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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

*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 Illinois Hispanic Chamber of Commerce, Inc., under contracts or grant agreements in Fiscal Years 2003, 2004, 2005, and 2006.

The audit was conducted pursuant to Senate Resolution Number 631. 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.

A handwritten signature in blue ink, appearing to read "William G. Holland".

WILLIAM G. HOLLAND  
Auditor General

Springfield, Illinois  
August 2007

# REPORT DIGEST

## PERFORMANCE AUDIT OF

### PAYMENTS TO THE ILLINOIS HISPANIC CHAMBER OF COMMERCE BY STATE AGENCIES

Released: August 2007



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

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## SYNOPSIS

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce (IHCC) from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. With the remaining 14 percent of State funding, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the programs for which it receives State funding. IHCC also distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 (5.6 percent) to businesses as matching grants had not yet been distributed.

State expenditures were primarily from three different State agencies: the Departments of Commerce and Economic Opportunity (DCEO), Human Services (DHS), and Transportation (IDOT). The spending was paid in relation to 16 contracts. In addition, a total of \$130,490 was paid by State agencies for participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo (Expo). We identified problems at the IHCC, at DCEO and at DHS including:

- The IHCC had problems with its financial management system and its ability to adequately track expenditures by program.
- The IHCC also had issues tracking performance for the various State agency contracts.
- DCEO had problems monitoring expenditures including: in-kind expenditures that were less than required; IHCC monthly and close-out reports that matched exactly to grant amounts; and time spent on grants by IHCC staff being less than was proposed in the contract.
- DCEO also had problems related to monitoring performance including: performance measures not established in all the contracts even though performance data was reported; incomplete performance data submitted; and IHCC only meeting a few of many performance measures which were established.
- DHS had weaknesses related to monitoring or maintaining documentation for its two IHCC grant agreements.

PERFORMANCE AUDIT OF  
STATE MONEYS PROVIDED TO THE ILLINOIS HISPANIC CHAMBER OF COMMERCE

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## **REPORT CONCLUSIONS**

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The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. With the remaining 14 percent of State funding, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the programs for which it receives State funding. IHCC also distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 (5.6 percent) to businesses as matching grants had not yet been distributed.

State expenditures were from five different State agencies: the Departments of Commerce and Economic Opportunity, Human Services, Transportation, and Central Management Services, and the Office of the Treasurer. Most of the spending was from the first three agencies and was paid in relation to 16 contracts.

In addition, a total of \$130,490 was paid by State agencies for participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo (Expo). Conclusions about the three major agencies are discussed in the following sections. Of the two other agencies, Central Management Services paid a total of \$4,000 related to three years' participation in the Expo, and the Office of the Treasurer paid \$2,500 for Expo participation in Fiscal Year 2003.

### **ILLINOIS HISPANIC CHAMBER OF COMMERCE**

The Illinois Hispanic Chamber of Commerce has had problems with its financial management system and its ability to adequately track expenditures by program. It has also had issues tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have purposes which are similar, it is important for IHCC to be able to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts.

For Calendar Year 2006 the three top executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308. During that year there were a total of 11 IHCC staff. In addition to salaries, a total of \$41,102 in bonuses had been paid to employees from 2003 to 2006, with the majority going to management employees.

### **COMMERCE AND ECONOMIC OPPORTUNITY**

The Department of Commerce and Economic Opportunity had 12 contracts with the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006 and paid the IHCC a total of \$1,440,308. The moneys were to operate four programs: an Entrepreneurship Center; a Small Business Development Center; a Procurement Technical Assistance

Center; and the Minority Contractor Training Initiative. Payments for the 12 contracts totaled \$1,320,318. DCEO paid an additional \$119,990 for four years' participation in the IHCC Hispanic Business Expo.

OAG analysis of IHCC documentation showed that \$91,192 in payments made by DCEO to the IHCC for its contracts were unsupported by documentation provided. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

DCEO had problems related to its monitoring of expenditures on its contracts with the IHCC. Problems we noted included: reported in-kind expenditures that were less than required; having monthly and close-out reports from the IHCC that matched exactly to grant amounts; and having percentage of time spent on grants by IHCC staff be less than was proposed in the contract.

DCEO also had problems related to monitoring the performance of the IHCC on its contracts. Problems we noted with monitoring performance included: not having performance measures established in all the contracts even though performance data were reported; having incomplete performance data submitted; and IHCC only meeting a few of many performance measures which were established.

#### **HUMAN SERVICES**

The Illinois Department of Human Services had two contracts and paid \$172,500 to the IHCC during Fiscal Years 2003 to 2006. The contracts were to provide Drug Free Workplace prevention programs and services for small businesses.

OAG analysis of transaction detail summaries provided by IHCC showed that DHS had paid the IHCC a total of \$19,670 more than was documented for the two contracts. When we reviewed documentation related to contracts at the IHCC, they provided transaction detail listings that showed expenditures that had been charged to the DHS contracts. The IHCC charges were less than the amount that DHS had paid.

DHS had weaknesses related to monitoring or maintaining documentation for the IHCC grant agreements. For Fiscal Year 2006, DHS paid the IHCC \$137,500. For that same time period IHCC quarterly expenditure reports submitted to DHS showed \$136,203 expended. For that same contract, IHCC transaction detail listings showed \$122,136 in expenditures.

## **TRANSPORTATION**

The Illinois Department of Transportation had two contracts and paid \$151,013 to the IHCC during Fiscal Years 2003 to 2006. The contracts with IHCC were to provide business development assistance to Disadvantaged Business Enterprises (DBEs) for the purpose of increasing DBE participation in all federal aid and State transportation contracts. In addition, IDOT paid a total of \$4,000 for two years' participation in the IHCC Expo.

IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than other State agency contracts because payments were made to reimburse IHCC for the actual cost of services that had been provided.

When we reviewed IHCC documentation related to contracts, IHCC officials provided transaction detail listings that showed expenditures that had been charged to the IDOT contracts. For these contracts, the IHCC had charged more to the contracts than IDOT had paid.

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## **BACKGROUND**

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On April 6, 2006, the Illinois Senate adopted Resolution Number 631. The Resolution directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Illinois Hispanic Chamber of Commerce, Inc., and/or the Mexican American Chamber of Commerce of Illinois, Inc., under contracts or grant agreements in Fiscal Years 2003, 2004, 2005, and 2006. The audit is to include, but need not be limited to, the following determinations:

- (i) The purposes for which State moneys were provided to the Chamber, for each State agency and for each amount transferred;
- (ii) The nature and extent of monitoring by State agencies of how the Chamber used the State-provided moneys;
- (iii) The actual use of State moneys by the Chamber including the identity of any sub-recipients and the amounts and purposes of any such pass-throughs;
- (iv) Whether, through a review of available documentation, the Chamber has met or is meeting the purposes for which the State moneys were provided, with specific information

concerning the Chamber's staffing levels and its compensation of management employees; and

- (v) Whether the Chamber is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Chamber's receipt of State moneys.

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**ILLINOIS HISPANIC CHAMBER OF COMMERCE**

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**Eighty-six percent of payments to the IHCC by State agencies were spent by the IHCC for program administration/operations.**

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. The remaining 14 percent was for distribution to Hispanic partners or to businesses as matching grants. Digest Exhibit 1 shows the portion of State funding at the IHCC which was used for program administration/operations and the portions distributed or to be distributed.

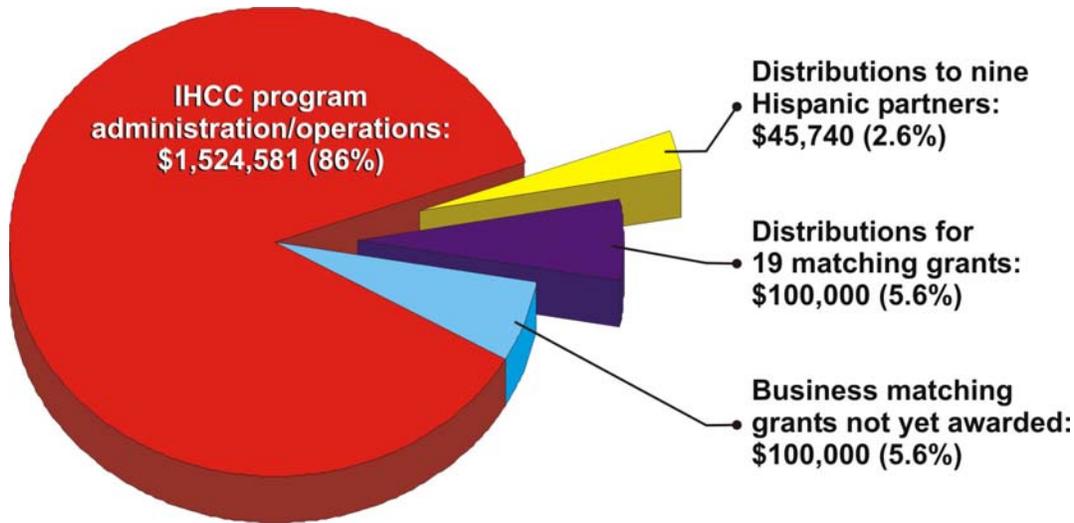
With the 14 percent, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the State programs it runs. It also had distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 is required to be distributed by the IHCC as business matching grants but had not been awarded when we completed our audit work.

**Agencies and Programs**

State expenditures are from five different agencies. Most of the spending was from three agencies and was paid in relation to 16 contracts. The three State agencies with contracts were the Departments of Commerce and Economic Opportunity, Human Services, and Transportation. In addition to expenditures under contract, payments were made by agencies not under contract. These expenditures were for various State agencies' participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo in Fiscal Years 2003 to 2006. The adjacent exhibit shows acronyms for the programs by agency. (pages 5-6)

<b>Acronyms, Agencies, and Programs</b>	
<i>MCTI DCEO</i>	<i>Minority Contractor Training Initiative</i>
<i>SBDC DCEO</i>	<i>Small Business Development Center</i>
<i>PTAC DCEO</i>	<i>Procurement Technical Assistance Center</i>
<i>IHEC DCEO</i>	<i>Illinois Hispanic Entrepreneurship Center</i>
<i>DFW DHS</i>	<i>Drug Free Workplace</i>
<i>DBE IDOT</i>	<i>Disadvantaged Business Enterprise Program Outreach</i>
<i>Expo Various</i>	<i>Annual Hispanic Business Expo sponsored by the IHCC</i>

Digest Exhibit 1  
**STATE FUNDING FOR IHCC BY USE TYPE**  
Fiscal Years 2003 to 2006



	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>Total Dollars</u>	<u>Percent of Total</u>
State Payments to IHCC	\$54,990	\$295,671	\$748,764	\$670,896	\$1,770,321	100.0%
Less IHCC distributions:						
Total IHCC distributions to nine Hispanic partners	—	—	\$45,740	—	\$45,740	2.6%
Total IHCC distributions for business matching grants	—	—	—	\$100,000 <sub>1</sub>	\$100,000 <sup>1</sup>	5.6%
Total IHCC business matching grants not yet awarded	—	—	—	<u>\$100,000</u> <sub>2</sub>	<u>\$100,000</u> <sup>2</sup>	<u>5.6%</u>
<b>Total IHCC for program administration/operations</b>	<u>\$54,990</u>	<u>\$295,671</u>	<u>\$703,024</u>	<u>\$470,896</u>	<u>\$1,524,581</u>	<u>86.1%</u> <sup>3</sup>

Notes:

- <sup>1</sup> Only \$20,000 of the \$100,000 total had been distributed by the end of FY06. The balance was distributed in FY07.
- <sup>2</sup> None of the matching grants had been distributed by the end of our audit fieldwork.
- <sup>3</sup> Total does not add due to rounding.

Source: IHCC data summarized by OAG.

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**The IHCC had problems with its financial management system and its ability to adequately track expenditures by program.**

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The IHCC has had problems with its financial management system and its ability to adequately track expenditures by program. This has resulted in the IHCC not being able to provide documentation of expenditure data that it submitted to State agencies.

Although the IHCC submitted expenditure reports for all of its contracts, for some of its contracts, officials certified that they have documentation for expenditures that they could not produce for us in our reviews. We recommended that the IHCC assure that it has a financial management system that allows it to document expenditures related to various State grants.

The IHCC also had issues related to tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have similar purposes, it is important to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts. We recommended that the IHCC assure that it has a performance management system that allows it to document progress made toward the purposes of its various State grants.

For Calendar Year 2006, the top three executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308 plus bonuses of \$8,750. Auditors noted that during the audit period, the IHCC incorrectly reported \$41,102 in bonuses to its employees on Internal Revenue Service IRS 1099-MISC forms instead of on IRS W-2 forms. There were 14 instances where 10 different employees had bonus amounts incorrectly reported on 1099-MISC forms during the tax years 2003 through 2006. We recommended that the IHCC report employee bonuses as wages on W-2 forms as required by the Internal Revenue Service. (pages 15-23)

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**DCEO**

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The Department of Commerce and Economic Opportunity had 12 contracts with the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006 and paid the IHCC a total of \$1,440,308. The moneys were to operate four programs: an Entrepreneurship Center; a Small Business Development Center; a Procurement Technical Assistance Center; and the Minority Contractor Training Initiative. Payments for the 12 contracts totaled \$1,320,318. DCEO paid an additional \$119,990 for four years' participation in the IHCC Hispanic Business Expo.

OAG analysis of IHCC documentation showed that \$91,192 in payments made by DCEO to the IHCC for its contracts were unsupported by documentation provided. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that

showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

In addition, DCEO had problems related to its monitoring of expenditures on its contracts with the IHCC. Problems we noted included: reported in-kind expenditures that were less than required; having monthly and close-out reports from the IHCC that matched exactly to grant amounts; and having percentage of time spent on grants by IHCC staff be less than was proposed in the contract. We recommended that DCEO assure that its contracts are carefully monitored, follow up when submitted material is questionable, and assure that all payments to grantees are supported by required grantee expenditures. Additionally, inappropriate payments should be recovered if necessary.

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**DCEO had problems related to its monitoring of expenditures and performance on its contracts with the IHCC.**

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DCEO also had problems related to monitoring the performance of the IHCC on its contracts. Problems we noted with monitoring performance included: not having performance measures established in all the contracts even though performance data were reported; having incomplete performance data submitted; and only meeting a few of many performance measures which were established. We recommended that DCEO continue its efforts to assure that performance on its contracts is carefully monitored. Consideration should be given to coordinating monitoring work when one grantee has grants from multiple programs. (pages 25-43)

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## DHS

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The Illinois Department of Human Services had two contracts with the Illinois Hispanic Chamber of Commerce and paid the IHCC \$172,500 during Fiscal Years 2003 through 2006. The first contract began March 2005 and ended June 30, 2005. The contract total amount and the amount paid by DHS was \$35,000 in Fiscal Year 2005. The second contract period covered Fiscal Year 2006, was for \$150,000, and \$137,500 was paid by DHS. The purpose of these two grants was to provide Drug Free Workplace prevention programs and services for small businesses.

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**DHS had weaknesses related to monitoring of its two contracts with the IHCC.**

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Although DHS only had two contracts with the IHCC, there were still weaknesses related to monitoring of the contracts. For the 2005 grant, DHS did not receive any of the required expenditure report documentation and did not go through the close-out process. For the 2006 grant, quarterly expenditure reports were received late and DHS had granted a filing extension for the required 2006 revenue and expense data until September 2007. Additionally, no evaluation of IHCC, as a new contractor, had been performed even though DHS was approaching the third year of contracting with IHCC. We recommended that DHS assure that contracts are monitored properly, including receiving and reviewing

required monitoring documents, assuring that provider performance is evaluated, and assuring that all grant funds are spent for appropriate purposes and properly documented. (pages 45-53)

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## IDOT

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**IDOT did a thorough job of monitoring the two contracts that it had with the IHCC.**

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The Illinois Department of Transportation had two contracts and paid \$151,013 to the Illinois Hispanic Chamber of Commerce during Fiscal Years 2003 to 2006. The contracts with the IHCC were to provide business development assistance to Disadvantaged Business Enterprises (DBEs) for the purpose of increasing DBE participation in all federal aid and State transportation contracts. In addition, IDOT paid a total of \$4,000 for two years' participation in the IHCC Expo.

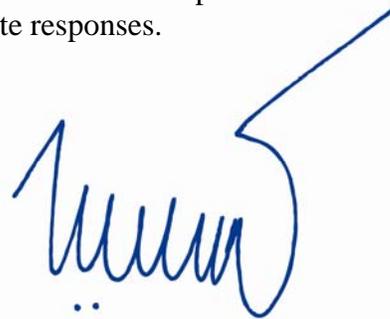
IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than other State agency contracts because payments were made to reimburse the IHCC for the actual cost of services that had been provided. (pages 55-60)

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## RECOMMENDATIONS

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The audit report contains six recommendations, all of which are noted in this digest. Three recommendations are for the IHCC, two for DCEO, and one for DHS. The agencies generally agreed with the recommendations. Appendix D to the audit report contains the IHCC's and the State agencies' complete responses.



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WILLIAM G. HOLLAND  
Auditor General

WGH\EKW  
August 2007

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## Chapter One

# INTRODUCTION AND BACKGROUND

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## REPORT CONCLUSIONS

The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce (IHCC) from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. With the remaining 14 percent of State funding, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the programs for which it receives State funding. IHCC also distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 (5.6 percent) to businesses as matching grants had not yet been distributed.

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### ILLINOIS HISPANIC CHAMBER OF COMMERCE

The Illinois Hispanic Chamber of Commerce (IHCC) has had problems with its financial management system and its ability to adequately track expenditures by program. It has also had issues tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have purposes which are similar, it is important for IHCC to be able to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts.

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The Illinois Department of Human Services (DHS) had two contracts and paid \$172,500 to the IHCC during Fiscal Years 2003 to 2006. The contracts were to provide Drug Free Workplace prevention programs and services for small businesses.

OAG analysis of transaction detail summaries provided by IHCC showed that DHS had paid the IHCC a total of \$19,670 more than was documented for the two contracts. When we reviewed documentation related to contracts at the IHCC, they provided transaction detail listings that showed expenditures that had been charged to the DHS contracts. The IHCC charges were less than the amount that DHS had paid.

DHS had weaknesses related to monitoring or maintaining documentation for the IHCC grant agreements. For the 2005 grant DHS did not receive any of the required expenditure report documentation and did not go through the close-out process. For the 2006 grant, quarterly expenditure reports were received late and the 2006 grant had not been closed by April 2007. For Fiscal Year 2006, DHS paid the IHCC \$137,500. For that same time period IHCC quarterly expenditure reports submitted to DHS showed \$136,203 expended. For that same contract, IHCC transaction detail listings showed \$122,136 in expenditures.

## **TRANSPORTATION**

The Illinois Department of Transportation (IDOT) had two contracts and paid \$151,013 to the IHCC during Fiscal Years 2003 to 2006. The contracts with IHCC were to provide business development assistance to Disadvantaged Business Enterprises (DBEs) for the purpose of increasing DBE participation in all federal aid and State transportation contracts. In addition, IDOT paid a total of \$4,000 for two years' participation in the IHCC Expo.

IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than other State agency contracts because payments were made to reimburse IHCC for the actual cost of services that had been provided.

When we reviewed IHCC documentation related to contracts, IHCC officials provided transaction detail listings that showed expenditures that had been charged to the IDOT contracts. For these contracts, the IHCC had charged more to the contracts than IDOT had paid.

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## **BACKGROUND**

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On April 6, 2006, the Illinois Senate adopted Resolution Number 631. The Resolution directed the Auditor General to conduct a performance audit of the State moneys provided by or through State agencies to the Illinois Hispanic Chamber of Commerce, Inc., and/or the Mexican American Chamber of Commerce of Illinois, Inc., under contracts or grant agreements in Fiscal Years 2003, 2004, 2005, and 2006. The audit is to include, but need not be limited to, the following determinations:

- (i) The purposes for which State moneys were provided to the Chamber, for each State agency and for each amount transferred;
- (ii) The nature and extent of monitoring by State agencies of how the Chamber used the State-provided moneys;
- (iii) The actual use of State moneys by the Chamber including the identity of any sub-recipients and the amounts and purposes of any such pass-throughs;
- (iv) Whether, through a review of available documentation, the Chamber has met or is meeting the purposes for which the State moneys were provided, with specific information concerning the Chamber's staffing levels and its compensation of management employees; and
- (v) Whether the Chamber is in compliance with the applicable laws, regulations, contracts, and grant agreements pertaining to the Chamber's receipt of State moneys.

A copy of the resolution is attached as Appendix A. The Illinois Hispanic Chamber of Commerce is also known as the Mexican American Chamber of Commerce. In this report we say the Illinois Hispanic Chamber of Commerce or the IHCC.

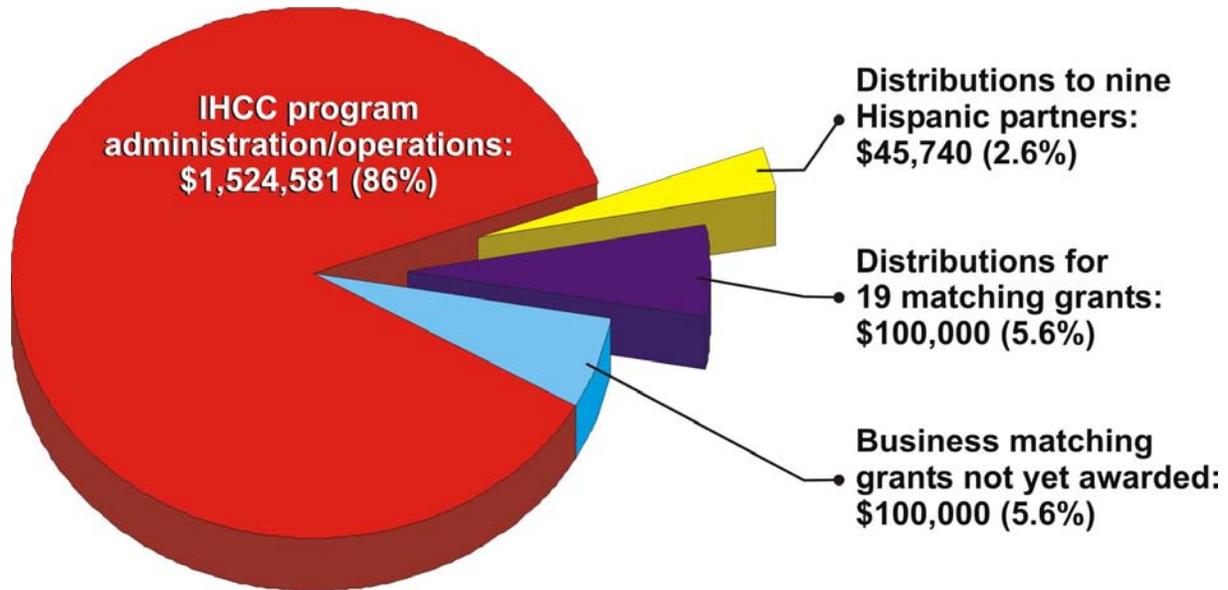
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## **ILLINOIS HISPANIC CHAMBER OF COMMERCE**

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The State paid \$1.77 million to the Illinois Hispanic Chamber of Commerce from Fiscal Years 2003 through 2006. Eighty-six percent of that amount was spent by the IHCC for program administration/operations. The remaining 14 percent was for distribution to Hispanic partners or to businesses as matching grants. Exhibit 1-1 shows the portion of State funding at the IHCC which was used for program administration/operations and the portions distributed or to be distributed.

