

LEGISLATIVE AUDIT COMMISSION



Performance Audit of the State Moneys Provided to the Kenwood Oakland Community Organization

May 2017

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Springfield, Illinois 62706
217/782-7097

Performance Audit

State Moneys Provided to the Kenwood Oakland Community Organization (DHS only)

**RECOMMENDATIONS - 2
IMPLEMENTED - 1
ACCEPTED AND PARTIALLY IMPLEMENTED - 1**

Background and Conclusions

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

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

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

KOCO received \$1,439,674 in State moneys from FY10-FY15 as follows:

- DHS provided \$1.2 million or 84% of the funding;
- ISBE/BHE provided \$135,598 for the Grow Your Own Teacher program;
- DCEO provided \$60,000 in FY11 to help with the acquisition and renovation of a new facility; and
- Illinois Violence Prevention Authority (IVPA) provided \$30,067 in FY12 for the Safety Net Works Program to fund youth development services to at-risk youth and young adults. All functions of IVPA were transferred to ICJIA effective January 25, 2013.

Although auditors worked with KOCO officials for several months to acquire all documentation to support the expenditure of State funding received during fiscal years 2010 through 2015, only limited documentation necessary to support KOCO's financial

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management system was provided. Additionally, some of the documentation received from KOCO conflicted with or did not support the information reported to State agencies (such as general ledgers not matching closeout reports). Therefore, auditors could not determine whether KOCO's financial reporting system provided an accurate, current, and complete disclosure of all financial transactions as required by the Community Services Agreements with the Department of Human Services (DHS).

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

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

- *Community Youth Employment Program (CYEP)*

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

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

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

- *Teen REACH Program*

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

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adult role models that work with youth to increase academic performance and to develop life skills necessary for future success.

- *Illinois Violence Prevention - Special Project*

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

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

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

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

Put Illinois To Work (PITW)

According to KOCO, it received \$22,550 from ASN in FY11 for the Put Illinois to Work program. According to the worksite agreement with ASN, the purpose was to foster economic recovery and put Illinoisans back to work earning income to support themselves and their families. The program was for unemployed or underemployed parents of minor children and youth ages 18 through 21 who meet the Temporary Assistance for Needy Families eligibility requirements. According to the worksite agreement, KOCO's responsibilities were to provide job experience, the acquisition of skills, and meaningful work to 50 worker-trainees.

The performance audit addressed two of four recommendations to DHS, and the other two recommendations separately to the Board of Higher Education (BHE) and the Illinois Criminal Justice Information Authority (ICJIA). DHS implemented one recommendation concerning monitoring of State-provided moneys and accepted the other recommendation concerning repayment of unallowable expenditures. BHE implemented a recommendation concerning Grow Your Own Teacher expenditure monitoring. ICJIA accepted a recommendation concerning the Safety Net Works expenditure monitoring.

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Recommendations Related to DHS

- 1. The Illinois Department of Human Services should review the monitoring exceptions identified in this audit of the Kenwood Oakland Community Organization to ensure that processes are in place to properly monitor grant programs.**

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

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

Response: The Department accepts this recommendation. IDHS will review current programmatic and fiscal monitoring procedures to identify which existing controls were not

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properly implemented in the oversight of KOCO, update those controls to ensure compliance for future grants, and pursue any additional, necessary controls. These actions will ensure that required financial reports, performance reports, and other documented measures are submitted timely and are adequately supported.

Updated Response: Corrective Action: Implemented

A. The Department will review the Site Visit Policies/Protocols to identify potential areas of concern that may have contributed to the issues identified in this audit or other foreseeable concerns:

- A review of the of the monitoring exceptions identified in the audit led us to three significant findings:
 1. The Youth Employment Program was not assigned to or managed within a Program Bureau. This directly led to significant failures in oversight, process, grantee compliance and document control:
 - The Youth Employment program was not funded in FY2016, but was re-established in FY2017 and was assigned to the Bureau of Youth Intervention Services (BYIS).
 2. The Teen REACH program did not have sufficient staff to provide program/grant management and oversight:
 - Program staff have been or will be hired and/or assigned in the Bureau to manage these programs and ensure program oversight and compliance. One hired for Teen REACH and one assigned to Youth Employment.
 3. Site visit policy/protocol was not fully implemented, primarily due to lack of program staff and Agency travel restrictions. Further, site visit reports were not being prepared after every visit:
 - Revised policy has been reviewed with staff in the Bureau.
 - The Administrative Assistant is tracking site visit reports and a manager has been assigned to monitor the process.
 - Travel has been authorized to conduct on-site visits to grant providers.

