

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

Audit of
Chicago Housing Authority
Welfare-to-Work Competitive Grant
Grant No. Y-7207-9-00-81-60
Interim Audit Period
January 4, 1999 through December 31, 2000

Audit Report No. 05-01-005-03-386
Date Issue: September 25, 2001

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Acronyms

AFDC	Aid to Families with Dependent Children
CBE	Chicago Board of Education
CFR	Code of Federal Regulations
CHA	Chicago Housing Authority
CPS	Chicago Public Schools
DOL	Department of Labor
ETA	Employment and Training Administration
IDHS	Illinois Department of Human Services
MIS	Management Information System
OMB	Office of Management and Budget
QFSR	Quarterly Financial Status Report
TANF	Temporary Assistance for Needy Families
WtW	Welfare-to-Work

Executive Summary

The U.S. Department of Labor (DOL), Office of Inspector General has completed an interim financial and compliance audit of the \$5,000,000 Welfare-to-Work (WtW) Competitive Grant awarded to the Chicago Housing Authority (CHA). The grant's original period of performance was January 4, 1999 through June 30, 2001, and was extended via a grant modification through December 31, 2001. Our interim audit period was from January 4, 1999 through December 31, 2000. As of December 31, 2000, CHA had claimed \$390,994 of expenditures in support of 109 WtW participants served. The cumulative Quarterly Financial Status Report (QFSR) is attached as Exhibit A.

The objective of this audit was to review the allowability of claimed cost and eligibility of WtW participants. The testing was not designed to express an opinion on the QFSR.

We identified five findings:

1. CHA does not have a Management Information System (MIS) in place to track the enrollment of participants in the WtW program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment. Further, when reviewing the documentation for the 109 participants reported, we identified only 92 participants served, excluding duplicates.
2. The eligibility testing revealed 4 missing participant files, 20 incomplete participant files, 7 ineligible participants, 3 misclassified participants, and 2 participants outside our audit period. In total, \$42,427 were questioned and \$11,571 were misclassified.
3. While we were able to reconcile total WtW expenditures on the December 31, 2000 Quarterly Financial Status Report (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 expenditure categories.
4. A payment of \$43,851 to the Chicago Board of Education/Chicago Public Schools for participant services lacked sufficient documentation to support the costs, the services provided and the participants served.

5. CHA did not follow its own, or Federal, procurement requirements for full and open competition.

We recommend that the Assistant Secretary for Employment and Training:

1. direct CHA to develop and maintain a MIS to track the enrollment of participants in the WtW program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment;
2. obtain support or disallow the questioned cost of \$15,428 for the four missing participant files and \$26,999 for the seven ineligible participants;
3. direct CHA, once they have a participant MIS in place and a system to track 70 percent and 30 percent category expenditures, to:
 - a. correct the participants database to reflect the 70 percent classification for the three misclassified participants, and
 - b. transfer \$11,571 from the 30 percent category to the 70 percent category expenditures accounts;
4. direct CHA to ensure they and their contractors have a process in place to ensure eligibility determinations are properly made and documented, including Temporary Assistance for Needy Families and other relevant information from the Illinois Department of Human Services;
5. direct the CHA to set up a system to ensure that CHA and all contractors identify 70 percent and 30 percent expenditures, administrative expenditures, technology/computerization expenditures, and the program activity expenditure categories. Once a system is in place, CHA needs to recalculate the expenditures charged to each individual line on the QFSR from the inception of the competitive grant;
6. obtain support from CHA for the claim of \$43,851, or disallow the cost; and
7. ensure that CHA complies with full and open competition when procuring goods and services under the WtW grant.

CHA officials generally concurred with our recommendations but took exception to our finding regarding three of the seven ineligible participants we identified. A complete copy of their response is attached 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 Welfare-to-Work (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.

Chicago Housing Authority's Competitive Grant

On January 4, 1999, the Chicago Housing Authority (CHA) received a 30-month WtW competitive grant in the amount of \$5,000,000. The period of performance was January 4, 1999 through June 30, 2001. The first grant modification was made on January 28, 2000, which extended the grant period to December 31, 2001, and considerably changed the agencies responsible for outreach and identification, as well as job readiness/employment service delivery. This was done with no additional funding. The second modification was made on September 6, 2000, which realigned the budget items and increased the consultant fee to \$450 per day.

