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

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Acronyms

AFDC	Aid to Families with Dependent Children
CEDA	Community and Economic Development Association of Cook County, Inc.
CFR	Code of Federal Regulations
DOL	Department of Labor
IDHS	Illinois Department of Human Services
MIS	Management Information System
OMB	Office of Management and Budget
SPO	Standing Payroll Order
QFSR	Quarterly Financial Status Report
TANF	Temporary Assistance for Needy Families
WtW	Welfare-to-Work

Executive Summary

The Office of Inspector General conducted a financial and performance audit of the Welfare-to-Work (WtW) Competitive Grant awarded to Community and Economic Development Association (CEDA) of Cook County, Inc. Our audit objectives were to determine the allowability of selected claimed costs, the eligibility of selected WtW participants, and whether the grantee is in compliance with the major requirements of the grant.

CEDA reported $3,101,140 in support of 700 participants for the period January 4, 1999 through December 31, 2000. We tested a judgmental sample of staff salaries and fringe benefits, as well as administrative, program, and service provider costs, totaling $1,403,761. We tested 60 participants= program eligibility. We also reviewed the grantee's compliance with the grant requirements and principal criteria. However, our selective testing was not designed to express an opinion on CEDA's Quarterly Financial Status Report (QFSR).

We found:

- unallowable costs totaling $86,519;
- two incomplete applications and 12 misclassified participants; and
- a lack of compliance with grant reporting and allocation requirements.

In summary, we recommend that the Assistant Secretary for Employment and Training:

- recover questioned costs of $66,640;
- ensure that corrections totaling $19,879 are made to the QFSR for a supplemental worker's compensation premium and WIC computer equipment;
- ensure that no additional overcharges to indirect costs have been made since December 31, 2000; and
- direct CEDA to report accurate participant numbers and accurate financial information on the QFSR, and correct management information system (MIS) inaccuracies.

Our complete detailed findings and recommendations are contained in the body of the report starting on page 5.

CEDA officials concurred with our findings and described the corrective measures they plan to implement. Their complete response to our draft report is included as Appendix A.

Background

Objective of Welfare-to-Work

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 established the Temporary Assistance for Needy Families (TANF) program. The TANF provisions substantially changed the nation's welfare system from one in which cash assistance was provided on an entitlement basis to a system in which the primary focus is on moving welfare recipients to work and promoting family responsibility, accountability and self-sufficiency. This is known as the "work first" objective.

Recognizing that individuals in TANF may need additional assistance to obtain lasting jobs and become self-sufficient, the Balanced Budget Act of 1997 amended certain TANF provisions and provided for WtW grants to states and local communities for transitional employment assistance, which moves hard-to-employ TANF welfare recipients into unsubsidized jobs and economic self-sufficiency.

The Welfare-to-Work and Child Support Amendments of 1999 allow grantees to more effectively serve both long-term welfare recipients and noncustodial parents of low-income children.

Of the $3 billion budgeted for the WtW program in Fiscal Years 1998 and 1999, $711.5 million was designated for award through competitive grants to local communities.

CEDA's Competitive Grant

On January 4, 1999, CEDA received a 24-month WtW competitive grant in the amount of $4,999,302. The period of performance was January 4, 1999 through December 30, 2000. The first grant modification, effective October 23, 2000, realigned grant budget line items and extended the Period of Performance through December 30, 2001.

The grant application's service strategy includes creation and expansion of accessible transportation services, improved accessibility to child care services, integrated work and learning skills development, family-focused assistance, proactive employer involvement, partnerships with child and family assistance services, and collaboration with the local welfare system in order to place 600 participants in unsubsidized employment.

Noteworthy Accomplishment

CEDA staff, co-located in One-Stop Centers with the Illinois Department of Human Services (IDHS) the TANF agency staff, has access to the TANF Management Information System (MIS) and can verify the TANF status of the WtW participants. As a result, all of the files in our eligibility-testing sample contained documentation of the participants' TANF status. This is noteworthy because two other WtW competitive grantees we recently audited were unable to obtain complete and accurate TANF and/or AFDC data from the IDHS local offices.