A review of the monitoring exceptions identified in the audit led the Bureau of Employment and Training to conclude:

- SNAP E&T Program site visit policy/protocol was not fully adhered to due to staff failure to provide monitoring in accordance with DHS protocol. This failure was due to lack of oversight from program management staff. All Provider Manager staff have received training from Bureau of Training and Staff Development.
- The Provider was last contracted with the Bureau of Employment and Training in 2015. An audit of billing for FYs 2010, 2011 and 2012 illustrated the Providers lack of documentation to justify billing and this went undiscovered due to the lack of monitoring provided.

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- B. The Department will revise the Site Visit Policies/Protocol of the Bureau to address the areas of concern and for consistency:
- Bureau Site Visit Policies/Protocol were reviewed and revised.
- C. In conjunction with IDHS legal staff, the Program Bureau will review the contract language for those programs that remain funded, to determine which documents/reports etc. are to be maintained at the provider site versus at the DHS program office:
- Documents developed by providers for use and implementation by the provider at the provider site will be maintained on site. All supporting documentation for items reported to DHS through mandated reporting systems will be maintained on site. All other required items and reports will be submitted to and maintained by the Department.
- D. Program specific review tools will be developed for each of those programs that remain funded, which will enable the IDHS program manager to ensure compliance:
- New high-risk monitoring tools were developed for the programs that are utilized by regional and program staff to review grant compliance and financial reporting and practices. These tools are utilized on-site and will be reviewed and updated each year to ensure any grant changes are incorporated.
- E. The new program specific review tools will be utilized under the revised Site Visit Policy/Procedures, which will include follow-up on any outstanding requirements or corrective action plan:
- In the final 6 months of FY2017 the Teen REACH High-Risk Monitoring Tool was implemented at 33 provider sites.
 - In the final 6 months of FY2017 the Community Youth Employment Program High-Risk Monitoring Tool was implemented at 22 provider sites.
 - In FY2018 to date, 16 Teen REACH High-Risk sites received a Monitoring visit. This tool was adapted to account for the additional pre-award services and expenditures.
 - In FY2018, the Bureau of Employment and Training has revised the Employment and Training Monitoring Tool. Each Provider Manager has received training on the tool and related policy.
- F. The Department will update controls to ensure compliance for future grants to ensure that required financial reports, performance reports, and other documented measures are submitted timely and are adequately supported:
- A Bureau email account is utilized in each Bureau within the Office of Community and Positive Youth Development (OCPYD) for providers to submit ALL programmatic and financial reports, budget revision requests, program plan revision requests, all Grant paperwork,

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application materials, etc. This ensures that documents and other items submitted by providers to the Bureaus is held and tracked in multiple places and further ensures that when program staff leave, materials are maintained.

- OCPYD – New Monthly, Quarterly, and Final financial reporting forms have been developed and approved for compliance with the Illinois Grants Accountability and Transparency Act (GATA). *(New forms were originally established for FY17 for the period beginning 11/1/2016 – these were again revised as stated here to be in compliance with GATA)*
- New financial reporting forms were approved for GATA compliance and distributed to OCPYD grantees and required for reporting.
- All financial reporting forms are submitted to a Bureau email account that is monitored daily by assigned staff. Reports are distributed to program staff, logged, saved, reviewed, and approved for payment at program level (or returned for revision), logged and submitted to the Division Fiscal/accounting unit for further processing.
- Staff will begin contacting providers by email and phone on the first day reports are past due. Further, Division fiscal/accounting staff will send regular email reminders to Bureau staff regarding missing/late reports. Bureau staff again will follow up with providers.
- OCPYD – New Monthly, Quarterly, and Final programmatic & performance reporting forms have been developed and approved for compliance with the Illinois Grants Accountability and Transparency Act (GATA). *(New forms were originally established for FY17 for the period beginning 11/1/2016 – these were again revised as stated here to be in compliance with GATA)*
- New programmatic & performance reporting forms distributed to OCPYD grantees and required for reporting.
- All programmatic & performance reporting forms are submitted to a Bureau email account that is monitored daily by assigned staff. Reports are distributed to program staff, logged, saved, and reviewed for issues and concerns that may require technical assistance or corrective action.
- OCPYD staffs have participated in multiple financial/budget trainings to better understand and work with provider program budgets to ensure proper oversight. Conducted by GATU.
- OCPYD program staff are scheduled (on waitlist) to receive federal training regarding the monitoring of sub-grantees. Conducted by USDOJ-OJJDP.
- OCPYD program staff scheduled to attend a grant monitoring training being conducted by the Office of the Executive Inspector General.