The purpose of the grant was to provide services for a minimum of 900 TANF eligible recipients. The grant application stated that the objective was to focus on TANF recipients at Lawndale Gardens, Madden Park Homes, Stateway Gardens, Robert Taylor Homes,

Washington Park Homes and Ida B. Wells Home housing developments and the Chicago community area in which they are located.

Principal Criteria

In addition to the provisions of the Balanced Budget Act of 1997, the Department of Labor (DOL) issued regulations found in 20 CFR 645. Interim regulations were issued 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 was 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 entity, CHA 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 on the results of a postaward survey of 12 second-round competitive grantees. CHA 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).

This report is intended for the information of the U.S. Department of Labor, Employment and Training Administration (ETA) and CHA. However, upon issuance this report becomes a matter of public record and its distribution is unlimited.

Objective, Scope and Methodology

Objective	The objective of this audit was to review the allowability of claimed cost and eligibility of WtW participants.
Audit Scope and Methodology	<p>Our interim audit included program activities that occurred from January 4, 1999 through December 31, 2000.</p> <p>The extent of our audit testing was based on a vulnerability assessment of participant eligibility, financial management and selected categories of cost. We did not audit performance measurements.</p>

We audited claimed expenditures totaling \$390,994 reported on the QFSR of December 31, 2000 (Exhibit A). Using judgmental sampling techniques, we tested a limited number of transactions, including staff salaries and fringe benefits, administrative expenditures, technology costs, program costs and contractor costs. We also reviewed the grantee's procurement of contracts.

To test eligibility of the 109 participants served, as reported on the QFSR, we created two groups of participants – those enrolled before January 1, 2000, and those enrolled from January 1, 2000 through December 31, 2000. This was necessary because of a change in participant eligibility requirements, effective January 1, 2000. Using judgmental sampling techniques, we selected 19 participants that enrolled before January 1, 2000, and 11 participants that enrolled from January 1, 2000 through December 31, 2000. As part of our eligibility determination, we reviewed information provided by the Illinois Department of Human Services (IDHS) to determine whether each participant met TANF and/or Aid to Families with Dependent Children (AFDC) cash assistance requirements as of the date of WtW eligibility determination.

To accomplish the audit objectives, we interviewed grantee officials, and reviewed grantee policies and procedures, participant files, accounting records, and source documentation, such as contracts, invoices and payrolls to support claimed costs.

The results of our audit are listed in the Findings and Recommendations section, beginning on page 4.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted fieldwork from April 9, 2001 to July 26, 2001, at the offices of CHA.

Findings and Recommendations

1. No Management Information System

CHA does not have a Management Information System (MIS) in place to track the enrollment of participants in the WtW Program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment. As a result, CHA lacks a system for reporting participants served in the WtW program. Further, CHA was unable to provide a listing of the 109 participants reported on the December 31, 2000 QFSR.

Participant statistics
on QFSR unsupported

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.

Since CHA could not provide us with a list of the participants reported on the December 31, 2000 QFSR, we developed an audit universe from the various listings and information provided by CHA. The various listings only accounted for 108 of these 109 participants shown on the QFSR. Upon review of these listings we found 16 duplicate names which reduced the total number of participants served to 92. We also found that 20 of 92 participants files lacked the proper 70 percent and 30 percent classifications.

Recommendation:

We recommend that the Assistant Secretary for Employment and Training direct CHA to develop and maintain a MIS to track the enrollment of participants in the WtW Program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment.

Grantee Response:

CHA officials responded that CHA transferred responsibility for recruitment, enrollment and placement of participants to the Mayor's Office of Workforce Development (MOWD) in November 2000. MOWD has a MIS to track the enrollment of participants and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment.

Auditor's Conclusion:

We concur with CHA's plan to utilize the MOWD MIS for tracking participants. However, our recommendation cannot be closed until ETA verifies that CHA has fully implemented the MIS to include all participants reported by CHA since the inception of the grant.

