 for CYEP to provide eligible youth with age-appropriate job training, life skills, counseling, work-readiness skills, and a supervised meaningful work experience. In order to determine actual use of State CYEP moneys, auditors requested KOCO's general ledgers and any other financial documentation that was to be maintained by both KOCO and DHS. However, auditors were provided little information, and in several instances, received conflicting information of the actual use of CYEP moneys.

The general ledgers provided by KOCO showed KOCO did not spend all the CYEP moneys it received during the three years (FY13 through FY15). Exhibit 4-2 shows the moneys expended (as shown on the general ledgers) by KOCO for CYEP during FY13, FY14, and FY15 totaled $429,123. During these three fiscal years, KOCO received $500,325 in CYEP moneys; therefore, according to KOCO's general ledgers, KOCO did not spend $71,202. Additionally, when actual timesheets for youth wages were compared to the general ledgers, KOCO received $187,979 in funding, which was not supported by the timesheets for fiscal years 2013 through 2015.

Exhibit 4-2
CYEP MONEYS EXPENDED BY KOCO
According to KOCO General Ledgers

Fiscal Year	Money Expended
FY13	$109,393
FY14	$208,055
FY15	$111,675
Total	$429,123
Total Revenue Received	$500,325
Total Not Expended	$71,202

Source: Financial documents provided by KOCO.

Use of Fiscal Year 2015 CYEP Moneys

Exhibit 4-3 summarizes the various financial documents that auditors obtained to document the use of FY15 CYEP moneys. The exhibit shows a lack of consistency between the budget ($100,000), the closeout report ($101,309), what was reported on KOCO's general ledger ($111,675), and what the documentation provided supported ($52,333). As a result, for FY15, auditors could not accurately conclude how KOCO actually used State grant funds for CYEP.

Exhibit 4-3
COMMUNITY YOUTH EMPLOYMENT PROGRAM FINANCIAL DOCUMENTATION
Fiscal Year 2015

	Budgeted Expenses	KOCO CYEP Closeout Report	KOCO General Ledger	Supporting Documents Provided
Youth Wages	$75,760	$76,117	$89,687	$47,963[1]
Program Salaries	$19,848	$20,801	-	-
Administrative Salaries	$4,392	$4,392	-	-
Admin./Operational Expense Misc.	-	-	$3,352	-
Office Supplies	-	-	$219	$298
Laptop Rental	-	-	$1,375	$1,375
Food Expense	-	-	$147	$147
Transportation	-	-	-	$150
Building Rental (Outside)	-	-	$2,400	$2,400
Payroll Expenses	-	-	$14,496	-
Totals [2]	$100,000	$101,309	$111,675	$52,333

Notes:

[1] Many of the timesheets provided to support youth wages were incorrectly totaled and were not signed by the employee and/or worksite supervisor and were not verified by the grantee (KOCO) as required.

[2] Totals may not add due to rounding.

Source: Financial documents provided by DHS and KOCO.

The timesheets provided to support the youth wages were often not signed by all required parties (i.e., youth participant, worksite supervisor, KOCO employee) and often did not total to the correct number of daily hours reported. Many youth participants' timesheets did not total to the hours worked per day or hours worked per week on their timesheet. Additionally, there was little evidence of supervisory review of timesheets as required by the grant agreement. Auditors determined that for FY15, KOCO provided 165 individual timesheets for 229 payments found in its general ledger. As a result, 64 timesheets were missing to document the youth wage payments.

Auditors also determined that the youth paychecks did not always match what was reported on the youth timesheets. For example, for the two week period ending on August 1, 2014, a youth participant documented 10.5 hours of work on their timesheet but was paid for all

40 hours. In another example, for the two week period ending August 15, 2014, a youth participant documented 17.5 hours of work on their timesheet but was paid for 40 hours. Auditors found several similar instances, which suggest that payroll may not have been based on actual hours reported on timesheets.

As shown in Exhibit 4-4, KOCO provided some documentation (receipts) for **FY15** expenses. These expenses included laptop rental, building rental, transportation, office supplies, and food expense. There was no documentation to support any program or administrative salaries charged to the FY15 grant. Exhibit 4-4 shows documentation was missing to demonstrate how $377,424 (75%) was expended during fiscal years 2013 through 2015.

Exhibit 4-4
COMMUNITY YOUTH EMPLOYMENT PROGRAM EXPENDITURE DOCUMENTATION
PROVIDED TO SUPPORT THE USE OF STATE MONEYS

	FY13	FY14	FY15
Youth Salaries	$50,072[1]	$18,707	$47,963[1]
Staff Salaries (Payroll)[2]	-	-	-
Office Supplies	$58	$24	$298
Laptop Rental	-	-	$1,375
Food Expense	$119	-	$147
Background Checks	$32	-	-
Transportation	-	$306	$150
Building Rental	-	$1,250	$2,400
Total Expended	$50,281	$20,287	$52,333
CYEP Revenue Received	$249,065	$151,260	$100,000
Unsupported Revenue	$198,784	$130,973	$47,667
Total Unsupported CYEP Revenue (FY13 through FY15) = $377,424			

Notes:

[1] Many of the timesheets provided to support youth wages were incorrectly totaled and were not signed by the employee and/or worksite supervisor and were not verified by the grantee (KOCO) as required.

[2] No valid cost allocation plans were provided in order to determine whether management or staff salaries were expended.

Source: Review of documentation provided by DHS and KOCO.

Use of Fiscal Year 2014 CYEP Moneys

KOCO provided little documentation to support the use of the $151,260 in State CYEP moneys received for FY14. For FY14, auditors were not provided a closeout report or any monthly monitoring reports that were required by the agreement. According to the general ledger, the majority of the moneys was spent on youth wages. KOCO provided auditors with youth timesheets to support $18,707 in youth wage expenditures, even though KOCO's general ledger reported nearly 10 times more was paid in youth wages of $185,280.

As shown in Exhibit 4-4, KOCO also provided some documentation (receipts) for **FY14** expenses. These expenses included building rental, transportation, and office supplies. There was no documentation to support any program or administrative salaries were charged to the FY14 grant.

According to a settlement agreement between DHS and KOCO signed in April 2014, KOCO was to expend $43,652 of unexpended CYEP funds from FY13 during FY14. The agreement required KOCO to submit documentation to DHS reporting how it expended the unused $43,652 in FY13 funds. Neither KOCO nor DHS had any documentation to support how the settlement funds were expended.

The settlement agreement also noted that KOCO documented $226,346 in expenditures during FY14. Auditors did not receive any documentation from either KOCO or DHS to support these expenditures. Additionally, KOCO received $249,065 in FY13 but the settlement agreement only addressed $118,740. The additional $130,325 in FY13 moneys was originally for two Special Projects, but according to DHS, the grants were converted to CYEP. It is unclear why the settlement agreement excluded these additional $130,325 CYEP moneys.

Use of Fiscal Year 2013 CYEP Moneys

KOCO provided little documentation to support the use of the $249,065 in State CYEP moneys received for FY13. Auditors were not provided a budget, a closeout report, or any monthly monitoring reports for FY13 as required by the agreement. According to the general ledger, KOCO only expended $109,393 of the $249,065 (44%). The ledger indicated that KOCO only spent $108,198 on youth wages.

Most of the support provided was timesheets for youth wages. Like the timesheets reviewed for FY15, many were not signed by all required parties and did not total to the correct number of hours. Auditors determined that for FY13, KOCO provided 130 individual timesheets for 269 payments found in its general ledger. As a result, 139 timesheets were missing to document the youth wage payments.

As shown in Exhibit 4-4, KOCO provided some documentation (receipts) for **FY13** expenses. These expenses included office supplies, food, and background checks. There was no documentation to support any program or administrative salaries were charged to the FY13 grant.

Was the Purpose of the CYEP Moneys Met?

According to the Community Services Agreement for CYEP between KOCO and DHS, the success of the program was measured using the Illinois NetWork. The on-line pre- and post-test evaluations were to measure the success of the program. In order to be considered a successful participant, the participant was to complete the following activities: exploring careers and training; financial literacy (such as opening a bank account); workplace skills; job search skills; resume writing; applying for a job; interviewing skills; and personal responsibility and safety. Auditors did not receive any documentation from either KOCO or DHS related to the success of the participants, including any documentation or results from pre- or post-test evaluations.