Exhibit 1-1  
**STATE FUNDING FOR IHCC BY USE TYPE**  
 Fiscal Years 2003 to 2006



	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>Total Dollars</u>	<u>Percent of Total</u>
State Payments to IHCC	\$54,990	\$295,671	\$748,764	\$670,896	\$1,770,321	100.0%
Less IHCC distributions:						
Total IHCC distributions to nine Hispanic partners	—	—	\$45,740	—	\$45,740	2.6%
Total IHCC distributions for business matching grants	—	—	—	\$100,000 <sup>1</sup>	\$100,000 <sup>1</sup>	5.6%
Total IHCC business matching grants not yet awarded	—	—	—	\$100,000 <sup>2</sup>	\$100,000 <sup>2</sup>	5.6%
<b>Total IHCC for program administration/operations</b>	<b><u>\$54,990</u></b>	<b><u>\$295,671</u></b>	<b><u>\$703,024</u></b>	<b><u>\$470,896</u></b>	<b><u>\$1,524,581</u></b>	<b><u>86.1%</u></b> <sup>3</sup>

Notes:

<sup>1</sup> Only \$20,000 of the \$100,000 total had been distributed by the end of FY06. The balance was distributed in FY07.

<sup>2</sup> None of the matching grants had been distributed by the end of our audit fieldwork.

<sup>3</sup> Total does not add due to rounding.

Source: IHCC data summarized by OAG.

With the 14 percent, the IHCC distributed \$45,740 (2.6 percent) to nine Hispanic partners related to one of the State programs it runs. It also had distributed \$100,000 (5.6 percent) to businesses as matching grants in Fiscal Years 2006 and 2007. Another \$100,000 is required to be distributed by the IHCC as business matching grants but had not been awarded when we completed our audit work.

### Agencies and Programs

State expenditures are from five different agencies. Most of the spending was from three agencies and was paid in relation to 16 contracts. Exhibit 1-2 shows expenditures by agency, contract, and program for Fiscal Year 2003 through Fiscal Year 2006. The exhibit also includes payments made by agencies not under contract.

These expenditures are for various State agencies' participation in the Illinois Hispanic Chamber of Commerce's Hispanic Business Expo in Fiscal Years 2003 to 2006. Later in the report there are additional exhibits for the three principal agencies, the Departments of Commerce and Economic Opportunity (DCEO), Human Services (DHS), and Transportation (IDOT), which provide more detail on where the money went. The adjacent exhibit shows acronyms for the programs that are included.

<b>Program Acronyms</b>	
<i>MCTI</i>	<i>Minority Contractor Training Initiative</i>
<i>SBDC</i>	<i>Small Business Development Center</i>
<i>PTAC</i>	<i>Procurement Technical Assistance Center</i>
<i>IHEC</i>	<i>Illinois Hispanic Entrepreneurship Center</i>
<i>DFW</i>	<i>Drug Free Workplace</i>
<i>DBE</i>	<i>Disadvantaged Business Enterprise Program Outreach</i>
<i>Expo</i>	<i>Annual Hispanic Business Expo sponsored by IHCC</i>

The agencies provided funding for six programs in addition to funding for the IHCC's Hispanic Business Expo, which is held once each year. The Expo was initiated in 2003, and State agencies have sponsored or provided a total of \$130,490 in funding for the Expo from 2003 to 2006. The Expo was designed to achieve the following goals:

1. Enable corporations to reach a large number of prominent Hispanic business leaders in the area;
2. Promote Illinois as the Midwestern hub for businesses serving the U.S. Hispanic Market;
3. Spur the growth and investment of Hispanic businesses in Illinois;
4. Create linkages and foster relationships that promote contracting opportunities between Illinois' Hispanic businesses and corporations and governmental agencies;
5. Create a forum for discussion of emerging business issues affecting Hispanic businesses; and
6. Generate opportunities for market research, product sampling, and rollout of products and services targeting Hispanic consumers.

Exhibit 1-2  
EXPENDITURES BY AGENCY, CONTRACT, AND FISCAL YEAR

Agency	Count (Program)	Contract Number	..... Expenditures .....				Grand Total
			FY03	FY04	FY05	FY06	
<b>DCEO</b>	1 (MCTI)	02-863103		\$100,698			\$100,698 <sup>1</sup>
	2 (MCTI)	03-679202		\$16,650	\$183,350		\$200,000 <sup>1</sup>
	3 (MCTI)	04-201103		\$100,000			\$100,000 <sup>1</sup>
	4 (SBDC)	03-80103	\$50,000				\$50,000
	5 (SBDC)	04-80103		\$50,000			\$50,000
	6 (SBDC)	05-80103			\$100,000		\$100,000
	7 (SBDC)	04-562203				\$14,620	\$14,620
	8 (SBDC)	06-801103				\$100,000	\$100,000
	9 (PTAC)	04-60101			\$45,000	\$15,000	\$60,000
	10 (PTAC)	05-611101				\$45,000	\$45,000 <sup>2</sup>
	11 (IHEC)	05-05114			\$250,000		\$250,000
	12 (IHEC)	06-051114				\$250,000	\$250,000
	Expo	no contract	\$2,490	\$17,500	\$50,000	\$50,000	\$119,990
<b>DCEO Total</b>	<u>12</u>		<u>\$52,490</u>	<u>\$284,848</u>	<u>\$628,350</u>	<u>\$474,620</u>	<u>\$1,440,308</u>
<sup>1</sup> These contracts make up the \$400,000 Minority Contractor Training Initiative.							
<sup>2</sup> There were additional payments on this contract in FY07. Total payments were \$60,000.							
<b>DHS</b>	13 (DFW)	11G5932000			\$35,000		\$35,000
	14 (DFW)	11G6918000				\$137,500	\$137,500
<b>DHS Total</b>	<u>2</u>				<u>\$35,000</u>	<u>\$137,500</u>	<u>\$172,500</u>
<b>IDOT</b>	15 (DBE)	AB04207		\$9,823	\$62,928		\$72,751
	16 (DBE)	AB05006			\$18,486	\$55,776	\$74,262
	Expo	no contract			\$2,500	\$1,500	\$4,000
<b>IDOT Total</b>	<u>2</u>			<u>\$9,823</u>	<u>\$83,914</u>	<u>\$57,276</u>	<u>\$151,013</u>
<b>DCMS</b>	Expo	no contract		\$1,000	\$1,500	\$1,500	\$4,000
<b>Treasurer</b>	Expo	no contract	\$2,500				\$2,500
<b>Grand Total</b>	<u>16</u> contracts		<u>\$54,990</u>	<u>\$295,671</u>	<u>\$748,764</u>	<u>\$670,896</u>	<u>\$1,770,321</u>
Source: State agency and Comptroller data summarized by OAG.							

### **Minority Contractor Training Initiative**

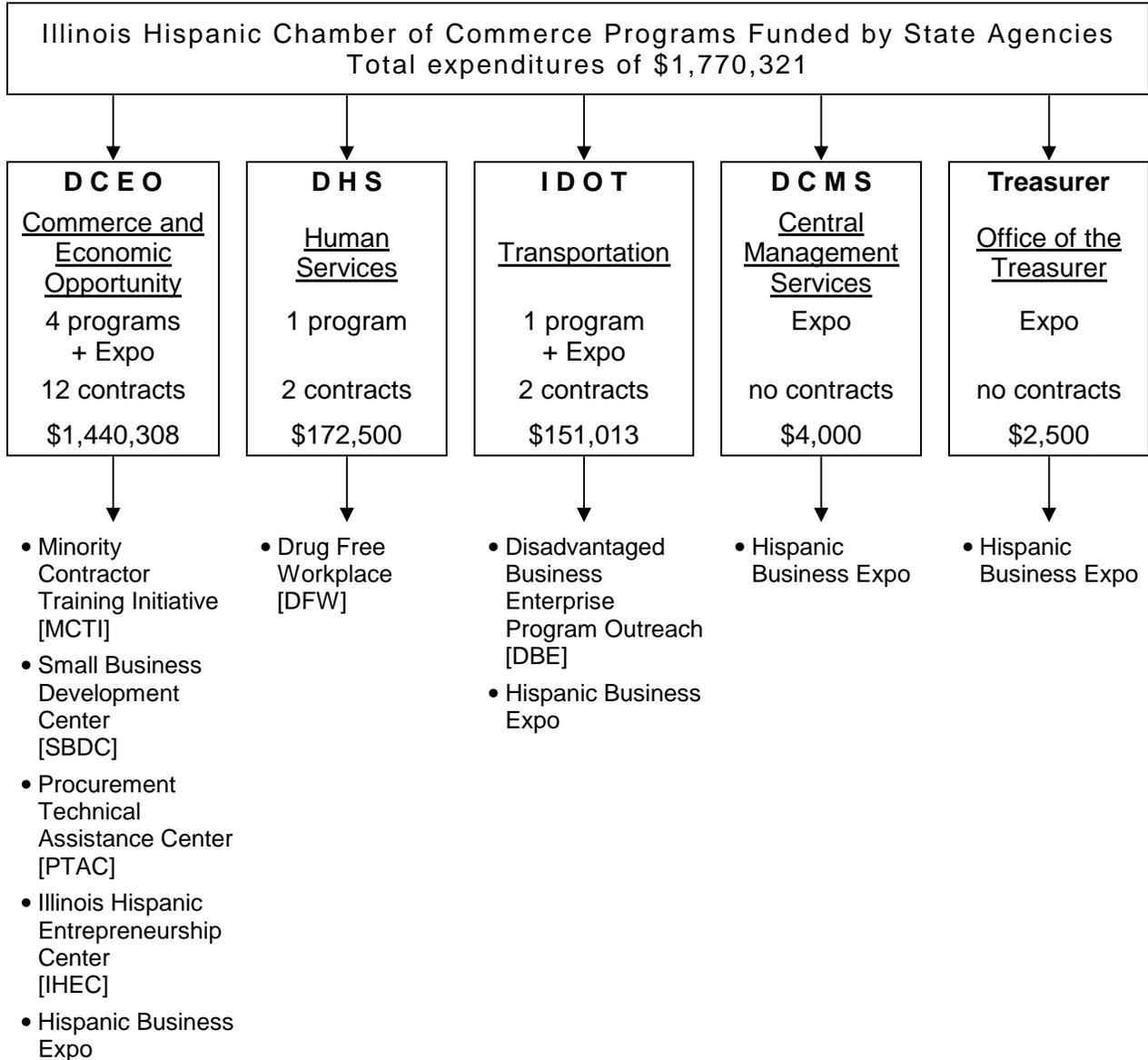
One project, announced by the Governor in August 2004, launched the Minority Contractor Training Initiative with \$400,000 in funding for the IHCC. The announcement noted that, in administering that initiative, the IHCC would work closely with its local Hispanic chambers and organizations. The announcement listed the following organizations:

- 47<sup>th</sup> Street Chamber of Commerce
- Aurora Hispanic Chamber of Commerce
- Hispanic American Construction Industry Association
- Cuban American Chamber of Commerce of Northern Illinois
- Little Village Community Development Corporation
- Puerto Rican Chamber of Commerce of Illinois
- The Latin American Chamber of Commerce
- The Resurrection Project

As noted in Exhibit 1-2, there are three DCEO contracts which make up the \$400,000+ for the Minority Contractor Training Initiative. Although the Governor made the announcement in August 2004, all three of these contracts had been signed in June 2004. By the time of the announcement, over half of the moneys had already been paid to the IHCC.

According to the announcement (see Appendix C), the initiative was to provide the e-commerce skills so important in today's market, procurement instruction from experienced and successful contractors, and certification procedures applicable to State agencies, such as the Illinois Department of Transportation and others. The Illinois Department of Commerce and Economic Opportunity would provide the funding and partner with the Illinois Hispanic Chamber of Commerce to administer this initiative. Training was to be provided at a variety of locations in both Aurora and Chicago.

Exhibit 1-3  
**MONEY PAID TO THE ILLINOIS HISPANIC CHAMBER OF COMMERCE  
 FROM STATE AGENCIES FOR VARIOUS PROGRAMS**  
 Fiscal Years 2003 to 2006



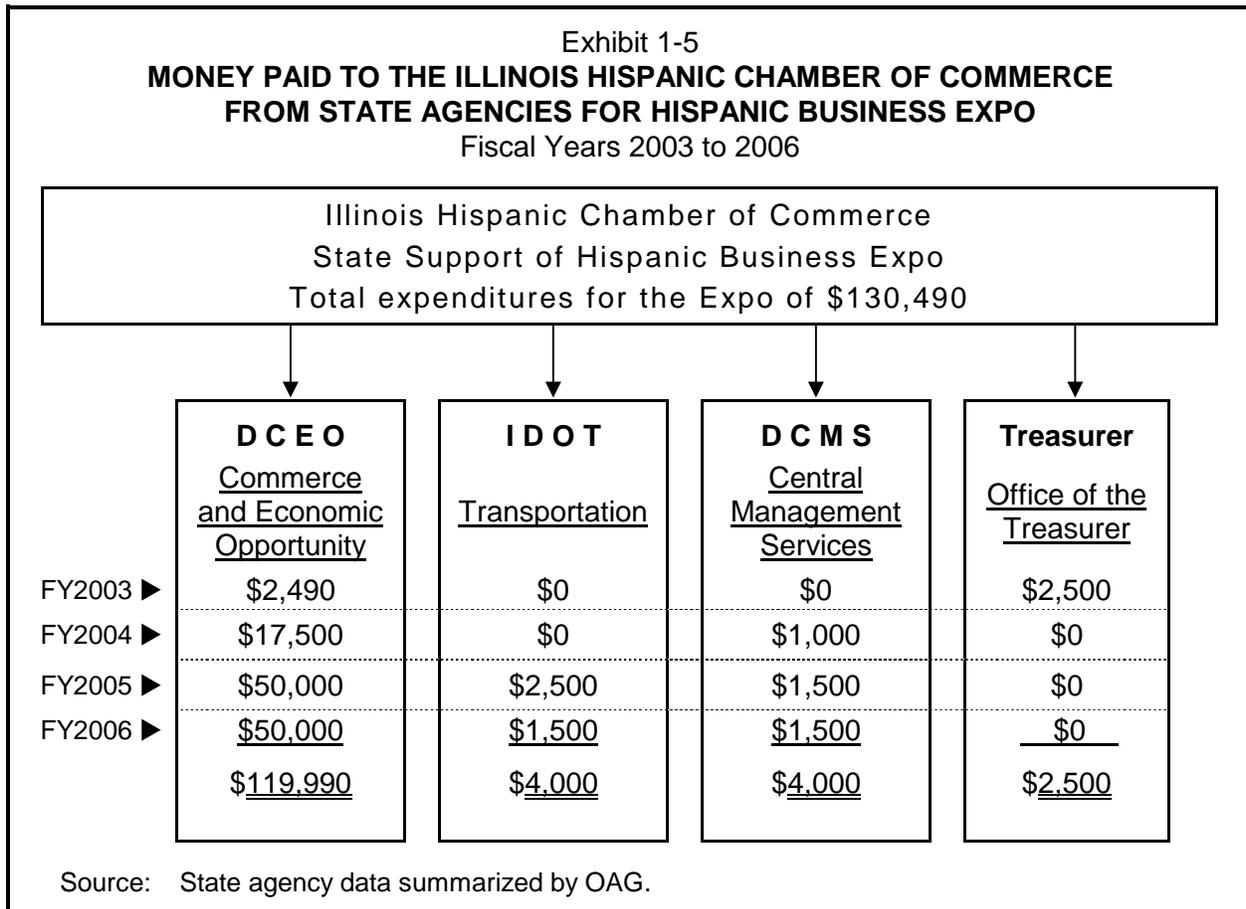
Source: State agency and Comptroller data summarized by OAG.

Exhibit 1-4 shows the Hispanic partners that were included in the contracts, included in the press release, and that received pass-through money from the IHCC. The local Hispanic chambers and organizations mentioned in the announcement were slightly different than organizations included in the contracts. The announcement listed the Latin American Chamber of Commerce, which was not in the IHCC contracts and the contracts included the Cicero Chamber of Commerce and Industry, Hispanic Chamber of Commerce of Northern Illinois, and the Hispanic Business Roundtable which were not mentioned in the press release. In Chapter Three, where DCEO is discussed in more detail, Exhibit 3-1 shows how money flowed from DCEO to IHCC and to the Hispanic partners.

Exhibit 1-4 <b>COMPARISON OF HISPANIC PARTNERS ANNOUNCED, LISTED IN DCEO CONTRACTS, AND ACTUAL SUBCONTRACTS</b>			
<u>Hispanic Partners</u>	<u>Press Release</u>	<u>Listed in IHCC Contracts</u>	<u>Money Received from IHCC</u>
47 <sup>th</sup> Street Chamber of Commerce	✗	✗	\$1,500
Aurora Hispanic Chamber of Commerce	✗	✗	\$2,500
Cuban American Chamber of Commerce of Northern IL	✗	✗	\$1,240
Hispanic American Construction Industry Association	✗	✗	-0-
Little Village Community Development Corporation	✗	✗	\$5,000
Puerto Rican Chamber of Commerce of Illinois	✗	✗	\$2,500
The Latin American Chamber of Commerce	✗	—	-0-
The Resurrection Project	✗	✗	-0-
Arias Information Solutions	—	—	\$15,000
CentroGroup / Hispanic Business Roundtable	—	✗	\$15,000
Cicero Chamber of Commerce and Industry	—	✗	-0-
Hispanic Chamber of Commerce of Northern Illinois	—	✗	\$2,000
Lake County Chamber of Commerce	—	—	\$1,000
Totals	<u>8</u>	<u>10</u>	<u>\$45,740</u>
Source: DCEO information summarized by OAG.			

Exhibit 1-5 shows the money that went to the IHCC from the various State agencies for the Expo for Fiscal Years 2003 to 2006. These amounts are separate from the grants to IHCC for

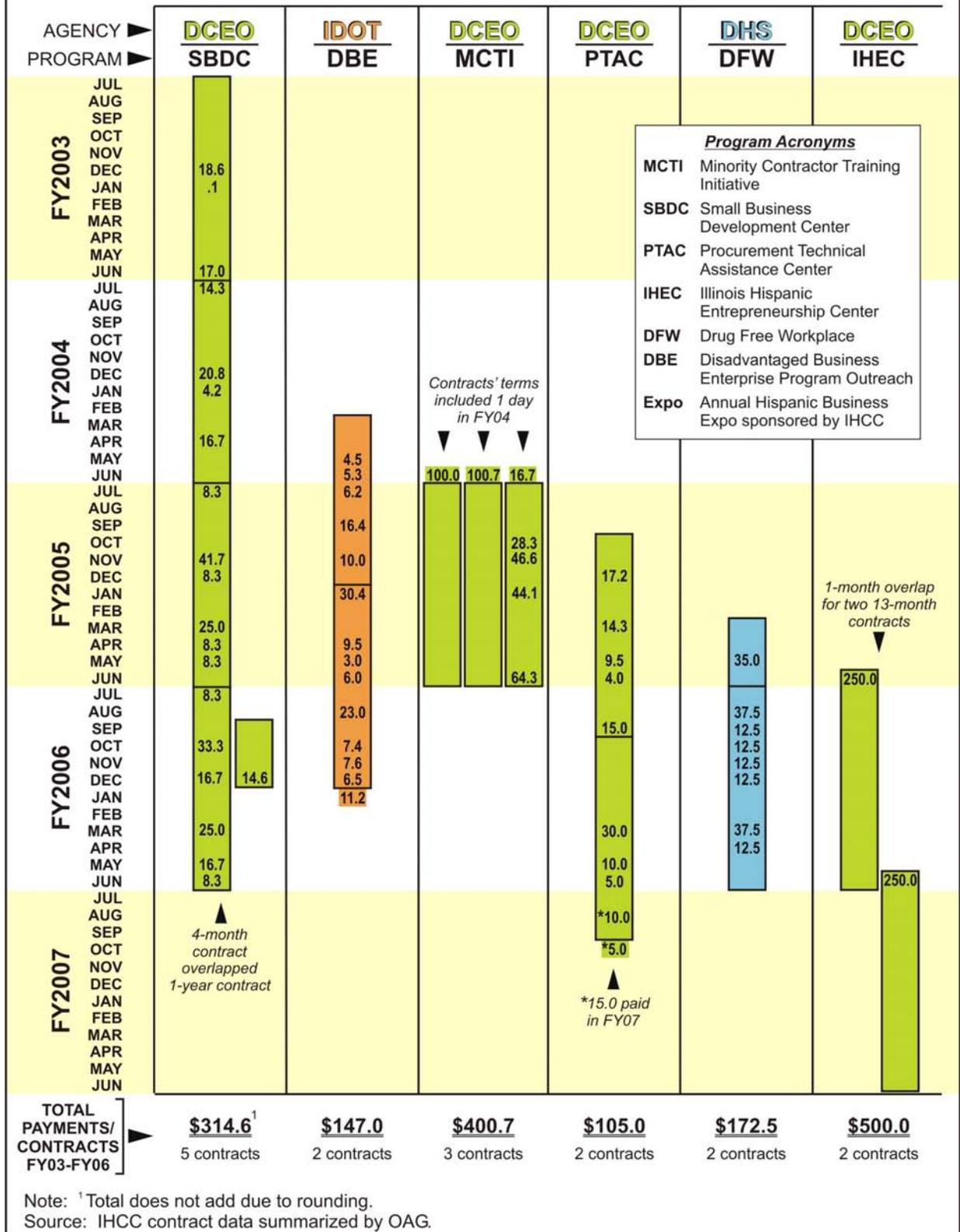
the six other programs. According to documentation of expenditures provided by IHCC, some portion of the grant funds were used for the Expo as well.



