



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

REPORT DIGEST

**PERFORMANCE
AUDIT**

**For Fiscal Years 2010
through 2015**

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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.

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)

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).

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	\$102,663.04
	ISBE	Grow Your Own Teacher Program ¹	\$28,058.04	
FY11	DHS	SNAP - Employment & Training	\$75,988.14	\$195,621.62
	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	
FY12	DHS	SNAP - Employment & Training	\$72,773.00	\$199,027.94
	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	
FY13	DHS	SNAP - Employment & Training	\$77,714.75	\$349,529.75
	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	
FY14	DHS	SNAP - Employment & Training	\$85,728.50	\$316,522.09
	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	
FY15	DHS	SNAP - Employment & Training	\$87,991.94	\$276,309.94
	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	
			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.

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.

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

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.

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Ameen Dada
Division Director

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

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FRANK J. MAUTINO
Auditor General

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