

LEGISLATIVE AUDIT COMMISSION



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

May 2017

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Background and Conclusion

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 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

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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 whether KOCO was in compliance with all applicable laws, regulations, contracts, and grant agreements pertaining to KOCO's use of State moneys.

Recommendations

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

Findings: Auditors could not determine the actual use of all moneys provided to KOCO for the Safety Net Words (SNW) program in FY12 due to the conflicting documentation received.

Stateway (lead agency for the Grand Boulevard community) and KOCO initially outlined the activities to be completed for the SNW program in the grant agreement which detailed the services to be performed by KOCO. The agreement included a project budget as well as a list of the personnel who would perform those activities in the agreed upon grant agreement which totaled \$30,067.

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

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

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Project Budget

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

Fiscal Reporting

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

General Ledger and Salary Allocations

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

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

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

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Expense Documentation and Attendance Records

Auditors also requested and analyzed expense documentation.

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

KOCO provided the check request forms for youth intern stipends and attendance records. KOCO provided other expense documentation totaling \$5,700.

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

Were the Purposes of the ICJIA Moneys Met?

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

Participation

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

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Stipends

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

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

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

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

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