### Contract Terms

The 16 State contracts with the IHCC have contract terms that span Fiscal Years 2003 to 2006 which are being covered by this audit. During our audit period, the program that the IHCC has operated the longest is a Small Business Development Center (SBDC). Four SBDC contracts cover the four fiscal years plus one contract that overlaps in Fiscal Year 2006. That contract was for a DCEO disability awareness project at six SBDCs in the Chicago metropolitan area. Exhibit 1-6 shows graphically the terms of contracts for the various programs. The bars correspond with the months, shown on the chart, that make up the contracts' terms. The exhibit also includes payments which were made by the State on contracts for the programs. Because moneys that were sent to the IHCC for the Business Expo were not paid under contract, there is no associated term, and those payments are not included in this exhibit.

**Exhibit 1-6  
IHCC CONTRACT TERMS AND PAYMENTS BY MONTH  
(\$ in Thousands)**



The exhibit includes notes because the contracts under the Minority Contractor Training Initiative began on June 30<sup>th</sup> and ran a year and a day to the next June 30<sup>th</sup>. Payments for these contracts were made upfront in late June and fall in a different fiscal year than the majority of the contract period. There is a second note relating to the Illinois Hispanic Entrepreneurship Center. These two contracts each have a 13-month term and were paid during the first month of the contract. Because the contracts terms were 13 months, they overlap by a month. A third note indicates that the SBDC contracts overlap which was noted earlier.

Beyond the contracts we reviewed in this audit, the IHCC continued to contract with the Department of Commerce and Economic Opportunity for the PTAC and SBDC programs, as well as with the Department of Human Services for the DFW program.

**Program Services**

The programs that are operated by the IHCC for State agencies have differences, but there are many similarities. All the programs provide services to businesses; generally they provide outreach to get businesses involved in the programs; many provide services related to government contracting; many provide training; and all provide business or management counseling. Because of the similarity of the programs, it is particularly important that services be carefully coordinated. Exhibit 1-7 shows some examples of services provided by various programs and the similarity among programs.

Exhibit 1-7 EXAMPLES OF IHCC SERVICES PROVIDED BY PROGRAM AND AGENCY						
	..... DCEO .....				IDOT	DHS
	<u>MCTI</u>	<u>SBDC</u>	<u>PTAC</u>	<u>IHEC</u>	<u>DBE</u>	<u>DFW</u>
Business/Management Counseling	X	X	X	X	X	X
Contracting Assistance	X	X	X		X	
Loan/Financing Assistance	X	X		X	X	X
Marketing/Outreach/Recruitment	X	X	X	X	X	X
Technical Assistance	X	X	X	X		X
Training/Professional Development	X	X	X		X	X

Source: Summary of documentation provided by DCEO, IDOT, and DHS.

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## AUDIT SCOPE AND METHODOLOGY

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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.

Fieldwork for this audit was conducted during February and April 2007. We interviewed representatives of the Illinois Departments of Commerce and Economic Opportunity, Human Services, and Transportation. We also interviewed representatives of the Illinois Hispanic Chamber of Commerce. We reviewed documents at the State agencies including contracts and monitoring documentation which had been submitted. We also reviewed documentation maintained by the IHCC. We reviewed all of the IHCC contracts and reviewed all reports and monitoring documents submitted to the agencies. A more complete description of our testing and analyses is in Appendix B of this report.

In conducting the audit, we reviewed applicable State statutes and rules. In addition, we reviewed applicable federal requirements. Compliance requirements were also tested and reviewed in relation to requirements of the various contracts. Any instances of non-compliance we identified are noted in this report.

We reviewed risk and internal controls at the State agencies and for the IHCC related to the audit's objectives. The audit objectives are contained in Senate Resolution Number 631 (see Appendix A). This audit identified some weaknesses in those controls, which are included as findings in this report.

We reviewed the previous financial audits and compliance attestation engagements released by the Office of the Auditor General for the State agencies. This included reviewing findings for the most recent compliance attestation engagements and the applicable findings from the most recent Statewide single audit. We also reviewed the findings in the Auditor General's Management and Program Audit of the Department of Commerce and Economic Opportunity's Administration of its Economic Development Programs, which was released in February 2006.

To the extent necessary we reviewed the reliability of computer processed data used in our audit report. That included reviewing findings included in the compliance attestation engagements and audits that were done by the Auditor General.

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## **REPORT ORGANIZATION**

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The remainder of this report is organized into the following chapters:

- Chapter Two – Illinois Hispanic Chamber of Commerce
- Chapter Three – Department of Commerce and Economic Opportunity
- Chapter Four – Department of Human Services
- Chapter Five – Department of Transportation

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## Chapter Two

# ILLINOIS HISPANIC CHAMBER OF COMMERCE

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## CHAPTER CONCLUSIONS

The Illinois Hispanic Chamber of Commerce (IHCC) has had problems with its financial management system and its ability to adequately track expenditures by program. It has also had issues on tracking performance for the various State agency contracts. Because several State agency contracts with the IHCC have purposes which are similar, it is important to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts.

For Calendar Year 2006 the top three executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308 plus bonuses of \$8,750. However, we noted that bonuses were incorrectly reported on the wrong forms to the federal Internal Revenue Service (IRS). Amounts were reported on the IRS 1099 forms instead of on IRS W-2 forms.

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## FINANCIAL MANAGEMENT SYSTEM

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The IHCC has had problems with its financial management system and its ability to adequately track expenditures by program. This has resulted in the IHCC not being able to provide documentation of expenditure data that it submitted to State agencies.

Although the IHCC submitted expenditure reports for all of its contracts, for some of its contracts officials certified that they have documentation for expenditures that they could not produce for us in our reviews. Because the Illinois Department of Transportation paid the IHCC based on expenditures, we noted no problems related to those contracts. However, the Department of Commerce and Economic Opportunity (DCEO) and the Department of Human Services (DHS) both had monitoring issues with contracts.

### Human Services

For the Fiscal Year 2006 Human Services contract, an IHCC official signed expenditure reports in which he certified that “The undersigned hereby certifies that the goods and/or services claimed above are necessary expenditures for the program, that appropriate purchasing procedures have been followed, that payment has been made as indicated and that reimbursement has not previously been requested or received.” However, when we requested support for the expenditures claimed, documentation provided did not support the full amount claimed. The Fiscal Year 2006 contract was for \$150,000 but \$137,500 was paid by DHS. IHCC submitted quarterly reports for the contract that totaled \$136,203 but on transaction detail listings \$122,136 was charged. Although no expenditure reports or certifications were submitted

for the Fiscal Year 2005 contract, \$35,000 was paid to IHCC but only \$30,694 had been charged in transaction detail listings.

### **Commerce and Economic Opportunity**

Expenditure reporting forms for DCEO's Entrepreneurship contracts required the IHCC to certify that: "All expenditures from these project funds are for approved project costs only. Further, I certify that supporting documentation on actual expenditures is on file in our office..." Forms for other DCEO contracts did not have such certification requirements but still required documentation of expenditures to be maintained.

DCEO's grants monitoring section conducted a site visit in March 2006 related to five of DCEO's contracts with the IHCC. Among the issues that DCEO identified were weaknesses related to the IHCC's Financial Management/Activity Reporting Systems. DCEO recommended that the IHCC satisfy the terms of its grant agreement by developing a system to account for all grant-related and non-grant-related expenditures. In a September 2006 letter to the IHCC, the DCEO grants monitoring section noted, related to the Financial Management/Activity Reporting Systems, that: "We have determined that your response to this is adequate. No further response on your part is deemed necessary for this issue." However, OAG auditors still saw problems with IHCC's monitoring systems.

DCEO's grants monitoring site visit also noted a problem related to the IHCC properly assuring that any interest earned on grant funds be used on purposes consistent with those of the associated grant. Because several of the IHCC grants were paid upfront and some expenditures were not made until later, an adequate financial management system is needed to assure that interest earned is accounted for and used appropriately.

When we reviewed documentation related to DCEO contracts at the IHCC, officials provided to us detailed expenditure listings that showed expenditures charged to the State contracts. For 7 of the 11 contracts whose terms were complete, the amounts charged to the contracts was less than the amounts paid by DCEO. A total of \$91,192 was paid by DCEO that was not supported by the IHCC on detailed expenditure reports.

Because the IHCC has grants with various State agencies it is important that it has an adequate financial management system to document appropriate expenditures. Also, because the IHCC advises businesses on financial management systems and on governmental contracting, it is particularly important that the IHCC have a good system and understand the importance of such a system.

<b>IHCC’S FINANCIAL MANAGEMENT SYSTEM</b>	
<b>RECOMMENDATION NUMBER</b>  <b>1</b>	<p><i>The Illinois Hispanic Chamber of Commerce should assure that it has a financial management system that allows it to document expenditures related to various State grants.</i></p>
<b>IHCC RESPONSE</b>	<p>IHCC is in agreement with this recommendation. Although over the past several years, IHCC has worked to improve its internal financial tracking system independent of this audit, we recognize the need to continue to improve our systems. IHCC began restructuring its financial management system in 2006 during the 2005 year end closing process. The restructuring process involved setting up separate ledgers for individual grants. For years prior to 2005 grant activity was tracked separately from the general ledger using spreadsheets and reconciled to the general ledger on a consolidated basis. An audit trail exists that shows actual incurred grant expenditures per the manually prepared grant activity reports to the audited financial statements. See Appendix A for more details on the IHCC’s financial management system. IHCC will continue to work to implement an enhanced internal system with a more defined structure for grant reporting. Moreover, IHCC will hold ongoing training and review sessions of its internal policies regarding reporting and expenditures.</p> <p><b>AUDITOR COMMENT:</b> <i>No documentation was provided to the auditors that grant expenditures were tracked separately and reconciled to the general ledger. The IHCC had not completed work to reconcile grant expenditures to the general ledger at the exit conference.</i></p> <p><i>The IHCC’s complete response, including its Appendix A, is included in Appendix D of this report.</i></p>

**PERFORMANCE MANAGEMENT SYSTEM**

DCEO’s grants monitoring site visit also noted issues related to the IHCC’s capability of tracking performance requirements of various State agency contracts. DCEO grant monitors noted that lists of attendees to IHCC training sessions were included to satisfy several contracts. Because several State agency contracts with the IHCC have purposes which are similar, it is important to ensure that services related to the various contracts fulfill the performance requirements of each of the contracts.

DCEO monitors also noted that IHCC seminars simultaneously were providing services related to five DCEO contracts. In addition, officials at IDOT noted an issue in their reviews of IHCC expenditures. IDOT warned IHCC about mixing events with IDOT and other entities. IDOT noted that all activities under its contracts must be kept separate from activities for other agencies.

With these concerns, it is important for the IHCC to track performance on its contracts clearly and for State agencies to review the reported measures to assure that grants achieve their intended purposes.

<b>Acronyms, Agencies, and Programs</b>	
<i>MCTI DCEO</i>	<i>Minority Contractor Training Initiative</i>
<i>SBDC DCEO</i>	<i>Small Business Development Center</i>
<i>PTAC DCEO</i>	<i>Procurement Technical Assistance Center</i>
<i>IHEC DCEO</i>	<i>Illinois Hispanic Entrepreneurship Center</i>
<i>DFW DHS</i>	<i>Drug Free Workplace</i>
<i>DBE IDOT</i>	<i>Disadvantaged Business Enterprise Program Outreach</i>
<i>Expo Various</i>	<i>Annual Hispanic Business Expo sponsored by the IHCC</i>

<b>IHCC’S PERFORMANCE MANAGEMENT SYSTEM</b>	
<b>RECOMMENDATION NUMBER</b>  <b>2</b>	<i>The Illinois Hispanic Chamber of Commerce should assure that it has a performance management system that allows it to document progress made toward the purposes of its various State grants.</i>
<b>IHCC RESPONSE</b>	<p>IHCC fully agrees with this recommendation. IHCC is currently working to implement an internal performance management system that will allow us to document progress made toward the purpose of our various state grants. The system will track percentages of work completed toward the total goals of specific grants/contracts. Management staff will work more closely with program directors to monitor performance. In addition we will be working with state agencies to provide our staff with additional training on reporting mechanisms. Additional comments regarding IHCC’s performance are provided in the response to Recommendation #4.</p> <p><b>AUDITOR COMMENT:</b> <i>The IHCC’s complete response, including its response to Recommendation #4, is included in Appendix D of this report.</i></p>

**IHCC SUBCONTRACTS**

The IHCC had not signed contracts with the seven entities that had participated in the Minority Contractor Training Initiative (MCTI). The MCTI contracts between IHCC and DCEO required that if services were subcontracted, agreements must include an audit clause to allow the Auditor General access to pertinent records of the subcontractor. The audit clause for subcontractors is also required by the Procurement Code (30 ILCS 500/20-65(b)). When DCEO recommended that the IHCC prepare contracts, one of the seven entities would not agree to sign a contract that included the required clause.

**Entities Involved**

There were nine entities that received funding from the IHCC relating to the MCTI. They received a total of \$45,740. Seven of those entities were other chambers of commerce or development entities and they received from \$1,000 to \$5,000. The contracts that were signed with those seven entities all had similar purposes and are listed first in Exhibit 2-1. The two remaining contracts were for \$15,000 each and had different purposes established in the contracts and are listed last in the exhibit.

The first seven contracts listed services to be performed including conducting outreach and providing training and technical assistance to Hispanic construction firms. In addition, they were to:

1. Assist IHCC in outreach efforts to recruit Hispanic construction and construction related firms for the training program;
2. Coordinate and host at least one outreach session identifying and ensuring the attendance of participating companies; and
3. Assist in the distribution of outreach materials to eligible firms.

Exhibit 2-1 MINORITY CONTRACTOR TRAINING INITIATIVE SUBGRANTEES AND FUNDING Fiscal Year 2005		
47th Street Chamber of Commerce		\$1,500
Aurora Hispanic Chamber of Commerce		\$2,500
Cuban American Chamber of Commerce of Northern Illinois		\$1,240
Hispanic Chamber of Commerce of Northern Illinois		\$2,000
Lake County Chamber of Commerce		\$1,000
Little Village Community Development Corporation		\$5,000
Puerto Rican Chamber of Commerce of Illinois		\$2,500
Arias Information Solutions		\$15,000
CentroGroup acting on behalf of the Hispanic Business Roundtable		\$15,000
Source: DCEO data summarized by OAG.		

The two remaining contracts each had a distinct purpose. One contract was with CentroGroup which was acting on behalf of the Hispanic Business Roundtable. The services to be performed under the CentroGroup contract were to conduct appropriate research and analysis

to establish the level of technology use by Hispanic businesses and develop recommendations for strategies to address the technology needs of Hispanic businesses. CentroGroup was to prepare and submit a comprehensive report containing the analysis and recommendation. A copy of the report was provided by the IHCC.

The other contract was with the Arias Information Solutions to develop and execute a statistically valid needs assessment within the Illinois Hispanic business community that identified training and business development requirements, provided business support in the development of training programs and initiatives, and engaged technology expertise from the Latino Technology Association as required.

### **Missing Contractual Requirements**

During a site visit performed by DCEO's grants monitoring section, it was discovered that the IHCC had not signed agreements with the above mentioned seven entities that had participated in the Minority Contractor Training Initiative. As a result, DCEO recommended that the IHCC prepare contracts and have the entities sign them, even though the services were paid for in August 2004 and the DCEO visit was conducted in March 2006. All of the entities except one agreed and signed the proposed contracts with all provisions. For the two larger contracts (\$15,000 each), agreements had been signed, but they were missing a required audit access clause.

When DCEO requested entities sign agreements, one entity, the Puerto Rican Chamber of Commerce, would not agree to sign an agreement which included a clause related to audit access. The contested provision provided:

*Subcontractor acknowledges that this Agreement is a subcontract pursuant to a grant to the IHCC by the DCEO, and agrees that the DCEO, the Office of the Inspector General, and the Auditor General of the State of Illinois, or any of their duly authorized representatives, will have full access to and the right to examine any pertinent books, documents, papers and records of the Subcontractor relating to this Agreement for a period of three (3) years following the expiration or termination of this Agreement, and that this Agreement shall also be governed by the same requirements to which the IHCC is subject to under its original grant by DCEO.*

In correspondence between the IHCC and the Puerto Rican Chamber of Commerce, a representative of the Puerto Rican Chamber of Commerce noted that they had been told that all they needed to do was execute an invoice to receive the check for \$2,500. The agreement was signed with all provisions except for the audit clause.

Because the Procurement Code and the DCEO contract with the IHCC required subcontracts to include the audit clause, DCEO should consider recovering the \$2,500 from the IHCC for the subcontract that did not include the required clause. Recommendation Number 4 in Chapter Three addresses this and other potential recovery issues.

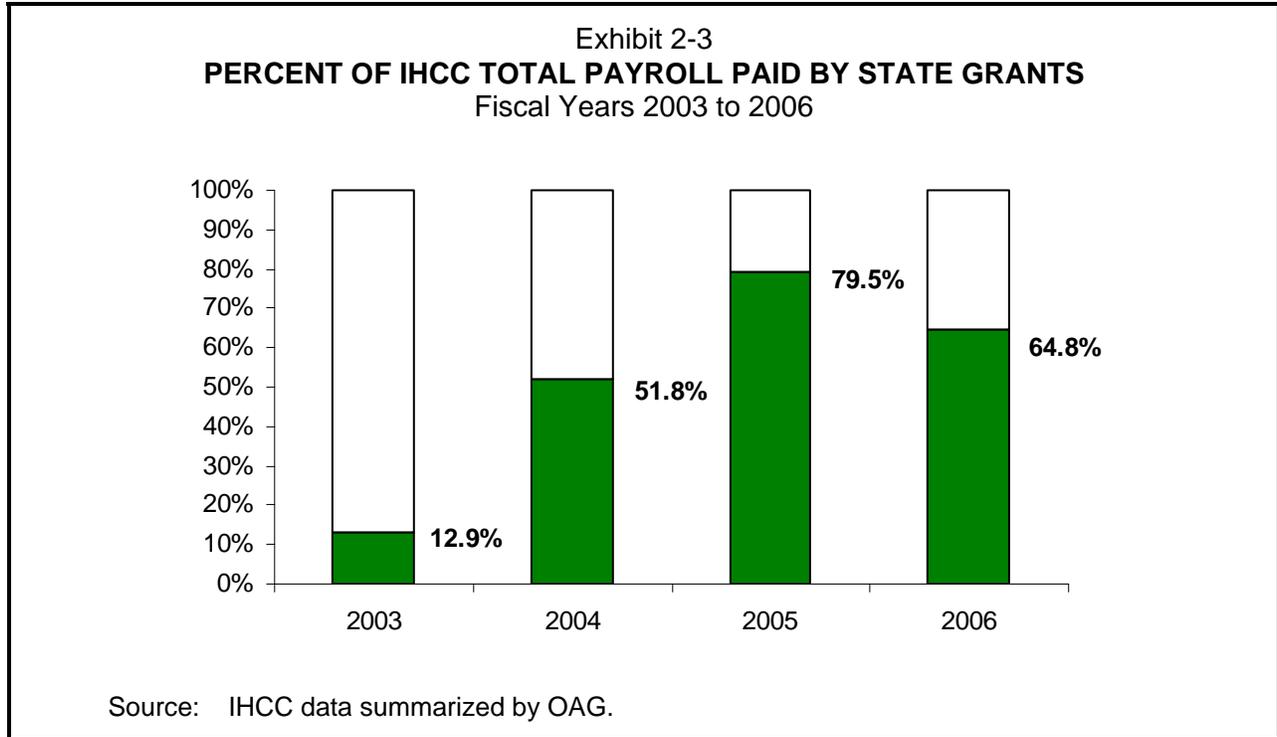
**STAFFING LEVELS AND COMPENSATION**

For Calendar Year 2006 the top three executives of the Illinois Hispanic Chamber of Commerce were paid salaries totaling \$236,308 plus bonuses of \$8,750. During that year there were a total of 11 IHCC staff. Exhibit 2-2 shows the salaries for the three highest paid employees for 2003 to 2006. These amounts were reported to the attorney general’s charitable organization division. Figures for 2006 had not yet been reported to the attorney general’s office and IHCC data have been included in the exhibit.

In addition to salaries, a total of \$41,102 in bonuses had been paid to employees from 2003 to 2006, with the majority going to management employees. At the IHCC, a budget amount is approved for bonuses by the board, but who will receive bonuses and what the amounts will be is at the discretion of the chief executive officer. Benefits provided to employees also expanded over the time period to include insurance and retirement contributions. In addition to this compensation, during 2005 and 2006 two parking places were provided for management employees at a cost of \$670 per month.

The percentage of the IHCC payroll which is supported by State grants increased from Fiscal Years 2003 to 2005 although the percentage declined in 2006. Exhibit 2-3 below shows percentage of the total IHCC payroll which was paid by State grants from Fiscal Years 2003 to 2006.

Exhibit 2-2 TOP SALARIES FOR IHCC EMPLOYEES	
<b>2003</b>	
President & CEO	\$92,166
Bookkeeper	\$28,962
Program Director	\$26,500
<b>2004</b>	
President & CEO	\$117,988
Chief Operating Officer	\$48,884
Program Director	\$47,769
<b>2005</b>	
President & CEO	\$121,522
Chief Operating Officer	\$69,754
Vice President of Communications	\$60,254
<b>2006</b>	
President & CEO	\$105,250
Chief Operating Officer	\$75,250
Vice President of Communications	\$64,558
Source:	Illinois Charitable Organization Annual Reports for 2003 to 2005. Data provided by IHCC for 2006.



### **Reporting of Employee Bonuses**

During the audit period, the Illinois Hispanic Chamber of Commerce incorrectly reported \$41,102 in bonuses to its employees on Internal Revenue Service IRS 1099-MISC forms instead of on IRS W-2 forms. There were 14 instances where 10 different employees had bonus amounts incorrectly reported on 1099-MISC forms during the tax years 2003 through 2006. According to the Internal Revenue Code (Code), box 7 “Nonemployee Compensation” on the 1099-MISC form is not to be used to report bonuses. The Code notes that, “Generally, amounts reported in box 7 are subject to self-employment tax.” According to the Code, bonuses should be reported as “Wages, tips, other compensation” in box 1 on the W-2 form. As a result, the IHCC and its employees may have a tax liability for FICA as well as any fees or penalties for not withholding payroll taxes.