KOCO provided auditors with some receipts and timesheets for youth job training. However, numerous timesheets, which showed the hours worked, were missing, thus $187,979 spent on youth salaries was not supported.

Auditors received a Program and Spending Plan (which outlined the number of youth that would participate in the program and outlined how the State funds would be spent) for FY15, however, no plans were received for FY13 and FY14. Additionally, KOCO provided Final Grantee Reports for each of the three fiscal years, which summarized the accomplishments of the program. Other than these Final Grantee Reports, auditors were provided no specific documentation to demonstrate whether KOCO met the purposes for which State moneys were provided. Therefore, auditors could not determine whether the purpose of the CYEP moneys was met.

(2) SNAP – Employment & Training Program

During fiscal years 2010 through 2015, KOCO received $474,801 for the Supplemental Nutrition Assistance Program - Employment & Training (SNAP E&T). Auditors determined how State moneys from SNAP E&T were used by reviewing invoices submitted by KOCO to DHS and from the ledger cards DHS used to summarize the payments. SNAP E&T moneys were to be used by KOCO to help customers acquire work skills and find employment. As discussed in Chapter Three, auditors tested 15 customer files in FY15 to determine whether KOCO maintained the appropriate documentation to support the invoices submitted to DHS.

The SNAP E&T contractual deliverables were divided into three categories: administrative/case management services; supportive services; and placements. As a result, KOCO used three different monthly billing summaries to invoice DHS for reimbursement. The three monthly billing statements include:

- **Administrative rate** – reimbursement for providing case management services to customers in 80 hours of employment and training activities per month, such as basic education, vocational training, work experience, job search, and job readiness;

- **Supportive services payments** – reimbursement for payments made to customers for work and training, such as fare cards for transportation; and

- **Placement with retention payments** – earned by KOCO for up to an agreed upon number of customers per contract (27 customers in FY15) for completing consecutive calendar days of retention in unsubsidized employment.

Exhibit 4-5 summarizes the amounts paid by category to KOCO by DHS per fiscal year for SNAP E&T services.

Exhibit 4-5
DHS SNAP E&T PAYMENTS TO KOCO
Fiscal Years 2010 through 2015

Fiscal Year	Case Management Services	Supportive Services	Placements	Totals
FY10	$49,777.00	$14,628.00	$10,200.00	$74,605.00
FY11	$49,777.00	$13,911.14	$12,300.00	$75,988.14
FY12	$50,062.50	$8,810.50	$13,900.00	$72,773.00
FY13	$63,375.00	$14,339.75	$0.00	$77,714.75
FY14	$63,600.00	$16,528.50	$5,600.00	$85,728.50
FY15	$62,134.94	$21,057.00	$4,800.00	$87,991.94
Total Expended	$338,726.44	$89,274.89	$46,800.00	$474,801.33
Percent of Total	71%	19%	10%	100%

Source: DHS and KOCO SNAP E&T documentation.

Administrative/Case Management

DHS paid KOCO the full administrative rate even though KOCO did not serve and engage a full caseload. Also, during file testing, auditors found instances where KOCO included customers in the caseload even though the files did not show the customers received the required employment and training activity hours. KOCO was required to serve and engage a contractually agreed upon number of customers per month in order to receive the full monthly administrative rate. This was used for the salaries of KOCO employees whose responsibility was to ensure each customer met the 80 hours of required employment and training activities detailed above. During fiscal years 2010 through 2012, the required number of customers varied between 45 and 50 per month. During fiscal years 2013 through 2015, the contractually required number of customers per month was 53.

As shown in Exhibit 4-6, KOCO received the full administrative rate in FY10, FY11, and FY14 from DHS. In FY12, FY13, and FY15, KOCO received slightly less than the full administrative rate because some of the months were prorated since the full caseload was not being met. For example, in FY15 the full monthly administrative rate was $5,300 for serving and engaging a full caseload of 53 customers. DHS paid $100 per customer in all instances where the full monthly administrative rate was paid.

Exhibit 4-6
SNAP E&T ADMINISTRATIVE RATE PAID TO KOCO
Fiscal Years 2010 through 2015

	FY10	FY11	FY12	FY13	FY14	FY15
Budget	$49,777.00	$49,777.00	$54,000.00	$63,600.00	$63,600.00	$63,600.00
Actual	$49,777.00	$49,777.00	$50,062.50	$63,375.00	$63,600.00	$62,134.94
Difference	$0.00	$0.00	$3,937.50	$225.00	$0.00	$1,465.06
% of Budget Earned	100.0%	100.0%	92.7%	99.6%	100.0%	97.7%

Source: SNAP budgets, billing summaries, and ledger cards.

Supportive Services

Auditors found limited controls over the issuance of fare cards and thus had no way of knowing whether the fare cards were issued to the appropriate customers or whether the fare cards were used for the intended purposes. KOCO was reimbursed for supportive services provided to customers as part of SNAP E&T. The majority of supportive services provided by KOCO were in the form of fare cards. Of the $89,275 paid by DHS to KOCO for supportive services during fiscal years 2010 through 2015, only $383 went to services other than fare cards. These other services included clothing, job search expenses, and initial employment expenses.

As shown in Exhibit 4-7, out of the six years audited, KOCO spent its entire budget for supportive services in only one year (FY15). In the other years, KOCO received an average of 74 percent of the total budget during the FY10 through FY14. KOCO was reimbursed for almost every supportive service claim it made on the invoice submitted to DHS. KOCO provided receipts and check request forms to support the purchases of the fare cards.

Exhibit 4-7
SNAP E&T SUPPORTIVE SERVICES EXPENDITURES BY KOCO
Fiscal Years 2010 through 2015

	FY10	FY11	FY12	FY13	FY14	FY15
Budget	$16,982.00	$16,482.00	$16,207.00	$21,057.00	$21,057.00	$21,057.00
Actual	$14,628.00	$13,911.14	$8,810.50	$14,339.75	$16,528.50	$21,057.00
Difference	$2,354.00	$2,570.86	$7,396.50	$6,717.25	$4,528.50	$0.00
% of Budget Earned	86.1%	84.4%	54.4%	68.1%	78.5%	100.0%

Source: SNAP budgets, billing summaries, and ledger cards.

Placements

As discussed in Chapter Three, DHS denied a significant number of the placement with retention payments KOCO claimed for customers completing a certain number of consecutive calendar days in unsubsidized employment. In addition to payments for administration and supportive services, KOCO also earned a placement with retention payment for customers who completed consecutive calendar days in unsubsidized employment. One placement payment per customer per contract period was allowed. The placement payments were made at the following rates: $500 for 30 consecutive days of retention; $600 for 60 days; and $700 for 90 days. During fiscal years 2010 through 2012, the allowable number of placement payments varied between 23 and 25. During fiscal years 2013 through 2015, the allowable number of placement payments was 27.

As shown in Exhibit 4-8, KOCO received a much higher percentage of placements with retention payments in fiscal years 2010 through 2012 than in fiscal years 2013 through 2015. Specifically, no placement with retention payments were earned in FY13 and only small amounts were earned in FY14 and FY15. During FY13, all 27 placements that were billed by KOCO were denied by DHS. The general reason for denial of placements across the fiscal year was due to a lack of supporting documentation.

Exhibit 4-8
SNAP E&T PLACEMENT EXPENDITURES BY FISCAL YEAR
Fiscal Years 2010 through 2015

	FY10	FY11	FY12	FY13	FY14	FY15
Budget	$15,000	$15,000	$16,808	$19,796	$19,796	$19,796
Actual	$10,200	$12,300	$13,900	$0	$5,600	$4,800
Difference	$4,800	$2,700	$2,908	$19,796	$14,196	$14,996
% of Budget Earned	68.0%	82.0%	82.7%	0.0%	28.3%	24.2%

Source: SNAP budgets, billing summaries, and ledger cards.

Was the Purpose of the SNAP E&T Moneys Met?

