

U.S. Department of Labor  
Office of Inspector General  
Office of Audit

Financial and Performance Audit of  
**Community and Economic Development Association (CEDA)**  
**of Cook County, Inc.**  
Welfare-to-Work Competitive Grant  
For the Period  
January 4, 1999 through December 31, 2000

Audit Report No. 05-02-002-03-386  
Date Issued: March 26, 2002

**CEDA**

**Response to Draft Report**



Community and Economic Development Association of Cook County, Inc.  
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March 18, 2002

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SERVICE CENTERS

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1300 West Northwest Hwy  
Mount Prospect, Illinois 60056  
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Bloom-Rich Community  
Development Association  
Chicago Heights Community  
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Proviso-Leyden Council for  
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Maywood, Illinois 60153-1939  
708/450-3500 • Fax 708/449-2699

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Robbins, Illinois 60472-2002  
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Southeast Development Association  
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Summit, Illinois 60501-1410  
708/458-2736 • Fax 708/458-9532

CEDA Near West  
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Cicero, Illinois 60804  
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DEVELOPMENT



Mr. Preston Firmin  
Regional Inspector General for Audit  
U.S. Department of Labor  
Office of Inspector General  
230 South Dearborn Street  
Chicago, Illinois 60604

Dear Mr. Firmin:

This letter is in response to the draft audit report dated March 6, 2002 regarding our performance audit conducted by the Office of Inspector General (OIG) last year. Attached is our response to those issues cited and the methodology regarding successfully resolving the performance issues highlighted.

#### 1. Unallowable Costs:

##### A. Contract Start-Up Costs

CEDA paid \$38,914.00 in start up costs to Academic and Employment Training Corporation under a contract for a collaborative community-based employment program. These costs included rent, salaries and electronic equipment. In order to recoup these costs, CEDA has consulted its attorney and is pursuing legal action against the contractor due to services not being rendered under the agreement as specified.

##### B. Cell Phones

The sample of financial transactions tested by OIG included two cell phone bills for the months of September (\$5,003) and October (\$5,577) of 1999. The cell phone costs were to be allocated to the WtW program based on the percentage of the employee's salary that was allocated to WtW. The audit showed that WtW was overcharged by \$3,268 for these two months. Based on the methodology provided to OIG for the charging of the cell phone costs, CEDA went back and removed the costs for those employees who worked part-time on WtW, for those employees whose cell phone costs were inappropriately allocated to the WtW program, and for those employees who had not yet started working on WtW at the time of the billing. Therefore, the overcharge amount of \$3,268.00 has been removed as appropriate.

*A Community Action Agency in partnership with communities to bring public and private resources  
to the design and implementation of creative solutions to the problems of poverty.  
(Equal Opportunity Employer)*

### C. Supplemental Worker's Compensation

Please note, the Supplemental Worker's Compensation amount of \$425.00 that was allocated to the WtW grant for the period of July 31, 1997 through July 31, 1998 was removed and the documentation of the journal entry was provided to OIG. In recalculating and completing the revised QFSRs, CEDA will ensure that this cost is removed from the QFSR.

### D. Computer Equipment

Please note, a charge to WtW in the amount of \$19,454 for computer equipment that was purchased for the WIC program and was incorrectly charged to the WtW program was removed and the documentation of the journal entry was provided to OIG. In recalculating and completing the revised QFSRs, CEDA will ensure that this cost is removed from the QFSR.

### E. Indirect Costs

CEDA's indirect cost rate agreement states that the approved indirect cost rate of 9.7 is to be applied to the total direct costs excluding capital expenditures. In the calculation of the indirect cost rate, the capital expenditures (equipment) were not excluded. Therefore, there is an overstatement of the indirect costs charged for the WtW grant in the amount of \$24,458.00. Please note, we will provide a journal entry that documents the correct allocation of the indirect cost rate. In recalculating and completing the revised QFSRs, CEDA will ensure that the cost is removed from the QFSR.

## **2. Incomplete Applications and Misclassified Participants:**

Please note, CEDA is in the process of recalculating and revising the QFSRs reports based on the financial adjustments that are being made. We will also go back and review our MIS reports to ensure the following: 1) that accurate participant numbers are reported on the QFSR, 2) that the duplicates, incomplete applications and misclassifications are corrected, and 3) that the MIS system is up-to-date and accurate and 4) transfer the cost accessed at \$49,620.00 for the 12 misclassified participants from the 70 percent participant classification on the QFSR to the 30 percent participant classification. Please note, the cost accessed (\$49,620.00) may be reduced due to the fact that some of the individuals may have been enrolled under the 10% window provisions (under the 70% category) based on the PY 99 Welfare-to-Work eligibility guidelines.

## **3. Noncompliance with Grant Requirements:**

### A. Inaccurate QFSR Expenditure Allocations

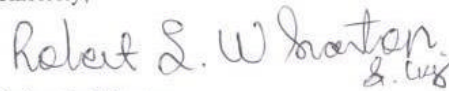
Please note, CEDA is recalculating and adjusting all QFSR reports from the inception of the Welfare-to-Work program to the end date (12/31/01). CEDA will use all timesheets in the quarter to recalculate the 70/30 percentages splits and allocate each quarter's expenses based on the percentages for that quarter only and then add that amount to the previous QFSR. The reporting of all administrative expenditures will be included in the revised QFSR reports.

B. Unsupported Salary Allocations

CEDA will base salary allocations on after-the-fact personnel activity reports rather than management estimates.

We appreciate the time your office spent in reviewing and making recommendations that will support the efforts of staff and management in its execution of the Welfare-to-Work Program. In that we have to network with our CDA sites, we anticipate having all documentation in-house and ready for review by your office and the Department of Labor by Monday, April 1, 2002. Thank you for the opportunity to respond and bring resolution to the issues highlighted by your office.

Sincerely,

Handwritten signature of Robert L. Wharton in cursive script.

Robert L. Wharton  
President and CEO

cc: Mr. Dennis Lieberman, Director, Welfare-to-Work  
Mr. Jaime Salgado, ETA/OIG Audit Liaison  
Mr. Byron Zuidema, ETA Regional Administrator  
Ms. Rose Alvarado, ETA GOTR  
Mr. Elliot Lewis, Acting Deputy Inspector General for Audit  
Ms. Dawn Schoene, Assistant Regional Inspector General for Audit  
Ms. Patricia Doherty-Wildner, Vice President of Youth and Family Services  
Mr. Stephen Craig, Comptroller  
Ms. Cynthia Branch-Dir. WtW/Community Operations