<b>REPORTING OF EMPLOYEE BONUSES</b>	
<b>RECOMMENDATION NUMBER</b>  <b>3</b>	<p><i>The Illinois Hispanic Chamber of Commerce should report employee bonuses as wages on W-2 forms as required by the Internal Revenue Service.</i></p>
<b>IHCC RESPONSE</b>	<p>IHCC has already taken corrective action on this recommendation. In 2007, IHCC began reporting employee bonuses as salaries/wages to be included in IRS W2 form and subject to tax withholdings. IHCC affirms that no staff bonuses were paid from state funds. All employee bonuses were paid from non-restricted IHCC general revenue funds. IHCC is a financially solvent organization that does not solely depend on state funding for its existence. In fact, during the audited 2003-2006 period, state funds accounted for only 37.9 percent of IHCC’s total operating budget.</p>
	<p><b>AUDITOR COMMENT:</b> <i>Because we could not reconcile grant expenditures, auditors could not confirm that no staff bonuses were paid from State funds. However, IHCC does have significant revenues from sources other than the State. According to IHCC filings with the Attorney General’s Charitable Organization Division, for calendar years 2003, 2004, and 2005, a total of 61 percent of revenue came from government grants and membership dues. During the OAG exit conference process in July 2007, calendar year 2006 filings with the Attorney General’s Office had not yet been completed. As a result, auditors could not confirm IHCC’s reported 37.9 percent from State funds for the four year period.</i></p>



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## Chapter Three

# DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY

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## CHAPTER CONCLUSIONS

The Department of Commerce and Economic Opportunity (DCEO) had 12 contracts with the Illinois Hispanic Chamber of Commerce (IHCC) from Fiscal Years 2003 through 2006 and paid the IHCC a total of \$1,440,308. The moneys were to operate four programs: an Entrepreneurship Center; a Small Business Development Center; a Procurement Technical Assistance Center; and for the Minority Contractor Training Initiative. Payments for the 12 contracts totaled \$1,320,318. DCEO paid an additional \$119,990 for four years' participation in the IHCC Hispanic Business Expo.

OAG analysis of IHCC documentation showed that \$91,192 in payments made by DCEO to the IHCC for its contracts were unsupported by documentation provided. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

In addition, DCEO had problems related to its monitoring of expenditures on its contracts with the IHCC. Problems we noted included: reported in-kind expenditures that were less than required; having monthly and close-out reports from the IHCC that matched exactly to grant amounts; and having percentage of time spent on grants by IHCC staff be less than was proposed in the contract.

DCEO also had problems related to monitoring the performance of the IHCC on its contracts. Problems we noted with monitoring performance included: not having performance measures established in all the contracts even though performance data were reported; having incomplete performance data submitted; and IHCC only meeting a few of many performance measures which were established.

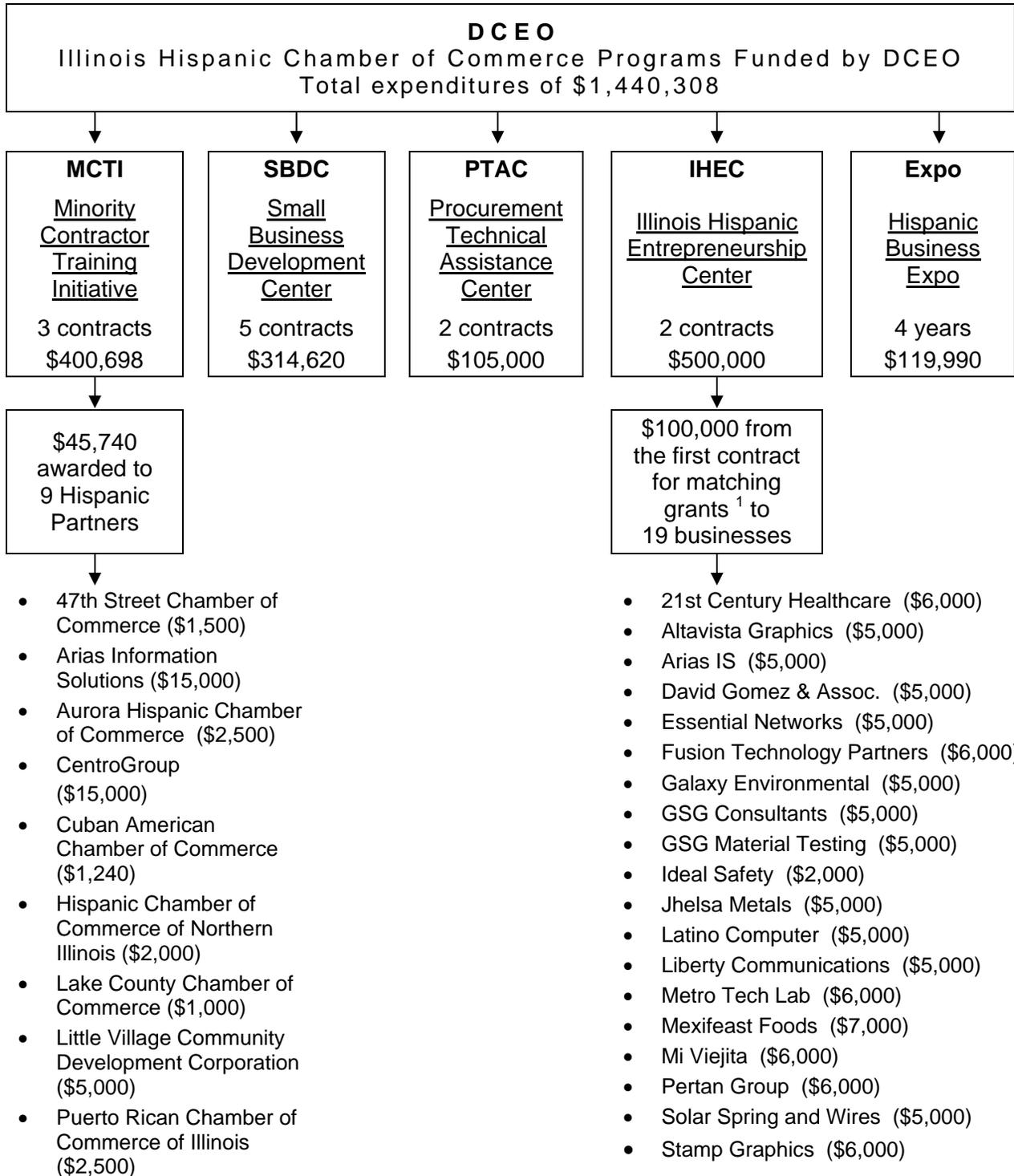
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## BACKGROUND

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DCEO had 12 contracts with the IHCC during Fiscal Years 2003 to 2006. Two of the contracts were for an Entrepreneurship Center, five were for a Small Business Development Center, and two were for a Procurement Technical Assistance Center. The remaining three contracts provided funding for the Minority Contractor Training Initiative (MCTI) using funding from Miscellaneous State Grants, the Workforce Investment Act 10% Statewide Activities, and the Employer Training Assistance Program. Payments under the contracts totaled \$1,320,318. In addition to the contracts, DCEO provided sponsorship funds to the IHCC related to the Illinois Hispanic Business Expo (Expo) which the IHCC sponsors once a year. A total of

Exhibit 3-1  
**DCEO GRANT MONEY PAID TO THE ILLINOIS HISPANIC CHAMBER  
 AND PASSED TO OTHER LOCAL HISPANIC CHAMBERS AND BUSINESSES**  
 Fiscal Years 2003 to 2006



<sup>1</sup> \$100,000 in matching grants were planned for the second contract, but had not been awarded.

Source: DCEO, IHCC, and Comptroller data summarized by OAG.

\$119,990 was provided to the Expo from Fiscal Years 2003 through 2006. For Fiscal Years 2005 and 2006 DCEO provided \$50,000 each year to be an Expo sponsor.

Some of the contracts had provisions to pass through money to partners or businesses. The Minority Contractor Training Initiative included provisions to work with a list of Hispanic partner organizations. The Illinois Hispanic Entrepreneurship Center contracts included provisions to pass money through to matching grant businesses. Exhibit 3-1 shows the total \$1.4 million in expenditures by DCEO to the IHCC, the portion which relates to each of the programs, and the amounts that were passed through to Hispanic partners and to matching grant businesses. Further discussion of the programs is included in the following sections.

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## MINORITY CONTRACTOR TRAINING INITIATIVE

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The IHCC had three contracts totaling \$400,698 with DCEO which were for the Minority Contractor Training Initiative. Announced by the Governor in August 2004, the Initiative was to provide e-commerce skills, procurement instruction from experienced and successful contractors, and assistance with certification procedures applicable to State agencies. DCEO was to provide the funding and partner with the Illinois Hispanic Chamber of Commerce to administer this Initiative. Training was to be provided at a variety of locations in both Aurora and Chicago.

The three contracts to fund the Initiative were from three different DCEO programs, the Employer Training Assistance Program (ETAP), a Workforce Investment Act (WIA) Program, and Miscellaneous State Grants. The ETAP and Miscellaneous grants were paid from the State's General Revenue Fund and the WIA grant was paid from the Federal Workforce Training Fund. The terms for all three contracts covered Fiscal Year 2005 but included one day, June 30, 2004, in Fiscal Year 2004. Two contracts (ETAP and Miscellaneous) were then paid entirely upfront in Fiscal Year 2004. The three contracts for the Initiative had related purposes.

- The ETAP contract was to **administer** an e-commerce project, of the Latino Technology Association, to develop the marketplace requirements, build the website, deploy the website, and **provide training** to participating companies.
- The WIA contract was to **conduct publicity** and media activities to **recruit participants** and **educate employees** as to the benefits of the available worker training and to **educate and recruit construction firm employees** to participate and benefit from the training services offered through this Initiative. Some on-site individual training and workshops were to be provided through Hispanic partner Chambers.
- The Miscellaneous training contract was to **identify and recruit businesses** to participate in the program through specified activities. Once firms were enrolled in the program, the IHCC was to **conduct a needs assessment** of each firm to allow individualized training and assistance.

All three MCTI contracts included monitoring provisions for the IHCC to submit program and expenditure reports which were submitted on a quarterly basis. These contracts

were amended and the IHCC continued work for six additional months. As a result, four sets of quarterly reports were submitted, plus an additional set that covered the final six months.

### Monitoring MCTI Expenditures

The amount proposed on all three MCTI contract budgets listed only one category, training. However, quarterly reports submitted by the IHCC to DCEO program staff broke expenditures out into eight categories, not just training. Even though expenditures were listed by line item, the proposed and reported totals were exactly the same for the ETAP and for the WIA contracts. For the Miscellaneous contract, the reported total was \$3,000 over the proposed amount.

When close-out reports were submitted by IHCC, for two of the contracts (ETAP and Miscellaneous) reports submitted showed exactly the same amount as the amount proposed on the contract budgets. As in the budgets, expenditures were not broken out by line item. Close-out reports had no detail even though the quarterly reports were by line item. Although the close-out was broken out by line item for WIA, it totaled \$15,000 less than the amount proposed in the budget. The total on the report equaled the grant amount, However, the sum of detailed numbers submitted was less. The line items in this close-out varied from amounts reported to WIA program staff. There was an increase of \$5,000 for personnel, a decrease of \$15,000 for equipment and a decrease of \$5,000 for contractual. Exhibit 3-2 shows proposed, reported, and close-out amounts for all three contracts. There was no documentation to show that DCEO questioned these variances and officials closed out the contracts noting in the close-out letter that the IHCC was compliant with the close-out requirements.

Exhibit 3-2 PROPOSED, REPORTED, AND CLOSE-OUT EXPENDITURES DCEO'S MINORITY CONTRACTOR TRAINING INITIATIVE Fiscal Year 2005									
	ETAP			WIA			Miscellaneous		
	Proposed	Reported	Close-Out	Proposed	Reported	Close-Out	Proposed	Reported	Close-Out
Training	\$100,698	\$0	\$100,698	\$200,000	\$0	—	\$100,000	\$0	\$100,000
Personnel	—	\$15,000	—	—	\$85,000	\$90,000	—	\$45,000	—
Fringe Benefits	—	\$3,000	—	—	\$12,750	\$12,750	—	\$8,000	—
Travel	—	\$1,000	—	—	\$2,250	\$2,250	—	\$2,000	—
Equipment	—	\$6,000	—	—	\$15,000	\$0	—	\$12,000	—
Supplies	—	\$3,000	—	—	\$5,000	\$5,000	—	\$2,000	—
Contractual	—	\$4,000	—	—	\$10,000	\$5,000	—	\$10,000	—
Consultant/ Training	—	\$60,000	—	—	\$50,000	\$50,000	—	\$15,000	—
Indirect/ Admin.	—	\$8,698	—	—	\$20,000	\$20,000	—	\$9,000	—
<b>Total</b>	<u>\$100,698</u>	<u>\$100,698</u>	<u>\$100,698</u>	<u>\$200,000</u>	<u>\$200,000</u>	<u>\$185,000</u>	<u>\$100,000</u>	<u>\$103,000</u>	<u>\$100,000</u>
Source: DCEO proposals and expenditure reports summarized by OAG.									

### OAG MCTI Expenditure Review

When we reviewed documentation related to MCTI contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the State contracts. These listings showed different expenditure amounts than the quarterly or close-out reports. We found that for two of the three MCTI contracts transaction detail listings were less than the amount paid on the contracts. For the \$200,000 contract only \$182,161 had been expended and for the \$100,000 contract only \$82,972 had been expended. For the third contract expenditures matched exactly.

In addition, when transaction details are compared to quarterly reports submitted to DCEO there are discrepancies. Quarterly reports for the Miscellaneous grant showed an expenditure amount of \$12,000 for equipment. However, the transaction detail for the Miscellaneous grant showed a total of \$3,342 spent on equipment. Included in the equipment expenditures from the transaction detail are office equipment rental and capitalized equipment.

### Monitoring MCTI Performance

Two of the three MCTI contracts each had one quantifiable project outcome listed in the contract. The WIA contract noted that the IHCC was to provide proposed services for 175 employees. The Miscellaneous contract noted that the IHCC was to provide proposed services for 75 companies. Although only two measures were specified in the three contracts, the IHCC did report other project outcomes to DCEO on a quarterly basis. Because the contracts were extended, four quarterly reports were submitted, plus a report that included the extra six-month period. Exhibit 3-3 shows all of the project outcomes that were reported for the three contracts. Two of the outcomes, number of businesses reached through outreach and number of companies receiving training, had different numbers reported for different contracts even though the outcome was identical or very similar.

Exhibit 3-3 REPORTED PROGRAM OUTCOMES FOR MINORITY CONTRACTOR TRAINING INITIATIVE Fiscal Year 2005			
Project Outcomes	ETAP	WIA	Misc.
Number of businesses reached through outreach activities that have become aware of the program	2,600	3,600	3,600
Number of companies participating in needs assessment	100	100	100
Number of Hispanic technology firms participating in the IHCC technology initiative	18		
Number of individuals receiving training		159 <sup>1</sup>	
Number of companies receiving training	100		220 <sup>1</sup>
Total number of training hours provided	250	2,100	1,200
<p><sup>1</sup> WIA contract was to provide proposed services for 175 employees and the Misc. contract was to provide services to 75 companies. No other quantified performance measures were identified in the MCTI contracts. Source: IHCC final monitoring reports submitted to DCEO for MCTI contracts.</p>			

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## **SMALL BUSINESS DEVELOPMENT CENTER**

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The IHCC received five grants from Fiscal Years 2003 to 2006, totaling \$314,620, from DCEO for a Small Business Development Center (SBDC). The purpose of the SBDC grant was to provide financial assistance for the operation and management of an SBDC to coordinate federal, state, local, university, college, and private resources to help small businesses. These resources were to be used to counsel and train small business owners, managers, and prospective owners in dealing with financial, marketing, production, technical, and other management concerns. Counseling assistance was to be provided at no cost to the client.

The SBDC is responsible for the overall coordination, development and delivery of business development resources within its area and is responsible for ensuring that access to these resources is available to local clients. In addition, the IHCC's SBDC was chosen to receive a non-matching grant in the amount of \$14,620 for the Disability Awareness Project to assist persons with disabilities in starting or operating a small business.

### **Monitoring SBDC Expenditures**

DCEO's Small Business Development Center grant agreements contained requirements for monitoring expenditures. Required expenditure reports included:

- Monthly Financial Reports
- Final Close-Out Package
- Annual Audit Report

DCEO required that the grantee submit financial reports through its electronic Grantee Reporting System. The IHCC was also required to have matching cash expenditures for the SBDC program that equaled one-half of total expenditures plus was required to have an in-kind match equal to one-half of expenditures. The IHCC proposals for matching cash and matching in-kind were larger than the contract required.

The IHCC monthly and close-out reports submitted to DCEO for the SBDC expenditure and match information matched to the budgeted amounts. They matched on every line item and matched to the total grant amount. Monthly reported expenditures were generally one-twelfth of the total budgeted amount. Exhibit 3-4 shows the budgeted and reported expenses for the terms of the four main grant agreements. As noted, for every SBDC grant, budgeted and reported expenditures matched.

### **Equipment**

The equipment purchased under grant agreements was not documented in any of the close-out packages. As part of the close-out procedure an itemized listing of equipment was to be submitted along with the close-out report. Also, there was not any documentation to support that the IHCC had pre-approval from DCEO to purchase equipment or furniture that exceeded \$1,000 or more as was required by the contracts.

Exhibit 3-4 <b>SBDC EXPENDITURES BUDGETED AND REPORTED ACTUAL</b> Fiscal Years 2003 to 2006				
	Budgeted & Reported FY03	Budgeted & Reported FY04	Budgeted & Reported FY05	Budgeted & Reported FY06
<b>DCEO Share</b>				
Personnel	\$32,000	\$43,000	\$88,000	\$100,000
Fringe Benefits			\$12,000	
Consultant	\$14,000	\$7,000		
Other	\$4,000			
<b>Total</b>	<b><u>\$50,000</u></b>	<b><u>\$50,000</u></b>	<b><u>\$100,000</u></b>	<b><u>\$100,000</u></b>
<b>Cash Match</b>				
Personnel	\$6,750	\$11,500	\$21,500	\$7,500
Fringe Benefits	\$9,755	\$11,656	\$14,910	\$36,648
Travel	\$2,233	\$1,619	\$8,000	
Equipment	\$2,500		\$8,000	
Supplies	\$500		\$4,360	
Consultant			\$6,000	\$12,000
Other	\$3,500	\$1,600		
<b>Total</b>	<b><u>\$25,238</u></b>	<b><u>\$26,375</u></b>	<b><u>\$62,770</u></b>	<b><u>\$56,148</u></b>
<b>In-Kind Match</b>				
Personnel	\$16,100	\$10,800	\$40,000	\$45,200
Travel	\$500			\$5,000
Equipment		\$1,000		
Supplies	\$500	\$1,000		\$4,000
Other	\$13,900	\$16,578	\$12,000	
<b>Total</b>	<b><u>\$31,000</u></b>	<b><u>\$29,378</u></b>	<b><u>\$52,000</u></b>	<b><u>\$54,200</u></b>
<p>Note: This exhibit includes expenditures for the four main SBDC contracts. An additional \$14,620 was paid related to a special contract related to accessibility for people with disabilities.</p> <p>Source: OAG summary of expenditure reports received by DCEO.</p>				

An equipment listing provided to us by the IHCC showed equipment that exceeded \$1,000 that was not listed in the close-out reports and there was no documentation provided of its approval.

### **OAG SBDC Expenditure Review**

When we reviewed documentation related to SBDC contracts at the IHCC, officials provided to us a transaction detail listing that showed expenditures charged to the State contracts. For three of the SBDC contracts, we found that the transaction detail listing totaled to

less than the amount paid on the contract. For those three contracts, a total of \$52,093 was unsupported. In addition, for the Fiscal Year 2006 contract, only \$6,412 of total match expenditures were documented in payroll allocations provided when \$50,000 was required and \$56,148 had been proposed. We also noted that a portion of the SBDC director's salary for Fiscal Year 2006 was charged to the SBDC grant from Fiscal Year 2005.

### **Monitoring SBDC Performance**

In addition to expenditure monitoring reports, the IHCC was required to submit quarterly program narrative reports. The narratives were to include results or impacts of activities. The contract included forms to document performance measures. DCEO's SBDC Operations Manual also requires an economic impact report that includes the client's signed verification of economic impact results which is to be maintained in the SBDC's client files and also be entered into the DCEO electronic system. In an on-site review conducted by DCEO program staff, they noted that documentation forms were included in files. It was noted that employee time and effort forms were not currently available.

DCEO had designated five program goal areas for SBDCs. These goals are used as a measure to determine the effectiveness of the program. These goals and indicators are set as the minimum standard and should be monitored by center staff on an ongoing basis. The IHCC reported performance on the DCEO contracts in the five program areas. Exhibit 3-5 shows the performance indicators reported by program areas, the goals, and the percent of goals which were met for the two years.

During the terms of the grant agreements from Fiscal Years 2005 and 2006, only 6 and 5 respectively of the 20 total performance indicators were met.

**Exhibit 3-5**  
**SBDC PERFORMANCE MEASURES AND PERCENT OF GOALS MET**  
 Fiscal Years 2005 and 2006

<u>Performance Indicators</u>	..... Fiscal Year 2005 .....			..... Fiscal Year 2006 .....		
	<u>Goal</u>	<u>Actual</u>	<u>% of Goal</u>	<u>Goal</u>	<u>Actual</u>	<u>% of Goal</u>
<b>A. Economic Impact</b>						
1. Number of jobs created (30 per \$50,000)	90	19	21%	60	17	28%
2. Number of jobs retained (45 per \$50,000)	100	0	0%	90	17	19%
3. Number of business starts (5 per \$ 50,000)	10	13	130%	10	9	90%
4. Number of business expansions (3 per \$50,000)	8	0	0%	6	1	17%
5. Number of client loans secured	8	3	38%	8	9	113%
6. Dollars in debt financing secured (\$1 million per \$50,000)	\$2 million	\$160,000	8%	\$2 million	\$2.07 million	104%
7. Number of projects with non-debt financing secured	5	7	140%	5	10	200%
8. Dollars in non-debt financing secured (\$.5 million per \$50,000)	\$1.3 million	\$503,500	39%	\$1 million	\$954,180	95%
<b>B. Business Counseling</b>						
9. Total client cases	300	211	70%	250	238	95%
10. Number of "continuous" cases	150	150	100%	100	149	149%
11. Percentage of in business clients compared to all clients	75%	42%	56%	50%	48%	96%
12. Total center counseling hours (900 per PFTE)	2200	1658	75%	1800	1698	94%
13. Average hours per case	7.3	7.86	108%	7.3	6.22	85%
<b>C. Business Training</b>						
14. Number of SBDC sponsored events	20	30	150%	10	25	250%
15. Number of co-sponsored events with local and/or host institution	8	—	0%	10	—	0%
<b>D. Professional Development/Training</b>						
16. Number of hours of professional development training (50 per PFTE)	120	—	0%	120	—	0%
17. Attend and participate in all programmatic and SBO/SBDC designated meetings (4)	4	4	100%	8	—	0%
<b>E. Market Interaction and Assessment</b>						
18. Number of press releases produced by center for local SBDC events/info forums	15	—	0%	10	—	0%
19. Number of success stories submitted through the year	12	0	0%	12	0	0%
20. Completion of a semi-annual survey of all clients provided service by the SBDC	2	—	0%	2	—	0%

Source: OAG summary of performance measure data reported to DCEO.