2. Inadequate Participant Eligibility and Documentation

To test participant eligibility, we judgmentally selected a sample of 30 from our universe of 92 WtW participants. The universe was divided into two groups - 80 participants enrolled before January 1, 2000, and 12 participants enrolled from January 1, 2000 through December 31, 2000. This was necessary because of a change in participant eligibility requirements effective January 1, 2000. We selected a sample of 19 participants enrolled prior to January 1, 2000, and 11 participants enrolled from January 1, 2000 through December 31, 2000. The eligibility testing revealed 4 missing participant files, 20 incomplete participant files, 7 ineligible participants, 3 misclassified participants, and 2 participants whose actual enrollment dates were outside our audit period.

A. Missing Participant Files

4 missing files resulted in \$15,428 questioned cost
--

CHA was unable to locate four participant files selected in our sample of 19 participants enrolled before January 1, 2000.

20 CFR 645.214(b) states:

The operating entity must ensure that there are mechanisms in place to determine WtW eligibility for individuals who are receiving TANF assistance. . . .

20 CFR 645.214(c) states:

The operating entity must ensure that there are mechanisms in place to determine WtW eligibility for individuals who are not receiving TANF assistance (i.e., noncustodial parent . . . and individuals who have reached the time limit on receipt of TANF. . . .

The grantee indicated the files were misplaced. Without supporting documentation there is no way of determining whether the four participants were eligible for WtW. As a result, we are questioning \$15,428, as calculated on page 9.

B. Lack of TANF Information

20 incomplete files	Of the 26 participant files available for review in our sample, 20 lacked TANF/AFDC information from IDHS needed for verifying eligibility. Fourteen were enrolled before January 1, 2000, and 6 were enrolled from January 1, 2000 through December 31, 2000.
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Due to the lack of this critical information in participant files, we visited the IDHS office and obtained TANF/AFDC information in order to verify if participants were in fact eligible to participate in the WtW program. Our results are noted in Item C below.

20 CFR 645.214 (b) states:

The operating entity must ensure that there are mechanisms in place to determine WtW eligibility for individuals who are receiving TANF assistance. These mechanisms:

(1) Must include arrangements with the TANF agency to ensure that a WtW eligibility determination is based on information, current at the time of the WtW eligibility determination. . . .

20 CFR 645.214 (c) states:

The operating entity must ensure that there are mechanisms in place to determine WtW eligibility for individuals who have reached the time limit on the receipt of TANF. . . .

C. Ineligible Participants

7 ineligible participants resulted in \$26,999 questioned cost	We identified seven participants in our sample who CHA believed were on TANF and were enrolled in the program. Our analysis determined they were not receiving TANF at the time of enrollment and therefore were not eligible.
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Moreover, they were not noncustodial parents or other types of participants who would be eligible without receiving TANF assistance.

- Two participants were enrolled before January 1, 2000, and classified as *hard-to-employ (70%)*. 20 CFR 645.212(a)(1) requires these participants to meet the following requirement:

The individual is receiving TANF assistance. . . .

- Two participants were enrolled before January 1, 2000, and classified as *long-term welfare dependence (30%)*. 20 CFR 645.213(a)(1) requires these participants to meet the following requirement:

The individual is receiving TANF assistance. . . .

- Three participants were enrolled after January 1, 2000, and classified as *other eligibles (30%)*. 20 CFR 645.213(a) requires these participants to meet the following requirement:

Is currently receiving TANF assistance. . . .

We believe that the ineligible participants were served by CHA because they did not have an adequate information system to determine whether the participants were receiving TANF/AFDS benefits at the time of enrollment. Because we visited IDHS to obtain TANF information for the 20 files in our sample which lacked such information, we were able to verify the eligibility of 13 participants. However, since none of the seven remaining participants had been receiving TANF at the time of their enrollment, we determined they were ineligible. As a result, we are questioning \$26,999, as calculated on page 9.

D. Misclassified Participants

30 percent classification statistics and expenditures overstated

Our eligibility testing also disclosed three participants who were not properly classified. Two participants were *Long-term welfare dependents (30%)* enrolled before January 1, 2000, and one participant was classified as *Other Eligible (30%)* and enrolled from January 1, 2000 through December 31, 2000. The participants should have been classified as 70 percent participants.

CHA’s misclassifications overstated their accomplishments in the 30 percent category of participants served, while understating the results in the 70 percent category. The improper classification of costs caused the QFSR expenditures for each category to also be misstated.