Principal Criteria

In addition to the provisions of the Balanced Budget Act of 1997, the U.S. Department of Labor (DOL) issued regulations found in 20 CFR 645. Interim Regulations were issued on November 18, 1997. Final Regulations were issued on January 11, 2001, and became effective April 13, 2001. Also, on April 13, 2001, a new Interim Final Rule became effective, implementing the Welfare-to-Work and Child Support Amendments of 1999. This resulted in changes in the participant eligibility requirements for competitive grants, effective January 1, 2000.

As a nonprofit, CEDA is required to follow general administrative requirements contained in Office of Management and Budget (OMB) Circular A-110, which is codified in DOL regulations at 29 CFR 95, and OMB Circular A-122 requirements for determining the allowability of costs.

Postaward Survey

In September 1999, we issued a report (Number 05-99-020-03-386) on the results of a postaward survey of 12 second-round competitive grantees. CEDA was included in that review. During this audit, we followed up on our concerns identified in the postaward survey. In general, based on our audit work, these concerns were not adequately addressed (See Findings and Recommendations).

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This report is intended solely for the information and use of the management of the U.S. Department of Labor, the Employment and Training Administration and CEDA, and is not intended to be and should not be used by anyone other than these specified parties.

Objective, Scope and Methodology

Objective

The objectives of this financial and performance audit were to determine the allowability of selected claimed costs, the eligibility of selected participants, and whether the grantee is in compliance with the major requirements of the WtW grant.

Audit Scope and Methodology

Our audit included financial and program activities that occurred from January 4, 1999 through December 31, 2000. Our review of management controls was limited to financial management at the grantee level. We did not audit performance measurements at CEDA.

As part of our audit planning, we conducted a vulnerability assessment of the financial management, participant eligibility, cost allocation and procurement processes to determine if we could limit the audit procedures in any of these areas. As a result of the vulnerability assessment, we designed our sampling methodology. Our testing used judgmental sampling. We are not intending that our testing is a representative sample, nor are we projecting to the entire universe of financial transactions or participants. In addition, our selective testing was not designed to express an opinion on CEDA's QFSR.

Of the $3,101,140 claimed costs reported on the QFSR as of December 31, 2000, we selected 77 transactions for audit totaling $1,403,761. These transactions included staff salaries and fringe benefits, administrative expenditures, program costs, and service provider costs.

Although CEDA reported 700 participants on the QFSR as of December 31, 2000, we reviewed CEDA's MIS and determined the adjusted universe of participants served was 731. We then selected a sample of 60 participants – 30 enrolled before January 1, 2000 and 30 enrolled from January 1, 2000 through December 31, 2000. This was necessary because of a change in participant eligibility requirements, effective January 1, 2000.

During our audit, we reviewed compliance with the grant requirements and principal criteria cited on page 2.

As part of our audit, we interviewed CEDA officials. We also obtained and reviewed grantee policies and procedures, participant files, accounting records, and source documentation, such as contracts, invoices and payrolls to support claimed costs.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted fieldwork from April 23, 2001 to August 10, 2001, at the offices of CEDA.

Findings and Recommendations

1. Unallowable Costs

Our audit disclosed that CEDA claimed a total of $86,519 in unallowable costs.

According to OMB Circular A-122, Attachment A, Section A:

2. . . . To be allowable under an award, costs must meet the following general criteria:
   a. Be reasonable for the performance of the award and be allocable thereto under these principles. . . .
   g. Be adequately documented. . . .
4. Allocable costs.
   a. A cost is allocable to a particular cost objective…in accordance with the relative benefits received. . . .

A. <u>Contract Start-up Costs</u>

CEDA paid $38,914 in start-up costs to the Academic and Employment Training Corporation under a contract for a collaborative community-based employment program. These costs included rent, salaries and electronic equipment. CEDA WtW participants never received any services under this contract and no documentation was received to support these costs.

Since no services were received, these costs of $38,914 are not reasonable or allocable and, therefore, are not allowable.

CEDA officials concurred with our finding. They stated they have consulted their attorney and are pursuing legal action against the contractor.

B. <u>Cell Phones</u>

Our sample of financial transactions 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. Our audit showed that WtW was overcharged by $3,268 for these two months. WtW was charged for the full cost of cell phones for employees who only worked part-time on WtW, employees who did not work on WtW at all, and employees who had not yet started working on WtW at the time of the billing. Thus, these costs were not allocated in accordance with the relative benefits received.