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## **ILLINOIS HISPANIC ENTREPRENEURSHIP CENTER**

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DCEO had two grants with the IHCC related to the Entrepreneurship Center Program. The IHCC was paid a total of \$500,000 for June 1, 2005 through June 30, 2007. The first contract began June 1, 2005 and ended June 30, 2006. The second contract began on June 1, 2006 and ended on June 30, 2007. For each Entrepreneurship Center contract, the \$250,000 was paid upfront in the first month of a thirteen-month contract. Exhibit 3-1 shows the flow of moneys from DCEO to the IHCC.

### **Purpose**

The first contract was designed to establish the Illinois Hispanic Entrepreneurship Center (IHEC) to serve companies that have a demonstrated potential for high growth. The second contract was designed to continue operation of the IHEC. Grants were to provide firms with an immediate resource to expedite the implementation of specific marketing, business development and/or related initiatives.

The IHCC submitted a budget and budget description to DCEO explaining its use of contract funds. The budget descriptions noted that each of the contracts include matching grants in which funds were to be used to provide matching grants of \$5,000 to 20 eligible businesses to be served by the IHEC. However, only the second contract describes the process for awarding matching grants.

Both contracts stated that the IHCC was to ensure that all grant funds supported the services of the Entrepreneurship Center and that funding was not to be used to supplement funding for the administration or operation of other services. Under the two DCEO Entrepreneurship Center grants, the IHCC had various reporting requirements. Reports required from the IHCC included:

- Quarterly Progress
- Quarterly Expense
- Grant Close-Out
- Annual Audit

In addition to the submission of required reports by the IHCC, the grant agreement also stated that DCEO was to monitor and evaluate the grant to ensure compliance with rules, regulations, and requirements that DCEO might promulgate. The grant was to be evaluated by DCEO to gauge the impact upon the target population and to determine whether the Entrepreneurship Center funds were being utilized effectively. Evaluations were to occur both during the operation of the grant and after its completion.

### **Monitoring IHEC Expenditures**

The IHCC submitted quarterly expenditure reports with reported actual expenditures for the first Entrepreneurship Center contract. The IHCC also submitted the required close-out

report for the first contract. Documentation had been provided to support \$100,000 that had been passed through as matching grants to 19 businesses. In addition, documentation had been provided which supported allocation of salaries and benefits for three employees to the Entrepreneurship Center. Exhibit 3-6 shows expenditures for the Illinois Hispanic Entrepreneurship Center and includes proposed amounts, amounts reported in expenditure reporting, and the amounts reported in close-out reports.

One hundred percent of the salary of an executive employee of the IHCC was charged to DCEO for running the IHEC. In addition, during Fiscal Year 2006, the IHCC billed IDOT for work performed by that same employee even though DCEO was paying 100 percent of his salary during that time period. As a result, it is questionable for DCEO to be reimbursing the IHCC for 100 percent of the employee’s salary out of the IHEC grant.

The IHCC provided documentation related to the matching grants to businesses. Although the contract specified that twenty \$5,000 matching grants would be awarded, the IHCC actually awarded nineteen matching grants in varying amounts from \$2,000 to \$7,000. Exhibit 3-1 shows which businesses received the matching grants.

The second contract period was not completed until the end of June 2007. For that contract, the IHCC is also to award matching grants but they were not to be awarded until late in Fiscal Year 2007. Since the grant period was ongoing during our audit, all expenditure and close-out documentation was not available for our review.

Exhibit 3-6 <b>EXPENDITURE ANALYSIS</b> <b>DCEO’S ENTREPRENEURSHIP PROGRAM</b> June 1, 2005 – June 30, 2006			
<b>Cost Categories</b>	<b>Expenditures Proposed</b>	<b>Expenditures Reported</b>	<b>Expenditures Close-Out</b>
Personnel	\$110,000	\$125,676	\$113,696
Fringe Benefits	\$24,200	\$5,828	\$17,808
Travel	\$4,200	\$4,161	\$4,390
Equipment	\$3,600	\$1,984	\$1,097
Supplies	\$2,000	\$1,281	\$5,309
Contractual /Consultant	\$6,000	\$7,700	\$7,700
Matching Grants	\$100,000	\$100,000	\$100,000
Other	\$0	\$3,515	\$0
<b>Total</b>	<b><u>\$250,000</u></b>	<b><u>\$250,145</u></b>	<b><u>\$250,000</u></b>

Source: OAG summary of expenditure data reported to DCEO.

**OAG IHEC Expenditure Review**

When we reviewed documentation related to the first IHEC contract at the IHCC, officials provided to us transaction detail listings that showed expenditures charged to the State contracts. For this contract, expenditures documented were very close to contracted amounts and amounts paid by DCEO.

### Monitoring IHEC Performance

The IHCC was inconsistent in submitting IHEC performance reports. The IHCC submitted a report of activities for January through March 2006, program reports for June 2006, July 2006, and August 2006, a third quarter and fourth quarter Fiscal Year 2006 report combined, and a report of activities for July through December 2005. In addition, because four of six of the narrative reports submitted were not dated we could not determine if they were submitted on time.

As was noted earlier, the contracts required the IHCC to submit quarterly narrative reports to DCEO. Included in the reports noted above was information on ten performance measures. Exhibit 3-7 shows those measures for the portions of the two contract periods. In addition to quantifiable performance measures, the narrative reports noted that work was done to:

- Identify clients with demonstrated high-growth potential;
- Build relationships with key stakeholders;
- Design service strategies; and
- Develop internal operations infrastructure.

Exhibit 3-7 <b>ENTREPRENEURSHIP CENTER REPORTED PERFORMANCE MEASURES</b>		
<u>Performance Measures</u>	<u>FY 2006 All 4 Quarters</u>	<u>FY 2007 Quarters 1 &amp; 2</u>
Clients Receiving Advisory Services	45	55
Number of Sales Introductions for Clients	450	100
Contracts Secured for Clients	15	4
Clients Receiving Financing Services	10	5
Average Deal Size	\$200,000	\$400,000
Jobs Created	46	pending
Jobs Retained	75	pending
Number of IHEC Grants Awarded	19	—
Amount of IHEC Grants Awarded	\$100,000	—
Percent of Women/Minority Owned Businesses	100%	100%
Source: OAG summary of performance measure data reported to DCEO.		

It should be noted that neither of the contracts listed any performance measures to be achieved by the IHCC. However, documentation was submitted by the IHCC which detailed actual figures related to performance measures.

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## **PROCUREMENT TECHNICAL ASSISTANCE CENTER**

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The IHCC received two grants from DCEO for the Procurement Technical Assistance Center (PTAC). The grants were each for \$60,000, one each in federal fiscal year 2004 (October 1, 2004 to September 30, 2005) and federal fiscal year 2005 (October 1, 2005 to September 30, 2006). The funds were to be used for the operation and management of a PTAC, which would coordinate federal, State, local, university, college, and private resources to aid small businesses.

### **Monitoring PTAC Expenditures**

The DCEO PTAC contracts included requirements that the IHCC submit monitoring reports to DCEO. The IHCC was required to electronically submit monthly financial reports. For these contracts, the IHCC also had matching expenditure requirements. The IHCC was required to have cash match expenditures of at least 50 percent of the grant amount and to have in-kind contributions of at least 50 percent of the grant amount. The expenditure reports submitted identified line item costs charged to the grant. In addition to the monthly expenditure reports, the contract also required a final close-out package for each contract and required an annual audit report.

The IHCC was required to report all expenditure information through DCEO's electronic Grant Reporting System. The contracts both required that the IHCC maintain appropriate records of actual costs incurred for both grant funds and matching funds and that those records be available for DCEO review. Exhibit 3-8 shows the budgeted and reported expenses for the terms of both grant agreements. For DCEO's share of expenditures, expenditures submitted by the IHCC matched exactly to the amount budgeted which matched exactly the contract amount. Transaction detail listings that the IHCC provided to us showed that expenditures charged to the federal fiscal year 2004 PTAC contract exceeded the amount that it was paid by DCEO, but in federal fiscal year 2005 expenditures were \$4,232 less than the amount paid.

Match expenditures also agreed exactly for the first contract. For the second contract, both cash and in-kind match expenditures submitted were less than the amount proposed. However, proposed amounts in the contract were more than the 50 percent required matching contributions specified by the contract. Actual cash match submitted was slightly less than the required 50 percent match but in-kind and cash match together were slightly more than the 100 percent match required.

In an on-site review done by DCEO in March 2005, DCEO staff recommended that the IHCC track program income closely and spend income in direct support of the PTAC program. They were informed that program income must not be used as cash match for the program unless the rules for doing so are strictly followed.

### **Reporting Requirements**

The reporting of staff hours and positions was not documented clearly and consistently. There were personnel changes during the terms of both grant agreements, and the approved budgets did not always reflect the same percentages of time approved to work, when compared to the actual payroll documentation. The on-site review also noted problems with assigned staff

compared to budget. DCEO reminded the IHCC that every person listed on its budget whose time is not 100 percent allocated to the PTAC program must fill out time and effort worksheets showing the time spent in direct support of the program.

Exhibit 3-8 <b>PTAC BUDGETED AND REPORTED EXPENDITURES</b> Federal Fiscal Years 2004 and 2005 (October 1, 2004 to September 30, 2006)						
	..... FFY04 .....			..... FFY05 .....		
	Budgeted	Reported	Difference	Budgeted	Reported	Difference
<b>DCEO Share</b>						
Personnel	\$45,000	\$45,000	\$0	\$53,000	\$53,000	\$0
Fringe Benefits				\$7,000	\$7,000	\$0
Contractual Svc.	\$15,000	\$15,000	\$0			
<b>Total</b>	<b><u>\$60,000</u></b>	<b><u>\$60,000</u></b>	<b><u>\$0</u></b>	<b><u>\$60,000</u></b>	<b><u>\$60,000</u></b>	<b><u>\$0</u></b>
<b>Cash Match</b>						
Personnel	\$9,054	\$9,054	\$0	\$18,000	\$13,530	(\$4,470)
Fringe Benefits	\$13,446	\$13,446	\$0	\$13,438	\$12,318	(\$1,120)
Travel	\$2,000	\$2,000	\$0	\$1,500	\$1,375	(\$125)
Equipment	\$3,000	\$3,000	\$0	\$500	\$458	(\$42)
Contractual	\$5,000	\$5,000	\$0			
Supplies				\$1,000	\$917	(\$83)
Other				\$1,500	\$1,375	(\$125)
<b>Total</b>	<b><u>\$32,500</u></b>	<b><u>\$32,500</u></b>	<b><u>\$0</u></b>	<b><u>\$35,938</u></b>	<b><u>\$29,973</u></b>	<b><u>(\$5,965)</u></b>
<b>In-Kind Match</b>						
Personnel	\$20,646	\$20,646	\$0	\$21,900	\$20,075	(\$1,825)
Travel				\$1,000	\$917	(\$83)
Equipment				\$2,500	\$2,292	(\$208)
Supplies	\$3,354	\$3,354	\$0	\$1,000	\$917	(\$83)
Other	\$12,000	\$12,000	\$0	\$7,000	\$6,417	(\$583)
<b>Total</b>	<b><u>\$36,000</u></b>	<b><u>\$36,000</u></b>	<b><u>\$0</u></b>	<b><u>\$33,400</u></b>	<b><u>\$30,617</u></b> <sup>1</sup>	<b><u>(\$2,783)</u></b> <sup>1</sup>
Note: <sup>1</sup> Totals do not add due to rounding.						
Source: OAG summary of expenditure data reported to DCEO.						

### Monitoring PTAC Performance

The IHCC reported a number of performance goals to measure the effectiveness of the PTAC program. During the terms of both contracts, the IHCC only met the PTAC established goals in 6 of the 17 reported goals. For federal fiscal year 2004, the IHCC met only 2 of 17 goals, and for federal fiscal year 2005 it met 5 of 17 goals. One goal was met both years. Exhibit 3-9 shows the five categories of goals, lists the identified goals, and shows the percentage of the goals the IHCC met each fiscal year.

In an on-site review conducted by DCEO program staff, problems were noted with the IHCC getting or maintaining signed requests for counseling from clients and signed economic

impact reports. Without signed reports, clients and counseling time can not be counted toward performance goals.

Exhibit 3-9 <b>PTAC PERFORMANCE MEASURES</b> Federal Fiscal Years 2004 and 2005 (October 1, 2004 to September 30, 2006)		
<u>Performance Indicators/Goals</u>	Percent Met	
	<u>FFY04</u>	<u>FFY05</u>
<b>Economic Impact</b>		
Number of bids submitted (35 for each FFY04 & FFY05)	0%	23%
Number of contracts secured (10 for each FFY04 & FFY05)	0%	420%
Dollar value of contracts secured (\$16 million for FFY04 & \$14 million for FFY05)	0%	67%
Number of full-time jobs created (42 for each FFY04 & FFY05)	0%	36%
Number of full-time jobs retained (100 for each FFY04 & FFY05)	0%	18%
<b>One-on-One Procurement Counseling/Technical Assistance</b>		
Number of initial counseling sessions (80 for FFY04, 60 for FFY05)	85%	60%
Number of follow-up counseling sessions (400 for each FFY04 & FFY05)	80%	162%
Number of active clients (80 for each FFY04 & FFY05)	94%	115%
Number of counseling hours (1,500 for FFY04 & 1,200 for FFY05)	90%	42%
<b>General Information/Program Promotion</b>		
Number of procurement conference/training sessions to be sponsored or co-sponsored (10 for FFY04 & 8 for FFY05)	0%	63%
Number of success stories (10 for FFY04 & 8 for FFY05)	0%	0%
<b>Small Disadvantaged Business and Women Owned Business Development</b>		
Number of small disadvantaged business initial counseling sessions (50 for FFY04 & 40 for FFY05)	120%	90%
Number of women owned business initial counseling sessions (15 for each FFY04 & FFY05)	80%	33%
Number of HUBZone owned business initial sessions (10 for FFY04 & 5 for FFY05)	50%	0%
Number of service disabled veteran owned business initial counseling sessions (5 for each FFY04 & FFY05)	0%	0%
<b>Professional and Personal Development Training/Networking</b>		
Number of procurement training sessions attended (12 for FFY04 & 10 for FFY05)	0%	100%
Number of SBO/PTAC designated meetings (4 for each FFY04 & FFY05)	100%	100%
Source: OAG summary of performance measure data reported to DCEO.		

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## SUMMARY OF DCEO EXPENDITURE MONITORING

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DCEO had problems related to monitoring expenditures on its contracts with the IHCC. As discussed earlier in this chapter, problems with monitoring expenditures included:

- Reported in-kind expenditures that were less than required;
- Having monthly and close-out reports from the IHCC that matched exactly to grant amounts;
- Failing to approve equipment purchases with grant money as was required; and
- Having percentage of time spent on grants by IHCC staff be less than was proposed in the contract.

All of these issues could be avoided with improved expenditure monitoring and follow up. For issues related to the IHCC expenditures not being sufficient to cover the amount that DCEO paid on grants, DCEO should obtain additional information or seek recovery of moneys paid.

In February 2006, the OAG issued its Management and Program Audit of the Department of Commerce and Economic Opportunity's Administration of its Economic Development Programs. The report included two recommendations specifically related to monitoring. One noted that DCEO should follow up when monitoring reports are not received or are not accurate. Expenditure reports that match the grant amounts exactly and monthly reports that are exactly one-twelfth of the grant amount are not accurate. The second recommendation was a more general recommendation for DCEO to make its monitoring more consistent among its programs. Related to that recommendation, DCEO officials noted that they administer a diverse universe of programs that do not always lend themselves to uniformity in monitoring procedures. Although that is true, in this case staff from various programs could work together to try to assure that expenditures from four DCEO programs with similar purposes are more carefully monitored and coordinated.

### **Certification of Expenditures**

The IHCC certified in close-out reports submitted to DCEO that financial statements provided accurately reflected the financial position of the grant and that all transactions had been properly recorded. In addition, expenditure information submitted through DCEO's Grantee Reporting System is subject to requirements of the contracts which clearly state that the monthly reporting is to be actual costs. However, for 7 of the 11 grants that were closed out, an amount less than the grant amount had actually been spent. Inaccurate reporting of grant fund amounts spent is contrary to certification statement requirements and requirements in the grant agreements.

### Recovery of Funds

Some funds paid to the IHCC were not supported by appropriate documentation and some contractual provisions were not met. As a result there may be funds paid to the IHCC which DCEO should consider recovering. The first example are the two contracts noted in this chapter for which the IHCC reported that it had expended less than the amounts expected under the contracts. Another contract reported spending less than the required cash match.

In addition, OAG analysis of IHCC documentation showed that \$91,192 in payments made by DCEO to the IHCC for its 11 contracts were unsupported by documentation provided (one DCEO contract was not complete until June 2007). When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DCEO contracts. The IHCC charges were less than the amount that DCEO had paid.

Another example is detailed in Chapter Two on the IHCC. It discusses the fact that there were subcontracts with Hispanic partners. The contracts were signed more than a year after payments had been made. One of those subcontractors did not agree to include a required clause that would have provided audit rights related to the money that it received. Since this subcontract did not include the audit clause required in the IHCC’s contract, DCEO should consider recovering the \$2,500 paid.

<b>EXPENDITURE MONITORING</b>	
<b>RECOMMENDATION NUMBER</b>  <b>4</b>	<p><i>The Department of Commerce and Economic Opportunity should assure that its contracts are carefully monitored, should follow up when submitted material is questionable, and should assure that all payments to grantees are supported by required grantee expenditures. Additionally, inappropriate payments should be recovered if necessary.</i></p>
<b>DCEO RESPONSE</b>          [DCEO response continued on the following page]	<p>The Department of Commerce and Economic Opportunity (DCEO) agrees to continue all reasonable and necessary efforts to monitor grantees and follow up with them when submitted information is inconsistent or questionable. The Department is currently working on an initiative, called the Monitoring and Reporting Standardization (MaRS) Project, to review and revise policies and procedures for monitoring and reporting functions for all the Department’s programs. Standardized policies and procedures are being developed to ensure the Department adequately monitors grantee’s compliance with the requirements of their grant agreement. The Department is also developing a new grants processing computer system that will include the functionality necessary to implement the new monitoring and reporting policies and procedures.</p> <p>On-site monitoring field work provides the best assurance for reviewing and approving grantee expenditures and supporting documentation for corresponding agency payments. The Department</p>

<p>[DCEO response continued]</p>	<p>has a limited number of field monitoring staff and cannot complete on-site monitoring field work for all the Department’s grantees. While we have a resource limitation for monitoring staff, the Department’s MaRS initiative and the new grants system will improve our abilities when reviewing, approving, storing and collaborating on reports and other documentation submitted by grantees including expenditure information.</p> <p>For the Illinois Hispanic Chamber of Commerce’s (IHCC) grants subject to this performance audit, DCEO proceeded with additional on-site monitoring to review documentation in support of payments. DCEO concluded the IHCC had a total of \$15,631.74 in unsupported or disallowed costs. DCEO has received a refund check for this amount from the IHCC. The refund includes recoveries for the subcontract that did not contain the required audit clause, the shortfall for the required cash match and other disallowed costs identified by the DCEO review.</p>
<p><b>IHCC RESPONSE</b></p>	<p>IHCC is committed to working diligently internally and with DCEO staff to enhance the performance, tracking and reporting of program activities under its state grants. IHCC, however, feels strongly that a review of its performance to date must be viewed in the context of the uniqueness of the business community that it serves and the process that IHCC has had to follow to build its capacity to successfully provide services and assistance through state-funded programs.</p> <p><i><b>AUDITOR COMMENT: IHCC’s complete written response is included in Appendix D of this report.</b></i></p>

## SUMMARY OF DCEO PERFORMANCE MONITORING

DCEO also had problems related to monitoring the performance of the IHCC related to its contracts. As discussed earlier in this chapter, problems with monitoring performance included:

- Not having performance measures established in all the contracts even though performance data were reported;
- Having incomplete performance data submitted; and
- IHCC only meeting a few of many performance measures which were established.

For some programs, DCEO has done on-site visits to help the IHCC to improve performance but more work could be done to direct and assure that the IHCC meets established goals. In a review conducted by DCEO’s grant monitoring section, they noted that clients may be on rosters that are used to count participants in multiple programs, but with only one session. Although one session could provide information about several programs, it is important for program monitors to assure that services are coordinated and that the State does not pay more than one time for the same service. As was noted in the summary of expenditure monitoring section of this chapter, because of the similarity of these programs, coordinated monitoring work would be appropriate.

<b>PERFORMANCE MONITORING</b>	
<b>RECOMMENDATION NUMBER</b>  <b>5</b>	<i>The Department of Commerce and Economic Opportunity should continue its efforts to assure that performance on its contracts is carefully monitored. Consideration should be given to coordinating monitoring work when one grantee has grants from multiple programs.</i>
<b>DCEO RESPONSE</b>	The Department’s development and upcoming implementation of the Monitoring and Reporting Standardization (MaRS) Project and the new grants processing system will improve the agency’s efforts and effectiveness in monitoring grantees. New functionality will allow all program areas to review and share information on a particular grantee which will improve our ability to monitor grantees that receive grants from multiple program areas.



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## Chapter Four

# DEPARTMENT OF HUMAN SERVICES

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## CHAPTER CONCLUSIONS

The Illinois Department of Human Services (DHS) had two contracts and paid \$172,500 to the Illinois Hispanic Chamber of Commerce (IHCC) during Fiscal Years 2003 to 2006. The contracts were to provide Drug Free Workplace prevention programs and services for small businesses.

OAG analysis of transaction detail summaries provided by IHCC showed that DHS had paid the IHCC a total of \$19,670 more than was documented for the two contracts. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DHS contracts. The IHCC charges were less than the amount that DHS had paid.

DHS had weaknesses related to monitoring or maintaining documentation for the IHCC grant agreements. For the 2005 grant DHS did not receive any of the required expenditure report documentation and did not go through the close-out process. For the 2006 grant, quarterly expenditure reports were received late and the 2006 grant had not been closed by April 2007. For Fiscal Year 2006, DHS paid the IHCC \$137,500. For that same time period IHCC quarterly expenditure reports submitted to DHS showed \$136,203 expended. For that same contract, IHCC transaction detail listings showed \$122,136 of expenditures.