We believe the misclassification occurred because the files lacked information documenting the amount of time the participants were receiving TANF and AFDC benefits. The information we obtained at the IDHS showed they received TANF for 30 or more months, long enough to qualify as 70 percent participants. As result of this misclassification, the 30 percent expenditures were overstated by \$11,571, as calculated on page 9.

E. Participants Outside Audit Period

2 participants eligible but were outside our audit period

We noted two participants in our sample who had enrollment dates after our audit period cut-off of December 31, 2000. Nevertheless, we tested eligibility of the participants and they were eligible.

The results of our sample of 30 participants show that during our audit period there was a problem with CHA’s eligibility determination and documentation. Of the 30 participants sampled, 4 participant files were missing, 20 participant files were incomplete, 7 participants were ineligible, 3 participants were misclassified and 2 participants were outside our audit period.

Since CHA had no way of tracking the costs associated with each of the participants, we calculated the average cost per participant as follows:

Calculation of Average Participant Cost

Total Reported Costs through 12/31/00	\$390,994
Less Questioned Costs - See Finding 4	43,851
Total Costs Attributable to Participants	\$347,143
Participant Universe on 12/31/00	90*
Average Cost Per Participant	\$3,857

* excluded the two participants enrolled after December 31, 2000 (See Finding 2E).

Summary of Questioned and Misclassified Costs

Questioned Costs:		
Item A.	Missing Participant Files (4 x \$3,857)	\$15,428
Item C.	Ineligible Participants (7 x \$3,857)	26,999
Total Questioned Costs		\$42,427

Misclassified Costs:		
Item D.	Misclassified participants as 30% category instead of 70% category (3 x \$3,857)	\$11,571

Recommendations:

We recommend that the Assistant Secretary for Employment and Training:

1. obtain support or disallow the questioned cost of \$15,428 for the four missing participant files and \$26,999 for the seven ineligible participants;
2. direct CHA, once they have a participant MIS in place and a system to track 70 percent and 30 percent category expenditures (see Findings 1 and 3), to:
 - a. correct the participant database to reflect the 70 percent classification for the three misclassified participants, and
 - b. transfer \$11,571 from the 30 percent category to the 70 percent category expenditures accounts; and
3. direct CHA to ensure they and their contractors have a process in place to ensure eligibility determinations are properly made and documented, including TANF and other relevant information from the IDHS.

Grantee Response:

CHA officials concur with our questioned cost of \$15,428 for four missing participant files. They will obtain support from the user department or return the questioned cost of \$15,428.

CHA officials concur with our additional questioned cost of \$15,428 for four of the seven ineligible participants we identified. They will obtain support from the user department or return the questioned cost of \$15,428. However, CHA believes that three of the seven participants we reported as ineligible because they were not receiving TANF at the time of enrollment are in fact eligible under the “Custodial Parent below Poverty Line” criteria.

CHA officials concur with our finding that three misclassified participants should have been classified as 70 percent participants. The participants will be reassigned to the 70 percent category when the MIS is in place, and the associated cost of \$11,571 will be transferred to the proper cost category.

CHA officials stated that they and their contractors will have a process in place to ensure participant eligibility determinations are properly made and documented.

Auditor's Conclusion:

We continue to question costs of \$15,428 for missing participant files until adequate documentation has been provided or QFSR reported expenditures have been properly reduced.

For three of the seven participants that we determined were ineligible because they were not receiving TANF, CHA contends they are eligible under the "Custodial Parent below Poverty Line" criteria. The supporting documentation in the participants' files (WtW Eligibility Criteria checklist) indicated the participants were determined eligible based on the fact that each was a "TANF recipient who has characteristics associated with long-term welfare dependency, or significant barriers to self-sufficiency as established by the Local Board." Our audit attempted to verify this determination and concluded that the participants were not receiving TANF. If these participants are eligible under other criteria, documentation should be provided to ETA during the audit resolution process to support this contention. We continue to question \$26,999 for all seven ineligible participants until adequate documentation has been provided or QFSR reported expenditures have been properly reduced.

We concur with CHA's planned actions to reassign the participants to the 70 percent category and transfer \$11,571 to the proper cost category. However, our recommendation cannot be closed until ETA verifies that CHA has fully implemented the required corrective actions.