CEDA officials concurred with our finding. They stated they 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 billing.

C. Supplemental Worker's Compensation

CEDA also allocated costs of $425 to WtW for a supplemental worker's compensation premium. This premium, although billed and paid during August and September 1999, was for the period July 31, 1997 through July 31, 1998. The WtW grant did not start until January 4, 1999. During our fieldwork, CEDA gave us documentation of a journal entry taking this cost out of the WtW account subsequent to our audit period.

CEDA officials concurred with our finding. They stated that CEDA is recalculating and adjusting all QFSR reports from the inception of their WtW program to the end date, December 31, 2001. In recalculating and completing revised QFSRs, CEDA will ensure that this cost is removed from the QFSR.

D. Computer Equipment

During our testing of financial transactions, we also noted a charge to WtW for $19,454 for computer equipment. The documentation supporting this expense clearly states that this equipment was for the WIC program, not WtW. CEDA also gave us documentation of a journal entry correcting this charge subsequent to our audit period.

CEDA officials concurred with our finding. They stated that in recalculating and completing revised QFSRs, CEDA will ensure that this cost is removed from the QFSR.

E. <u>Indirect Costs</u>

CEDA has been applying its approved indirect cost rate incorrectly. CEDA's indirect cost rate agreement, approved by the U.S. Department of Health and Human Services, contains a predetermined indirect cost rate of 9.7 percent. The agreement further states that the rate is to be applied to the total direct costs excluding capital expenditures. Capital expenditures are defined as buildings, individual items of equipment, alterations and renovations. Equipment is defined as an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost of $500 or more per unit. CEDA applied the indirect cost rate to the total direct costs for WtW without excluding the individual items of equipment. This overstates the indirect costs for the WtW grant.

Excluding the individual items of equipment, we recalculated the indirect costs through December 31, 2000, to be $249,754. This is $24,458 less than the $274,212 charged to the grant by CEDA, calculated as follows:

Questioned Indirect Costs

		Indirect Costs per Accounting Records as of 12/31/000	Difference - Questioned Cost
Total Direct Costs as of 12/31/00	$2,826,929		
Less Cost of Equipment as of 12/31/00	252,141		
Adjusted Base	$2,574,788		
Indirect Cost Rate	9.70%		
Indirect Cost Calculated per Audit	$249,754	$274,212	$24,458

CEDA officials concurred with our finding. They stated they 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.

Summary

In summary, we questioned a total of $86,519, as follows:

Reason Questioned	Part	Page	Questioned Costs
No Services Received	A	5	$38,914
Improper Allocation - Cell Phones	B	5	3,268
Improper Allocation - Indirect Costs	E	6	24,458
Subtotal			**$66,640**
Charges corrected by journal entry, which must be verified, or recovered:			
Costs Before Grant Period	C	6	425
Costs for Another Program	D	6	19,454
TOTAL			**$86,519**

Recommendation

We recommend that the Assistant Secretary for Employment and Training:

- recover questioned costs of $66,640;
- ensure that the correction of the $425 charge for a supplemental worker's compensation premium before the start of the grant is reflected in the QFSR, or recover $425;
- ensure that the correction of the $19,454 charge for computer equipment for the WIC program is reflected in the QFSR, or recover $19,454; and
- ensure that no additional overcharges to indirect costs have been made since December 31, 2000.

2. Incomplete Applications and Misclassified Participants

CEDA has not accurately reported the number of participants served. On the December 31, 2000, QFSR, CEDA reported a total of 700 participants served – 400 required beneficiaries (70 percent classification) and 300 other eligibles (30 percent classification).

20 CFR 645.240 (d) *Participant reports*, states:

> . . . Each grant recipient must submit participant reports to the Department. Participant data must be aggregate data, and, for most data elements, must be cumulative by fiscal year of appropriation.

At the start of our audit work, CEDA was unable to provide a printout of the participants from its Management Information System (MIS), due to technical difficulties. They then provided us with a spreadsheet and manual lists of participants from each of its centers, which were used to complete the QFSR. However, these did not match the numbers reported on the QFSR. After resolving its technical difficulties with the MIS and comparing the MIS with the center lists, CEDA provided a printout that showed the total number of participants served as of December 31, 2000 as 743. We found that there were 12 duplicate participants in the MIS bringing the total number down to 731 – 437 required beneficiaries and 294 other eligibles. CEDA indicated that they purposely underreported the number of participants to be conservative.