KOCO received $474,801 during FY10 through FY15 to fund SNAP E&T, a self-support program to help customers acquire work skills and find employment. There were three main contractual deliverables: (1) serve and engage an agreed upon number of customers for 80 hours each month in SNAP activities; (2) issue supportive services for work and training activities; and (3) earn placement with retention payments. KOCO was reimbursed by DHS for monthly billing summaries it submitted. KOCO submitted three different billing summaries: number of customers served and engaged; amounts of supportive services issued to participants; and the number of customers placed and retained in unsubsidized employment. One monthly amount was issued to KOCO which included all three deliverables.

Administration

Part of the monthly amount received by KOCO for administration was based on KOCO serving and engaging the required customer caseload. KOCO provided the names of customers it served and engaged on an invoice submitted to DHS. DHS generally paid the full administrative rate based on the number of customers KOCO claimed on the invoice. However, during our review of case files, KOCO could not provide complete and accurate documentation to support customers receiving the required participation hours. Further, because of the incomplete files, auditors had no way of knowing whether KOCO employees met the administrative requirements, such as customer participation in required activity hours to support the payments it received.

Supportive Services

More than 99 percent of supportive services claimed by KOCO and invoiced to DHS were in the form of fare cards. KOCO provided receipts to support the purchase of all fare cards during the six-year audit period; however, auditors noted weak controls over the issuance of the cards, which resulted in incomplete logs. As a result, auditors had no way to determine whether the cards were issued to the appropriate customers or whether they were used for their intended purposes.

Placement with Retention

During the six-year period, KOCO did not place the maximum number of customers outlined in the contracts in unsubsidized employment. Further, for the six-year audit period, KOCO only earned 44 percent of such retention payments. The reason most often noted by DHS was KOCO lacked supporting documentation. While KOCO earned some placement with retention payments for customers placed and retained in unsubsidized employment, the success of this deliverable was limited.

(3) Teen REACH Program

During FY13 through FY15, KOCO received nearly $125,000 in State funds for the Teen REACH program. Based on our review of available documentation, the majority of the budgeted funds were for program staff salaries. KOCO's general ledgers showed that program costs exceeded the amount of State grant funds received in FY14 and FY15.

Teen REACH programs provide services in: 1) improving educational performance; 2) life skills education; 3) parental involvement; 4) recreational sports, cultural, and artistic activities; 5) positive adult mentors; and 6) service learning activities.

Exhibit 4-9 shows the general ledger expenses reported by KOCO along with the actual moneys received for Teen REACH from DHS for all three fiscal years. Although KOCO reported to DHS that grant funds were used for program staff salaries, KOCO also submitted numerous financial documents and receipts to DHS for expenses that were not listed as part of the budget for grant funds.

Exhibit 4-9
TEEN REACH MONEYS RECEIVED BY KOCO
Fiscal Years 2013 through 2015

Fiscal Year	General Ledger Expenses	Moneys Received
FY13	-[1]	$10,000
FY14	$110,423	$59,588
FY15	$122,440	$55,350
Totals	$232,862[2]	$124,938

Notes:

[1] No general ledger was provided for FY13 by KOCO or DHS.

[2] Total does not add due to rounding.

Source: Financial documents provided by DHS and KOCO.

Auditors requested cost allocation plans and KOCO's entire general ledger for the audit period to document how Teen REACH salaries were allocated. KOCO provided general ledgers specific to Teen REACH, which showed that expenses exceeded program funding by the State, and ledgers did not contain a breakdown of salaries by individual. Because general ledgers did not match program funding, and monitoring documentation showed that KOCO exceeded contractual cost limits (State funding for the grant program), auditors could not determine how State funds were actually expended.

Fiscal Year 2015

For FY15, KOCO provided auditors a general ledger that showed Teen REACH expenses were almost $122,440, of which $93,738 was for payroll expenses. Approximately six weeks prior to the end of the fiscal year, KOCO submitted a budget revision to DHS which changed the budget (which originally included costs for both personnel and commodities) to just personnel expenses. DHS approved the budget revision and payroll records submitted by KOCO supported the salary expenses for two Teen REACH staff. According to expenditure documentation reports provided by KOCO, KOCO spent more than the $55,350 that was budgeted to pay the salaries for two employees to oversee the Teen REACH program.

Fiscal Year 2014

KOCO's FY14 general ledger showed expenses for Teen REACH totaled $110,423. The State provided grant funding in the amount of $59,588 for FY14. A budget revision for FY14 was submitted by KOCO on August 15, 2013, and was approved by DHS on September 4, 2013. The original budget allocated all $59,589 for personal services. The approved revision changed the budget items to $30,429 for personal services, and $29,160 for contractual services. The approved budget narrative stated that contractual services were provided for youth to have the opportunity to earn money through stipends in the program areas.

KOCO submitted payroll records to DHS to support the above personal services expenses for the program. Payroll records totaled almost $57,592. Additional documentation was submitted for a variety of expenses including: fruit; sandwiches; parking; bus transportation; prizes; and games. The documentation for the additional expenses totaled $5,867. In total, documentation provided supported the expenditure of $63,459 of the almost $110,423 reported on the general ledger.

Fiscal Year 2013

Auditors received a spending plan from DHS where KOCO initially requested and budgeted to receive funding from DHS in the amount of $28,776 for FY13. KOCO was approved to receive $10,000 from DHS. Auditors also received payroll documentation that supported payment of two employees for Teen REACH. Neither KOCO nor DHS provided auditors with a general ledger for Teen REACH in FY13. In addition, neither KOCO nor DHS provided auditors with documentation that discussed in detail activities and program achievements for FY13.

Was the Purpose of the Teen REACH Moneys Met?

As mentioned in Chapter Three, eCornerstone reports received from DHS for FY14 and FY15 verified that the average daily attendance goals and youth participant age were met in both years. However, KOCO did not meet its youth attendance hours and did not meet the days open requirement for both FY14 and FY15. Additionally, DHS provided one eCornerstone report for FY15 related to academic progress. This report showed KOCO only tracked a few of the participants' academic progress. Auditors did not receive eCornerstone reports for FY13.

As a result, auditors could not determine whether the desired outcomes of the Teen REACH program were achieved. Additionally, without a valid cost allocation plan, auditors were unable to determine what portion of State funds went to allowable expenditures, and in effect, how State moneys were actually expended.

(4) Illinois Violence Prevention - Special Project

In fiscal year 2012, KOCO received $75,000 for the Illinois Violence Prevention - Special Project grant. The intent of the special project grant was to provide out-of-school time activities and mentoring to at-risk youth between the ages of 6 and 17. As with Teen REACH, a significant majority of the agency services was to be directed to youth age 11 to 17 who are more likely to engage in high risk behaviors in the out-of-school time hours.

As a provider, KOCO was responsible for providing the following core services: improved academic performance; recreation, sports, and cultural and artistic activities; positive adult mentors; life skills education; parental involvement; and service learning. KOCO submitted quarterly reports and an annual narrative report for FY12 and FY13, which encompassed all accomplishments for the program. Some of these accomplishments included an afterschool program, youth organizing council, Black Male Achievement Program, student leadership team, and parent patrol.

KOCO submitted financial documentation for parent patrol stipends and KOCO salaries, including one full-time employee and two other employees whose salaries were partially charged to the grant. The general ledger provided by KOCO showed only payments for parent patrol stipends. The ledger did not show program revenues that matched expenditures specific to this grant. In addition, without a valid cost allocation plan, auditors could not determine how salaries were allocated to program employee salaries, and therefore, auditors could not determine how State moneys were expended.

Was the Purpose of the Illinois Violence Prevention - Special Project Moneys Met?

KOCO provided to auditors four quarterly reports and an annual narrative report for FY12 and FY13 to demonstrate all accomplishments for the program. Service tracking forms and quality assurance reviews performed by DHS during the grant period were also provided to auditors. Review of these reports and forms by auditors found KOCO did not meet program performance measures for multiple quarters. Financial documentation submitted by KOCO supported payment of parent patrol stipends and KOCO salaries. However, neither KOCO nor DHS provided a valid cost allocation plan for staff salaries. Auditors could not determine whether the purpose of the Special Project was met. Additionally, KOCO did not meet performance measures, did not provide a cost allocation plan, and did not provide monitoring documentation that demonstrated the participant's improved academic performance.