We also concur with CHA's plan to have a process in place to ensure that participant eligibility determinations are properly made and documented. However, our recommendation cannot be closed until ETA verifies that CHA has fully implemented the required corrective actions.

3. QFSR Expenditure Detail Not Documented

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 expenditure categories.

No crosswalk from the general ledger to the QFSR

This condition was noted in our postaward survey of CHA and included in our report on the second round WtW competitive grants in September 1999. Yet, the grantee

could not provide a crosswalk that showed which expenditures in the general ledger were associated with 70 percent and 30 percent expenditures, administrative expenditures, technology/ computerization expenditures, and the program activity expenditure categories. As a result, it was not possible to reconcile expenditures to the financial records, except in total.

Since inception of this grant, CHA has had several grant administrators and current staff could not explain how the expenditures were broken down on the QFSR. In addition, the CHA 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 allocated to or awarded to the operating entity to assist individuals who meet the “other eligibles” eligibility requirements . . . The remaining funds allocated 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. . . .

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.

Recommendation:

We recommend that the Assistant Secretary for Employment and Training direct CHA to set up a system to ensure that CHA and all contractors identify 70 percent and 30 percent expenditures, administrative expenditures, technology/computerization expenditures, and the program activity expenditure categories. Once a system is in place, CHA needs to recalculate the expenditures charged to each individual line on the QFSR from the inception of the competitive grant.

Grantee Response:

CHA officials concur with our finding and responded that CHA will create an internal system that will monitor and calculate WtW expenditures. CHA will also coordinate with contractors to foster accurate reporting of expenditures. Once the system is in place, the QFSR will be updated.

Auditor's Conclusion:

We concur with this planned action and resolve this finding. However, our recommendation cannot be closed until ETA verifies that CHA has fully implemented the required corrective actions.

4. Insufficient Documentation of Contractor Costs

CHA contracted with the Chicago Board of Education (CBE)/Chicago Public Schools (CPS) to coordinate pre-GED and GED programs for participants. Our audit testing disclosed that

Insufficient documentation resulted in questioned cost of \$43,851

a claim in the amount of \$43,851 for these services lacked sufficient documentation to support the costs, the services provided and the participants served. The claim merely listed expenditure items, such as salaries, fringe benefits, supplies and other costs. Because the claim did not provide sufficient documentation, there was no breakdown

identifying the 70 percent and 30 percent participants served and their related costs. CHA provided us a list and attendance sheets for persons who attended Pre-GED training during 1999, but we have no way of knowing if these people were included in the \$43,851 reimbursement. Moreover, a number of persons listed were not WtW participants. CHA did not comply with the CBE/CPS contract provisions or Federal reporting requirements, as cited below.

The *Narrative Quarterly Activity Reporting Requirements*, cited on Exhibit B - Attachment A - Item 4 of the contract between CHA and CBE/CPS states, in part:

Data - this section should include the latest enrollment and expenditure data along with explanation for inconsistencies or changes. The data should be quantified and include the following: (1) Classification of individuals services, as defined by the DOL ETA Welfare-to-Work Grants . . . (2) Type of services provided for these individuals, such as intake assessment services, job placement services, job readiness services, post-employment services, case management, job retention services, and support services. (3) Outcome or progress of individuals as result of services performed.

The reporting requirements further state, in part, on Exhibit B - Attachment B:

. . . Expenditures by activity must be broken-down in accordance with the 70% minimum and 30% maximum requirement limitation. . . .

29 CFR 95.21(b), *Standards for financial management systems*, states in part:

Recipients' financial management systems shall provide for the following:

. . . (7) Accounting records including cost accounting records that are supported by source documentation.

Recommendation:

We recommend that the Assistant Secretary for Employment and Training obtain support from CHA for this claim, or disallow the cost of \$43,851.

Grantee Response:

CHA officials concur and will recoup this disallowed cost of \$43,851 from CBE/CPS if the contractor cannot verify services provided and participants served.

Auditor's Conclusion:

We continue to question \$43,851 for inadequately support contractor costs. Our recommendation cannot be closed until ETA verifies that CHA has fully implemented the required corrective actions.

5. Improper Procurement Procedures

3 equipment purchases didn't follow procurement requirements
--

CHA did not follow its own, nor Federal, procurement requirements, for full and open competition. We selected six equipment costs transactions for testing. We found that CHA did not obtain quotations for three Gateway computer purchases.