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## BACKGROUND

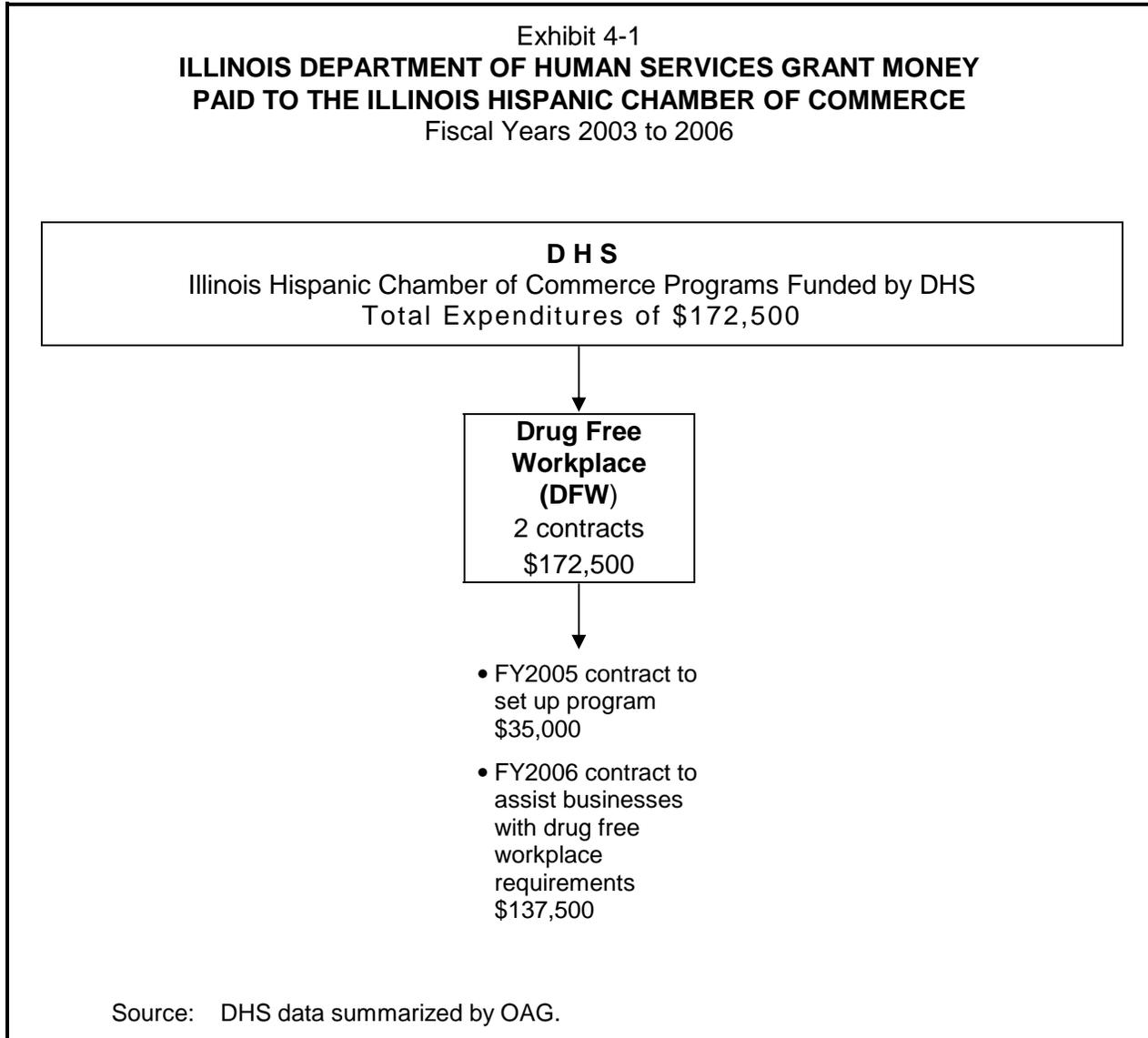
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The Illinois Department of Human Services (DHS) had two contracts with the Illinois Hispanic Chamber of Commerce (IHCC) and paid the IHCC \$172,500 during Fiscal Years 2003 through 2006. The first contract began March 2005 and ended June 30, 2005. The contract total amount and the amount paid by DHS was \$35,000 in Fiscal Year 2005. The second contract period covered Fiscal Year 2006, was for \$150,000, and \$137,500 was paid by DHS. Exhibit 4-1 on the following page shows the flow of moneys from DHS to IHCC.

### Purpose

The purpose of these two grants was to provide Drug Free Workplace (DFW) prevention programs and services for small businesses. The two agreements state the five prevention strategies where services were to be directed: information; education; community-based process; alternatives; and environmental process. These areas are referenced in the DHS Division of Community Health and Prevention, Office of Prevention Program Manual, listed under the Addiction Prevention Statewide Program. Based on these areas, the IHCC prepared a work plan

and a budget proposal which described the services to be provided to small businesses. Businesses were to receive training and assistance related to Drug Free Workplace requirements. The funding provided through these grants was to be used to provide services to the IHCC's target audience and provide services in defined geographic areas that cover a large portion of the State.



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## DHS MONITORING

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DHS had weaknesses related to monitoring or maintaining documentation for the IHCC grant agreements. A DHS program manual, which is incorporated by reference into the contract, defines the purpose of each required monitoring document and gives the dates when they are due. Exhibit 4-2 shows the required documents to be submitted by IHCC. The required documents include the following:

- **Budget** - The provider is expected to have a board approved budget on file as part of the standard operating procedures.
- **Work Plan** - The provider is required to complete a work plan in a format required by the Division of Community Health and Prevention. The approved plan must be kept on file with the Division of Community Health and Prevention, Office of Prevention and should be followed.
- **Expenditure Documentation** - Expenditure documentation should be reported by line item of actual expenditures incurred for the purchase of goods and services necessary for conducting program activities.
- **Narrative Reports** - The provider is required to submit a quarterly report and/or an annual progress report by the specified date as communicated by the Bureau of Substance Abuse Prevention. These reports should contain information about the progress of the program.
- **Revenue Expense Data** - The provider will annually submit revenue and expense data to the Department to enable the Department to perform fiscal monitoring and to account for the usage of funds paid to the provider under the agreement. The IHCC was granted an extension by DHS until September 2007 for the report due for the Fiscal Year 2006 agreement. There was no report submitted for the Fiscal Year 2005 agreement.

Exhibit 4-2 <b>REQUIRED MONITORING DOCUMENTATION FOR DHS GRANTS</b> Fiscal Years 2005 and 2006		
<u>Required Reports</u>	<u>FY05</u>	<u>FY06</u>
Budget	Yes	Yes
Work Plan	Yes	Yes
Expenditure Documentation	No <sup>1</sup>	Yes
Narrative Reports	No <sup>1</sup>	Yes
Revenue and Expense Data	No <sup>1</sup>	No <sup>2</sup>
Notes:		
1	No documentation for grant agreement FY05.	
2	DHS granted an extension to IHCC until September 2007.	
Source:	OAG summary of monitoring documentation received by DHS.	

In addition to documents that were required to be submitted by the IHCC, DHS was also required to perform on-site fiscal and administrative reviews on the contract. According to DHS officials, they perform on-site compliance reviews on a three year cycle. The on-site review for the IHCC was scheduled for Fiscal Year 2007 and was to be completed by June 30, 2007.

### **Monitoring Expenditures**

The actual uses of DHS moneys by the IHCC were poorly documented. Summary expenditure reports submitted to DHS by the IHCC for the Fiscal Year 2006 grant were largely for salaries or contractual costs (87%). However, there were several other categories of expenditures submitted to DHS by the IHCC. Although expenditure reports were submitted for 2006, payments were made by DHS as one-twelfth of the total contract amount or multiples of that amount. Payments did not correspond to expenditure reports. For the 2005 contract, the

\$35,000 was paid as one lump sum and no documentation was submitted to DHS to identify how the money was expended.

Exhibit 4-3 breaks expenditures into categories and compares proposed expenditures to the expenditures reported by IHCC. The exhibit notes that for Fiscal Year 2006, DHS paid \$137,500 but expenditure documentation submitted only supported \$136,203, resulting in a potential overpayment of \$1,297.

Exhibit 4-3 DRUG FREE WORKPLACE PROPOSED EXPENDITURES AND REPORTED EXPENDITURES Fiscal Years 2005 and 2006						
Category	FY05			FY06		
	Proposed	Reported	Difference	Proposed	Reported	Difference
Personnel/ Fringe Benefits	\$23,331	n/a	n/a	\$106,872	\$106,872	\$0
Contractual	\$0	n/a	n/a	\$12,000	\$12,000	\$0
Travel	\$3,200	n/a	n/a	\$3,500	\$1,048	(\$2,452)
Supplies	\$969	n/a	n/a	\$10,628	\$11,938	\$1,310
Equipment	\$4,000	n/a	n/a	\$2,000	\$4,345	\$2,345
Administration	<u>\$3,500</u>	n/a	n/a	<u>\$15,000</u>	<u>\$0</u>	<u>(\$15,000)</u>
Total	<u>\$35,000</u> <sup>1</sup>	n/a	n/a	<u>\$150,000</u>	<u>\$136,203</u> <sup>2</sup>	<u>(\$13,797)</u>
n/a	Not available, no expenditure reports were submitted.					
<sup>1</sup>	For FY05 \$35,000 was paid at the start of the contract but no expenditure reports were submitted.					
<sup>2</sup>	Expenditures reported are less than the \$137,500 which was paid to the IHCC. DHS did pay less than the total contract amount.					
Source:	OAG summary of expenditure information submitted to DHS.					

Additionally, for Fiscal Year 2006, IHCC did not maintain appropriate documentation for supplies, equipment, and travel expenses. IHCC reported \$11,938 for supplies but had no documentation to support what was purchased. IHCC reported \$4,345 for equipment which was \$2,345 more than was proposed. IHCC has been working on a list to track which grant was used to purchase what piece of equipment. The IHCC submitted \$1,048 in travel costs: however, the only documentation in the file to support travel expenses was for two trips totaling \$364 listed on IHCC's transaction detail by account report.

### OAG Review of Expenditure Documentation

When we reviewed documentation related to Drug Free Workplace contracts at the IHCC, IHCC provided to us transaction detail reports which detailed expenditures that had been charged to the State contracts. We found that for both contracts, expenditures charged by IHCC to the contract were less than the amount paid. For the Fiscal Year 2005 contract, \$35,000 was paid and \$30,694 had been charged. The Fiscal Year 2006 contract was for \$150,000 but \$137,500 was paid, \$136,203 was submitted on quarterly expenditure reports, and \$122,136 was supported on IHCC’s transaction detail listing.

### DHS Performance Measures

There were only three quantifiable performance measures reported to DHS for it to evaluate the IHCC DFW Program. The performance measures are incorporated into the grant agreement from administrative rules by reference (77 Ill. Adm. Code 2030. 1320 (b)). The rules requires that:

1. Prevention projects must develop specific goals and objectives related to their prevention strategies, and demonstrate how stated goals and objectives will be the means by which the implementation of the strategies occur.
2. Prevention projects must develop all strategies, and goals and objectives to achieve them, from a substance abuse perspective.
3. Prevention projects must provide evidence of the completion of a needs assessment based on locally derived data indicators which will, at a minimum, describe currently existing prevention resources within the community and the unmet needs which proposed services will fill.
4. Applicants for prevention funding must demonstrate the establishment of linkages with other community agencies which serve the target population. Such linkages must be in the form of letters of support or cooperation, referral agreements or other similar documents. A minimum of two such letters is required, one of which must be from the “In Touch” program.

Exhibit 4-4 QUANTIFIABLE PERFORMANCE MEASURES FOR DRUG FREE WORKPLACE Fiscal Year 2006 <sup>4</sup>		
<u>Quarterly Reports</u>	<u>Goal</u>	<u>Reported</u>
Targeted Informational E-mails	5,000	5,500 <sup>1</sup>
One-on-one technical assistance to develop DFW Programs	40	16 <sup>2</sup>
Incorporate DFW in IHCC Workshops	All <sup>3</sup>	8 <sup>1</sup>
Notes: <sup>1</sup> No documentation was provided to DHS.		
<sup>2</sup> A list of businesses was provided to DHS.		
<sup>3</sup> The number of workshops where this might have been done and the total number of workshops held were not identified.		
<sup>4</sup> No reports or monitoring were received for the FY05 DHS contract		
Source: OAG summary of performance information reported to DHS.		

5. Public information materials (printed and audio-visual) for which a Department award or sub-award was made must be reviewed and approved in writing by the Department prior to release and dissemination. The Department may elect review and approval authority when deemed necessary.

Exhibit 4-4 shows the quantifiable performance measures reported and notes that for two of those included, no documentation of the reported performance results was submitted to DHS.

### Compliance

During the terms of both grant agreements, DHS either did not have required documentation or received it late from IHCC. For example, DHS had a budget and work plan, but none of the monitoring documentation required by the Fiscal Year 2005 grant agreement. For the Fiscal Year 2006 agreement, documentation submitted was received late. Exhibit 4-5 shows some of the required documentation and the number of days late it was submitted based

Exhibit 4-5 <b>REQUIRED MONITORING DOCUMENTATION FOR DHS GRANTS</b> Fiscal Year 2006 <sup>1</sup>			
<b><u>Summary Expenditure Documentation Forms</u></b>			
<b>FY06 <sup>1</sup></b>	<b>Due</b>	<b>Received<sup>2</sup></b>	<b>Days Late</b>
Qtr 1	10/25/05	3/6/06	132
Qtr 2	1/25/06	3/6/06	40
Qtr 3	4/25/06	5/17/06	22
Qtr 4	7/25/06	8/14/06	20
<b><u>Narrative Reports</u></b> <sup>3</sup>			
<b>FY06 <sup>1</sup></b>	<b>Due</b>	<b>Received<sup>2</sup></b>	<b>Days Late</b>
First	1/25/06	3/14/06	48
Final	7/25/06	12/28/06	156
Notes:	<sup>1</sup> No expenditure documentation was submitted for FY05. <sup>2</sup> Based on dates included in monitoring documents, not date stamps. <sup>3</sup> Two narrative reports were submitted: one for the first two quarters and a final.		
Source:	OAG summary of performance information reported to DHS.		

on dates shown on DHS monitoring documents. DHS officials had contacted IHCC to remind them that a required report was late.

### Quarterly Expenditure Reports

IHCC did not seek approval for acquiring equipment as was required by the contract. Expenditure documentation submitted shows that for Fiscal Year 2006 there were expenditures for equipment totaling \$4,345. However, the program manual requires that equipment purchases be pre-approved by the Department if equipment expenses exceed \$500 and have a useful life of more than one year. Program manual requirements are incorporated into the contract by reference.

### Narrative Reports

The narrative reports that were submitted for the Fiscal Year 2006 agreement were all received late and some of the objectives outlined in the work plan were not addressed in the reports. For example, a bilingual website was to be developed and

completed by December 1, 2005. In the final narrative report there was no mention of the website being completed or approved by DHS. No narrative documentation was obtained by DHS for the Fiscal Year 2005 grant agreement.

**SUMMARY**

Although DHS only had two contracts with the IHCC, there were still weaknesses related to monitoring of the contracts. For the 2005 grant, DHS did not receive any of the required expenditure report documentation and did not go through the close-out process. For the 2006 grant, quarterly expenditure reports were received late and DHS had granted a filing extension for the required 2006 revenue and expense data until September 2007. Additionally, no evaluation of IHCC, as a new contractor, had been performed even though DHS was approaching the third year of contracting with IHCC.

During our review of expenditure reports submitted by IHCC, we found that documentation to support the expenditures reported did not total to amounts reported. For the Fiscal Year 2006 contract, documentation submitted to DHS showed that \$136,203 was spent on grant purposes but \$137,500 was paid to the IHCC. Additionally, IHCC did not maintain appropriate documentation for supplies, equipment, and travel expenses. The quarterly expenditure reports required by the second DHS grant contained the following certification statement:

*The undersigned hereby certifies that the goods and/or services claimed above are necessary expenditures for the program, that appropriate purchasing procedures have been followed, that payment has been made as indicated and that reimbursement has not previously been requested or received.*

The OAG compliance attestation engagement of DHS for the two year period ended June 30, 2005, included a finding that noted weaknesses in the grant close-out process and recovery of unspent funds in accordance with the Grant Funds Recovery Act. For the Fiscal Year 2005 IHCC contract, nothing was ever submitted that would allow DHS to know whether the full amount had been spent on the purposes of the grant. For the Fiscal Year 2006 contract, DHS paid \$137,500 but expenditure documentation submitted to DHS only supported \$136,203, resulting in a potential overpayment of \$1,297.

Our analysis of transaction detail summaries provided by IHCC showed that DHS had paid the IHCC a total of \$19,670 more than was documented for the two contracts. When we reviewed documentation related to contracts at the IHCC, officials provided transaction detail listings that showed expenditures that had been charged to the DHS contracts. The IHCC charges were less than the amount that DHS had paid to the IHCC.

<b>DHS CONTRACT MONITORING</b>	
<p><b>RECOMMENDATION NUMBER</b></p> <p style="font-size: 2em; font-weight: bold;">6</p> <p>[DHS response is on the following page]</p>	<p><i>The Department of Human Services should assure that contracts are monitored properly, including receiving and reviewing required monitoring documents, assuring that provider performance is evaluated, and assuring that all grant funds are spent for appropriate purposes and properly documented.</i></p>



<p><b>[Auditor comment continued]</b></p>	<p><i>time extensions, and there is a separate rule related to filing audits. However, because the FY 2005 grant was not closed out and because a year had passed since the FY 2006 grant period had ended and because the grantee had reported to DHS program staff that it had not spent as much as it was paid, the auditors believe that there is a basis for recommending that the Department assure that its contracts are monitored properly.</i></p>
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## Chapter Five

# DEPARTMENT OF TRANSPORTATION

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## CHAPTER CONCLUSIONS

The Illinois Department of Transportation (IDOT) had two contracts and paid \$151,013 to the Illinois Hispanic Chamber of Commerce (IHCC) during Fiscal Years 2003 to 2006. The contracts with the IHCC were to provide business development assistance to Disadvantaged Business Enterprises (DBEs) for the purpose of increasing DBE participation in all federal aid and State transportation contracts. In addition, IDOT paid a total of \$4,000 for two years' participation in the IHCC Expo.

IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than other State agency contracts because payments were made to reimburse the IHCC for the actual cost of services that had been provided.

When we reviewed IHCC documentation related to contracts, IHCC officials provided transaction detail listings that showed expenditures that had been charged to the IDOT contracts. For these contracts, the IHCC had charged more to the contracts than IDOT had paid.

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## BACKGROUND

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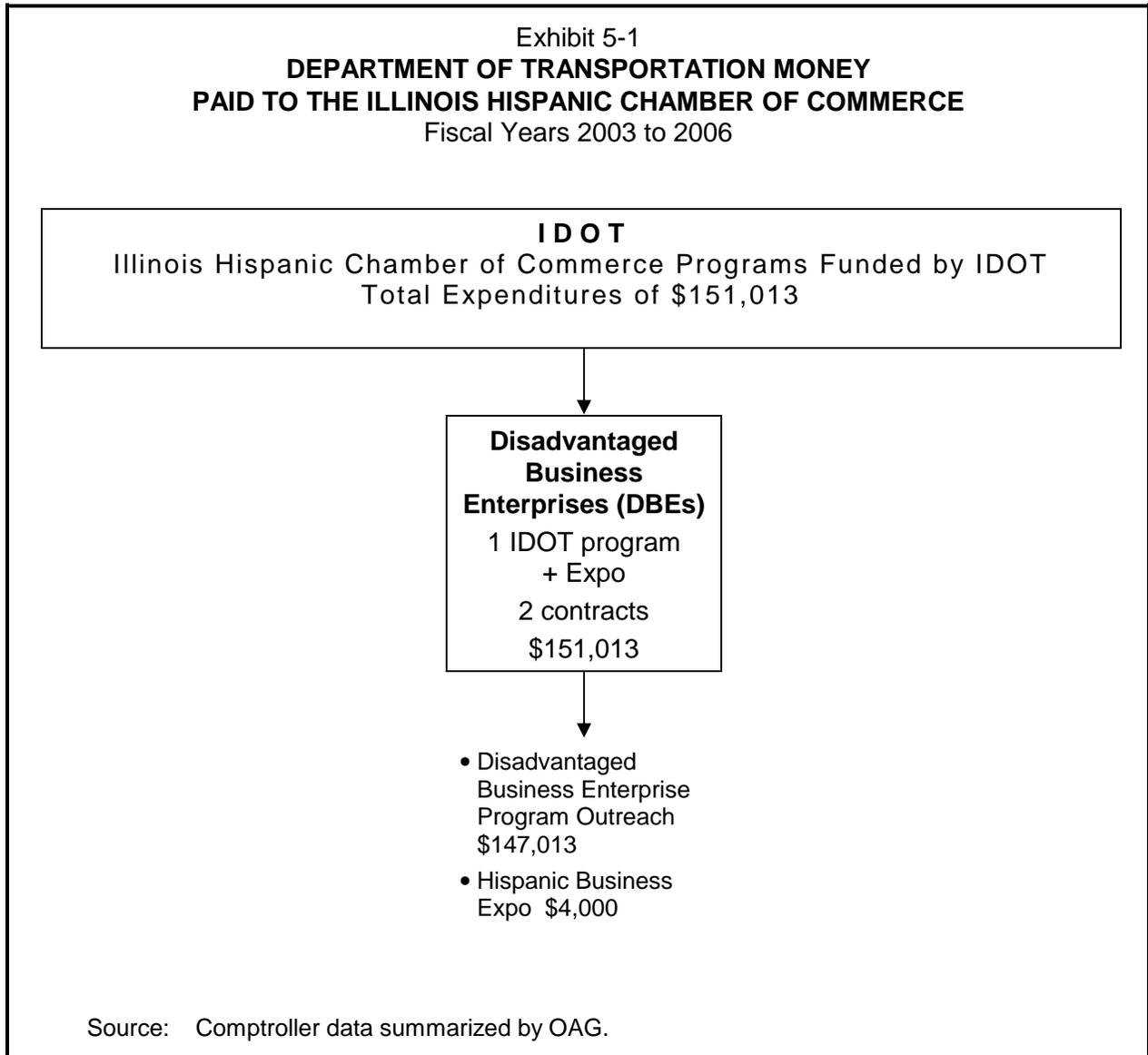
The Illinois Department of Transportation had two contracts with Illinois Hispanic Chamber of Commerce and paid it \$151,013 during Fiscal Years 2003 through 2006. The first IDOT contract began March 2004 and ended December 2004. The maximum amount to be expended under this contract was \$95,000; however, only \$72,751 was actually expended. The second contract began January 1, 2005 and ended December 31, 2005. The maximum amount to be expended under the second contract was \$75,000 and \$74,262 was actually expended.

The purpose of these two IDOT contracts was to provide business development assistance to Disadvantaged Business Enterprises for the purpose of increasing DBE participation in all federal aid and State transportation facility contracts in Cook and adjacent counties that make up IDOT District 1.

IDOT also provided money to the IHCC in Fiscal Years 2005 and 2006 to participate in the Hispanic Business Expo. A total of \$4,000 was spent by IDOT to participate in the Expo. Exhibit 5-1 on the following page shows the flow of moneys from IDOT to the IHCC.