(5) American Recovery and Reinvestment Act Job Programs

In FY11, KOCO received a total of $38,945 in American Recovery and Reinvestment Act (ARRA) job program funding to support three programs. The three programs were Summer Youth Employment (YES), JobStart (JS), and Put Illinois to Work (PITW). KOCO used all the ARRA funds they received to support a portion of the salaries for KOCO employees for limited time periods. See Exhibit 4-10 for breakdown by program.

For each of the programs, KOCO received funding for:

- Providing a worksite;
- Providing a mentor or supervisor to oversee worker trainees; and
- Reporting on the timesheets of worker trainees to ensure accurate issuance of payroll.

Exhibit 4-10
AMOUNTS PAID TO KOCO WITH ARRA FUNDS
Fiscal Year 2011

Program	Amount Paid
Summer Youth Employment (YES)	$5,135
JobStart (JS)	$11,260
Put Illinois to Work (PITW)	$22,550
Total	$38,945

Source: OAG prepared from DHS and KOCO ARRA documentation.

Salary Information

KOCO provided auditors with three general ledgers that showed all program expenses for the salaries and benefits of KOCO employees for the first four pay periods of FY11 (July and August 2010). However, the general ledgers did not split the payroll and name the multiple employees who were charged to the programs by individual. Therefore, auditors could not tell which employee was actually charged to the program and for how much.

KOCO's only budgeted and vouchered expenditures were for the reimbursement of employee salaries. It is unclear whether these salaries were allowable expenses under the terms of the worksite agreements with Alternative Schools Network (ASN), which had not been executed. The agreements for all three programs contain similar language regarding worksite compensation for providing job experience, skill acquisition, mentoring, supervision, and training of worker-trainees which does not appear to allow funding to be used for salaries. The following language can be found in each of the three agreements:

Summer Youth Employment (YES)

"11. The worksite agrees to provide job experience, skill acquisition and meaningful work to the worker-trainee(s) that is relevant to worksite jobs or sector jobs. The worksite is not being separately compensated for this service."

"12. The worksite agrees to mentor and supervise the worker-trainee(s) to ensure skill and experience acquisition adequate to pursue employment. The worksite is not being separately compensated for this service; it is their in-kind contribution to Illinois Y.E.S."

"13. …The worksite certifies that this supervision and training is being provided by staff that is funded by private funds or is funded primarily (at least 50%) by non-Federal funds." [Emphasis added]

JobStart (JS)

"5. The Worksite agrees to mentor and supervise the JobStart trainee-worker(s) to ensure skill and experience acquisition adequate to pursue the employment. The Worksite is not being separately compensated for this service; it is the Worksite's in-kind contribution to the JobStart Program."

"6. …The employer certifies that this supervision and training is being provided by staff that is funded by private funds or is funded solely by non-Federal funds."[Emphasis added]

Put Illinois To Work (PITW)

"19. The worksite agrees to provide job experience, skill acquisition and meaningful work to the trainee worker(s)…The worksite is not being separately compensated for this service."

"20. The worksite agrees to mentor and supervise the trainee-worker(s) to ensure skill and experience acquisition adequate to pursue the employment. This work is not being separately compensated for this service; it is the worksite's in-kind contribution to Put Illinois to Work."

"21. …The worksite certifies that this supervision and training is being provided by staff that is funded by private funds or if funded solely by Non-Federal funds."[Emphasis added]

At least for JS, documentation provided to auditors includes a communication from ASN approving the use of funds for personnel expenses. Auditors question whether this approval was allowed by the agreements quoted above. There is no documentation that shows DHS approved the use of these funds for personnel. It was DHS' responsibility to provide funding and all other responsibilities were delegated to the subcontractors.

Also, as mentioned in Chapter Three, auditors questioned amounts charged for salaries to KOCO employees because, at a minimum, there were salaries for the three ARRA funded programs which totaled more than 100 percent. Additionally, considering the limitations to the ledgers and salary allocations discussed below, auditors could not determine how the money was actually used.

Limited Documentation of Expenditures

KOCO also provided auditors with limited documentation on how the ARRA funds were actually used. KOCO provided budgets, participant names (for YES and JS programs only), vouchers, checks for actual program funding, and program narratives (JS and PITW only). From the vouchers, it was apparent that KOCO received funding for its personnel. KOCO provided a narrative detailing the administration and supervision of customers as program accomplishments. However, there was no back-up support such as timesheets to show the hours charged by KOCO staff. The budgeted amounts match actual checks for what KOCO received for each of the three programs; however, certain vouchers were missing and the number of pay periods reported on the vouchers did not match the pay periods on the general ledgers.

Further, the names of the KOCO employees on the budget match the ones shown on the expense detail; however, absent more specific details on the general ledgers, such as employee names, auditors had no way to determine who was actually charged to each of the programs. Additionally, late in the audit, auditors were provided with salary allocations by program. The names and total amounts did not always match the budgets and/or vouchers.

Were the Purposes of the ARRA Job Program Moneys Met?

KOCO received a total of $38,945 through DHS' draw down of federal ARRA funds during FY11 to fund three programs (YES, JS and PITW) during July and August 2010. The intent of these programs was to foster economic recovery and put Illinoisans back to work by subsidizing employment to unemployed or underemployed parents and youth who met TANF eligibility requirements.

Based on the language in the worksite agreements, it is unclear whether personnel costs were an allowable use of funding. All three worksite agreements noted KOCO was not receiving separate compensation to provide mentoring, supervising, and training and noted that in-kind and private sources of funding were to be used for salaries related to the provider's supervision and training costs. Auditors did not review any supporting documentation as the records were damaged and according to KOCO were not reviewable.

KOCO was reimbursed for vouchers submitted to ASN, an agent for the State acting through Statewide lead agencies. DHS drew down the federal ARRA funds to support the expenses of the programs, but delegated all other responsibilities to its subcontractors. For all three programs, the vouchers submitted to ASN claimed payments were for salaries and benefits of KOCO employees, an expense questioned by auditors as being unallowable. Aside from a short narrative on each program, auditors were not provided with documentation to support the salaries charged by KOCO. As a result of not reviewing the damaged records and questioning the use of the funds, auditors do not know whether the purposes of the ARRA moneys were met.

Conclusion on Use of DHS Grant Funds

As noted in the previous sections of this report, both DHS and KOCO had difficulty providing documentation which accounted for how State moneys were spent between FY10 and FY15. The Community Services Agreements cites 89 Ill. Adm. Code 509.40, which requires records be maintained for *"at least five years after the end of the fiscal year to which they relate."* The code also notes, *"Failure to maintain adequate records to document the expenditure of DHS funds creates a presumption in favor of the Department for recovery of the funds."*

Additionally, many of the documents provided conflicted with other documents, which included general ledgers not matching budgets or actual expenditure documentation. As noted in Chapter Three, KOCO did not provide audited financial statements for FY14 and FY15 and did not wish to provide auditors access to its complete general ledger as it included funds other than those that were State-provided. DHS also provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used. As a result of this lack of documentation, auditors found it difficult if not impossible to determine the actual use of most of the moneys provided to KOCO by DHS.

USE OF GRANT FUNDS	
RECOMMENDATION NUMBER **2**	***The Illinois Department of Human Services should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.***
ILLINOIS DEPARTMENT OF HUMAN SERVICES' RESPONSE	The Department accepts this recommendation. IDHS will review its process to ensure that required documentation is easily retrievable. IDHS will also review the issues identified in the report related to lack of supporting documentation for expenditures. Based on this review, and a review of any additional available documentation, the Department will determine the likelihood of recovering any unsupported or questioned costs and pursue recovery, if appropriate, pursuant to the Illinois Grant Funds Recovery Act or any other applicable law.

ILLINOIS BOARD OF HIGHER EDUCATION

The Grow Your Own Teacher (GYO) program was created by Public Act 93-802, the Grow Your Own Teacher Education Act. The overall focus of the initiative was to prepare highly skilled, committed teachers who would teach in hard-to-staff schools or in hard-to-staff teaching positions and would remain in these schools for a substantial period of time.