CHA used its current computer vendor and did not follow CHA requirements to solicit price quotations from at least three vendors. CHA's Procurement Procedures Manual in Section 1, Small Purchases 1.1(B) state:

For any and all small purchases in excess of \$2,500.00 but less than \$100,000.00, no fewer than three (3) vendors shall be solicited by the Purchasing Department to submit price quotations. . . .

In addition, 29 CFR 95.43, *Competition*, states in part:

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. . . .

Recommendation:

We recommend that the Assistant Secretary for Employment and Training ensure that CHA complies with full and open competition when procuring goods and services under the WtW grant.

Grantee Response:

CHA officials concur that they did not follow procurement requirement for full and open competition. CHA Grant Administration will ensure that CHA complies with all necessary requirements when procuring goods and services under the WtW grant.

Auditor's Conclusion:

We concur with this planned action and resolve this finding. However, our recommendation cannot be closed until ETA verifies that CHA has fully implemented the required corrective actions.

Exhibit A

U. S. DEPARTMENT OF LABOR .Employment and Training Administrative
WTW COMPETITIVE GRANT

Cumulative Quarterly Financial Status Report .ETA 9068-1

GRANT NO. Y72079008160	REPORTING PERIOD 12/31/2000	Date Submitted 02115/2001
Reporting Grantee Information	Grantee Contact Information	
Grantee Name: CHICAGO HOUSING AUTHORITY	Contact Name: Kimberlee Lewis	
Address: 626 WEST JACKSON BOULEVARD	Address: 916 S. Wabasha Suite 500	
City: CHICAGO State: IL Zip: 60661-5601	City: Chicago State: IL Zip: 60605	
	Phone: 312 674.4405	

FY 1999

Section I. GRANT TOTAL

1. Federal Grant	5000000
2. Federal Expenditures	390994
3. Federal Administrative Expenditures (15% Max)	104514
4. Federal Technology/Computerization Expenditures	16022
5. Expenditures ford	
a. REQUIRED BENEFICIARIES (70% Minimum)	140758
b. OTHER ELIGIBLES (30% Maximum)	250236
6. Unliquidated Obligations	
Section II. EXPENDITURES BY ACTIVITY	
7. Community Service	
8. Work Experience	
9. Job Creation Employment Wage Subsidies	
a. Public	
b. Private	
10. On-the-Job Training	
11. Job Readiness Services	
a. Vouchers	
b. Contracts	43851
12. Job Placement Services	
a. Vouchers	
b. Contracts	
13. Post Employment Services	
a. Vouchers	
b. Contracts	
14. Job Retention Services and Support Services	83391
15. Intake, Assessment, Eligibility Det. & Case Mgmt	143216
16. Total	270458

Section III. FEDERAL PROGRAM INCOME

17. Earned
18. Expended

Section IV. FEDERAL PARTICIPANT SUMMARY

19. Total Participants Served	
(1) Required Beneficiaries (70% of \$ Minimum)	39
(2) Other Eligibles (30% of \$ Maximum)	70
20. Total Participants Terminated	
(1) Required Beneficiaries (70% of \$ Minimum)	15
(2) Other Eligibles (30% of \$ Maximum)	1
21. Place in Unsubsidized Employment	
a. Great than or Equal to 30 Hours Per Week	
b. Less than 30 Hours Per Week	
22. Employed In Unsubsidized Employment When Entering WtW	
a. Great than or Equal to 30 Hours Per Week	
b. Less than 30 Hours Per Week	
23. Placed in Subsidized Employment	
a. Great than or Equal to 30 Hours Per Week	
b. Less than 30 Hours Per Week	
24. Retained 6 mos (2 qtrs) in Unsubsidized Employment	
25. Earnings gained in 6 mos (2 qtrs) following Placement In Unsubsidized Employment	
a. Sum of Earnings of those Retained In 2nd Subsequent Qtr. (2nd Qtr. following Base Qtr.)	
b. Sum of Earnings of Same Group in Base Qtr	