- 2. The Illinois Department of Human Services should review issues identified in this audit report and determine whether repayment of any funds is necessary due to unsupported or unallowable expenditures.**

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Findings: For most of the moneys provided by State agencies to KOCO from fiscal years 2010 through 2015, the actual use of the funds could not be determined. KOCO did not provide the required Financial Reporting Packet to DHS in FY14 and FY15. Additionally, since the general ledgers provided by KOCO only included State-provided funds, which often included expenditures that were in excess of the State grant moneys received (i.e., from non-State sources), auditors could not determine which moneys were spent using State money and which were spent using private money. Due to this limitation, auditors requested the entire general ledger from KOCO for the audit period in order to determine how management salaries were allocated. KOCO officials decided not to provide the entire general ledger. DHS also provided limited documentation to support whether the goals and objectives were met for many of its program or to support how State funds were used. Auditors found it difficult if not impossible to determine the actual use of most of the moneys provided to KOCO by DHS.

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

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

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

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

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

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

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

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

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

Both DHS and KOCO had difficulty providing documentation which accounted for how State moneys were spent between FY10 and FY15. Additionally, many of the documents provided conflicted with other documents, which included general ledgers not matching budgets or actual expenditure documentation. KOCO did not provide audited financial statements for FY14 and FY15 and did not wish to provide auditors' access to its complete general ledger as it included funds other than those that were State-provided. DHS also provided limited documentation to support whether the goals and objectives were met for many of its programs or to support how State funds were used. As a result of this lack of documentation, auditors found it difficult if not impossible to determine the actual use of most of the moneys provided to KOCO by DHS.

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

Updated Response: Accepted.

Corrective Action: Partially Implemented

- A. The Department will identify the location and format of all grant documents and create a process flow that shows the interaction between the various bureaus currently involved in any aspect of the grant process to ensure that required documentation is maintained and retrievable.
- Grant making process flow chart has been completed; however, the monitoring flow is still being documented.
- B. Review the process flow chart created to identify any areas of overlap or gaps in the process in order to appropriately monitor grant performance, compliance, and payment and ensure proper coordination of duties and documents.
- Grant making process flow chart has been completed; however, the monitoring flow is still being documented.
- C. Review documents and forms, such as close out forms, to ensure consistency across programs.
- The Office of Contracts Administration (OCA) performed a thorough review of the Fiscal Year 2018 financial reporting process prior to our grantee-provider mail-out in May 2018. The OCA is also in the process of closing out prior year-end financial reporting backlogs. Grantee-providers with Fiscal Year 2017 closeout requirements who do not submit required Audits, CFR's or Grant Reports will be placed on the DHS Stop Pay List in July/August of 2018.
- D. Conduct a review of the year-end closeout materials for each grant program and fiscal year identified in this audit.
- The Office of Contracts Administration (OCA) performed a thorough review of the Fiscal Year 2018 financial reporting process prior to our grantee-provider mail-out in May 2018. OCA has also dedicated a staff member to the function of grant funded closeouts as a primary job duty.
- E. Review documents and forms, such as Expenditures Documentation Forms (EDF), to ensure consistency across programs.

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- The Division of Family and Community Services (FCS) has reviewed the Expenditures Documentation Forms (EDF) and determined that there is consistency regarding how the bills are to be processed.
 - Employment and Training will review contracts for grants awarded to determine that there is consistency regarding how the bills are processed.
- F. Conduct a program review of each program and corresponding fiscal year identified in this audit to discover if the funds were spent in accordance with the grant agreement.
- June 25, 2018: A letter was sent to KOCO advising the provider that BCSS will conduct a review on the following dates for each program noted:
 - July 9-10, 2018: Summer Youth Employment Program (FY 2011)
 - July 11-12, 2018: Put Illinois to Work (FY 2011)
 - July 16-17, 2018: Job Start Program (FY 2011)
 - July 18-19, 2018: Illinois Violence Prevention Special Project (FY 2012)
 - July 23-24, 2018: Community Youth Employment Program (FY 2013)
 - July 25-26, 2018: Teen REACH (FY 2013)
 - July 30-31, 2018: Community Youth Employment Program (FY 2014)
 - August 1-2, 2018: Teen REACH (FY 2014)
 - August 6-7, 2018: Community Youth Employment Program (FY 2015)
 - August 8-9, 2018: Teen REACH (FY 2015)
 - The Bureau of Employment and Training will conduct a fiscal audit for each year in question to discover if the grant funds were spent in accordance with the contract.
- G. The Department will pursue the collection of funds that are identified to be recovered pursuant to the Grant Fund Recovery Act from KOCO.