Under the initiative, grants were given to consortia, each of which consisted of an institution of higher learning (public university), a school board or group of schools, and at least one community organization. During FY10 through FY12, KOCO was part of a consortium with Illinois State University (ISU) where ISU was the fiscal agent for the consortium. Beginning in 2013, KOCO became part of a consortium with Northeastern Illinois University (NEIU) where NEIU was the fiscal agent for the consortium. For FY10, the Illinois State Board of Education (ISBE) was responsible for the initiative; it was transferred to the Illinois Board of Higher Education (IBHE) on July 1, 2010.

Students in the consortia were eligible for $25,000 in forgivable loans; they were also required to apply for financial aid to help with tuition costs. The funds provided to KOCO were mainly used for the salary of the GYO Coordinator (90%); however, moneys could be used to pay student expenses, including test fees, child care, transportation, and tutoring.

Use of Grow Your Own Teacher Moneys

Each year, KOCO signed a sub award agreement with the consortium's fiscal agent (either ISU or NEIU). This agreement specified the maximum budgeted amount that KOCO was to receive from grant funds. KOCO submitted invoices for actual expenses incurred and was reimbursed for the expenses claimed on the invoice.

As shown in Exhibit 4-11, based on the invoices submitted by KOCO to the universities from FY10 through FY15, 90 percent of the funds were used to pay the salary of KOCO's GYO Coordinator. According to 23 Ill. Adm. Code 1085.25(d), some of the responsibilities of the coordinator were defined as follows:

- assist students with class schedules;
- help candidates register;
- help candidates solve individual problems related to their classes, basic skills tests, and other college requirements;
- conduct meetings with academic counselors; and
- coordinate tutorial support.

The other 10 percent of funds were used for student support. Exhibit 4-11 below shows the amounts reimbursed to KOCO from ISU and NEIU for the GYO Coordinator and other expenses for FY10 through FY15.

Exhibit 4-11
KOCO INVOICES AND REIMBURSEMENTS FOR GROW YOUR OWN TEACHER PROGRAM
Fiscal Years 2010 through 2015

	FY10	FY11	FY12	FY13	FY14	FY15	Totals	Percent
Coordinator Salary/Benefits	$20,000	$20,000	$19,998	$12,000	$18,000	$31,470	$121,468	89.6%
Test Fees	$2,064	$688	$1,190	$750	$0	$125	$4,817	3.6%
Transportation	$3,840	$0	$0	$0	$0	$0	$3,840	2.8%
Childcare	$2,154	$0	$0	$0	$0	$0	$2,154	1.6%
Tutoring	$0	$0	$0	$0	$1,246	$0	$1,246	0.9%
Loans 2-yr Institutions	$0	$0	$0	$0	$699	$1,228	$1,927	1.4%
GYO Candidate Book Costs	$0	$0	$0	$0	$0	$145	$145	0.1%
Total Invoiced Amounts[1]	$28,058	$20,688	$21,188	$12,750	$19,945	$32,968	$135,598	100%

Note: [1] Totals may not add due to rounding.
Source: Information received from ISU and NEIU.

Auditors compared the budgets in each fiscal year with the invoices submitted by KOCO to ISU/NEIU to determine how the money was actually used. KOCO reported spending and was reimbursed for a total of $135,598 of the $144,733 that was budgeted during FY10 through FY15.

Since the agreement between KOCO and either ISU or NEIU only required a three year retention period, auditors reviewed supporting documentation for the FY13, FY14, and FY15 invoices KOCO submitted to NEIU. KOCO did not have supporting documentation for $1,445 of the $65,663 (2.2%) it received from NEIU. KOCO did not have documentation to support $199 for testing fees for FY13 and $1,246 for tutoring in FY14.

Auditors concluded that KOCO provided enough payroll documentation to support the coordinator's salary and benefits charged during the six year period; however, auditors could not rely on the general ledger to determine what percentage of the coordinator's salary was allocated to the Grow Your Own Teacher program. KOCO provided the payroll for the coordinator for each of the fiscal years and the coordinator's total yearly earnings exceeded the budgeted amount.

Auditors reviewed the general ledgers from FY13 through FY15 and noted the amounts charged for the coordinator which exceeded their total earnings for certain pay periods. Auditors also noted other issues with the general ledger which included expenses not budgeted or invoiced and a positive net income in 2014 and 2015.

Inaccurate Fiscal Information

We found that the invoices submitted by KOCO to NEIU did not match KOCO's general ledger and other documentation provided to support its expenditures of State moneys. For example, for FY15, KOCO billed NEIU $31,470 for the coordinator's salary, yet KOCO's general ledger showed that only $26,121 was charged to the grant. Further, while invoices showed that KOCO invoiced a total of $32,968 to NEIU in FY15, KOCO's general ledger showed that only $28,516 was charged to the grant. For FY14, KOCO billed $19,945 to NEIU but only spent $12,106, according to its general ledger. As a result, KOCO's general ledgers for FY14 and FY15 showed KOCO spent $12,291 less than it invoiced to NEIU. In contrast, in FY13, KOCO billed NEIU $12,750, but its general ledger showed expenditures from the grant of $50,970 for a net deficit of $38,220.

Because the expenditure information provided by KOCO differed from the invoices submitted to NEIU (and we were not given KOCO's entire general ledger so we could see how much private money was spent on GYO) we could not determine the accuracy of either. We were able to determine that KOCO did pay the Coordinator a salary greater than the amount for which it submitted invoices to NEIU. We could not determine the actual amount of grant funds used to pay that salary each year, because the cost allocation plan, the invoices, and other financial documentation all differed on how much State money was used.

Were the Purposes of the GYO Program Moneys Met?

The GYO program's goals as they pertain to KOCO were primarily to pay for the salary and benefits of a coordinator at KOCO to recruit, support, and prepare non-traditional, community-based teacher candidates. From the information received, it appeared that the GYO funds granted to KOCO were used for the intended purposes.

GROW YOUR OWN TEACHER EXPENDITURE MONITORING	
RECOMMENDATION NUMBER 3	***The Illinois Board of Higher Education should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.***
ILLINOIS BOARD OF HIGHER EDUCATION'S RESPONSE	We agree with the recommendation and will perform further review of the identified issues.

DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

Public Act 96-0039 allocated $60,000 from the Build Illinois Bond Fund to the Department of Commerce and Economic Opportunity (DCEO) for a grant to KOCO for the acquisition and renovation of a new facility. KOCO used the grant funds from DCEO to cover the costs associated with the acquisition and renovation of a new office building located at 4242 South Cottage Grove in Chicago, IL. Specifically, the funds were used for wiring/electrical costs, mechanical systems costs, and excavation/site prep/demolition costs.

Exhibit 4-12 compares KOCO's original budget with expenditure documentation submitted to DCEO. Auditors reviewed general ledgers and other financial documentation provided by DCEO and determined that KOCO used the $60,000 grant to cover a portion of costs associated with the project. The total cost of the project to KOCO was $24,000 to purchase the KOCO office building, and $310,000 to renovate the building.

Exhibit 4-12
KOCO BUDGET FOR THE PURCHASE AND RENOVATION OF OFFICE BUILDING

Cost Category	Budget Amount	Close-out Amount
Building/Land Purchase	$24,000	$24,000
Wiring/Electrical	$14,900	$14,900
Mechanical Systems	$5,700	$5,700
Excavation/Site Prep/Demolition	$15,400	$15,400
Totals	$60,000	$60,000

Source: Financial documents provided by DCEO.

KOCO provided documentation to DCEO which supports the use of the $24,000 toward the acquisition of the building. Although the building was purchased prior to the grant, DCEO indicated that KOCO could be reimbursed for the funds it previously spent for the purchase of the building.

Since the total cost of the building renovation exceeded the funding provided by DCEO, auditors determined State funds were used to pay a portion of the total cost associated with the project. For example, the grant provided $5,700 for mechanical systems while the total contracted amount for the renovation of the mechanical system was $29,205. Based on our review of the documentation, KOCO spent the $60,000 it received on the acquisition and renovation of its building as required.