We used 731 as the universe of participants from which to select a sample of 60 participants to test eligibility – 30 enrolled before January 1, 2000 and 30 enrolled from January 1, 2000 through December 31, 2000. This was necessary because of a change in participant eligibility requirements effective January 1, 2000.

The eligibility testing disclosed 2 participants on the MIS who, although the IDHS referred them, never completed the application process. As a result, no services were provided to them and they should not be included in the MIS or on the QFSR as a participant served.

The eligibility testing also disclosed 12 participants on the MIS who were misclassified under the 70 percent participant classification and should have been under the 30 percent participant classification. Eleven of these 12 participants were enrolled prior to January 1, 2000, and 1 was enrolled after January 1, 2000.

The regulations at 20 CFR 645.212 (a) (2) effective prior to January 1, 2000, state in part that in order to be eligible under the 70 percent provision:

> . . . at least two of the three following barriers to employment must apply to the individual . . .

The regulations at 20 CFR 645.212 (a) (1) effective January 1, 2000 state in part that in order to be eligible under the 70 percent provision the individual:

> . . . is currently receiving TANF assistance under a State TANF program, and/or its predecessor program for at least 30 months. . . .

The files of the 11 participants enrolled prior to January 1, 2000, documented only one barrier to employment, while the file for the participant enrolled after January 1, 2000 documented receipt of TANF assistance but not for 30 months. Although these 12 participants did not meet the requirements for the 70 percent participant category, they did meet the requirements for the 30 percent participant category and should have been classified as such. As a result, the expenditures on the December 31, 2000, QFSR for the 70 percent participant category were overstated by $49,620, and the expenditures for the 30 percent participant category were understated by the same amount, calculated as follows:

Total Expenditures per 12/31/00 QFSR	$3,101,140
Less Questioned Costs (See Finding 1)	$86,519
Adjusted Expenditures	**$3,014,621**
Number of Participants (731 less 2 incomplete applications)	729
Average Cost per Participant	**$4,135**
Misclassified Participants	12
Misclassified Costs	**$49,620**

CEDA officials concurred with our finding. They stated CEDA will review the MIS to ensure its accuracy and will transfer the costs for the misclassified participants. CEDA notes that some of these individuals may have been enrolled under the 10 percent window provisions.

During our audit testing, we found no evidence of these participants being enrolled under the 10 percent window.

Recommendation

We recommend that the Assistant Secretary for Employment and Training direct CEDA to:

- report accurate participant numbers on the QFSR;
- ensure that the corrections for the duplicates, incomplete applications and misclassifications are corrected in their MIS and that the MIS is up-to-date and accurate; and
- transfer costs of $49,620 for the 12 misclassified participants from the 70 percent participant classification on the QFSR to the 30 percent participant classification.

3. Noncompliance with Grant Requirements

We found that CEDA did not comply with reporting and allocation requirements stipulated in the grant.

A. <u>Inaccurate QFSR Expenditure Allocations</u>

While we were able to reconcile total WtW expenditures on the December 31, 2000, QFSR to the financial records, individual categories of expenditures could not be reconciled. These included 70 percent and 30 percent expenditures, administrative expenditures, technology/computerization expenditures, and the program activity expenditures. A similar condition was noted in our post-award survey of CEDA and included in our report on the second round WtW competitive grants in September 1999.

The CEDA accounting system never incorporated the QFSR expenditures reporting requirements. These are important because of limitations on costs.

20 CFR 645.211 states:

> . . . may spend not more than 30 percent of the WtW funds allotted to or awarded to the operating entity to assist individuals who meet the "other eligibles" eligibility requirements. . . . The remaining funds allotted to or awarded to the operating entity are to be spent to benefit individuals who meet the "general eligibility" and/or "noncustodial parents" eligibility requirements. . . .