Section V. REMARKS

Grantee's Remarks:
This Is a revised report for December, 2000

ETA Accept By bdale
ETA Accept On 3/01/2001

Chicago Housing Authority
Response to Draft Report



CHICAGO HOUSING AUTHORITY

Sharon Gist Gilliam
Chairperson

Rahm Emanuel
Vice-Chairman

Board of Commissioners
Hallie Amey

Mamie Bone

Michael Darcy

Leticia Peralta Davis

Earnest Gates

Dr. Mildred Harris

Andrew Mooney

Sandra Young

Terry Peterson
Chief Executive Officer

Montel Gayles
Chief of Staff

G.A. Finch
General Counsel

September 14, 2001

Mr. Preston Firmin
Regional Inspector General for Audit
U.S. Department of Labor
Office of the Inspector General
230 S. Dearborn Street, Room 744
Chicago, IL 60604

**Re: Chicago Housing Authority Welfare-to-Work Competitive Grant # Y-7207-9-00-81-60
Response to U.S. Department of Labor Office of Inspector General Audit Report #05-01-005-03-386**

Dear Mr. Firmin:

Thank you for the opportunity to respond to the interim financial and compliance audit of the \$5,000,000 Welfare-to-Work (WtW) Competitive Grant awarded to the Chicago Housing Authority (CHA). We are glad to provide clarity about the Chicago Works Project and the improvements we have made to our original operations and procedures. We also appreciate the opportunity to point out items where we differ with the interpretations employed and conclusions drawn by the auditors.

DOL OIG Finding #1 - CHA does not have a Management Information System (MIS) in place to track the enrollment of participants in the WtW program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment.

CHA Response #1

In early 1999, the Chicago Housing Authority was charged with the direct service delivery of the Chicago Works Project. After HUD returned control of the CHA to the City of Chicago in June 1999, it was determined that all direct services will be outsourced to public and private contractors. As a result of this decision and in accordance with the CHA's "Plan for Transformation", the CHA has undergone a substantial reduction in workforce. Many of the people who were employed by the Authority when the Chicago Works Project was initially conceived are no longer associated with the CHA. As of November 2000, WtW direct service delivery responsibility was transferred from CHA to the Mayor's Office of Workforce Development (MOWD). MOWD is currently responsible for the recruitment, enrollment and placement of participants. MOWD uses an existing referral process with the Illinois Department of Human Services (IDHS) that has been effective in producing increased recruitment results.

Resolution - MOWD has a MIS system to track the enrollment of participants in the WtW Program and identify participants' 70 percent and 30 percent classifications, program activities and placement into unsubsidized employment (see Attachment A). CHA's remaining contractors (CPS, Haymarket and pending MOPD) currently recruit participants through referrals from MOWD sub-contractors. Subsequently, CPS, Haymarket, and MOPD (pending) each identify participants' 70 percent and 30 percent classifications, as well as program activities by way of MOWD's enrollment tracking system. The CHA Grant Manager will ensure coordination with and cooperation from contractors to foster accurate enrollment and placement data.

DOL OIG Finding #2 - *The eligibility testing revealed 4 missing participant files, 20 incomplete participant files, 7 ineligible participants, 3 misclassified participants, and 2 participants outside our audit period. In total, \$42,427 were questioned and \$11,571 were misclassified.*

CHA Response #2 -

A. Missing Participant Files (DOL OIG Recommendation - obtain support or disallow the questioned cost of \$15,428 for the four missing participant files).

The CHA underwent a substantial reduction in workforce and many of the employees who were here when the Chicago Works Project was initially conceived are no longer associated with the CHA. With the dissolution of many CHA departments during the transition, files were transported to various CHA sites and were unavailable for DOL OIG review.

Resolution - Source documentation has been requested from the CHA user department and will be provided to support the questioned cost of \$15,428. If source documentation is unavailable CHA Grant Administration will take the necessary corrective action to return disallowed participant expenditures.

B. Lack of TANF Information (DOL OIG Recommendation - direct CHA to ensure they and their contractors have a process in place to ensure eligibility determinations are properly made and documented, including TANF and other relevant information from IDHS.)

Resolution - CHA will ensure MOWD has a process in place to ensure eligibility determinations are properly made and documented. MOWD is currently responsible for the recruitment, enrollment and placement of participants. MOWD uses an existing referral process with the Illinois Department of Human Services (IDHS) that has been effective in producing increased recruitment results.