Was the Purpose of the DCEO Moneys Met?

KOCO purchased its new building on October 30, 2009. On March 19, 2012, KOCO was granted permission by DCEO to include the prior purchase cost of the building in its grant budget. Renovations for the line items budgeted in the grant were completed before the end of the grant period which ended on June 30, 2012.

Auditors reviewed documentation provided by DCEO and KOCO and determined State money did not go towards the compensation of management employees. Auditors concluded that the $60,000 went to the acquisition and renovation of the building and that KOCO met the purposes for which State moneys were provided.

ILLINOIS VIOLENCE PREVENTION AUTHORITY

Following the FY12 Safety Net Works (SNW) Program grant received by KOCO, Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, etc. from the Illinois Violence Prevention Authority (IVPA) to the Illinois Criminal Justice Information Authority (ICJIA). Therefore, the recommendation in this chapter relative to the SNW Program funding provided to KOCO is directed to ICJIA as the agency that maintains the SNW records.

Auditors could not determine the actual use of all moneys provided to KOCO for the SNW program in FY12 due to the conflicting documentation received. Stateway (lead agency for the Grand Boulevard community) and KOCO initially outlined the activities to be completed for the SNW program in the grant agreement which detailed the services to be performed by KOCO. The agreement included a project budget as well as a list of the personnel who would perform those activities in the agreed upon grant agreement which totaled $30,067.

SNW is a State-sponsored initiative designed to promote collaboration among local community groups with the goals of preventing youth violence and fostering youth development. KOCO was required to provide youth development services consisting of expansion or enhancements of existing youth programming, such as after-school, recreational, cultural, tutoring programming, and life skills development to an at-risk population ages 10 to 24.

To determine actual use, auditors analyzed available documentation which included: budget; quarterly fiscal and closeout reports; salary allocations; a general ledger; expense documentation; and attendance records. Because the amounts in the documents were conflicting, auditors could not determine the actual use of the moneys.

Project Budget

We reviewed the original subcontract and subsequent amendments between Stateway and KOCO for SNW activities. Both the subcontract and amendments included an approved project budget outlining how KOCO was to spend the SNW funds. In FY12, the total budget for KOCO for SNW activities was $30,067. The majority of funding was to be spent on personnel services for a portion of a KOCO employee's salary and benefits and in contractual services for youth stipends.

Fiscal Reporting

We reviewed the quarterly fiscal and final closeout reports submitted by KOCO to Stateway and then to IVPA to determine actual uses for the State-funded SNW grant. KOCO's expenditures were reported first to Stateway and then to IVPA utilizing these reports. IVPA did not require supporting documentation to be submitted to verify the self-reported expense figures by KOCO.

KOCO reported spending a total of $31,695 which was more than the budgeted amount and more than what was actually received from Stateway. The largest expense for KOCO was contractual services followed by personnel services. IVPA did not require the submission of any supporting documentation to show how the expenses were charged to the budgeted line items.

General Ledger and Salary Allocations

The general ledger and salary allocations were different than the budget and fiscal reports. Auditors found the following problems with the general ledger:

- There was no record of expenses for several categories, such as supplies, travel, and equipment which were previously included on KOCO's closeout report;

- Expended amounts on the general ledger were not same as the budget or the closeout report;

- Names were not included for the payroll and benefits making it impossible for auditors to know which KOCO employee(s) were charged to the program; and

- On its general ledger, KOCO reported receiving a lump sum of $25,000 in SNW funds which is less than the $30,067 KOCO actually received. The total expense reported on the general ledger was $25,126, which means KOCO did **not** account for $4,941 in SNW funds in its financial records.

Late in the audit, a KOCO official provided auditors with program salary detail which included the names, positions, and salary amounts charged to the programs at KOCO. Auditors tried to use the amount on the salary detail to compare to the project budget and general ledger, but found inconsistencies. For example, KOCO reported on the salary detail that two employees were charged to the program, but the project budget only showed that one employee was charged. Again, the general ledger did not include any employee names making it impossible for auditors to know who was actually charged to SNW funds.

Expense Documentation and Attendance Records

Auditors also requested and analyzed expense documentation. KOCO provided payroll information, check request forms for youth intern stipends, and check request forms and receipts for other expenses.

KOCO provided payroll for three employees, which was not consistent with the single employee listed on the project budget or the two employees listed on the salary detail described above. Further, the payroll information provided consisted of the entire salaries for the three employees; therefore, auditors could not determine how much was actually charged to the program.

KOCO provided the check request forms for youth intern stipends and attendance records. KOCO provided other expense documentation totaling $5,700. Examples of expenses included:

- Food and supplies for youth events;
- Bus transportation for summer camps; and
- Bounce house, dunk tank, and clown and magician for back to school festival.

Auditors found documentation to support $3,680 of the $5,700; however, none of these expenses were on the general ledger. KOCO used check request forms and receipts to document SNW program expenses. However, there was no indication on the request forms or receipts which identified the line items KOCO used to report on the closeout. Absent any entry on the general ledger, it was not possible for auditors to know whether the expenses were for the SNW program or another program at KOCO.

Were the Purposes of the ICJIA Moneys Met?

KOCO documented engaging youth and providing stipends to youth leaders as required by the grant agreement; however, auditors could not determine whether the funds were always spent in accordance with the terms of such agreement. KOCO provided documentation to support that youth stipends were paid during the original contractual time period, July 2011 through June 2012; however, the number of stipends paid was not consistent across pay periods and did not agree with the contractually agreed upon number of youth. Additionally, KOCO did not have expenditure documentation to support the contract amendment which extended the time period of the agreement by four months from July 2012 through October 2012 for which it was paid.

Participation

KOCO provided youth attendance records for leadership council meetings, summer programs, and planning meetings for various dates throughout the entire grant period, including the extension through October 2012. However, those attendance records did not contain any additional detail as to the purpose of the meetings. There were a few agendas which provided some additional detail. Additionally, there were approved project budgets which detailed how the funds supported youth participation in SNW. There were no documented expenses from July

2012 through October 2012. Auditors were unable to tell what, if any, funding was used to support SNW activities during this timeframe.

Stipends

KOCO provided check request forms with youth names for approval to pay stipends along with a general ledger which documented the issuance of such stipends; however, auditors noted the following:

- Stipends were not paid during the entire grant period. There was an amendment to the original contract which extended the period by four months from June 2012 through October 2012 and increased the project budget from $25,000 to $30,067. The increase of $5,067 was specifically budgeted for youth stipends; however, there is no record of any stipends being paid during the extended timeframe.

- Auditors could neither determine how many youth leaders were eligible for stipends nor how many actually received stipends. The description in the original approved project budget showed only four youth leaders receiving stipends; however, the amended contract said six youth leaders were to receive stipends. Documentation supported varying numbers of members receiving stipends across pay periods. Documentation supported more check request forms for stipends than were actually charged on the general ledger. For example, for the August 15, 2011 pay date, KOCO provided check request forms for four members; however, the general ledger only shows two members receiving SNW funds. Further, the amounts paid for youth stipends on the closeout report and the general ledger did not match.

SAFETY NET WORKS EXPENDITURE MONITORING	
RECOMMENDATION NUMBER **4**	***The Illinois Criminal Justice Information Authority (formerly the Illinois Violence Prevention Authority) should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.***
ILLINOIS CRIMINAL JUSTICE INFORMATION AUTHORITY RESPONSE	ICJIA concurs with the recommendation. The hiring of a Grantee Auditor in 2016 by ICJIA addresses many of the deficiencies identified in the oversight of KOCO's grant program. The Grantee Auditor's primary objectives include ensuring that state and federal grantees have implemented proper financial and procedural internal controls, and that grantee's claimed expenses are accurate and supported by proper documentation and match grant budgets. The Grantee Auditor also reviews grantee general ledgers, approved grant budgets, and fiscal reports to ensure they all reconcile. ICJIA's Fiscal Department will verify any undocumented expenses of KOCO's SNW program. ICJIA's attorneys will initiate actions to recover any verified unallowable or undocumented amount.