CEDA's accounting system did not track costs based on the 70/30 percent classification. Instead, the WtW Director completed the QFSR based on timesheets prepared by all full-time WtW employees and on her personal knowledge of the program. The timesheets are completed every 2 weeks and record the amount of time spent on the 70 percent and 30 percent classification participants and on the various program activities. Based on the last month of the quarter, the Director calculates the percentage of the total time that was spent on the two classifications of participants and allocates the total expenditures to the 70 and 30 percent classifications accordingly. Again, in order to report conservatively, as long as the percentage for the 70 percent category comes to at least 70 percent, the total expenditures are reported on a straight 70/30 percent basis rather than the actual percentage calculated from the timesheets.

These percentages were not always calculated correctly. For example, using the December 2000 timesheets that were provided to us, we calculated a 70/30 percent time split rather than the 72/28 percent split that the Director calculated.

By not using the timesheets for the entire quarter to allocate the expenditures and by not using the actual percentages calculated from the timesheets, CEDA is not accurately reporting the 70/30 percent category expenditures on the QFSR.

Moreover, each time the QFSR is completed, the total cumulative expenditures are reallocated based on the timesheets for the last month of the current quarter rather than allocating the current quarter's expenditures based on the timesheets for that quarter and adding that to the previous QFSR totals. Since the percentages may change from quarter to quarter, reallocating the total amount each time distorts the total amount expended for each classification.

In addition, CEDA did not properly allocate administrative costs. 20 CFR 645.235 (a) (2) states:

> The limitation on expenditures for administrative purposes under WtW competitive grants will be specified in the grant agreement but in no case shall the limitation be more than fifteen percent (15%) of the grant award.

20 CFR 645.235 (b) further states:

> The costs of administration are that allocable portion of necessary and allowable costs . . . for the administration of the WtW program and which are not related to the direct provision of services to participants. These costs can be both personnel and non-personnel and both direct and indirect.

The only cost that CEDA has reported on the QFSR under Federal Administrative Expenditures is the indirect costs allocated to the grant. Administrative costs should include other expenses, such as the salaries and related costs of staff performing oversight, coordination and monitoring responsibilities related to the WtW program. Therefore, CEDA has underreported the administrative expenditures and overstated the program expenditures.

Consequently, we are unable to determine if CEDA has exceeded the 15 percent administrative cost limit for our audit period.

CEDA officials concurred with our finding. They stated that in recalculating and completing revised QFSRs, CEDA will recalculate the 70/30 percent splits based on all timesheets for the quarter and add the amount to the previous quarter. In addition, CEDA will report all administrative expenditures.

B. Unsupported Salary Allocations

During our testing of payroll transactions we found that each CEDA employee has a Standing Payroll Order (SPO) on file that indicates what percentage of their salary is to be charged to the various CEDA programs. The SPO is entered into the payroll system and the salary costs are automatically allocated to the programs indicated on the SPO.

Attachment B.7.m of OMB Circular A-122 states:

> (1) . . . The distribution of salaries and wages to awards must be supported by personnel activity reports. . . .
>
> (2) (a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates . . . do not qualify as support for charges to the awards.

The SPOs for the WtW employees are based on estimates made by management of the amount of time the employee will be working on WtW. Because the SPOs are based on estimates, not after-the-fact activity reports, we have no assurance that the amount that was allocated for salaries reflects the amount of time that was actually worked on the program.

CEDA officials concurred with our finding and stated that salary allocations will be based on after-the-fact personnel activity reports.

Recommendation

We recommend that the Assistant Secretary for Employment and Training direct CEDA to:

- ensure that if the 70/30 percent classification allocation is to be based on timesheets, then timesheets for the entire quarter are used for the calculation, accurate documentation to support the allocation percentages is maintained, and the actual percentages that were calculated from the timesheets are used to complete the QFSR;
- allocate each quarter's expenses based on the percentages for that quarter only and add that amount to the previous QFSR to arrive at the amount for the current QFSR;
- report all administrative expenditures, not just the indirect costs, on the QFSR Federal Administrative Expenditures line; and
- base salary allocations on after-the-fact personnel activity reports rather than management estimates.

Appendix A

CEDA

Response to Draft Report

CEDA

Community and Economic Development Association of Cook County, Inc.
208 South LaSalle Street, Suite 1900, Chicago, Illinois 60604
312/207-5444 • Fax 312/795-1034

March 18, 2002

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 sited 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,

Robert L. Wharton
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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