C. Ineligible Participants Files (DOL OIG Recommendation - obtain support or disallow the questioned cost of \$26,999 for the seven ineligible participants).

Resolution - For four of the seven ineligible participants (CHA) identified, source documentation has been requested from the CHA user department and will be provided to support the questioned cost of \$15,428. If source documentation is unavailable CHA Grant Administration will take the necessary corrective action to return disallowed ineligible participant expenditures of \$15,428.

DOL OIG Challenge - The remaining three participants (MOWD subcontractor - CareerWorks) reported as ineligible are in fact eligible under the "Custodial Parent below Poverty Line" criteria. This WtW eligibility criterion does not require the receipt of TANF.

D. Misclassified Participants (DOL OIG recommendation - correct the participant database to reflect the 70 percent classification for the three misclassified participants, and transfer \$11,571 from the 30 percent category expenditures accounts)

Resolution - Two individuals listed as “misclassified” by CHA will be properly reassigned to the appropriate 70/30 categories and the December 30, 2000 QSFR will be updated once the system is in place. CHA Grant Administration, in collaboration with ITS and Budget departments, will create an internal system that will monitor and calculate WtW expenditures. The remaining individual listed as “misclassified” under MOWD will be properly reassigned to their correct 70/30 categories. This revision will be reflected on the revised December 30, 2000 QSFR.

DOL OIG Finding #3 -While we were able to reconcile total WtW expenditures on the December 31, 2000 Quarterly Financial Status Report (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 expenditure categories.

CHA Response #3

Resolution – CHA Grant Administration in collaboration with ITS and Budget departments will create an internal system that will monitor and calculate total WtW expenditures. The CHA acknowledges that mistakes were made in reporting individual categories of expenditures in the December 30, 2000 QSFR. The QSFR will be updated once the system is in place to accurately calculate both 70 percent and 30 percent expenditures, administrative expenditures, technology/computerization expenditures and program categories. This will reconcile individual WtW expenditures.

MOWD’s current MIS system calculates 70 percent and 30 percent expenditures, administrative expenditures, technology/computerization expenditures and program activity expenditure categories per participant enrollment data (see Attachment A). CHA’s remaining contractors (CPS, Haymarket and pending MOPD) receive their participants from MOWD referrals. Therefore, these contractors capacity to calculate the aforementioned expenditures will be directed by MOWD’s system. The CHA Grant Manager will ensure coordination with and cooperation from contractors to foster accurate reporting of expenditures.

DOL OIG Finding #4 - A payment of \$43,851 to the Chicago Board of Education/Chicago Public Schools for participant services lacked sufficient documentation to support the costs, the services provided and the participants served.

CHA Response #4

Resolution – Source documentation has been requested of CPS contractor to verify costs (\$43,851), services provided and participants served. If CPS is unable to verify the items listed, the CHA will take the necessary corrective actions to recoup disallowed costs from CPS and return to DOL. Since January 2001, CPS receives participants from MOWD referrals. Therefore, CPS must rely upon MOWD’s enrollment and tracking data. As an additional monitoring measure, Grant Administration will increase ad-hoc site visits to CPS Pre-GED training sites to determine/verify services, costs and enrollments.

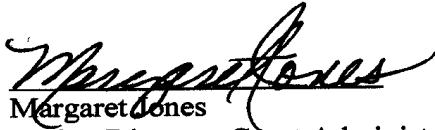
DOL OIG Finding #5 - CHA didn’t follow its own, nor Federal, procurement requirements for full and open competition.

CHA Response #5

The CHA was part of the agreement/contract between the City of Chicago and Gateway Computer. The City's Purchasing Department originally handled the computer procurement process. CHA did not attempt to replicate the procurement process. Grant Administration will ensure CHA complies with all necessary requirements when procuring goods and services under the WtW grant.

It is our sincere hope that this response will provide clarity on the enhanced direction of the CHA Chicago Works Project. We invite anyone with questions about the audit or our response to the Chicago Works Project, in general, to contact me at (312) 791-8500 extension 4012.

Sincerely,



Margaret Jones
Acting Director, Grant Administration

Cc: Todd Gomez, CHA
Ken Beaudry, CHA
Maggie Lockner, MOWD
Joan Wilson Epps, CPS