APPENDIX A
HOUSE RESOLUTION NUMBER 324

Appendix A

HOUSE RESOLUTION NUMBER 324

HR0324 Enrolled LRB099 11602 GRL 33353 r

HOUSE RESOLUTION 324

WHEREAS, The Kenwood Oakland Community Organization is a community-based, tax-exempt organization founded in 1965; and

WHEREAS, The Kenwood Oakland Community Organization's stated mission is, through sustained engagement of low-income and working families, the development of multi-generational leaders who impact decision-making processes and public policies, improving the quality of life in the local communities; and

WHEREAS, In Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015, Kenwood Oakland Community Organization has received over $1.3 million in funding from the State of Illinois; and

WHEREAS, The Kenwood Oakland Community Organization was a recipient of funds from the Neighborhood Recovery Initiative and Illinois Violence Prevention Authority; and

WHEREAS, The Kenwood Oakland Community Organization received significant increases in State grant allotments in calendar years 2013 and 2014, while the City of Chicago determined they were not qualified for continued participation in out-of-school time programs; and

WHEREAS, These funds have been for various purposes, including the Food Stamp Employment and Training Program, the After School Youth Program, the Temporary Assistance to Needy Families Program, and the Summer Youth Jobs Program; therefore, be it

RESOLVED, BY THE HOUSE OF REPRESENTATIVES OF THE

NINETY-NINTH GENERAL ASSEMBLY OF THE STATE OF ILLINOIS, that the Auditor General is directed to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization under contracts or grant agreements in Fiscal Years 2010, 2011, 2012, 2013, 2014, and 2015; and be it further

RESOLVED, That this performance audit include, but not be limited to, the following determinations:

(1) the purposes for which State moneys were provided to the Kenwood Oakland Community Organization, for each State agency and for each amount transferred;

(2) the nature and extent of monitoring by State agencies of how the Kenwood Oakland Community Organization used the State-provided moneys;

(3) the actual use of State moneys by the Kenwood Oakland Community Organization;

(4) whether, through a review of available documentation, the Kenwood Oakland Community Organization has met or is meeting the purposes for which the State moneys were provided, with specific information concerning the Organization's staffing levels and its compensation of management employees; and

(5) whether the Kenwood Oakland Community Organization is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Organization's receipt of State moneys; and be it further

RESOLVED, That the Kenwood Oakland Community Organization, the Illinois Department of Human Services, and any other entity having information relevant to this audit cooperate fully and promptly with the Auditor General's Office in the conduct of this audit; and be it further

RESOLVED, That the Auditor General commence this audit as soon as possible and report its findings and recommendations upon completion in accordance with the provisions of Section 3-14 of the Illinois State Auditing Act.

APPENDIX B
Audit Sampling and Methodology

Appendix B

AUDIT SAMPLING AND METHODOLOGY

This audit was conducted in accordance with generally accepted governmental auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives for this audit were those as delineated in House Resolution Number 324 (as shown in Appendix A), which directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Kenwood Oakland Community Organization (KOCO) under contracts or grant agreements in fiscal years 2010 through 2015. Work on this audit began with an initial meeting with KOCO in July 2015 and ended in November 2016.

In conducting this audit, auditors reviewed applicable State statutes and rules. We reviewed: compliance with those laws and rules to the extent necessary to meet the audit's objectives; policies and procedures relevant to the audit areas; and management controls related to the audit's objectives. Any significant weaknesses in those controls are included in this report. Auditors assessed fraud risk and attempted to develop testing methodologies to identify fraud; however, KOCO did not provide the information and documentation necessary to conduct such testing.

Auditors conducted interviews and phone conferences with KOCO and various State agencies between July 2015 and October 2015. During those meetings, we requested all relevant documentation related to the State funding provided to KOCO for fiscal years 2010 through 2015. Specifically, auditors obtained information from the Department of Human Services, the Department of Commerce and Economic Opportunity (DCEO), the State Board of Education (ISBE), the Board of Higher Education (IBHE), and the Criminal Justice Information Authority (ICJIA). Additionally, we contacted the Alternative Schools Network, Northeastern Illinois University (NEIU), Illinois State University (ISU), the City of Chicago, and KOCO.

We examined all file documentation provided by KOCO and the various State agencies, including the available contractual documents, made available to auditors for the State moneys KOCO received in FY2010 through FY2015. This included all State agencies providing funds as well as documentation maintained by KOCO. We also examined documentation from other entities including NEIU and ISU who were the pass-through entities for the Grow Your Own Teacher program funds.

We requested and reviewed the general ledgers from KOCO to support the funds they received. We also requested and reviewed the salary allocation plan from KOCO to support the salaries they charged to State moneys. Although auditors worked with KOCO officials until November 2016 to acquire all documentation to support the State funding received during fiscal years 2010 through 2015, KOCO provided incomplete documentation. Some of the documentation received from KOCO conflicted with or did not support the information reported to State agencies (such as general ledgers not matching closeout reports). Therefore, auditors could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreement.

We took separate samples related to the Community Youth Employment Program, the SNAP E&T program, and the Teen REACH program, which are detailed below. The purpose of this testing was to report on the case files we selected. The testing conducted was not intended to reflect on the population and the results cannot be projected to the entire population of case files within these programs.

DHS

Community Youth Employment Program

We requested and analyzed all youth timesheets to determine whether the payments to youth were accurate. Additionally, we compiled a list of youth served by the program from timesheets provided by KOCO and randomly selected 10 youth, 5 of which also participated in Teen REACH, to determine whether the youth met the eligibility requirements.

SNAP E&T

We reviewed and summarized six fiscal years of monthly invoices and billing summaries submitted by KOCO to DHS for reimbursement. We also compared the customer caseload to the contract and analyzed expenditure documentation for supportive services. Additionally, in FY15, we judgmentally selected 15 customers to determine whether KOCO maintained the required documentation for the supportive services amounts claimed on the invoices submitted to DHS for reimbursement. We also analyzed customer files to determine whether customers received the participation hours to support the contractually required caseload and the administrative rate DHS paid.

Teen REACH

We requested and compared salary and payroll information for KOCO employees charged to the program. We requested and reviewed attendance records to determine whether contractually required number of youth was served by the program. Additionally, we compiled a list of youth served by the program from timesheets provided by KOCO and randomly selected 10 youth, 5 of which also participated in Community Youth Employment, to determine whether the youth met the eligibility requirements.

Illinois Violence Prevention - Special Project

We requested and compared check requests for parent stipends with the general ledger to determine the total amount paid with program funds. We also requested and reviewed quarterly fiscal and program reports; desk audits conducted by DHS; and service forms, which were DHS' monitoring tool used by KOCO to track attendance.

American Recovery and Reinvestment Act (ARRA) Funding

We requested and reviewed all documentation related to the ARRA funding provided to KOCO for the JobStart, Put Illinois to Work, and Statewide Summer Youth Employment programs. We received limited documentation from KOCO; however, the following was included: contracts, subcontracts, and worksite agreements. KOCO also provided vouchers and canceled checks to support the State funds received. We had difficulties assessing the use of these funds because the agreements were not always executed and supporting documentation at KOCO, such as worker-trainee attendance records, were reported to be water damaged.

ISBE/IBHE - Grow Your Own Teacher (GYO)

We requested and reviewed quarterly reports submitted by KOCO to Illinois State University/Northeastern Illinois University, the pass-through entities from Illinois State Board of Education/Illinois Board of Higher Education for GYO funds. Additionally, we summarized invoices submitted to the pass-through entities and examined payroll and expenses. We also requested and reviewed the performance of the GYO candidates.

Department of Commerce and Economic Opportunity – Capital Project

We requested and reviewed the contractual agreement between DCEO and KOCO for the capital project money KOCO received. We requested and reviewed quarterly financial and progress reports to determine timeliness of submission. We also requested and reviewed vendor invoices and contractor pay requests to determine whether expenditures were allowed by the contract.

Illinois Violence Prevention Authority – Safety Net Works Program

Following the FY12 Safety Net Works (SNW) Program grant received by KOCO, Public Act 97-1151 was signed into law on January 25, 2013, which transferred staff, functions, funds, and other responsibilities from the Illinois Violence Prevention Authority (IVPA) to the Illinois Criminal Justice Information Authority (ICJIA).