**Purpose**

IDOT has established general goals related to the DBE program which relate to the specific goals for the IHCC under its contract. Program goals are to provide services to DBE firms with the objective of developing their management skills to a level of self-sufficiency and to assist non-DBE firms through the certification process.



Services to be provided by contractors under IDOT’s DBE program include:

- Assistance in the certification and prequalification of firms to ensure successful aforementioned activity;
- Recruitment of potential DBEs by apprising qualified applicants of IDOT’s DBE program and assisting qualified applicants with the certification process;

- Services which assist in the assessment of DBEs management system and accounting records development;
- Services or training designed to develop and improve immediate and long-term business management including cash flow schedule analysis and preparation;
- Services to assist DBEs qualify for and obtain bonding and financial assistance; and
- Follow-up services to ascertain the benefit of training and assistance provided.

Performance goals set for the IHCC by IDOT are stated in terms of the number of DBE and small business contractors to be assisted.

The IHCC was to assign work to contractors based on a schedule of service IDOT developed. Only services requested by participating firms and authorized by IDOT were to be eligible for reimbursement. Eligible firms included contractors and engineering consultants seeking certification, certified DBE firms, and contractors who were registered or prequalified with IDOT.

One-on-one assistance was the primary type of service to DBE firms; however, workshops and other types of training could be provided at the direction of IDOT. Workshops, conferences and training are offered to both DBE and non-DBE firms. The IHCC functioned under the direction of IDOT's Bureau of Small Business Enterprises.

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## **IDOT MONITORING**

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IDOT did a thorough job of monitoring the two contracts that it had with the IHCC. For both contracts, the IHCC was required to submit invoices for reimbursement of program costs incurred on a monthly basis. IDOT's contracts were different than any of the other State agency contracts because payments were made to reimburse the IHCC for the cost of services that had been provided. Other agencies paid upfront or periodically but not through reimbursement. The IHCC was to submit information including date of assistance, DBE or businesses assisted, and the type of assistance provided. Among the items that the IHCC reported monthly to IDOT were:

- Consulting hours performed for a particular month times an hourly rate for a total;
- Description of services, quantity of service provided, unit price, and total amount;
- Name of the field representative, services dates, name and address of client(s), phone number, ethnicity/gender, assistance code, craft or position, and notes or comments; and
- Travel invoices detailing departures and arrivals, auto reimbursement, and the purpose of the trips.

Documentation provided by IDOT indicated that the contract monitor questioned the IHCC about services provided, asked for more information about services, and refused payment

for some of the services which were billed by the IHCC. Because payments were based on services provided and billed, amounts paid to the IHCC varied from month to month. Based on our review of services billed, recruitment of potential DBEs; certification and recertification assistance; and internal administration of the program were some of the services provided by the IHCC.

**Monitoring Expenditures**

Expenditures by the IHCC for the two IDOT contracts were almost exclusively for salaries and consulting costs. Travel was the only other category of expenditures reimbursed. As noted earlier, both categories of expenditures submitted for reimbursement were well documented. Exhibit 5-2 below breaks expenditures into categories and compares proposed and reported expenditures for each category.

Exhibit 5-2 PROPOSED vs. REPORTED EXPENDITURES IDOT'S DISADVANTAGED BUSINESS ENTERPRISE PROGRAM March to December 2004 and January to December 2005						
Category	.....2004.....			.....2005.....		
	Proposed	Reported	Difference	Proposed	Reported	Difference
Personnel/ Consulting	\$93,040	\$72,539	(\$20,501)	\$73,610	\$72,560	(\$1,050)
Travel	<u>\$1,960</u>	<u>\$212</u>	<u>(\$1,748)</u>	<u>\$1,390</u>	<u>\$1,703</u>	<u>\$313</u>
Total	<u>\$95,000</u>	<u>\$72,751</u>	<u>(\$22,249)</u>	<u>\$75,000</u>	<u>\$74,262</u> <sup>1</sup>	<u>(\$738)</u> <sup>1</sup>
<sup>1</sup> Totals do not add due to rounding.						
Source: OAG summary of IDOT expenditure data.						

**OAG IDOT Expenditure Review**

When we reviewed documentation related to contracts at the IHCC, officials provided detailed expenditure listings that showed expenditures that had been charged to the IDOT contracts. For these contracts the IHCC had charged more to the contracts than IDOT had paid.

**Monitoring Performance**

Although IDOT generally did a good job of monitoring its contracts, performance measures which were initially established for the 2005 contract were high. No performance measures were included for the initial contract in 2004, but were included in the 2005 contract. After nearly three quarters of the term had elapsed, IDOT amended the contract to reduce the performance measures. This amendment was made after IHCC officials met with the Secretary of Transportation. Following the meeting, 6 of 9 performance measures were reduced to

approximately 25 percent of their original values. Exhibit 5-3 compares originally established performance measures, the revised measures, and the results which were reported to IDOT. As the exhibit shows, the IHCC did not achieve its goals, even with reduced performance measures.

Exhibit 5-3 <b>COMPARISON OF IDOT PERFORMANCE MEASURES – GOALS vs. RESULTS</b> Calendar Year 2005					
	<u>Performance Measure Description</u>	<u>Original Goal</u>	<u>Revised Goal</u>	<u>Results Achieved</u>	<u>Difference Revised Goal to Results</u>
1	Assess and complete DBEs/non-DBEs management systems assessments.	40	40	20	-20
2	Develop and/or modify accounting records for DBEs/non-DBEs.	40	40	7	-33
3	Prepare and complete DBEs/non-DBEs cash flow schedule analysis.	30	8	1	-7
4	Prepare and complete DBE/non-DBE business plans.	15	4	2	-2
5	Prepare for completion and submit DBE/non-DBE loan packages.	20	5	3	-2
6	Assist with completion for submission to the Department DBE certification or certification renewal applications.	25	6	8	+2
7	Assist and prepare for submission to the Department DBE prequalification applications.	15	15	0	-15
8	Recruit potential DBEs with emphasis on underrepresented construction trades in highway, transit and aviation such as excavation, landscaping, guardrail, and striping.	35	9	20	+11
9	General business assistance.	–	–	6	+6
10	Prepare DBE/non-DBE marketing plans for submission to the Department.	15	4	2	-2
Source: IDOT data summarized by OAG.					

### Compliance

While the Illinois Hispanic Chamber of Commerce did not always follow the contract agreements with regard to the timely submission of invoices and correct documentation on the invoices, IDOT officials did correct and respond to these issues. No instances of noncompliance

with statutes or rules were noted related to the contracts between the Illinois Hispanic Chamber of Commerce and the Department of Transportation.

The contracts with the IHCC clearly established IDOT's expectations for the IHCC. Within the contract attachments, IDOT included the necessary forms required for the IHCC contract to be in compliance with applicable laws and regulations.

On some occasions, the IHCC did not follow the contract agreement requirements with regard to the timely submission of invoices or correct documentation on the invoices. However, IDOT officials sent emails reminding the IHCC officials if they had not submitted invoices by the 15th day of the next month, as stated in the contracts. In addition to the untimely submission of invoices, IDOT officials checked to ensure that the monthly reports and billing information were accurate and included all necessary items.

For the 2004 contract, IDOT officials noted that the IHCC needed to provide numbers that reflect true accomplishments, not just a basic narrative of the scope of services. By the second contract in 2005, IDOT had incorporated the exact items needed in the contract. While the monthly reports improved from the previous contract, there were some other issues identified by IDOT. Transportation officials noted items not billable under the contract, which included not allowing time spent on internal meetings. IDOT also warned the IHCC about mixing events with IDOT and other entities. IDOT noted that all activities under its contracts must be kept separate from other entities. In both contracts there were instances where services billed by the IHCC were not reimbursed by IDOT.

# APPENDICES



APPENDIX A  
Senate Resolution Number 631



STATE OF ILLINOIS  
NINETY-FOURTH GENERAL ASSEMBLY  
SENATE

Senate Resolution No. 631

Offered by Senators Martinez, del Valle, Sandoval and Munoz

WHEREAS, The Illinois Hispanic Chamber of Commerce, Inc., is an assumed name of the Mexican American Chamber of Commerce of Illinois, Inc.; and

WHEREAS, The Illinois Hispanic Chamber of Commerce, Inc., and/or the Mexican American Chamber of Commerce of Illinois, Inc., ("the Chamber") has received over \$1 million in State funding from the Department of Commerce and Economic Opportunity since FY03; and

WHEREAS, The Chamber has also received State moneys from several other State agencies; and

WHEREAS, In August 2004, the Governor launched the Minority Contractor Training Initiative with \$400,000 in funding for the Chamber; and

WHEREAS, In administering that initiative, the Chamber was to work closely with its local Hispanic chambers and organizations; therefore, be it

RESOLVED, BY THE SENATE OF THE NINETY-FOURTH 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 Illinois Hispanic Chamber of Commerce, Inc., and/or the Mexican American Chamber of Commerce of Illinois, Inc., under contracts or grant agreements in Fiscal Years 2003, 2004, 2005, 2006; and be it further

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

(i) the purposes for which State moneys were provided to the Chamber, for each State agency and for each amount transferred;

(ii) the nature and extent of monitoring by State agencies of how the Chamber used the State-provided moneys;

(iii) the actual use of State moneys by the Chamber including the identity of any sub-recipients and the amounts and purposes of any such pass-throughs;

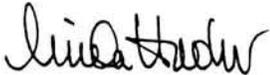
(iv) whether, through a review of available documentation, the Chamber has met or is meeting the purposes for which the State moneys were provided, with specific information concerning the Chamber's staffing levels and its compensation of management employees; and

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

RESOLVED, That the Illinois Hispanic Chamber of Commerce, Inc., the Mexican American Chamber of Commerce of Illinois, Inc., the Department of Commerce and Economic Opportunity, and any other State agency or other entity or person that may have information relevant to this audit cooperate fully and promptly with the Auditor General's Office in its audit; and be it further

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

Adopted by the Senate, April 6, 2006.

  
Secretary of the Senate

  
President of the Senate

# APPENDIX B

## Audit Sampling and Methodology



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## Appendix B

# AUDIT SAMPLING AND METHODOLOGY

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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.

Fieldwork for this audit was conducted between February and April 2007. We interviewed representatives of the Illinois Departments of Commerce and Economic Opportunity, Human Services, and Transportation. We also interviewed representatives of the Illinois Hispanic Chamber of Commerce (IHCC). We reviewed all of the IHCC contracts and reviewed documents at the State agencies including monitoring documentation which had been submitted. We also reviewed documentation maintained by the IHCC.

In conducting the audit, we reviewed applicable State statutes and rules. Compliance requirements were also tested and reviewed in relation to requirements of the various contracts. Any instances of non-compliance that we identified are noted in this report.

We reviewed risk and internal controls at the State agencies and for the IHCC related to the audit's objectives. The audit objectives are contained in Senate Resolution Number 631 (see Appendix A). This audit identified some weaknesses in those controls, which are included as findings in this report.

We reviewed the previous financial audits and compliance attestation engagements released by the Office of the Auditor General for the State agencies. This included reviewing findings for the most recent compliance attestation engagements and the applicable findings from most recent Statewide single audit. We also reviewed the findings in the Auditor General's Management and Program Audit of the Department of Commerce and Economic Opportunity's Administration of its Economic Development Programs, which was released in February 2006.

To the extent necessary we reviewed the reliability of computer processed data used in our audit report. That included reviewing findings included in the compliance attestation engagements and audits that were done by the Auditor General.

## TESTING AND ANALYTICAL PROCEDURE

As noted earlier, we reviewed agency files related to all contracts with the IHCC. In addition, we reviewed files at the IHCC or documentation provided by the IHCC related to all of the 16 contracts. As necessary, we also reviewed documentation at the IHCC related to services provided in relation to the various contract with State agencies. In some cases, documentation did not allow us to verify expenditures or services provided. These exceptions are noted in this report.

We obtained salary information for the IHCC as was requested in Senate Resolution Number 631. We obtained information filed by the IHCC with the Attorney General because it is a not for profit organization. Illinois law requires charitable organizations which solicit or hold charitable monies in Illinois to register and file annual financial reports with the Attorney General's Office. Among the items filed with the Attorney General is a 990 form which includes the top three management salaries for the year. We also reviewed management compensation documentation which was provided by the IHCC.

APPENDIX C  
Minority Contractor Training Initiative  
Press Release





**FOR IMMEDIATE RELEASE**

August 30, 2004

**GOVERNOR BLAGOJEVICH ANNOUNCES \$400,000 IN OPPORTUNITY RETURNS FUNDING TO ILLINOIS HISPANIC CHAMBER OF COMMERCE TO DIVERSIFY ECONOMY AND GROW SMALL BUSINESS ACROSS THE STATE**

CHICAGO – Governor Rod Blagojevich announced today **\$400,000** in funding to the Illinois Hispanic Chamber of Commerce (IHCC) to launch the Minority Contractor Training Initiative, a coordinated effort that will vastly improve the competitiveness of current Illinois minority contractors and grow the capabilities of future minority contractors to succeed in obtaining state and construction related contracts. This initiative comes as a part of the Governor’s *Opportunity Returns* program for the Northeast region, his comprehensive, pro-active plan for restoring economic opportunity to the area, which he will announce in the coming months. Illinois Department of Commerce and Economic Opportunity Director Jack Lavin announced the funding with representatives of the Illinois Hispanic Chamber of Commerce and various elected officials at the Little Village High School, which is a new Chicago Public School scheduled to open next fall.

The initiative will provide the e-commerce skills so important in today’s market, procurement instruction from experienced and successful contractors, and certification procedures applicable to state agencies, such as the Illinois Department of Transportation (IDOT) and others.

“Here in the Chicagoland area, we are using innovative partnerships to leverage resources, create more widespread economic opportunity, and produce the maximum impact for our investment. The funding we are announcing today to launch the Minority Contractor Initiative is a wonderful example of that strategy in action and is laying the foundation for a more robust economy strengthened by a broader spectrum of enterprising Illinoisans,” Governor Blagojevich said.

The Illinois Department of Commerce and Economic Opportunity (DCEO) is providing the funding and partnering with the Illinois Hispanic Chamber of Commerce to administer this initiative. Training will be provided at a variety of locations in both Aurora and Chicago.

“Governor Blagojevich and I believe that an effective economic development plan must first strive to expand economic opportunity. The Minority Contractor Training Initiative is so important because it will do just that. By gaining access to critical business skills such as financing, marketing, and securing contracts, minority entrepreneurs and businessmen will have better opportunities to make their business ventures successful over the long haul,” said State Senator Martin A. Sandoval (D-Cicero).

“The Governor’s *Opportunity Returns* plan is designed to work at the grassroots level and build a stronger economy from the ground up. The funding being dedicated to this initiative exemplifies this approach in action and will play a vital role in sparking economic growth and job creation in communities where resources and opportunity have often been scarce,” State Representative Edward J. Acevedo (D-Chicago) said.

Specifically, the Minority Contractor Training Initiative will focus on three key strategies:

**Increasing basic business knowledge:** This instruction will include assessing current accounting practices and providing instruction on computerized options, providing financial analysis and business plan development training, and providing market research information.

**Improving contract procurement skills:** This skill training teaching contractors how to more successfully secure contracts will include job estimating/bid preparation, bonding/insurance, and schedule/site control.

**Expand access to one-on-one consultation:** One-on-one consultation with knowledgeable professionals is an important ingredient in learning how to run a successful business. Contractors will receive a wide variety of support, including small business startup financing, capital investment/expansion financing, and on-site visits.

"This training initiative marks a historic moment for Hispanic businesses in the state," said Juan Ochoa, President & CEO of the Illinois Hispanic Chamber of Commerce. "It's the first program of its kind and will enable us to reach out to and provide training to hundreds of Hispanic construction and construction-related firms to make them more competitive and enable them to access more business opportunities in the form of government contracts. As part of our own commitment to the Hispanic business community, we are proud to be working in partnership with other Hispanic chambers and community development groups to ensure the success of the program."

“Small businesses and entrepreneurs are the lifeblood of the Illinois economy. Minority contractors are an important constituency of the small business community and play a vital role in helping our local economies flourish. The Minority Contractor Training Initiative is designed to provide targeted resources and skills training that will act as a great tool for these contractors in helping their businesses become more competitive and prosperous in the marketplace,” DCEO Director Jack Lavin said.

Located at 33 N. LaSalle in Chicago, the IHCC is the principal voice of the Hispanic business community in Illinois and is committed to increasing the participation of Hispanic businesses in all commercial and economic areas. The IHCC will work closely with many member organizations to administer this initiative. They are:

- Hispanic American Construction Industry Association
- 47<sup>th</sup> Street Chamber of Commerce
- Aurora Hispanic Chamber of Commerce
- Cuban American Chamber of Commerce of Northern Illinois

- Little Village Community Development Corporation
- Puerto Rican Chamber of Commerce
- The Resurrection Project
- The Latin American Chamber of Commerce

The *Opportunity Returns* regional economic development plan is the most aggressive, comprehensive approach to creating jobs in Illinois' history. Since a one-size-fits-all approach to economic development just doesn't work, the Governor has divided the state into 10 regions – finding areas with common economic strengths and needs, and developing a plan with specific actions for each region. This grassroots effort is a

product of significant outreach over several months with business, civic and labor leaders, and elected officials. *Opportunity Returns* contains tangible actions to make each region more accessible, more marketable, more entrepreneurial and more attractive to business.

Source: <http://www.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=1&RecNum=3347>



# APPENDIX D

## Agency Responses

**Note:** This Appendix contains the complete written responses of the Illinois Hispanic Chamber of Commerce, the Department of Commerce and Economic Opportunity, and the Department of Human Services. There are three numbered Auditor Comments that address matters raised in the Agencies' responses. The numbers for the comments appear in the margin of the Agencies Responses.





July 12, 2007

William G. Holland  
Illinois Auditor General  
Iles Park Plaza  
740 East Ash St.  
Springfield, IL 62703-3154

Mr. William G. Holland:

Please find attached the Illinois Hispanic Chamber of Commerce's response to the report of the Illinois Auditor General's performance audit of our organization per the provisions of Resolution 631 adopted by the Illinois Senate on April 6, 2006. Also, please consider this letter our formal request that the entirety of our response be incorporated in the final report.

Over the years, IHCC has become a key partner and resource to State agencies to effectively deliver services and assistance to Hispanic and minority businesses that have been historically underserved. IHCC has achieved significant success in its work to help Hispanic and minority businesses grow and succeed. Through this work, IHCC contributes to economic development and job creation that serve to enhance the quality of life for all residents of the State of Illinois.

IHCC worked diligently to provide all of the requested information to the office of the Illinois Auditor General toward the completion of this audit. IHCC remains committed to helping Hispanic-owned and small businesses in a responsible and transparent manner. This audit has helped the IHCC identify internal challenges in the process of allocating financial expenditures and tracking performance on IHCC grants and other activities. IHCC has already taken corrective steps to implement systems that will enable the organization to more effectively track grant expenditure allocations and performance moving forward.

IHCC would like to acknowledge the professionalism and diligence with which staff of the Office of the Auditor General conducted the audit. Please feel free to contact me if you have questions or need additional information. Thank you.

Sincerely,

Omar Duque  
President & CEO

Illinois Hispanic Chamber of Commerce (IHCC)  
Response to the Report Draft of the Performance Audit of the State moneys provided by or through  
State Agencies to the Illinois Hispanic Chamber of Commerce  
July 12, 2007

**IHCC Response to “Introduction and Background - - Report Conclusions Section”**

**Introduction**

Over the years, IHCC has become a key partner and resource to State agencies to effectively deliver services and assistance to Hispanic and minority businesses that have been historically underserved. IHCC has achieved significant success in its work to help Hispanic and minority businesses grow and succeed. Through this work, IHCC contributes to economic development and job creation that serve to enhance the quality of life for all residents of the State of Illinois.

IHCC worked diligently to provide all of the requested information to the office of the Illinois Auditor General toward the completion of this audit. IHCC remains committed to helping Hispanic-owned and small businesses in a responsible and transparent manner. IHCC approached the completion of the audit as an opportunity to thoroughly examine its internal procedures in furtherance of its commitment to implement and operate programs funded by state grants with the highest level of professionalism and integrity.

This audit has helped the IHCC identify internal challenges in the process of allocating financial expenditures and tracking performance on IHCC grants and other activities. IHCC has already taken corrective steps to implement systems that will enable the organization to more effectively track grant expenditure allocations and performance moving forward.

**IHCC has Provided Services and Assistance and has Contributed to the Success of Hundreds of Businesses**

During the years 2003 through 2006, IHCC has provided direct services and assistance to hundreds of businesses and has made a significant contribution to the continued growth and success of Hispanic businesses in the State of Illinois. Moreover, given the unique challenges faced by Hispanic businesses, IHCC's contributions must be measured beyond a mere quantitative, numerical analysis. IHCC counts among its members and clients dozens of Hispanic businesses with demonstrated growth in revenue and capacity and is actively working with hundreds more that are well on their way to achieving similar growth and success. Additional details about IHCC's program success is provided in IHCC's response to Recommendation #4 in this report.

**IHCC Implements its Programs and Conducts Operations through the use of Balanced Public and Private Resources**

Since its inception in 1990, IHCC has helped promote the growth of the Hispanic business community and has served as an advocate for business issues. Over the years, IHCC has operated and implemented a series of programs and initiatives with funding from various State of Illinois agencies. While state funding has helped IHCC increase both the types and number of services it provides to businesses, IHCC has remained committed to maintaining a healthy balance of public and private funding sources. For the years covered in this audit (2003-2006) 37.9 percent

of IHCC's combined revenues are attributed to state (public) funding while 62.1 percent of all revenues from 2003-2006 are from non-State of Illinois and private funds. IHCC's ability to raise the majority of its funding from private resources is a testament to its solid standing as a recognized, viable, credible business organization that enjoys the respect and support of corporate, community and government leaders in the fulfillment of its mission.

### **IHCC is a Viable and Credible Organization Delivering Programs and Assistance to an Underserved Community with Unique Needs**

IHCC largely serves Illinois' Hispanic community - a unique and growing but historically under served community in the state of Illinois. IHCC provides free, bi-lingual (Spanish/English) services to existing business owners and emerging entrepreneurs. IHCC currently employs 11 full-time and 3 part-time staff and operates various service based programs out of two offices, one in Chicago's Loop and the other in Chicago's Pilsen neighborhood. IHCC is a 501 (c) (6) not-for-profit organization as designated by the Internal Revenue Service.

IHCC is the only Hispanic-serving business organization in Illinois currently set up to provide specialized one-on-one counseling services for businesses at all stages of growth. No other organization in Illinois has the capacity to provide the specialized services IHCC provides to Hispanic-owned businesses. Historically, Illinois' Hispanic community has been underserved by state programs. As a result of our focused outreach and targeted services, IHCC is helping develop a new generation of Hispanic-owned businesses. These business help build economically stable communities by providing employment and generating tax revenues for local taxing bodies. As part of a very young, emerging entrepreneurial community, Hispanic businesses served by IHCC face unique challenges and obstacles that require a new service approach. In order to meet this need, IHCC has over the last few years worked diligently and creatively to build the programmatic foundation that will enable to effectively meet the needs of Hispanic businesses.

State-funded programs enable IHCC to offer businesses urgently needed assistance by providing access to new markets as well as products and services (including access to capital) essential to business growth and success. IHCC is proud of the services it provides to businesses and recognizes the immediate impact its work has had on a traditionally underserved community in Illinois, supporting business growth that will lead to the development of more sustainable communities. IHCC is committed to achieving management, financial, administrative, operational and reporting excellence and efficiency that will enable it to enhance the results it delivers to the taxpayers of Illinois. Additional details about the unique needs of Hispanic businesses in Illinois are provided in IHCC's response to Recommendation #4 in this report.

### **IHCC Response to Recommendation #1**

IHCC is in agreement with this recommendation. Although over the past several years, IHCC has worked to improve its internal financial tracking system independent of this audit, we recognize the need to continue to improve our systems. IHCC began restructuring its financial management system in 2006 during the 2005 year end closing process. The restructuring process involved setting up separate ledgers for individual grants. For years prior to 2005 grant activity was tracked separately from the general ledger using spreadsheets and reconciled to the general ledger on a

consolidated basis. An audit trail exists that shows actual incurred grant expenditures per the manually prepared grant activity reports to the audited financial statements. See Appendix A for more details on the IHCC's financial management system. IHCC will continue to work to implement an enhanced internal system with a more defined structure for grant reporting. Moreover, IHCC will hold ongoing training and review sessions of its internal policies regarding reporting and expenditures.

### **IHCC Response to Recommendation #2**

IHCC fully agrees with this recommendation. IHCC is currently working to implement an internal performance management system that will allow us to document progress made toward the purpose of our various state grants. The system will track percentages of work completed toward the total goals of specific grants/contracts. Management staff will work more closely with program directors to monitor performance. In addition we will be working with state agencies to provide our staff with additional training on reporting mechanisms. Additional comments regarding IHCC's performance are provided in the response to Recommendation #4

### **IHCC Response to Recommendation #3**

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IHCC has already taken corrective action on this recommendation. In 2007, IHCC began reporting employee bonuses as salaries/wages to be included in IRS W2 form and subject to tax withholdings. IHCC affirms that no staff bonuses were paid from state funds. All employee bonuses were paid from non-restricted IHCC general revenue funds. IHCC is a financially solvent organization that does not solely depend on state funding for its existence. In fact, during the audited 2003-2006 period, state funds accounted for only 37.9 percent of IHCC's total operating budget.

### **IHCC Response to Recommendation #4**

IHCC is committed to working diligently internally and with DCEO staff to enhance the performance, tracking and reporting of program activities under its state grants. IHCC, however, feels strongly that a review of its performance to date must be viewed in the context of the uniqueness of the business community that it serves and the process that IHCC has had to follow to build its capacity to successfully provide services and assistance through state-funded programs.

As it relates to performance and meeting individual program deliverables, IHCC has demonstrated continued, consistent growth from the inception of each of its programs to the present. As IHCC became the vehicle to serve Hispanic businesses and had the opportunity to implement various programs on behalf of the Illinois Department of Commerce and Economic Opportunity, it faced the daunting challenge of building an internal administrative, operational and programmatic infrastructure that would enable it to successfully implement these programs. IHCC committed considerable time and resources to building this infrastructure that included hiring, training and deploying staff.

In addition, IHCC faced the immediate challenge of creating awareness of these newly available services in the Hispanic business community, a community that as has been noted, has been historically largely and significantly underserved. As is the case with any new program and particularly in this scenario, it would be unrealistic and unfair to expect immediate results and compliance in each of the programs' multiple deliverables. In that sense, IHCC is no different than any other agency supported by the state that undergoes the natural "growing pains" of implementing new programs. Moreover, in many respects, the deliverables for each program are set arbitrarily and do not coincide with the unique nature and specific needs of the Hispanic business community.

In the implementation of its programs, IHCC has energetically strived to meet all goals and deliverables and is confident that significant progress is being made. To illustrate this point, descriptions of the success and unique scenario under which IHCC's Small Business Development and Procurement Technical Assistance Centers operate is provided below.

### **Illinois Small Business Development Center (IHCC ISBDC)**

The Illinois Small Business Development Center of the Illinois Hispanic Chamber of Commerce has provided needed services to the Chicagoland Latino business community since it was formed. Of the clientele serviced by the IHCC ISBDC, 96.7% are of Hispanic origin and it is estimated that up to 80% of the clients have received assistance in Spanish. In servicing this population, the ISBDC of IHCC has faced two major challenges:

- Working with an underserved community lacking in financial knowledge
- Working with a new immigrant community not yet familiar with the systems and services available to entrepreneurs.

This has greatly affected the IHCC ISBDC's ability to initially meet a number of deliverables including economic impact goals, especially those referring to loan amounts, jobs retained and jobs created. Of the population being served by our center, a large portion is young and not credit ready for loans to grow or finance their business. Educating each client regarding financial services, credit scores and financial literacy is part of the loan packages essential to provide capital for these businesses.

The majority of the clients served initially by the IHCC ISBDC fall in the category business start-ups and the IHCC ISBDC has achieved significant success in this area. Since Fiscal Year 2005, the IHCC ISBDC has reached 130%, 90% and 140% of the goal set forth for business start-ups. This is where the positive impact of the IHCC ISBDC in the Hispanic business community is most apparent.

Training is an essential part of the work of the IHCC ISBDC to prepare new and emerging business owners for success. The IHCC ISBDC has consistently added to the number of workshops offered to clients. Since 2003, the IHCC ISBDC has provided 90 workshops, free of charge to over 5000 participants. Spanish language instruction and materials have been provided to many of these participants. In 2007, in an effort to meet an ongoing need, the IHCC ISBDC will offer financial literacy workshops in Spanish.

The IHCC ISBDC has also successfully participated in innovative programs that are not measured quantitatively by DCEO. As an example, through a collaborative initiative with the Department of

Human Services and the Illinois Department of Employment Services, the IHCC ISBDC further served the Illinois business community through the C-BASE 12 week training program begun in October 2006. These training workshops were created to assist disabled individuals in obtaining the skills needed to become a better candidate for employment, or the skills needed to start a business and successfully operate it. This program has been expanded to serve all community members.

The IHCC ISBDC is unique in the population it serves and the bilingual assistance it provides to the Hispanic population. Through IHCC's standing in the both the business community and the Illinois Hispanic community at large, the ISBDC has been able to serve a young, growing and ambitious entrepreneurial population. The ISBDC has been able to make a difference in a community that was overlooked and underserved. The economic impact of its clientele is growing and will continue to grow with the support of business services and training available addressing the needs of the Latino community.

### **Illinois Procurement Technical Assistance Center (IHCC IPTAC)**

Since the inception of the program three years ago, the Illinois Procurement Technical Assistance Center (PTAC) at the Illinois Hispanic Chamber of Commerce (IHCC IPTAC) has established a strong presence in the Hispanic community through the valuable services that it provides. Over the years, the IHCC IPTAC has rapidly increased the number of clients and industries that it serves and has consistently improved in the quality and the number of services that it offers.

The IHCC IPTAC has been funded by the Illinois Department of Commerce and Economic Opportunity (DCEO) since the 2004 federal fiscal year. During its first three years, the IHCC IPTAC has faced two major challenges:

- Lack of education and knowledge of this type of program and services in the Hispanic business community, and
- Working with a historically underserved community.

These challenges had a significant impact in the IHCC IPTAC's ability to meet some of the program deliverables. The first, lack of education and knowledge of program services, was a challenge that was apparent within months of the program's inception. The IHCC IPTAC was the first, and continues to be the only center that serves a predominantly Hispanic population in the Chicagoland area. As such, the IHCC IPTAC initially lacked an immediate client base to serve.

Most Hispanic business owners and prospective clients were unaware of the concept of a Procurement Technical Assistance Center or its benefits. As such, the first order of business was to educate the new clients on the types of services that are offered and the potential benefits that services could have on their business. As clients were educated about the services, IHCC IPTAC staff were also building their own internal knowledge and capacity as they adjusted to the natural learning curve that is inevitable in this specialized program. As a result, the IHCC IPTAC was unable to meet a majority of the program deliverables in the 2005 and 2006 federal fiscal years

It should be noted, however, that although program goals were not met in FY 2006, significant progress was made from the prior year. This item is a reflection of the importance of the second challenge faced by the IHCC IPTAC. Historically, the Hispanic community has been underserved and underrepresented in government contracting and capacity building initiatives. As a result,

many IHCC IPTAC clients came into the program lacking the knowledge, capacity and experience necessary to pursue contracting opportunities with government agencies at the local, state and federal level. The IHCC IPTAC's inability to meet program deliverables can be directly attributed to the capacity-building needs of Hispanic businesses. As a concrete example, the majority of the IHCC IPTAC's initial clients lacked the capacity to compete for larger government contracts, thus the inability of the IHCC IPTAC to meet its goals in the number of contract bids that were to be submitted.

Through persistent, tireless efforts and in partnership with other IHCC programs, the IHCC IPTAC has worked to increase the capacity of its clients and is beginning to meet and exceed program goals. Since the first year of the program, the IHCC IPTAC has made significant progress in its deliverables goals including the number of active clients (115% growth), number of follow-up sessions (162% growth) and total counseling sessions (178% growth). An additional, vital, tangible result is the fact that the IHCC IPTAC has surpassed its goal of number of contracts secured by its clients, achieving an astonishing growth of 420% since the first year of the program.

Finally and most importantly, the contracts awarded to IHCC IPTAC clients are the most relevant and tangible measure of the value of the services that it provides. In the first eight months of the current fiscal year, IHCC IPTAC clients have been awarded contracts totaling \$10.21 Million with a concrete expectation that this number will continue to grow.

The IHCC IPTAC is deeply committed to serving businesses seeking to do business in the government sector. IHCC IPTAC clients are part of the emerging, growing Hispanic business community with the potential to meet the demand of government agencies and the contracting requirements. Opportunities abound, that the IHCC IPTAC is well positioned to support businesses to continued success in this arena.

### **Minority Contractors Training Initiative (MCTI)**

Grants under the Minority Contractors Training Initiative program enabled IHCC to penetrate and provide services to a traditionally underserved market of Hispanic and other small businesses. The program achieved significant success. Below is a summary of the combined results achieved as a direct result of these grants:

- More than 2100 training hours to 159 individuals as part of the implementation of the Employee, Manager, Entrepreneur and non-Owner/Operator Training portion of the Minority Contractor Training Initiative.
- Training provided to 220 businesses as part of the Minority Contractors Training Initiative – exceeding the original grant specified target of 75 businesses. Training hours for this program exceeded 1200 hours and were achieved through business development seminars and workshops held in numerous communities throughout the north eastern region of Illinois to include Chicago, Cicero, Berwyn, Aurora and Waukegan.
- Training and business growth assistance provided to more than 100 businesses as part of the implementation of the IHCC Technology Project. Training was provided through seminars and workshops that led to the engagement of 16 Illinois technology firms.

Furthermore, with the guidance and assistance of IHCC, these firms have formed a committee that has become an effective vehicle for their continued growth and success.

As with its other state-funded programs, IHCC faced challenges in the implementation of this initiative. IHCC is proud that in spite of these challenges, it was able to achieve significant results.

**Illinois Hispanic Entrepreneurship Center (IHEC)**

Started in July of 2005, the IHEC is the single, most important vehicle available to a select group of Hispanic firms achieve accelerated growth and reach their full potential. As other IHCC programs, the IHEC has gone through the process of establishing a foundation and infrastructure that will enable it to meet and exceed program expectations. As the current state fiscal year ends, the IHEC will be providing to DCEO reports and documentation of results well above the established goals. Since in its inception, the IHEC is responsible for revenue growth of its clients exceeding \$20 Million and has contributed to the creation and retention of well over 100 jobs for Illinois residents.

Regarding the comments in the report regarding the role of the IHEC Director and IHCC COO, IHCC submits the following statement: The designation of the IHEC Director as COO of the IHCC is designed to capture and execute the desire of the Illinois Department of Commerce and Department's desire to have programs funded by the Illinois Entrepreneurship Network to have maximum coordination and collaboration among all EIN funded programs including the SBDC and PTAC. In addition, the IHCC COO title gives the IHEC Director credibility and visibility to leverage IHCC's assets to access networks and relationships on behalf of IHEC clients. IHCC, however, is reviewing the percentage of staff time allocated to the program and will work closely with DCEO staff to arrive at an agreeable staffing configuration.

Illinois Hispanic Chamber of Commerce (IHCC)  
Response to the Report Draft of the Performance Audit of the State moneys provided by or through  
State Agencies to the Illinois Hispanic Chamber of Commerce  
July 12, 2007

**APPENDIX A**

**RECOMMENDATION NUMBER 1 – IHCC’S FINANCIAL MANAGEMENT SYSTEM**

The IHCC received its first state grant in 2002. The IHCC’s financial accounting system was modified at that time to account for grants separately by program. For example, two fiscal year grants for the Small Business Development Center were grouped under one program division in the accounting system. This structure did not allow for separate tracking of expenditures by individual grant. Therefore program reports were prepared from data maintained outside of the accounting system.

For the next two years, 2003 and 2004, the general ledger continued to track expenditures by program. Individual grant expenditures were manually segregated as part of the year end closing process and reconciled to the general ledger by program and in aggregate as temporarily restricted support and program expenses. This process involved a very detailed review of grant expenditures per the general ledger, support documentation, grant agreements and grant budgets. As part of this process, it was discovered that some 2003 and 2004 grant expenditures had been erroneously posted to a non-program division, general and administrative. Those expenditures were also manually reallocated but for efficiency and expediency purposes no adjustments were made to the accounting records. An audit trail exists that shows actual incurred grant expenditures being charged to non-grant division and then re-allocated to the grant in the 2003 and 2004 audited financial statements. This however, caused the OAG auditors to receive transaction ledgers that showed fewer expenditures than the actual because those ledgers were missing the expenditures that had been posted to the non-program division.

For the year 2005, the IHCC transitioned out of manually prepared spreadsheets to its financial management system. The system’s structure was modified to allow for separate tracking of expenditures by individual grant. However, budget categories for some of the grants were not clearly defined for accounting purposes. For this reason, the IHCC’s 2005 grant expenditure ledgers did not include all the allowable expenditures incurred by IHCC. IHCC’s management understands that timely and accurate communication is necessary to ensuring that its financial management system documents grant expenditures accurately.



**DEPARTMENT OF COMMERCE AND ECONOMIC OPPORTUNITY  
PERFORMANCE AUDIT OF THE STATE MONEYS PROVIDED BY OR  
THROUGH STATE AGENCIES TO THE ILLINOIS HISPANIC CHAMBER OF  
COMMERCE**

July 12, 2007

**Recommendation 4:** The Department of Commerce and Economic Opportunity should assure that its contracts are carefully monitored, should follow up when submitted material is questionable, and should assure that all payments to grantees are supported by grantee expenditures. Additionally, inappropriate payments should be recovered if necessary.

**Response:** The Department of Commerce and Economic Opportunity (DCEO) agrees to continue all reasonable and necessary efforts to monitor grantees and follow up with them when submitted information is inconsistent or questionable. The Department is currently working on an initiative, called the Monitoring and Reporting Standardization (MaRS) Project, to review and revise policies and procedures for monitoring and reporting functions for all the Department's programs. Standardized policies and procedures are being developed to ensure the Department adequately monitors grantee's compliance with the requirements of their grant agreement. The Department is also developing a new grants processing computer system that will include the functionality necessary to implement the new monitoring and reporting policies and procedures.

On-site monitoring field work provides the best assurance for reviewing and approving grantee expenditures and supporting documentation for corresponding agency payments. The Department has a limited number of field monitoring staff and cannot complete on-site monitoring field work for all the Department's grantees. While we have a resource limitation for monitoring staff, the Department's MaRS initiative and the new grants system will improve our abilities when reviewing, approving, storing and collaborating on reports and other documentation submitted by grantees including expenditure information.

For the Illinois Hispanic Chamber of Commerce's (IHCC) grants subject to this performance audit, DCEO proceeded with additional on-site monitoring to review documentation in support of payments. DCEO concluded the IHCC had a total of \$15,631.74 in unsupported or disallowed costs. DCEO has received a refund check for this amount from the IHCC. The refund includes recoveries for the subcontract that did not contain the required audit clause, the shortfall for the required cash match and other disallowed costs identified by the DCEO review.

**Recommendation 5:** The Department of Commerce and Economic Opportunity should continue its efforts to assure that performance on contracts is carefully monitored.

Consideration should be given to coordinating monitoring work when one grantee has grants from multiple programs.

**Response:** The Department's development and upcoming implementation of the Monitoring and Reporting Standardization (MaRS) Project and the new grants processing system will improve the agency's efforts and effectiveness in monitoring grantees. New functionality will allow all program areas to review and share information on a particular grantee which will improve our ability to monitor grantees that receive grants from multiple program areas.



RECEIVED  
AUDITOR GENERAL  
SPFLD.

Rod R. Blagojevich, *Governor*

**Illinois Department of Human Services**

Carol L. Adams, Ph.D., *Secretary*

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

2007 JUL 16 P 1:03

July 13, 2007

Mr. Ed Wittrock  
Performance Audit Manager  
Office of the Auditor General  
Iles Park Plaza  
740 East Ash, Floor 001  
Springfield, IL 62703

Dear Mr. Wittrock:

Following is the response for the audit finding reported in the draft report of the performance audit of the State monies provided by or through State agencies to the Illinois Hispanic Chamber of Commerce (IHCC), which relates to the Department of Human Services (Senate Resolution Number 31).

**Recommendation #1:** The Department of Human Services should assure that contracts are monitored properly, including receiving and reviewing required monitoring documents, assuring that provider performance is evaluated, and assuring that all grant funds are spent for appropriate purposes and properly documented.

**Department Response:** The Department partially agrees with the finding.

**Program Monitoring:** The DHS -Division of Community Health and Prevention (CHP) conducts On-Site Monitoring of Providers on an every three-year basis. The contract with the Illinois Hispanic Chamber of Commerce (IHCC) started in Fiscal Year 2005. Consistent with three-year monitoring, CHP conducted On-Site Monitoring of IHCC in Fiscal Year 2007.

**Grant Closeout:** The amount of \$19,670, listed as undocumented payments, is made up of two amounts - \$4,306 from Fiscal Year 2005, and \$15,364 for Fiscal Year 2006. The amounts for the two fiscal years relate to separate circumstances and must be considered separately.

**Fiscal Year 2005:** The grant was initiated in April 2005. Because the grant was issued late in the year, the grant information was not forwarded to the DHS-Office of Contract Administration (OCA) for reconciliation. CHP was responsible for the closeout and did not obtain closeout information from IHCC. Based on cost documentation information obtained through this audit, CHP has initiated a grant recovery to recover the \$4,306 from the Fiscal Year 2008 contract with IHCC.

Mr. Ed Wittrock  
Page Two  
July 13, 2007

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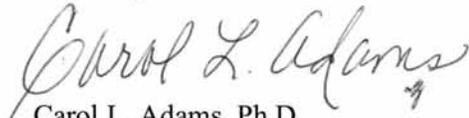
Fiscal Year 2006: There is no basis for a finding related to the Fiscal Year 2006 grant reconciliation. OCA is responsible for the grant reconciliation for Fiscal Year 2006 IHCC contract. The grant reconciliation process with IHCC for Fiscal Year 2006 is still in process as of July 1, 2007 and is within the proper timeframe.

IHCC submitted Fiscal Year 2006 preliminary closeout documents to OCA by the required date of August 15, 2006. The preliminary closeout indicated that IHCC would make use of the full Fiscal Year 2006 grant amount, and that no recovery would be expected.

The Fiscal Year for IHCC ended December 31, 2006. The final reports from IHCC were due April 30, 2007, which is 120 days following the end of the IHCC fiscal year. IHCC requested, and was granted, an extension until September 30, 2007 for the submission of the final reports. OCA regularly grants such requests as part of regular operating procedures. If IHCC is unable to submit final closeout reports that document use of the \$137,500 paid for Fiscal Year 2006, OCA will initiate a grant recovery for any undocumented amount against the IHCC Fiscal Year 2008 grant.

Thank you for writing and allowing me the opportunity to address these issues. If you have any further questions or concerns, please contact Mr. Solomon Oriakhi, Director of DHS' Office of Financial Services, at 217/782-7554.

Sincerely,

  
Carol L. Adams, Ph.D.  
Secretary

cc: Myrtis Sullivan, Director, Division of Community Health and Prevention  
Robert Stanek, Chief Financial Officer  
Jerome Butler, Chief Operating Officer  
Solomon Oriakhi, Director, Office of Fiscal Services  
Sally Hardwick-Adams, Manager, Office of Contract Administration  
Dan Blair, Bureau Chief, Fiscal Support Services  
Albert Okwuegbunam, Audit Liaison, Office of Fiscal Services  
Jamie Nardulli, Audit Liaison, Office of Fiscal Services  
Mary Fritz, Audit Liaison, Office of Fiscal Services  
Carol Kraus, Chief Internal Auditor, Illinois Office of Internal Audits

## AUDITOR COMMENTS

**1** *No documentation was provided to the auditors that grant expenditures were tracked separately and reconciled to the general ledger. The IHCC had not completed work to reconcile grant expenditures to the general ledger at the exit conference.*

**2** *Because we could not reconcile grant expenditures, auditors could not confirm that no staff bonuses were paid from State funds. However, IHCC does have significant revenues from sources other than the State. According to IHCC filings with the Attorney General's Charitable Organization Division, for calendar years 2003, 2004, and 2005, a total of 61 percent of revenue came from government grants and membership dues. During the OAG exit conference process in July 2007, calendar year 2006 filings with the Attorney General's Office had not yet been completed. As a result, auditors could not confirm IHCC's reported 37.9 percent from State funds for the four year period.*

**3** *The DHS administrative rule on closeout requires that "The Department shall obtain from the provider within 90 days after the date of completion of the award all financial, performance, and other reports required as a condition of the award" (77 Ill. Adm. Code 2030.1090). The rule does provide for time extensions, and there is a separate rule related to filing audits. However, because the FY 2005 grant was not closed out and because a year had passed since the FY 2006 grant period had ended and because the grantee had reported to DHS program staff that it had not spent as much as it was paid, the auditors believe that there is a basis for recommending that the Department assure that its contracts are monitored properly.*