Therefore, we requested and reviewed the contract, subcontract, and all amendments for the Safety Net Works Program from ICJIA. Additionally, we requested all quarterly fiscal and program reports. We analyzed the timeliness of the contract/subcontract execution and quarterly reporting. We requested and reviewed all expenditure documentation, including youth stipends, provided by KOCO.

APPENDIX C
Agency Responses

KENWOOD OAKLAND COMMUNITY ORGANIZATION
4242 South Cottage Grove Avenue - Chicago, Illinois 60653
773.548.7500 phone and 773.548.9264 fax
http://www.kocoonline.org

April 6, 2017

Scott Wahlbrink, Senior Manager
Illinois Office of the Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703

Dear Mr. Wahlbrink:

The Kenwood-Oakland Community Organization (KOCO) has reviewed the report issued by the Office of the Auditor General regarding its audit of the State moneys provided by or through State agencies to KOCO under contracts or grant agreements in fiscal years 2010 through 2015.

KOCO agrees that the State agencies provided inadequate monitoring and guidance regarding the grant process. KOCO would have welcomed more engagement from the agencies regarding the grants and the documentation required from KOCO, as more guidance would have facilitated complete compliance by KOCO with all program requirements.

Sincerely,

SIGNED ORIGINAL ON FILE

J. Brian Malone
Executive Director

Bruce Rauner, *Governor*

Illinois Department of Human Services

James T. Dimas, *Secretary*

100 South Grand Avenue, East • Springfield, Illinois 62762
401 South Clinton Street • Chicago, Illinois 60607

March 29, 2017

Scott Wahlbrink, Audit Manager
Illinois Office of the Auditor General
740 East Ash
Springfield, IL 62703-3154

Dear Mr. Wahlbrink:

Attached please find the Department's official response to the findings identified during the audit of State monies provided by or through State agencies to the Kenwood Oakland Community Organization. We would like to thank you for your cooperation with our staff in the completion of this audit.

If you require any additional information or have questions, please contact Albert Okwuegbunam, 217-785-7797.

Sincerely,

SIGNED ORIGINAL ON FILE

Fred Flather
Chief of Staff

cc: James T. Dimas, Secretary
Fred Flather, Chief of Staff
Corey-Anne Gulkewicz, General Counsel
Robert Brock, Chief Financial Officer
Khari Hunt, Chief Operating Officer
Diane Grigsby-Jackson, Director, Family and Community Services
Albert Okwuegbunam, IDHS Audit Liaison
Internal Audit File

Recommendation #1: GRANT MONITORING BY DHS
The Illinois Department of Human Services should review the monitoring exceptions identified in this audit of the Kenwood Oakland Community Organization (KOCO) to ensure that processes are in place to properly monitor grant programs.

DEPARTMENT RESPONSE:
The Department accepts this recommendation. IDHS will review current programmatic and fiscal monitoring procedures to identify which existing controls were not properly implemented in the oversight of KOCO, update those controls to ensure compliance for future grants, and pursue any additional, necessary controls. These actions will ensure that required financial reports, performance reports and other documented measures are submitted timely and are adequately supported.

Recommendation #2: USE OF GRANT FUNDS
The Illinois Department of Human Services should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.

DEPARTMENT RESPONSE:
The Department accepts this recommendation. IDHS will review its process to ensure that required documentation is easily retrievable. IDHS will also review the issues identified in the report related to lack of supporting documentation for expenditures. Based on this review, and a review of any additional available documentation, the Department will determine the likelihood of recovering any unsupported or questioned costs and pursue recovery, if appropriate, pursuant to the Illinois Grant Funds Recovery Act or any other applicable law.

Scott Wahlbrink - Recommendation 3 response

From: "Bennett, Bruce" <Bennett@ibhe.org>
To: Scott Wahlbrink
Date: 3/28/2017 10:10 AM
Subject: Recommendation 3 response

Per our conversation, here is the response to the Recommendation Number 3

"We agree with the recommendation and will perform further review of the identified issues."

Bruce Bennett
Chief Budget Officer
Illinois Board of Higher Education
1 N. Old State Capitol Plaza, Suite 333
Springfield, IL 62701-1394
PHONE (217)557-7344
FAX (217)782-8548
EMAIL bennett@ibhe.org
www.ibhe.org

ILLINOIS
CRIMINAL JUSTICE
INFORMATION AUTHORITY

300 W. Adams Street • Suite 200 • Chicago, Illinois 60606 • (312) 793-8550

March 16, 2017

Scott Wahlbrink, Audit Manager
Illinois Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, IL 62703-3154

Re: HR 324: Performance Audit of the Kenwood Oakland Community Organization

Dear Mr. Wahlbrink:

On behalf of the Illinois Criminal Justice Information Authority, I thank you and your staff for the efforts undertaken to conduct an audit of the Kenwood Oakland Community Organization.

Enclosed please find ICJIA's response to the audit recommendation. Though the audit identifies weaknesses in the management of KOCO's Safety Net Works program under our predecessor in interest, the Illinois Violence Prevention Authority, we nevertheless welcome its insights and recommendation. ICJIA has a long and successful history of engaging in effective criminal justice policy work through our grants and our research. We will use the guidance in this audit report as yet another resource to leverage our staff in strengthening our grant administration practice.

Sincerely,

SIGNED ORIGINAL ON FILE

John Maki
Executive Director

Fax: (312) 793-8422 • TDD: (312) 793-4170 • www.icjia.state.il.us

ILLINOIS
CRIMINAL JUSTICE
INFORMATION AUTHORITY

300 W. Adams Street • Suite 200 • Chicago, Illinois 60606 • (312) 793-8550

HR324 Audit Report Response

Recommendation #4

The Illinois Criminal Justice Information Authority (formerly the Illinois Violence Prevention Authority) should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.

ICJIA Response:

ICJIA concurs with the recommendation. The hiring of a Grantee Auditor in 2016 by ICJIA addresses many of the deficiencies identified in the oversight of KOCO's grant program. The Grantee Auditor's primary objectives include ensuring that state and federal grantees have implemented proper financial and procedural internal controls, and that grantees' claimed expenses are accurate and supported by proper documentation and match grant budgets. The Grantee Auditor also reviews grantee general ledgers, approved grant budgets, and fiscal reports to ensure they all reconcile.

ICJIA's Fiscal Department will verify any undocumented expenses of KOCO's SNW program. ICJIA's attorneys will initiate actions to recover any verified unallowable or undocumented amounts.

Alternative Schools Network
1807 W. Sunnyside Suite 1D
Chicago, IL 60640

Phone: 773-728-4030
Fax: 773-728-3335

A+

Creating Futures Every Day

March 30, 2017

Scott Wahlbrink
Audit Manager
Office of the Auditor General Frank J. Mautino
740 E. Ash
Springfield, IL 62703-3154

Dear Mr. Wahlbrink:

This is a formal letter in response to the March 9, 2017 letter from Scott Wahlbrink, Audit Manager, in regards to an audit of the Kenwood Oakland Community Organization (KOCO).

The Alternative Schools Network has located the documentation related to the Kenwood Oakland Community Organization (KOCO) expenditures for the JobStart, IL YES and Put Illinois to Work (PITW) in the summer of 2010. We store records at an offsite location, and we retrieved the records from that offsite location and found the key documents related to the audit.

In the materials you sent me, there was a table that showed staff costs for KOCO being reimbursed above 100%. This reimbursement occurred because we had 35 different agencies we were supporting across three different programs in the summer of 2010. The total amount of funding paid above the 100% staff allocation was $1,956.91, which is a very small sum.

Thank you for your assistance on this matter.

If there are any other questions, please do not hesitate call me.

Sincerely,

SIGNED ORIGINAL ON FILE

Jack Wuest
Executive Director
Alternative Schools Network
Cell: (312) 259-2360

You can obtain reports by contacting:

Office of the Auditor General
Iles Park Plaza
740 E. Ash
Springfield, IL 62703

217-782-6046 or TTY: 1-888-261-2887

OR

This Audit Report and a Report Digest are also available on the worldwide web at
http://www.auditor.illinois.gov